

**THE CORPORATION OF THE
TOWN OF PARRY SOUND
Consolidated
Financial Statements
December 31, 2015**

**The Corporation Of The Town Of Parry Sound
Consolidated Financial Statements
For the year ended December 31, 2015**

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Independent Auditors' Report

To: The Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Parry Sound

We have audited the accompanying financial statements of The Corporation of the Town of Parry Sound, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Parry Sound as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants
Licensed Public Accountants

Parry Sound, Ontario
June 27, 2016

The Corporation Of The Town Of Parry Sound Consolidated Statement of Financial Position

December 31	2015	2014
Financial Assets		
Cash (Note 1)	\$ 18,420,286	\$ 17,694,130
Short-term investments (Note 2)	240,403	240,207
Taxes receivable	762,733	741,024
Accounts receivable	2,098,453	1,644,375
Inventories held for resale	61,930	74,931
Long-term receivables	77,427	122,041
Investment in Lakeland Holding (Note 4)	5,855,104	5,855,104
	27,516,336	26,371,812
Liabilities		
Temporary loans (Note 6)	1,600,000	-
Accounts payable and accrued liabilities	2,422,000	1,997,612
Accrued interest on debt	194,997	202,920
Deferred revenue - general	1,163,128	689,875
- obligatory reserve funds (Note 8)	130,026	128,630
Long-term debt (Note 10)	13,718,392	14,541,049
	19,228,543	17,560,086
Net financial assets	8,287,793	8,811,726
Non-financial assets		
Tangible capital assets (Note 5)	118,638,360	117,315,452
Prepaid expenses	323,988	379,715
	118,962,348	117,695,167
Accumulated Surplus (Note 11)	\$127,250,141	\$126,506,893

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation Of The Town Of Parry Sound Consolidated Statement of Operations

For the year ended December 31	2015	2015	2014
	Budget (Unaudited)		
Revenues			
Property taxation	\$ 9,198,485	\$ 9,201,334	\$ 8,643,807
Taxation from other governments	279,995	388,900	279,067
Revenue from other municipalities	3,801,437	3,800,165	3,690,651
User charges	6,590,939	6,653,331	6,965,288
Operating grants - Canada	26,348	50,811	40,028
- Ontario	6,446,493	6,664,792	6,381,761
Capital grants - Canada	508,526	371,680	358,526
- Ontario	2,082,378	1,332,553	2,296,472
Contributions from developers/property owners	-	10,417	24,382
Investment income	150,300	240,540	329,395
Penalties and interest on taxes/utilities	120,000	135,053	138,908
Donations	40,116	195,711	153,574
Fines (Note 13)	1,351,139	1,451,554	1,413,690
Other	12,700	5,426	8,907
Development income deferred	-	(1,396)	20,871
Gain on sale of land and capital assets	-	-	6,347
Dividend income - Lakeland Holding (Note 4)	156,000	179,318	78,050
Parry Sound Hydro net income (Note 4)	-	-	1,770,199
	30,764,856	30,680,189	32,599,923
Expenses (Note 16)			
General government	2,387,896	1,861,606	1,768,555
Protection to persons and property	4,366,064	4,533,340	4,699,785
Transportation services	4,210,216	4,449,730	4,238,820
Environmental services	5,648,891	5,792,563	5,446,268
Health services (Note 14)	8,700,271	8,732,218	8,127,430
Social and family services	466,757	459,382	447,998
Recreation and cultural services	3,411,415	3,502,746	3,375,746
Planning and development	594,181	605,356	583,122
	29,785,691	29,936,941	28,687,724
Annual surplus	979,165	743,248	3,912,199
Accumulated surplus, beginning of year	126,506,893	126,506,893	122,594,694
Accumulated surplus, end of year	\$127,486,058	\$127,250,141	\$126,506,893

