



TOWN OF  
*Parry Sound*

**Consolidated Financial Statements**

**For the year ending December 31, 2019**

# Corporation of the Town of Parry Sound

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## Independent Auditor's Report

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To the Mayor and Councilors of The Corporation of the Town of Parry Sound

### Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Parry Sound ("the Town"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of operations and accumulated surplus, the consolidated statement of change in net financial assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2019, and its consolidated results of operations, its consolidated change in net financial assets and, its consolidated cash flows for the year then ended in accordance Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Town's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

July 21, 2020

Barrie, Ontario

**Corporation of the Town of Parry Sound  
Consolidated Statement of Financial Position**

| <b>December 31</b>                                   | <b>2019</b>          | <b>2018</b>          |
|--|----------------------|----------------------|
| <b>Financial assets</b>                              |                      |                      |
| Cash and cash equivalents (Note 2)                   | \$ 14,838,900        | \$ 9,893,559         |
| Short term investments (Note 3)                      | 5,041,468            | 5,034,619            |
| Taxes receivable (net of \$441,278 allowance)        | 780,784              | 536,943              |
| Accounts receivable                                  | 2,344,975            | 2,421,106            |
| Inventories held for resale                          | 69,696               | 63,495               |
| Long-term receivables                                | 66,535               | 66,775               |
| Investment in Lakeland Holding (Note 4)              | 5,855,104            | 5,855,104            |
|  | <b>28,997,462</b>    | <b>23,871,601</b>    |
| <b>Liabilities</b>                                   |                      |                      |
| Accounts payable and accrued liabilities             | 2,895,263            | 2,731,402            |
| Accrued Interest on debt                             | 223,895              | 179,171              |
| WSIB future benefits liability (Note 6)              | 321,400              | 301,900              |
| Deferred revenue - general (Note 8)                  | 697,057              | 755,278              |
| Deferred revenue - obligatory reserve funds (Note 9) | 778,632              | 335,905              |
| Long-term debt (Note 10)                             | 18,136,313           | 13,022,164           |
|  | <b>23,052,560</b>    | <b>17,325,820</b>    |
| <b>Net financial assets</b>                          | <b>5,944,902</b>     | <b>6,545,781</b>     |
| <b>Non-financial assets</b>                          |                      |                      |
| Tangible capital assets (Note 14)                    | 130,285,252          | 126,295,872          |
| Prepaid expenses                                     | 635,624              | 757,134              |
|  | <b>130,920,876</b>   | <b>127,053,006</b>   |
| <b>Accumulated surplus (Note 15)</b>                 | <b>\$136,865,778</b> | <b>\$133,598,787</b> |
| <b>Contingent liabilities (Note 11)</b>              |                      |                      |
| <b>Commitments (Note 12)</b>                         |                      |                      |
| <b>Subsequent Events (Note 21)</b>                   |                      |                      |

The accompanying notes are an integral part of these consolidated financial statements.

**Corporation of the Town of Parry Sound**  
**Consolidated Statement of Operations and Accumulated Surplus**

| <b>For the Year Ended December 31</b>             | <b>Budget<br/>2019<br/>(Note 20)</b> | <b>2019</b>          | <b>2018</b>          |
|---|--------------------------------------|----------------------|----------------------|
| <b>Revenue</b>                                    |                                      |                      |                      |
| Property Taxation (Note 16)                       | \$ 10,978,182                        | \$ 11,080,753        | \$ 10,679,031        |
| Taxation from other governments                   | 333,517                              | 424,219              | 333,918              |
| Revenue from other municipalities (Note 19)       | 3,976,419                            | 4,111,073            | 3,901,175            |
| User charges                                      | 7,268,555                            | 7,838,459            | 7,577,096            |
| Government grants - Federal                       | 30,000                               | 455,836              | 1,467,061            |
| Government grants - Provincial (Note 19)          | 7,325,617                            | 9,455,666            | 8,646,813            |
| Investment income                                 | 286,871                              | 413,729              | 301,296              |
| Penalties and interest on taxes/utilities         | 132,900                              | 173,016              | 137,639              |
| Donations   | 87,502                               | 248,860              | 191,656              |
| Fines (Note 18)                                   | 1,302,700                            | 970,935              | 1,150,595            |
| Other   | 5,800                                | 5,774                | 4,444                |
| Dividend income - Lakeland Holding (Note 4)       | 311,400                              | 311,400              | 294,878              |
|   | <b>32,039,463</b>                    | <b>35,489,720</b>    | <b>34,685,602</b>    |
| <b>Expenses</b>                                   |                                      |                      |                      |
| General government                                | 2,576,475                            | 2,020,750            | 2,418,960            |
| Protection services (Note 18)                     | 4,582,057                            | 4,356,675            | 4,412,954            |
| Transportation services                           | 4,590,496                            | 4,613,044            | 4,296,141            |
| Environmental services                            | 6,481,177                            | 6,313,812            | 6,240,653            |
| Health services (Note 19)                         | 9,613,590                            | 9,719,309            | 9,297,755            |
| Social and family services                        | 460,896                              | 460,895              | 461,249              |
| Recreation and cultural services                  | 3,813,972                            | 4,103,172            | 4,028,316            |
| Planning and development                          | 706,468                              | 635,072              | 830,842              |
|   | <b>32,825,131</b>                    | <b>32,222,729</b>    | <b>31,986,870</b>    |
| <b>Annual Surplus</b>                             | <b>(785,668)</b>                     | <b>3,266,991</b>     | <b>2,698,732</b>     |
| <b>Accumulated surplus, beginning of the year</b> | <b>133,598,787</b>                   | <b>133,598,787</b>   | <b>130,900,055</b>   |
| <b>Accumulated surplus, end of the year</b>       | <b>\$132,813,119</b>                 | <b>\$136,865,778</b> | <b>\$133,598,787</b> |

The accompanying notes are an integral part of these consolidated financial statements.

