



## **Annual Investment Report**

**Fiscal Year 2016**

**Alternative Formats Available**

## 1 Introduction

In January 2015, the Town of Parry Sound reviewed and revised its Investment Policy. This policy requires that the Treasurer for the Town reports to Council on an annual basis by June 30<sup>th</sup> the state of the Town's investments.

## 2 Securities Held

The individual securities of held by the Town consist of:

- Bank accounts held with Canadian chartered banks (Bank of Nova Scotia)
- Loan to the West Parry Sound District Museum
- Investment in Lakeland Holdings Inc.
- Guaranteed Investment Certificates (GICs) held with CIBC Woodgundy

The interest rate for the Town's bank account has been 1.05% since December 2015. Prior to that, the interest rate was 1.2% from September 2015 to December 2015.

Investments not held with the chartered banks are not easily liquidated to cash to meet the current needs of the municipality; however, the return is higher.

## 3 Realized and Unrealized Gains

Investments, held at December 31, 2016, which are either cash, loans, or an investment in a non-traded company (Lakeland Holdings), have no unrealized gains resulting from these investments.

An unrealized gain is a result of the increase in the market value of an investment which could be realized if the investment was sold. For example, if you purchased shares in BCE for \$1/share and it is now worth \$2/share you have an unrealized gain of \$1; however, you don't have that extra money until you sell your share and realize the gain.



Interest accrued on the GICs held is assumed to approximate the market value, therefore this has been recorded as investment income and has been recorded as an increase in the balance of the investment.

## 4 Portfolio Mix

The Town's investment portfolio is represented as follows:

<b>Instrument</b>	<b>Dollar Value</b>	<b>% of Portfolio</b>
<b>Bank Accounts</b>	\$15,083,028	64.3%
<b>Guaranteed Investment Certificates</b>	2,507,866	10.7%
<b>Loan to West Parry Sound District Museum</b>	24,925	0.1%
<b>Investment in Lakeland Holdings Inc.</b>	5,855,104	24.9%

The Town has established target ranges for duration of investment as follows

- 20% to 100% of portfolio are liquid in less than 90 days
- 30% to 100% of portfolio is liquid in less than 1 year
- 0% to 60% of portfolio is liquid from 1 year to 5 years
- 0% to 40% of portfolio is liquid from 5 years to 10 years
- 0% to 20% of portfolio is liquid from 10 years to 20 years

The Town's current mix is in line with these targets. All GICs are due within 5 years, and the total GIC investment is less than 60% of the Town's investment portfolio. It is not anticipated that any sale of the Lakeland Holdings Investment would take longer than 10 years to complete, therefore this investment is also in line with the threshold.

The Bank account balance consists of:

- \$9,200,993 in the general operating bank account which includes the general fund and the reserves (NOT reserve funds);

- \$276,349 held in trust for cemeteries and memorial gardens; and
- \$5,605,686 held in reserve funds.

The Guaranteed Investment Certificates were purchased on October 26, 2016 and consist of:

Description	Maturity Date	Investment Cost	Interest Rate
<b>CIBC GIC</b>	October 26, 2017	\$500,000	1.450%
<b>Laurentian Bank GIC</b>	October 26, 2018	500,000	1.650%
<b>Laurentian Bank GIC</b>	October 26, 2019	500,000	1.750%
<b>Canadian Western Bank GIC</b>	October 26, 2020	500,000	1.900%
<b>Canadian Western Bank GIC</b>	October 26, 2021	500,000	1.950%

The annual interest from October 2016 to October 2017 is \$43,500, this is approximately \$17,170 in additional interest compared to if the funds were held in the bank account. The use of a laddered approach ensures that annually funds are maturing, so if the Town requires these funds for a project they can be redeemed, otherwise they are reinvested for another 5 years. Previously, the Town has only utilized the bank accounts for investments.

The loan to the West Parry Sound District Museum has no fixed terms of repayment. During 2016, the museum repaid \$75 of the principal of the loan.

## 5 Portfolio Summary

The Town’s portfolio consists of general funds, trust funds, reserve funds and other investments.

### 5.1 General Fund

Investments included in the general fund consist of:

<b>Investment</b>	<b>Balance at December 31</b>	<b>2016 Investment Income</b>
<b>Bank Account – Scotiabank</b>	\$9,200,993	\$139,915
<b>GIC Investments – CIBC Woodgundy</b>	2,507,866	7,866

### 5.2 Trust Funds

Investments included in the trust funds are not available for general Town use and consist of:

<b>Investment</b>	<b>Balance at December 31</b>	<b>2016 Investment Income</b>
<b>Sylvan Acres Cemetery</b>	\$163,514	\$1,707
<b>Hillcrest Cemetery</b>	111,223	1,161
<b>Trinity Memorial Garden</b>	1,612	0

### 5.3 Reserve Funds

Investments included in reserve funds may not be available for general Town use as a result of contractual obligations or legislative restrictions. Investments consist of:

<b>Investment</b>	<b>Balance at December 31</b>	<b>2016 Investment Income</b>
<b>Capital Asset Legacy Fund</b>	\$2,080,303	\$26,991
<b>Capital Replacement Reserve Fund</b>	395,502	1,917

Investment	Balance at December 31	2016 Investment Income
Lot Levy	86,331	901
Development Charges	17,714	185
Waterworks	95,413	988
Municipal Property and Parkland	121,540	1,229
Parking	149,352	3,636
Sewer Development	92,022	953
Pool – In Trust	44,588	466
Land Ambulance – Severances	541,824	5,598
Land Ambulance – Cross Border	1,029,797	11,374
Land Ambulance – Capital	437,398	8,494
Fire Training	7,551	79
WPS Association	1,414	15
Smelter Wharf	321,939	2,553
Bobby Orr Hall of Fame	143,420	1,497
Treetops Community Forest	2,723	702
Public Transit Gas Tax	36,855	568

#### 5.4 Other Investments

Other investments are not cash equivalents, they consist of:

Investment	Balance at December 31	2016 Investment Income
Loan to West Parry Sound District Museum	\$24,925	\$424
Investment in Lakeland Holdings Ltd.	5,855,104	219,414



## 6 Statement of Compliance

In my opinion, all investments were made in accordance with the investment policies and goals adopted by the Town of Parry Sound and are in compliance with the Municipal Act.