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation Of The Town Of Parry Sound Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	2015	2015	2014
	Budget (Unaudited)		
Annual surplus	\$ 979,165	\$ 743,248	\$ 3,912,199
Acquisition of tangible capital assets	(8,021,475)	(6,579,475)	(5,325,769)
Amortization of tangible capital assets	4,485,268	4,749,777	4,756,756
Gain on sale of land and capital assets	-	-	(6,347)
Loss on disposal of tangible capital assets	-	450,335	164,525
Proceeds on sale of tangible capital assets	-	56,455	7,847
Change in prepaid expenses	-	55,727	(83,472)
Change in net financial assets	(2,557,042)	(523,933)	3,425,739
Net financial assets, beginning of year	8,811,726	8,811,726	5,385,987
Net financial assets, end of year	\$ 6,254,684	\$ 8,287,793	\$ 8,811,726

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Corporation Of The Town Of Parry Sound Consolidated Statement of Cash Flows

For the year ended December 31	2015	2014
Cash provided by (used in)		
Operating activities		
Annual surplus	\$ 743,248	\$ 3,912,199
Items not involving cash:		
Amortization	4,749,777	4,756,756
Gain on sale of land and capital assets	-	(6,347)
Loss on disposal of tangible capital assets	450,335	164,525
Gain on amalgamation of Parry Sound Hydro	-	(1,770,199)
Change in non-cash assets and liabilities:		
Taxes receivable	(21,709)	37,832
Accounts receivable	(454,078)	201,454
Inventories	13,001	(18,117)
Prepaid expenses	55,727	(83,472)
Long-term receivables	44,614	971
Accounts payable and accrued liabilities	416,465	205,924
Deferred revenue	474,649	(476,560)
	6,472,029	6,924,966
Capital activities		
Acquisition of tangible capital assets	(6,579,475)	(5,325,769)
Proceeds on disposal of tangible capital assets	56,455	7,847
	(6,523,020)	(5,317,922)
Investing activities		
Decrease (increase) in investments	(196)	500
Decrease (increase) in investment in Parry Sound Hydro	-	3,967,905
	(196)	3,968,405
Financing activities		
Issuance of long-term debt	22,714	-
Repayment of long-term debt	(845,371)	(833,998)
Temporary loans	1,600,000	-
	777,343	(833,998)
Net change in cash during the year	726,156	4,741,451
Cash, beginning of year	17,694,130	12,952,679
Cash, end of year	\$ 18,420,286	\$ 17,694,130

Supplementary Information

During the year, the Town paid cash interest in the amount of \$676,613 (2014 - \$709,316).

The Corporation Of The Town Of Parry Sound Summary of Significant Accounting Policies

December 31, 2015

Corporation	The Town of Parry Sound is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.
General	The consolidated financial statements of The Corporation of the Town of Parry Sound (the "Town") are the representation of management, and have been prepared in accordance with accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. Significant aspects of the accounting policies adopted by the Town are as follows:
Reporting Entity	<p>The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. These financial statements include:</p> <p style="padding-left: 40px;">Parry Sound Public Library Board Parry Sound Business Improvement Area Board</p> <p>Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.</p>
Trust Funds	Trust funds and their related operations administered by the Town are not included in these financial statements but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.
Accrual Basis of Accounting	The Town follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services. The statements necessarily include some amounts that are based on management's best estimates and careful judgments.
Accounting for School Board Transactions	The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the School Boards are not reflected in these consolidated financial statements.

The Corporation Of The Town Of Parry Sound Summary of Significant Accounting Policies

December 31, 2015

Investments Short-term investments consist of guaranteed investment certificates and are stated at the lower of cost and market value. The Town has a long-term investment in Lakeland Holding that is carried at cost (see Note 4).

Non-financial assets Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

i) Tangible Capital Assets Tangible capital assets are recorded at cost which included amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

	<u>Years</u>
Land improvements	20 - 50
Buildings and facilities	15 - 75
Fleet	5 - 20
Machinery and equipment	3 - 30
Infrastructure	
Transportation	15 - 80
Environmental	30 - 80

Annual amortization is based on the number of full months in use when charging in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of Tangible Capital Assets Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

iii) Intangible Assets Intangible assets and natural resources that have not been purchased are not recognized as assets in the financial statements.

iv) Interest Capitalization Interest costs attributable to financing up-front costs of the acquisition, construction or development of tangible capital assets are capitalized as part of the cost.