**Corporation of the Town of Parry Sound  
Consolidated Statement of Change in Net Financial Assets**

| <b>For the Year Ended December 31</b>              | <b>Budget<br/>2019<br/>(Note 20)</b> | <b>2019</b>                | <b>2018</b>         |
|--|--------------------------------------|----------------------------|---------------------|
| <b>Annual Surplus</b>                              | \$ (785,668)                         | \$ 3,266,991               | \$ 2,698,732        |
| Acquisition of tangible capital assets             | -                                    | <b>(9,716,689)</b>         | (8,016,485)         |
| Amortization of tangible assets                    | 5,069,997                            | <b>5,378,331</b>           | 5,250,764           |
| Loss on disposal of tangible capital assets        | 26,000                               | <b>246,548</b>             | 295,958             |
| Proceeds on sale of tangible capital assets        | -                                    | <b>102,430</b>             | 56,518              |
|  | <u>4,310,329</u>                     | <u><b>(722,389)</b></u>    | <u>285,487</u>      |
| Use (Acquisition) of prepaid expenses              | -                                    | <b>121,510</b>             | (460,760)           |
| <b>Net change in net financial assets</b>          | 4,310,329                            | <b>(600,879)</b>           | (175,273)           |
| <b>Net financial assets, beginning of the year</b> | 6,545,781                            | <b>6,545,781</b>           | 6,721,054           |
| <b>Net financial assets, end of the year</b>       | <u>\$ 10,856,110</u>                 | <u>\$ <b>5,944,902</b></u> | <u>\$ 6,545,781</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**Corporation of the Town of Parry Sound  
Consolidated Statement of Cash Flows**

| <b>For the Year Ended December 31</b>                              | <b>2019</b>          | <b>2018</b>         |
|--|----------------------|---------------------|
| <b>Operating transactions</b>                                      |                      |                     |
| Annual surplus   | \$ 3,266,991         | \$ 2,698,732        |
| Items not involving cash   |                      |                     |
| Amortization   | 5,378,331            | 5,250,764           |
| Loss on disposal of tangible capital assets                        | 246,548              | 295,958             |
| Changes in non-cash operating balances                             |                      |                     |
| Taxes receivable   | (243,841)            | (114,406)           |
| Accounts receivable  | 76,131               | 947,265             |
| Inventories  | (6,201)              | (16,018)            |
| Prepaid expenses   | 121,510              | (460,760)           |
| Long-term receivables  | 240                  | 10,983              |
| Accounts payable, accrued liabilities and accrued interest on debt | 208,585              | (936,725)           |
| Workplace safety insurance future benefits liability               | 19,500               | 18,400              |
| Deferred revenue   | (58,221)             | 326,850             |
| Deferred revenue - obligatory reserve funds                        | 442,727              | (224,383)           |
|  | <u>9,452,300</u>     | <u>7,796,660</u>    |
| <b>Capital transactions</b>  |                      |                     |
| Acquisition of tangible capital assets                             | (9,716,689)          | (8,016,485)         |
| Proceeds on sale of tangible capital assets                        | 102,430              | 56,518              |
|  | <u>(9,614,259)</u>   | <u>(7,959,967)</u>  |
| <b>Investing transactions</b>                                      |                      |                     |
| Decrease (Increase) in short term investments                      | (6,849)              | 1,254,758           |
| <b>Financing transactions</b>                                      |                      |                     |
| Proceeds from issuance of long-term debt                           | 6,173,667            | -                   |
| Repayment of long-term debt  | (1,059,518)          | (1,003,027)         |
|  | <u>5,114,149</u>     | <u>(1,003,027)</u>  |
| <b>Net change in cash and cash equivalents</b>                     | <b>4,945,341</b>     | <b>88,424</b>       |
| <b>Cash and cash equivalents, beginning of the year</b>            | <b>9,893,559</b>     | <b>9,805,135</b>    |
| <b>Cash and cash equivalents, end of the year</b>                  | <b>\$ 14,838,900</b> | <b>\$ 9,893,559</b> |

The accompanying notes are an integral part of these consolidated financial statements.



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# Corporation of the Town of Parry Sound

## Notes to Consolidated Financial Statements

December 31, 2019

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### 1. Significant Accounting Policies

#### Management's Responsibility for the Financial Statements

The consolidated financial statements of The Corporation of the Town of Parry Sound (the "Town") are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The Town is a municipality in the Province of Ontario, Canada. It conducts its operations guided by provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation. The Town provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

#### Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue, expenses and surplus of the reporting entity. The reporting entities comprised of all organizations, committees and boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. In addition to the general government tax supported operations, the larger enterprise includes the following:

- Administration of Land Ambulance Services
- Administration of The Provincial Offences Act
- Parry Sound Public Library Board
- Parry Sound Business Improvement Area Board

All inter-departmental and inter-organizational transactions and balances have been eliminated.

#### Basis of Accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenues; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred, or transfers are due.

#### Portfolio Investments

Portfolio investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

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**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

December 31, 2019

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**1. Significant Accounting Policies (continued)**

**Short Term Investments**

Short term investments are recorded at lower of cost and market value.

**Reserves and Reserve Funds**

Certain amounts, as approved by a Council, are set aside in reserves and reserve funds for future operations and capital purposes. Further disclosure of the amounts are part of accumulated surplus in Note 15 of the consolidated financial statements.

**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 Balances and Continuity.

**Cash and Cash Equivalents**

Management considers all highly liquid investments with maturity of three months or less to be cash equivalents.

**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.

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# Corporation of the Town of Parry Sound

## Notes to Consolidated Financial Statements

December 31, 2019

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### 1. Significant Accounting Policies (continued)

#### **Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

|                               |                |
|-------------------------------|----------------|
| Land improvements             | 20 to 50 years |
| Buildings and facilities      | 15 to 75 years |
| Fleet                         | 5 to 20 years  |
| Machinery and equipment       | 3 to 30 years  |
| Transportation infrastructure | 15 to 80 years |
| Environmental infrastructures | 30 to 80 years |
| Library Books                 | 7 years        |

#### **Tangible Capital Assets Under Construction**

Tangible capital assets under construction are recorded at cost. When construction is completed, the tangible capital asset under construction will be transferred to tangible capital assets and amortized based on its classification.

#### **Contributed Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at their fair market value at the date the Town assumes ownership and recorded as revenue.

#### **Leases**

Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership or property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charges to expense as incurred.

#### **Collection of Taxes on Behalf of Other Taxation Authorities**

The Town collects taxation revenue on behalf of the school boards. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements.

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# Corporation of the Town of Parry Sound

## Notes to Consolidated Financial Statements

December 31, 2019

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### 1. Significant Accounting Policies (continued)

#### **Pension Plan**

The Town is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of assets and administration of the benefits. The Town has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Town records as pension expense the amount paid to OMERS during the year plus any amounts owing to OMERS for the year ended.

#### **Deferred Revenue**

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

#### **Government Transfers**

Revenue is recognized when the transfer is authorized, and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

#### **Revenue Recognition**

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Sales of service and other revenue is recognized on an accrual basis, when services have been rendered.

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# Corporation of the Town of Parry Sound

## Notes to Consolidated Financial Statements

December 31, 2019

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### 1. Significant Accounting Policies (continued)

#### Revenue Recognition (continued)

Investment income is reported as revenue in the year earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred revenue balance.

POA fine revenue is recognized on a cash basis when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made. This is because until cash is received there is considerable uncertainty around collection.

Grants are recognized as revenue when approved, to the extent the related expenses have been incurred and collection can be reasonably assured.

#### Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Town is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

#### Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements include the useful life and valuation of tangible capital assets, and contributed tangible capital assets, and significant accruals, including WSIB obligation. Actual results could differ from management's best estimates as additional information becomes available in the future.

#### Workplace Safety and Insurance Board

The Town bears the cost of certain insurance and pension benefits awarded under the workplace safety and insurance legislation. The Town has adopted the following valuation methods and assumptions.

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# Corporation of the Town of Parry Sound

## Notes to Consolidated Financial Statements

December 31, 2019

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### 1. Significant Accounting Policies (continued)

#### Workplace Safety and Insurance Board (continued)

##### Funding Policy:

The WSIB plan is funded on a pay-as-you-go basis. The Town funds on a cash basis as benefits are paid. No assets have been formally segregated and restricted to provide these benefits.

##### Accounting Policies:

The costs of WSIB obligations are actuarially determined based on the above and are expensed in the period they occur. Any actuarial gains and losses that are related to WSIB benefits are recognized immediately in the period they arise. The Town's fiscal year is December 31 and this is the measurement date of the Town's obligation.

Plan amendments are immediately recognized in the year of the effective change. Any actuarial gain at the time of introduction of a plan amendment that results in a past service loss, the gain is offset against the past service loss before any recognition of the amendment takes place.

#### Inventories Held for Resale

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.

### 2. Cash and Cash Equivalents

|                          | <b>2019</b>                 | <b>2018</b>                |
|--------------------------|-----------------------------|----------------------------|
| General accounts         | <b>\$ 10,347,970</b>        | \$ 5,736,829               |
| Reserve funds            | <b>4,406,245</b>            | 4,087,285                  |
| Obligatory reserve funds | <b>84,685</b>               | 69,445                     |
|                          | <b><u>\$ 14,838,900</u></b> | <b><u>\$ 9,893,559</u></b> |

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**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

December 31, 2019

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**3. Short Term Investments**