The Corporation Of The Town Of Parry Sound Summary of Significant Accounting Policies

December 31, 2015

v) Leases	Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.
vi) Inventories	Inventories held for resale are measured at the lower of cost and net realizable value, with cost being determined using the first in first out method.
Reserves and Reserve Funds	Certain amounts, as approved by Town Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.
Government Transfers	Government transfers, which include legislative grants, are recognized in the financial statements as revenues in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.
Workplace Safety and Insurance Compensation	The Town bears the cost of certain insurance and pension benefits awarded under the workplace and safety and insurance legislation and accrues the actuarially determined cost of these obligations.
Deferred Revenue	Deferred revenues represent user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.
Investment Income	Investment income earned is reported as revenue in the year earned. Investment income earned on development charge reserve funds is added to the fund balance and forms part of the deferred development revenue balance.
Use of Estimates	The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

The Corporation Of The Town Of Parry Sound Notes to Consolidated Financial Statements

December 31, 2015

1. Cash

Cash consists of:

	<u>2015</u>	<u>2014</u>
General accounts	\$ 12,143,637	\$ 11,682,729
Reserve Funds	6,143,683	5,857,771
Obligatory Reserve Funds	<u>132,966</u>	<u>153,630</u>
	<u>\$ 18,420,286</u>	<u>\$ 17,694,130</u>

2. Short-Term Investments

The investments are carried at cost and have a market value of \$240,403 (2013 - \$240,207) at the end of the year.

3. Operations of School Boards

During the year, requisitions were made by the Near North School Board, St. Peter's Roman Catholic School Board and Le Conseil requiring the Town to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	<u>2015</u>	<u>2014</u>
Property taxes	\$ 2,230,200	\$ 2,252,512
Payments in lieu of taxation	<u>57,420</u>	<u>57,952</u>
Amounts levied by Town	<u>\$ 2,287,620</u>	<u>\$ 2,310,464</u>
Amounts requisitioned plus supplementary taxes	<u>\$ 2,287,620</u>	<u>\$ 2,310,464</u>

The Corporation Of The Town Of Parry Sound Notes to Consolidated Financial Statements

December 31, 2015

4. Investment in Parry Sound Hydro/Lakeland Holding

In December 2013, the Town and Parry Sound Hydro Corporation (“Hydro”) entered into a merger agreement with Lakeland Holding Ltd (“Lakeland”), pending regulatory approval. In exchange for its 100% ownership of Hydro, the Town initially received 13.5% ownership of Lakeland (with a commitment to increase to 15.5% after rebuilding of the generation plant). The transaction received Ontario Energy Board approval on March 27, 2014 and the date of closing was June 30, 2014. As part of the merger agreement, the promissory notes of \$3,967,905 owed to the Town by Hydro were repaid by Lakeland. The effect of this transaction on the financial statements was the removal of the investment in Government Business Enterprises; a new investment in Lakeland is now recorded as a portfolio investment at cost of \$5,855,104 on the Statement of Financial Position. The cost of the shares is equal to the fair value of the shares of Parry Sound Hydro on July 1, 2014 as determined by Lakeland Holding Ltd and reported on their audited financial statements. The Town realized a gain of \$1,770,199 in 2014 on its shares of Parry Sound Hydro as a result of the amalgamation with Lakeland Holding and has reported this amount on the Statement of Operations. The Town received dividend income from Lakeland for the last 2 quarters of 2014 and for all 4 quarters of 2015 that is reported on the Statement of Operations.

The Corporation Of The Town Of Parry Sound Notes to Consolidated Financial Statements

December 31, 2015

5. Tangible Capital Assets

	2015	2014
	Net Book Value	Net Book Value
General		
Land	\$ 5,813,563	\$ 5,813,563
Land improvements	2,880,941	2,844,486
Buildings and facilities	44,948,077	46,239,736
Machinery and equipment	3,026,806	3,143,125
Fleet	3,156,693	2,922,943
Library books	76,200	75,947
Infrastructure		
Transportation	27,151,288	27,187,261
Environmental	27,226,845	26,850,137
Assets under construction	4,357,947	2,238,254
	\$118,638,360	\$117,315,452

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

Assets under construction have not been amortized. Amortization of these assets will commence when the asset is put into service.

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$ NIL (2014 - \$ NIL).

\$ NIL (\$NIL - 2014) in interest was capitalized to tangible capital assets during the year.

During the year there were no write-downs of assets (2014 - \$NIL).