Short term investments comprise the following:

|   | <u>2019</u>                | <u>2018</u>                |
|---|----------------------------|----------------------------|
| Guaranteed Investment Certificates, interest rates ranging from 1.0% to 2.3%, maturing from May 2020 to August 2024   | <b>\$ 3,371,381</b>        | \$ 2,969,416               |
| Marketable securities, (quoted market value \$1,294,127)  | <b>1,061,388</b>           | 1,061,388                  |
| Government Corporate Bonds, with effective yield rates ranging from 1.61% to 3.04%, maturing from July 7, 2020 to October 18, 2024, (quoted market value \$600,231) | <b>608,699</b>             | 1,003,815                  |
|   | <b><u>\$ 5,041,468</u></b> | <b><u>\$ 5,034,619</u></b> |

**4. Investment in Lakeland Holding Ltd.**

In December of 2013, The Town and Parry Sound Hydro Corporation ("Hydro") entered into a merger agreement with Lakeland Holding Ltd. ("Lakeland"). In exchange for its 100% ownership of Hydro, the Town initially received 13.5% ownership of Lakeland. Based on an Independent Electricity System Operator it was confirmed that the upgrade to the Cascade Generation Station was completed on October 13, 2017, increasing ownership of Lakeland to 15.57%. As a result of the initial transaction the Town's investment in Lakeland is recorded as a portfolio investment at cost of \$5,855,104.

The Town records its investment in Lakeland as a portfolio investment at cost because it owns a minority interest and is not considered part of the reporting entity given control is not demonstrated. For information purposes if control existed the investment would be considered an investment in Government Business Enterprise (GBE) and would have been recorded using modified equity method. Under that method there would be an equity pickup for the Town's share of the net assets of Lakeland. The total shareholders' equity of Lakeland as of December 31, 2019 was \$ 56,134,386 (2018 - \$54,000,644 ) of which the Town owns has a 15.57% stake equating to \$8,740,124 (2018 - \$8,407,900). This does not represent the fair market value of the investment as the shareholders' equity is a reflection of the Town's share of the net assets of Lakeland.

**5. Bank Indebtedness**

The Town has established a bank operating credit facility of up to \$4,000,000 bearing interest at the bank's prime rate less 0.25%. As at December 31, 2019 there was \$NIL (2018 - \$NIL) drawn on the operating credit facility.

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**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

December 31, 2019

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**6. Workplace Safety Insurance Future Benefits Liability**

|   | <b>2019</b>       | <b>2018</b> |
|---|-------------------|-------------|
| WSIB accrued benefit obligation and liability beginning of year | <b>\$ 301,900</b> | \$ 283,500  |
| WSIB expenses for the year net of benefits paid                 | <b>19,500</b>     | 18,400      |
|   | <b>\$ 321,400</b> | \$ 301,900  |

The WSIB benefit expense is reported as a component of current expenses on the statements of financial activities. Composition of the amount is as follows:

|   | <b>2019</b>      | <b>2018</b> |
|---|------------------|-------------|
| Current year WSIB benefit cost              | <b>\$ 12,800</b> | \$ 15,500   |
| Interest on accrued WSIB benefit obligation | <b>9,400</b>     | 8,900       |
| WSIB benefit paid                           | <b>(2,700)</b>   | (6,000)     |
|   | <b>\$ 19,500</b> | \$ 18,400   |

The Town is a Schedule 2 employer under the Workplace Safety and Insurance Act and as such assumes responsibility for financing its workplace safety and insurance costs. The costs and liabilities related to WSIB are based on an actuarial valuation prepared by an independent firm. The date of the most recent actuarial valuation was as of December 31, 2019.

The actuarial valuation was based on assumptions about future events. The economic assumptions used in this valuation are the management's best estimates of expected rates of:

|   |      |
|---|------|
| Expected future inflation rates         | 2.0% |
| Discount on accrued benefit obligations | 2.5% |
| WSIB Health care cost escalation        | 4.0% |

**7. Pension Plan**

The Town makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employee based on length of service and rates of pay. OMERS provides pension services to more than 500,000 active and retired members and approximately 1,000 employers.



**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

December 31, 2019

**7. Pension Plan (continued)**

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2019. The results of this valuation disclosed total actuarial liabilities of \$107,687 million in respect of benefits accrued for service with actuarial assets at that date of \$104,290 million indicating an actuarial deficit of \$3,397 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Town does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Town to OMERS for 2019 were \$447,944 (2018 - \$485,319) and are included as an expense on the Consolidated Statement of Operations.

**8. Deferred Revenue**

|   | Opening<br>Balance | Contributions<br>Received | Revenue<br>Recognized/<br>Deposits<br>Returned | Ending<br>Balance |
|---|--------------------|---------------------------|--|-------------------|
| Deferred Government Funding                     | \$ 312,750         | \$ 780,098                | \$ (692,191)                                   | \$ <b>400,657</b> |
| Deferred User Charges                           | 247,491            | 48,997                    | (183,592)                                      | <b>112,896</b>    |
| Contractor and Developer<br>Deposits/Securities | 183,504            | -                         | -  | <b>183,504</b>    |
| Other   | 11,533             | -                         | (11,533)                                       | -                 |
|   | <b>\$ 755,278</b>  | <b>\$ 829,095</b>         | <b>\$ (887,316)</b>                            | <b>\$ 697,057</b> |

**Government Funding**

Funding is provided by the Government of Canada or the Province of Ontario. Any funds that are not used in the current year are deferred for use on future costs for the specified project(s) for which the funding was received.

**Deferred User Charges**

These funds have been set aside for future use and will be recognized into revenue once the activity/service is provided to the user. Deferred user charges include items such as account credits, gift certificates and prepaid rentals.

**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

December 31, 2019

**8. Deferred Revenue (continued)**

**Contractor and Developer Deposits/Securities**

Refundable deposits/securities held by the Town for development agreement/site plant agreements for commercial, industrial and institutional development, as well as residential development of four units or more. These agreements are registered on title, often with securities held to ensure development proceeds in accordance with the submitted plans and studies.

**9. Deferred Revenue - Obligatory Reserve Funds**

|                            | Opening<br>Balance | Contributions<br>Received | Investment<br>Income | Revenue<br>Recognized | Ending<br>Balance |
|----------------------------|--------------------|---------------------------|----------------------|-----------------------|-------------------|
| Federal gas tax            | \$ -               | \$ 790,513                | \$ 3,257             | \$ (403,196)          | \$ <b>390,574</b> |
| Provincial gas tax         | 50,967             | 56,314                    | 2,003                | -                     | <b>109,284</b>    |
| Development charges        | 107,501            | -                         | 2,600                | -                     | <b>110,101</b>    |
| Recreational land          | 133,787            | 7,889                     | 3,392                | -                     | <b>145,068</b>    |
| Main Street Revitalization | 43,650             | -                         | 1,015                | (21,060)              | <b>23,605</b>     |
|                            | <b>\$ 335,905</b>  | <b>\$ 854,716</b>         | <b>\$ 12,267</b>     | <b>\$ (424,256)</b>   | <b>\$ 778,632</b> |

**Federal gas tax**

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Town and the Province of Ontario. Gas tax funding may be used towards designated community energy, water, wastewater, solid waste and capacity building projects as specified in the funding agreements.

**Provincial gas tax**

Gas tax revenue is provided by the Ministry of Transportation. The use of the funding is established by a funding agreement between the Town and the Province of Ontario. Gas tax funding may be used towards public transportation service (transit) eligible expenditures.

**Development charges**

Revenue recognition for development charges occurs after the funds have been collected and when the Town has approved the expenditures for the capital work for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act, to defray the cost of growth related capital projects associated with new developments.

**Recreational land**

The parkland reserve funds have been set aside as required by Provincial legislation which restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

## Corporation of the Town of Parry Sound Notes to Consolidated Financial Statements

December 31, 2019

### 9. Deferred Revenue - Obligatory Reserve Funds (continued)

#### Main Street Revitalization

Main street revitalization revenue is provided by the Association of Municipalities of Ontario (AMO). The use of the funding is established by a funding agreement between the Town and AMO, specifically to support revitalization activities within main street areas, as defined through an existing Community Improvement Plan or any other municipal land use planning policy.

### 10. Long-term Debt

|  | 2019                 | 2018                 |
|--|----------------------|----------------------|
| Debenture for Water Filtration Plant; interest at 1.5% for the first year, then increasing annually to reach 6.7% by 2020; annual principal payments commencing at \$248,000 and increasing annually, matures July 2020. | \$ 322,000           | \$ 631,000           |
| Debenture for McDougall Water Works Project; semi-annual principal payments of \$50,000 plus interest at 4.61% per annum; matures December 2026.   | 700,000              | 800,000              |
| Debenture for Waste Water Treatment Plant; semi-annual principal payments of \$62,500 plus interest at 5.19% per annum; matures February 2050.   | 3,812,500            | 3,937,501            |
| Debenture for Gibson St.; semi-annual principal payments of \$28,750 plus interest at 5.04% per annum; matures October 2027.   | 460,003              | 517,504              |
| Bank Loan; interest at 2.67%, blended monthly payments of \$3,293, matures June 2020.  | 261,417              | 293,373              |
| Debenture for Riverdale Rd.; semi-annual principal payments of \$17,500 plus interest of 5.54% per annum; matures December 2028.   | 315,000              | 350,000              |
| Debenture for Municipal offices; semi-annual principal payments of \$50,000 plus interest at 4.61% per annum; matures September 2050.  | 3,100,000            | 3,200,000            |
| Debenture for Bobby Orr Community Centre; semi-annual principal payments of \$58,750 plus interest at 4.15% per annum; matures September 2030.   | 1,292,500            | 1,410,000            |
| Obligation under capital lease - Honda Canada; interest at 2.99%; blended monthly payments of \$408; matures March 2020.   | 1,218                | 6,000                |
| Debenture for Forest St. reconstruction; semi-annual principal payments of \$53,333 plus interest at 2.78% per annum; matures March 2031.  | 1,226,667            | 1,333,333            |
| Debenture for Big Sound Marina, BOCC Roof and Downtown Public Washroom build; semi-annual principal payments of \$14,301 plus interest at 3.15% per annum; matures December 2037.  | 514,850              | 543,453              |
| Debenture for Emily Street and William Street; blended monthly payments of \$124,671.74 plus interest at 3.54% per annum; matures March 2049.  | 4,541,942            | -                    |
| Debenture for the Stockey Centre roof and siding, blended monthly payments of \$23,666.62 plus interest at 2.70% per annum; matures December 2039.   | 727,780              | -                    |
| Debenture for the Bobby Orr Community Centre Ice Pad, blended monthly payments of \$21,319.33 plus interest at 2.81% per annum; matures December 2049.   | 860,436              | -                    |
|  | <b>\$ 18,136,313</b> | <b>\$ 13,022,164</b> |

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**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

December 31, 2019

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**10. Long-term Debt (continued)**

The gross interest expensed relating to the above long-term debt was \$699,959 (2018 - \$604,498). Interest paid during the year is \$655,126 (2018 - \$616,138).