6. Temporary Loans Payable

The Town issued a promissory note on December 15, 2015 to the Ontario Infrastructure and Lands Corporation in the amount of \$1,600,000. The advances received are interest bearing and were used for projects on College Drive, Forest Street and Hillcrest Avenue. In 2016 the advances were repaid with the proceeds from long-term debentures.

The Corporation Of The Town Of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2015

7. Bank Indebtedness

The Town's financial agreement with Scotiabank provides for an operating credit facility of up to \$4,000,000 to finance expenses, pending receipt of property taxes and other income. Interest on funds drawn is charged at the bank's prime rate less 0.25%. As at December 31, 2015, there was \$NIL (2014 - \$NIL) drawn on the operating credit facility.

8. Deferred Revenue - Obligatory Reserve Funds

A requirement of the public sector accounting principles of the Chartered Professional Accountants Canada is that obligatory reserve funds be reported as deferred revenue, since provincial legislation restricts how these funds may be used and, under certain circumstances, how these funds may be refunded. The balances in these funds are as follows:

	<u>2015</u>		<u>2014</u>
Development charges	\$ 17,529	\$	17,317
Subdivider contributions	<u>112,497</u>		<u>111,313</u>
	<u>\$ 130,026</u>	\$	<u>128,630</u>

9. Pension Agreements

The Town makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed to OMERS in 2015 was \$410,247 (2014 - \$380,878) for current services and is included as an expenditure on the Consolidated Statement of Operations.

Because OMERS is a multi-employer pension plan, any pension plan surplus or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of OMERS pension surplus or deficit. The most recent actuarial valuation of the Plan was conducted December 31, 2015 resulting in an actuarial deficit of \$6,977 million on \$81,924 million in total actuarial liabilities.

The Corporation Of The Town Of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2015

10. Long-term Debt

	<u>2015</u>	<u>2014</u>
Instalment Debentures issued to the Public on August 4, 2000 for construction of water filtration plant; refinanced on July 29, 2010; interest payable semi-annually at 1.50% per annum for first year, then rate increases annually to reach 6.70% by 2020; annual principal payments commencing at \$248,000. and increasing annually; matures on July 29, 2020.	\$ 1,493,000	\$ 1,762,000
Instalment Debentures issued to the Ontario Infrastructure Projects Corporation (OIPC) on December 15, 2006 for McDougall waterworks project; semi-annual payments of \$50,000 principal plus interest at 4.61% per annum; matures on December 15, 2026.	1,100,000	1,200,000
Instalment Debentures of \$5,000,000 issued to the OIPC on February 1, 2010 for rebuilding of wastewater treatment plant; semi-annual payments of \$62,500 principal plus interest @ 5.19% per annum; matures February 1, 2050.	4,312,500	4,437,500
Instalment Debentures issued to the OIPC on October 1, 2007 for reconstruction of Gibson St.; semi-annual payments of \$28,750 principal plus interest at 4.61% per annum; matures October 1, 2027.	690,005	747,505
Bank Loan - CIBC - advanced on May 17, 2007 for purchase of Smelter Wharf Port; monthly blended payments of \$3,063 including interest at 5.3%; matures May 17, 2017.	370,823	393,955
Instalment Debentures issued to the OIPC on December 15, 2008 for reconstruction of Riverdale Rd.; semi-annual payments of \$17,500 principal plus interest at 5.54% per annum; matures December 15, 2028.	455,000	490,000
Instalment Debentures issued to the OIPC on September 15, 2010 for the construction of new municipal offices and forcemains; semi-annual payments of \$50,000. principal plus interest @4.61% per annum; matures on September 15, 2050.	3,500,000	3,600,000

The Corporation Of The Town Of Parry Sound Notes to Consolidated Financial Statements

December 31, 2015

10. Long-term Debt continued...

	2015	2014
Instalment Debentures issued to the OIPC on September 15, 2010 mainly for the renovations to Bobby Orr Community Centre; semi-annual payments of \$58,750 principal plus interest @ 4.15% per annum; matures on September 16, 2030.	1,762,500	1,880,000
West Parry Sound Health Centre - refundable building permit; interest free; repayable over 10 years ending in 2016	15,045	30,089
Obligation under Capital Lease- Honda Canada - 60 monthly payments of \$408 including interest @ 2.99%; matures on March 15, 2020.	19,519	-
	\$ 13,718,392	\$ 14,541,049

The interest expense recorded on long-term liabilities in 2015 amounted to \$668,690 (2014 - \$709,082).