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

|            |                      |
|------------|----------------------|
| 2020       | \$ 1,162,227         |
| 2021       | 844,427              |
| 2022       | 1,009,771            |
| 2023       | 819,949              |
| 2024       | 824,887              |
| Thereafter | <u>13,475,052</u>    |
|            | <u>\$ 18,136,313</u> |

**11. Contingent Liabilities**

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 can be estimated. With respect to claims as at December 31, 2019, management believes that the Town has valid defences and appropriate and adequate insurance coverage in place.

**12. Commitments**

**Operating Agreement West Parry Sound Health Centre**

The Town has entered into an operating agreement with the West Parry Sound Health Centre (WPSHC) whereby the WPSHC provides and operates land ambulance services in the geographical area of Parry Sound using the equipment provided by the Town. This agreement is effective for the period January 1, 2016 to December 31, 2019, and extended by one year to December 31, 2020 on September 3, 2019. The contract costs are paid based on the annual budget and in year cost increases due to factors not under the control of WPSHC. In the year, the Town paid \$8,501,912 (2018 - \$8,150,058) in contract fees to the WPSHC.

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**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

**December 31, 2019**

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**12. Commitments (continued)**

Under this agreement the Administration of the Land Ambulance Service is also responsible for covering the costs related to the non-pension post-employment and post-retirement benefits for medical and dental in the year the expense occurs for the Parry Sound Ambulance Service Employees. These costs are actuarially determined and the Parry Sound Ambulance Service's share of the total WPSHC liability is \$663,798 as of March 31, 2019 (2018 - \$637,547).

**Ambulance Base Lease**

The Town has entered into an agreement with the Corporation of the Township of the Archipelago for the utilization of property as an ambulance base. The term of the lease is 30 years ending on the 31st day of December, 2047. For the first 15 years of the agreement, the total annual cost will be \$35,572 for a total commitment of \$533,581 over the initial 15 years. For the final 15 years of the agreement, the Town shall be responsible for its proportionate share of the operating costs of the facility.

**13. Funds Held in Trust**

At the year end, the Town held \$299,392 (2018 - \$296,067) in trust. These funds are not included in the consolidated statement of financial position and statement of operations.

**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

December 31, 2019

**14. Tangible Capital Assets**

|  | Land             | Land Improvements | Building and Facilities | Machinery and Equipment | Fleet            | Library Books  | Transportation infrastructure | Environmental Infrastructure | Assets Under Construction | Total 2019         |
|--|------------------|-------------------|-------------------------|-------------------------|------------------|----------------|-------------------------------|------------------------------|---------------------------|--------------------|
| Cost, beginning of year                      | \$ 7,561,527     | \$ 6,989,026      | \$ 66,954,831           | \$ 7,540,325            | \$ 5,821,442     | \$ 156,999     | \$ 63,718,856                 | \$ 42,842,333                | \$ 3,665,966              | \$ 205,251,305     |
| Additions                                    | 2                | 273,980           | 1,180,834               | 860,671                 | 1,152,057        | 22,742         | 882,357                       | 371,204                      | 4,972,842                 | 9,716,689          |
| Disposals                                    | -                | (133,237)         | (286,827)               | (265,598)               | (784,105)        | (31,469)       | (617,380)                     | (5,759)                      | -                         | (2,124,375)        |
| Transfer                                     | -                | 7,304             | 62,043                  | 79,682                  | 61,659           | -              | 504,491                       | 374,723                      | (1,089,902)               | -                  |
| <b>Cost, end of year</b>                     | <b>7,561,529</b> | <b>7,137,073</b>  | <b>67,910,881</b>       | <b>8,215,080</b>        | <b>6,251,053</b> | <b>148,272</b> | <b>64,488,324</b>             | <b>43,582,501</b>            | <b>7,548,906</b>          | <b>212,843,619</b> |
| Accumulated amortization, beginning of year  | -                | 3,908,977         | 24,343,323              | 3,513,551               | 2,341,034        | 77,708         | 34,586,927                    | 10,183,913                   | -                         | 78,955,433         |
| Amortization                                 | -                | 179,367           | 1,685,478               | 562,630                 | 564,313          | 19,557         | 1,777,852                     | 587,095                      | -                         | 5,376,292          |
| Disposals                                    | -                | (53,016)          | (248,140)               | (249,599)               | (712,640)        | (31,469)       | (477,779)                     | (2,754)                      | -                         | (1,775,397)        |
| Other adjustment                             | -                | -                 | -                       | -                       | 2,039            | -              | -                             | -                            | -                         | 2,039              |
| <b>Accumulated amortization, end of year</b> | <b>-</b>         | <b>4,035,328</b>  | <b>25,780,661</b>       | <b>3,826,582</b>        | <b>2,194,746</b> | <b>65,796</b>  | <b>35,887,000</b>             | <b>10,768,254</b>            | <b>-</b>                  | <b>82,558,367</b>  |
|  | \$ 7,561,529     | \$ 3,101,745      | \$ 42,130,220           | \$ 4,388,498            | \$ 4,056,307     | \$ 82,476      | \$ 28,601,324                 | \$ 32,814,247                | \$ 7,548,906              | \$ 130,285,252     |

**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

December 31, 2019

**14. Tangible Capital Assets (continued)**

|  | Land                | Land Improvements   | Building and Facilities | Machinery and Equipment | Fleet               | Library Books    | Transportation Infrastructure | Environmental Infrastructure | Assets Under Construction | Total 2018            |
|--|---------------------|---------------------|-------------------------|-------------------------|---------------------|------------------|-------------------------------|------------------------------|---------------------------|-----------------------|
| Cost, beginning of year                      | \$ 7,129,366        | \$ 6,850,007        | \$ 65,471,900           | \$ 7,281,070            | \$ 5,324,728        | \$ 156,020       | \$ 61,099,329                 | \$ 40,529,040                | \$ 4,923,035              | \$ <b>198,764,495</b> |
| Additions                                    | 433,512             | 175,134             | 1,550,927               | 747,970                 | 671,123             | 20,786           | 945,671                       | 691,047                      | 2,780,315                 | <b>8,016,485</b>      |
| Disposals                                    | (1,351)             | (36,115)            | (94,401)                | (488,715)               | (297,993)           | (19,807)         | (365,183)                     | (213,905)                    | -                         | <b>(1,517,470)</b>    |
| Transfer                                     | -                   | -                   | 26,405                  | -                       | 123,584             | -                | 2,039,039                     | 1,836,151                    | (4,025,179)               | -                     |
| Other adjustment                             | -                   | -                   | -                       | -                       | -                   | -                | -                             | -                            | (12,205)                  | <b>(12,205)</b>       |
| <b>Cost, end of year</b>                     | <b>7,561,527</b>    | <b>6,989,026</b>    | <b>66,954,831</b>       | <b>7,540,325</b>        | <b>5,821,442</b>    | <b>156,999</b>   | <b>63,718,856</b>             | <b>42,842,333</b>            | <b>3,665,966</b>          | <b>205,251,305</b>    |
| Accumulated amortization, beginning of year  | -                   | 3,753,487           | 22,736,266              | 3,355,187               | 2,045,063           | 76,572           | 33,160,565                    | 9,754,728                    | -                         | <b>74,881,868</b>     |
| Amortization                                 | -                   | 174,915             | 1,667,107               | 566,512                 | 543,817             | 20,943           | 1,721,275                     | 556,195                      | -                         | <b>5,250,764</b>      |
| Disposals                                    | -                   | (19,425)            | (60,050)                | (408,148)               | (247,846)           | (19,807)         | (294,913)                     | (127,010)                    | -                         | <b>(1,177,199)</b>    |
| <b>Accumulated amortization, end of year</b> | <b>-</b>            | <b>3,908,977</b>    | <b>24,343,323</b>       | <b>3,513,551</b>        | <b>2,341,034</b>    | <b>77,708</b>    | <b>34,586,927</b>             | <b>10,183,913</b>            | <b>-</b>                  | <b>78,955,433</b>     |
|  | <b>\$ 7,561,527</b> | <b>\$ 3,080,049</b> | <b>\$ 42,611,508</b>    | <b>\$ 4,026,774</b>     | <b>\$ 3,480,408</b> | <b>\$ 79,291</b> | <b>\$ 29,131,929</b>          | <b>\$ 32,658,420</b>         | <b>\$ 3,665,966</b>       | <b>\$ 126,295,872</b> |

## Corporation of the Town of Parry Sound Notes to Consolidated Financial Statements

December 31, 2019

### 15. Accumulated Surplus

The Town segregates its accumulated surplus in the following categories:

|  | 2019                  | 2018                  |
|--|-----------------------|-----------------------|
| <b>Surplus</b>   |                       |                       |
| Investment in tangible capital assets                            | \$ 112,150,159        | \$ 113,273,712        |
| Library and Downtown Improvement Area                            | (10,868)              | 12,678                |
| Unfunded capital expenditures                                    | (4,255,585)           | (5,829,885)           |
| Investment in Lakeland Holdings Ltd.                             | 5,855,104             | 5,855,104             |
| General funds  | 1,144,094             | 358,133               |
|  | <b>114,882,904</b>    | <b>113,669,742</b>    |
| <b>Reserves set aside by Council</b>                             |                       |                       |
| Working capital  | 2,299,514             | 2,256,154             |
| Tax rate stabilization   | 1,064,731             | 1,012,162             |
| Transportation   | 316,509               | 419,990               |
| Wastewater systems   | 3,905,355             | 3,366,323             |
| Waterworks systems   | 5,758,492             | 5,108,388             |
| Parks and recreation   | 351,368               | 263,368               |
| Capital asset purposes   | 1,563,909             | 1,926,961             |
| Other purposes   | 1,893,899             | 1,055,252             |
| Library  | 52,818                | 11,206                |
| Downtown Improvement Area  | 23,000                | 23,000                |
|  | <b>17,229,595</b>     | <b>15,442,804</b>     |
| <b>Reserve Funds set aside for a specific purpose by Council</b> |                       |                       |
| Municipal Parking  | 117,962               | 120,542               |
| Wastewater and waterworks system                                 | 262,572               | 247,534               |
| Land Ambulance services  | 947,830               | 1,367,066             |
| Parks and recreation   | 112,521               | 47,868                |
| Stockey Centre - Bobby Orr Hall of Fame                          | 394,050               | 410,157               |
| Capital asset purposes   | 2,299,850             | 1,691,888             |
| Other purposes   | 415,444               | 368,136               |
| Library bequest fund   | 203,050               | 233,050               |
|  | <b>4,753,279</b>      | <b>4,486,241</b>      |
| <b>Total Accumulated Surplus</b>                                 | <b>\$ 136,865,778</b> | <b>\$ 133,598,787</b> |