Principal repayments for the next five years and thereafter are as follows:

2016	\$ 856,790
2017	1,172,955
2018	836,642
2019	848,783
2020	858,219
2021 to 2025	2,675,002
2026 & thereafter	6,470,001
	\$ 13,718,392

The annual principal and interest payments required to service the long-term liabilities of the Town are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

The Corporation Of The Town Of Parry Sound Notes to Consolidated Financial Statements

December 31, 2015

11. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2015	2014
SURPLUS		
Invested in tangible capital assets	\$ 104,935,012	\$ 102,804,492
Other	20,538	884,341
Unfunded capital expenditures	(826,620)	(251,430)
Investment in Lakeland Holding Ltd.	5,855,104	5,855,104
	109,984,034	109,292,507
RESERVES set aside by Council		
Working capital	1,437,741	1,437,741
Tax rate stabilization	905,171	1,022,579
Transportation	375,612	85,637
Wastewater systems	1,788,342	1,682,440
Waterworks systems	3,590,905	3,152,611
Parks and recreation	392,814	215,553
Capital asset purposes	1,583,530	1,841,439
Other purposes	922,918	1,045,596
Library	2,000	7,000
Business Improvement Area	23,000	23,000
	11,022,033	10,513,596
RESERVE FUNDS set aside for specific purpose by Council		
Municipal parking	281,995	379,542
Wastewater and waterworks systems	182,151	172,118
Land ambulance services	2,439,416	2,276,349
Parks and recreation	76,072	43,589
Stockey Centre - Bobby Orr Hall of Fame	141,923	140,205
Capital asset purposes	2,459,335	3,004,362
Other purposes	409,842	425,254
Library bequest fund	253,340	259,371
	6,244,074	6,700,790
	\$ 127,250,141	\$ 126,506,893

12. Trust Funds

Trust funds administered by the Town amounting to \$276,574 (2014 - \$269,957) have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations. They are reported in a separate audited financial statement of trust fund balances and continuity.

The Corporation Of The Town Of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2015

13. Provincial Offences Administration (POA)

Effective November 15, 1999, the Town of Parry Sound has assumed the administration of the Provincial Offences Office at the Parry Sound Courthouse. The transfer of administration from the Ministry of Attorney General to the Town was a result of the Provincial Offences Act (POA) 1997, which provides the framework for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administrating and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

Balances arising from operations of the POA office have been consolidated with these financial statements effective from the November 15, 1999 assumption of this operation by the Town. The revenue of the court office consist of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Parry Sound court.

Offenders may pay their fines at any court office in Ontario, at which time their receipt is recorded in the Integrated Courts Operation Network System ("ICON") operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made.

For 2015 the revenues of the POA office were \$1,343,650 (2014 - \$1,296,592). The expenses of the POA office (before adjustments for amortization expense and capital asset additions) were \$1,352,708 (2014- \$1,297,055). The total fines revenue of \$1,451,554 on page 4 includes the Town's share of POA fines plus by-law fines and Library fines. The administration of the Provincial Offences Act is also disclosed in a separate financial statement issued by the Town.

14. Land Ambulance Administration

Effective January 1, 2001 the Town of Parry Sound has assumed administration of the land ambulance services for the Parry Sound District. The contracted provider is the West Parry Sound Health Centre.

For 2015 the Town approved a total budget of \$7,866,328 (2014 - \$7,692,658). The budget was financed by grants of \$4,426,090 (2014 - \$4,226,303) from the Ministry of Health and Long-term Care, by charges of \$3,603,001 (2014 - \$3,498,060) to municipalities and by reserve funds. The Town's share of municipal contributions was \$234,745 (2014 - \$228,976). The actual expenses for 2015 were \$7,894,621 (2014 - \$7,497,034).

The administration of the land ambulance services is consolidated in this financial report and is also disclosed in a separate financial statement issued by the Town.

The Corporation Of The Town Of Parry Sound Notes to Consolidated Financial Statements

December 31, 2015

15. Contributions to Unconsolidated Joint Boards

The following contributions were made by the Town of Parry Sound to these joint boards:

	<u>2015</u>	<u>2014</u>
Emergency 911 Committee	\$ 3,232	\$ 3,221
Parry Sound Area Municipal Airport Commission	10,000	10,000
North Bay Parry Sound Health Unit	179,967	175,564
District of Parry Sound Social Services Administration Board	334,881	336,445
Home for the Aged	121,001	108,053
Parry Sound Area Planning Board	7,000	6,000
Parry Sound Area Industrial Park Board	13,260	13,260
	<u>\$ 669,341</u>	<u>\$ 652,543</u>

The municipality is contingently liable for its share of any accumulated deficits as at the end of the year for these boards. As of our reporting date, the 2015 audited financial statements were not available for all of the boards and estimated surpluses (deficits) were not provided.

16. Classification of Expenses by Object

Total operating expenses for the year reported on the consolidated statement of operations are as follows:

	<u>2015</u>	<u>2014</u>
Salaries, wages & employee benefits	\$ 6,240,027	\$ 5,990,346
Materials	2,892,090	2,908,708
Contracted services	13,100,008	12,257,660
Rents and financial expenses	706,519	463,070
Interest on long-term debt	668,690	709,082
External transfers	1,579,830	1,602,102
Amortization	4,749,777	4,756,756
	<u>\$ 29,936,941</u>	<u>\$ 28,687,724</u>

The Corporation Of The Town Of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2015

17. Collateral Guarantee

The Town and other participating municipalities have provided to the Canadian Imperial Bank of Commerce guarantees for the long term loan owing of \$2,858,611 by Belvedere Heights Home for the Aged, based on their 1977 equalized assessments. The amount of the Town's guarantee is limited to \$439,969.

18. Contingent Liabilities

Appeals of the current value assessment of properties in the Town are an ongoing part of the municipal taxation process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.

From time to time, the Town is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. These claims may be covered by the Town's insurance. Liability for these claims and lawsuits is recorded to the extent that the probability of a loss is likely and it is estimable. With respect to claims at December 31, 2015, management believes that the Town has valid defences and appropriate and adequate insurance coverage in place. Therefore no amount has been accrued in the financial statements.

19. Segmented Information

The Corporation of the Town of Parry Sound is a diversified municipal government institution that provides a wide range of services to its citizens such as transit, fire and community services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

General government accounts for the revenues and expenses that relate to the operations of the Town itself and cannot be directly attributed to any specific segment.

Protection Services

Protection is comprised of policing, fire protection, protective inspection and control, emergency measures, and Provincial Offences Administration (see Note 13). The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. Inspection and control includes building inspection, by-law enforcement and animal control services.

The Corporation Of The Town Of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2015

19. Segmented Information continued...

Transportation Services

Transportation is responsible for the seasonal maintenance of roads, bridges, winter control, transit, parking and streetlighting.

Environmental Services

Environmental includes the operation of the wastewater infrastructure, storm sewer maintenance, the provision of water to its citizens, and the collection, disposal and diversion of solid waste.

Health Services

Included in health services is the maintenance and upkeep of the municipally controlled cemeteries and the Land Ambulance Administration (see Note 14).

Social and Family Services

This service area includes transfer to joint boards that provide general assistance, assistance to aged persons, child care and social housing.

Recreation and Cultural Services

This area operates recreation and cultural facilities and programs including parks, beaches, a transient marina, the Bobby Orr Community Centre and the Charles W. Stockey Centre for the Performing Arts / Bobby Orr Hall of Fame. Also, the Town provides library services to assist with its citizens' informational needs.

Planning and Development

This segment includes general planning and zoning services and review of all property development plans through its application process. Its also facilitate commercial and economic development in a variety of ways along with the operation of the Business Improvement Area.

The accounting policies of these segments are the same as those described in the summary of significant accounting policies. Certain revenue amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Property Taxation	allocate to each segment as necessary to fund its deficit for the year, with any short fall charged to General Government
Government Grant - OMPF	full amount allocated to Protection Services

The Corporation Of The Town Of Parry Sound Schedule of Tangible Capital Assets - SCHEDULE 1

For the year ended December 31

	Land	Land Improvements	Buildings and Facilities	Machinery and Equipment	Fleet	Library Books
Cost						
Balance, beginning of year	\$ 5,813,563	\$ 6,245,662	\$ 64,365,405	\$ 5,899,855	\$ 4,757,727	\$ 147,122
Additions	-	194,766	330,191	315,779	740,608	21,584
Disposals	-	(11,900)	-	(159,844)	(425,022)	(17,191)
Balance, end of year	5,813,563	6,428,528	64,695,596	6,055,790	5,073,313	151,515
Accumulated Amortization						
Balance, beginning of year	-	3,401,176	18,125,669	2,756,730	1,834,784	71,175
Amortization	-	158,311	1,621,850	432,098	424,720	21,331
Disposals	-	(11,900)	-	(159,844)	(342,884)	(17,191)
Balance, end of year	-	3,547,587	19,747,519	3,028,984	1,916,620	75,315
Net Book Value of Tangible Capital Assets	\$ 5,813,563	\$ 2,880,941	\$ 44,948,077	\$ 3,026,806	\$ 3,156,693	\$ 76,200

	Transportation Infrastructure	Environmental Infrastructure	Assets Under Construction	2015	2014
Cost					
Balance, beginning of year	\$ 57,751,426	\$ 35,310,713	\$ 2,238,254	\$ 182,529,727	\$ 178,047,178
Additions	1,949,309	907,545	2,119,693	6,579,475	5,325,769
Disposals	(839,844)	(99,885)	-	(1,553,686)	(843,220)
Balance, end of year	58,860,891	36,118,373	4,357,947	187,555,516	182,529,727
Accumulated Amortization					
Balance, beginning of year	30,564,165	8,460,576	-	65,214,275	61,134,714
Amortization	1,615,115	476,352	-	4,749,777	4,756,756
Disposals	(469,677)	(45,400)	-	(1,046,896)	(677,195)
Balance, end of year	31,709,603	8,891,528	-	68,917,156	65,214,275
Net Book Value of Tangible Capital Assets	\$ 27,151,288	\$ 27,226,845	\$ 4,357,947	\$ 118,638,360	\$ 117,315,452

The Corporation Of The Town Of Parry Sound Schedule of Segmented Information - SCHEDULE 2

For the year ended December 31

	General Government	Protection to persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreational and Cultural Services	Planning and Development	Total 2015
Revenues									
Property taxation	\$ 1,627,960	\$ 1,075,774	\$ 2,666,985	\$ 583,663	\$ 380,774	\$ 459,382	\$ 1,917,110	\$ 489,686	\$ 9,201,334
Taxation other governments	388,900	-	-	-	-	-	-	-	388,900
Other Municipalities	-	71,215	-	12,506	3,603,001	-	113,443	-	3,800,165
User charges	55,856	123,239	61,149	5,126,778	53,237	-	1,143,554	89,518	6,653,331
Government grants									
- Canada	-	-	358,526	-	-	-	44,502	19,463	422,491
- Ontario	2,160	28,248	1,370,570	48,198	4,678,772	-	84,497	-	6,212,445
- OMPF	-	1,784,900	-	-	-	-	-	-	1,784,900
Contributions from developers and property owners	-	-	-	7,892	-	-	-	2,525	10,417
Investment income	228,944	2,564	-	-	3,245	-	5,447	340	240,540
Penalties and interest	121,527	-	-	13,526	-	-	-	-	135,053
Donations	-	-	-	-	13,189	-	176,173	6,349	195,711
Fines	-	1,447,400	-	-	-	-	4,154	-	1,451,554
Other	2,000	-	-	-	-	-	3,426	-	5,426
Development income deferred	(1,811)	-	(7,500)	-	-	-	10,440	(2,525)	(1,396)
Gain on sale of land and capital assets	-	-	-	-	-	-	-	-	-
Dividend income - Lakeland Holding	179,318	-	-	-	-	-	-	-	179,318
	2,604,854	4,533,340	4,449,730	5,792,563	8,732,218	459,382	3,502,746	605,356	30,680,189
Expenses									
Salaries, wages & benefits	933,382	939,621	1,055,707	1,342,891	302,703	-	1,343,025	322,698	6,240,027
Materials	198,185	192,862	735,105	817,435	129,543	-	717,408	101,552	2,892,090
Contracted services	331,522	2,336,590	519,772	1,499,503	7,667,283	-	627,877	117,461	13,100,008
Rent and financial expenses	87,728	76,137	357,383	77,704	71,761	-	32,410	3,396	706,519
Interest on long-term debt	143,005	-	30,253	403,238	-	-	72,142	20,052	668,690
External transfers	36,904	826,138	10,000	-	179,967	459,382	47,179	20,260	1,579,830
Amortization	130,256	153,159	1,788,582	1,623,069	374,759	-	661,763	18,189	4,749,777
Inter-segment transfers	624	8,833	(47,072)	28,723	6,202	-	942	1,748	-
	1,861,606	4,533,340	4,449,730	5,792,563	8,732,218	459,382	3,502,746	605,356	29,936,941
Net surplus (deficit)	\$ 743,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 743,248

The Corporation Of The Town Of Parry Sound Schedule of Segmented Information - SCHEDULE 2

For the year ended December 31

	General Government	Protection to persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreational and Cultural Services	Planning and Development	Total 2014
Revenues									
Property taxation	\$ 2,858,980	\$ 1,058,354	\$ 1,771,297	\$ -	\$ 241,092	\$ 447,998	\$ 1,887,914	\$ 378,172	\$ 8,643,807
Taxation other governments	279,067	-	-	-	-	-	-	-	279,067
Other municipaliteis	-	74,037	5,500	12,332	3,498,060	-	100,722	-	3,690,651
User charges	88,753	246,607	147,113	5,122,325	62,308	-	1,099,087	199,095	6,965,288
Government grants									
- Canada	6,180	-	-	358,526	-	-	33,848	-	398,554
- Ontario	13,400	47,155	2,314,910	53,838	4,316,453	-	69,377	-	6,815,133
OMPf	-	1,863,100	-	-	-	-	-	-	1,863,100
Contributions from developers and property owners	-	-	-	21,882	-	-	-	2,500	24,382
Investment income	321,040	69	-	-	2,733	-	5,508	45	329,395
Penalties and interest	115,590	-	-	23,318	-	-	-	-	138,908
Donations	1,000	-	-	-	6,784	-	139,980	5,810	153,574
Fines	-	1,410,463	-	-	-	-	3,227	-	1,413,690
Other	4,171	-	-	-	-	-	4,736	-	8,907
Development income deferred	(1,629)	-	-	-	-	-	25,000	(2,500)	20,871
Gain on sale of land and capital assets	-	-	-	-	-	-	6,347	-	6,347
Dividwnd income - Lakland Holding	78,050	-	-	-	-	-	-	-	78,050
PS Hydro net income	1,770,199	-	-	-	-	-	-	-	1,770,199
	5,534,801	4,699,785	4,238,820	5,592,221	8,127,430	447,998	3,375,746	583,122	32,599,923
Expenses									
Salaries, wages & benefits	883,172	941,122	1,043,771	1,302,500	275,384	-	1,276,891	267,506	5,990,346
Materials	175,958	195,174	787,862	753,396	137,635	-	752,031	106,652	2,908,708
Contracted services	295,995	2,350,391	539,037	1,241,389	7,150,172	-	555,098	125,578	12,257,660
Rent and financial expenses	94,567	214,397	2,248	70,595	29,214	-	27,345	24,704	463,070
Interest on long-term debt	146,641	-	31,836	432,766	-	-	76,606	21,233	709,082
External transfers	39,034	857,814	10,000	-	185,564	447,998	42,432	19,260	1,602,102
Amortization	133,085	128,623	1,882,053	1,604,902	353,128	-	636,776	18,189	4,756,756
Inter-segment transfers	103	12,264	(57,987)	40,720	(3,667)	-	8,567	-	-
	1,768,555	4,699,785	4,238,820	5,446,268	8,127,430	447,998	3,375,746	583,122	28,687,724
Net surplus (deficit)	\$ 3,766,246	\$ -	\$ -	\$ 145,953	\$ -	\$ -	\$ -	\$ -	\$ 3,912,199