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**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

December 31, 2019

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**16. Taxation**

|  | <b>Budget<br/>2019<br/>(Note 20)</b> | <b>2019</b>          | <b>2018</b>   |
|--|--------------------------------------|----------------------|---------------|
| Property taxes                           | <b>\$ 13,158,767</b>                 | <b>\$ 13,269,939</b> | \$ 12,957,357 |
| Payments to school boards                | <b>(2,180,585)</b>                   | <b>(2,189,186)</b>   | (2,278,326)   |
| Available for general municipal purposes | <b>\$ 10,978,182</b>                 | <b>\$ 11,080,753</b> | \$ 10,679,031 |

**17. Contributions to Unconsolidated Joint Boards**

The following contributions were made to these joint boards:

|  | <b>2019</b>       | <b>2018</b> |
|--|-------------------|-------------|
| Emergency 911  | <b>\$ 3,540</b>   | \$ 3,364    |
| Parry Sound Area Municipal Airport Commission                | <b>10,000</b>     | 10,000      |
| North Bay Parry Sound Health Unit                            | <b>184,462</b>    | 183,566     |
| District of Parry Sound Social Services Administration Board | <b>320,860</b>    | 318,891     |
| Home for the Aged  | <b>135,035</b>    | 138,858     |
| Parry Sound Area Planning Board                              | <b>7,000</b>      | 7,000       |
| Parry Sound Area Industrial Park Board                       | <b>14,278</b>     | 13,970      |
|  | <b>\$ 675,175</b> | \$ 675,649  |

The Town 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 Town is unaware of any contingent liabilities.

**18. Provincial Offences Administration (POA)**

Effective November 15, 1999, the Town 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.

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## **Corporation of the Town of Parry Sound Notes to Consolidated Financial Statements**

**December 31, 2019**

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### **18. Provincial Offences Administration (POA) (continued)**

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.

Included in the statement of operations related to POA were fines and transcripts in the amount of \$928,877 (2018 - \$1,092,870). Expenses of the POA office (before adjustments for amortization and capital asset additions) amounted to \$951,014 (2018 - \$1,130,600), which includes distribution to the Municipal partners in the amount of \$124,718 (2018 - \$238,316). The total fines revenue of \$970,935 (2018 - \$1,150,595) on the statement of operations includes the Town's share of POA fines plus By-law fines and library fines.

### **19. Land Ambulance Administration**

Effective January 1, 2001, the Town has assumed the administration of the Land Ambulance Services for the Parry Sound district. The contracted provider is the West Parry Sound Health Centre.

Included in the statement of operations related to the Land Ambulance Services are grants from the Ministry of Health and Long-term Care in the amount of \$5,081,163 (2018 - \$4,862,371), municipal contributions in the amount of \$3,772,383 (2018 - \$3,697,271). The Town's share of municipal contributions in the amount of \$247,335 (2018 - \$243,629) has been eliminated for purposes of consolidation. The actual expenses for 2019 were \$8,943,001 (2018 - \$8,944,214).

### **20. Budget**

The Financial Plan (Budget) By-Law adopted by Council on April 16, 2019 was not prepared on a basis consistent with that used to report actual results (Canadian public sector accounting standards). The budget was prepared on a modified accrual basis while figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council on April 16, 2019 with adjustments as follows:

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**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

December 31, 2019

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**20. Budget (continued)**

|  | <u>2019</u>         |
|--|---------------------|
| Financial Plan (Budget) Bylaw surplus for the year | \$ -                |
| Add:   |                     |
| Capital expenditures                               | 5,714,538           |
| Principal repayments on long-term debt             | 1,054,736           |
| Budget transfers to reserves                       | 4,341,115           |
| Other  | 2,700               |
| Less:  |                     |
| Amortization                                       | (5,093,922)         |
| Capital Grants                                     | (1,926,101)         |
| Budget transfers from reserves                     | (3,917,611)         |
| Proceeds from external debt                        | (960,599)           |
| Other  | (524)               |
|  | <u>\$ (785,668)</u> |

**21. Subsequent Events**

**Big Sound Marina Divestiture**

The Town received the transfer of title, pursuant to a transfer agreement dated July 9, 2019 with the Minister of Fisheries and Oceans Canada, of Big Sound Marina. Included in the transfer the Town also received a payment of \$1,293,240.00 which will be recognized in deferred revenue until January 2025 due to a restrictive covenant. Under the covenant the Town is required to:

- Operate Big Sound Marina as a public harbour for a period of 5 years, commencing on January 22, 2020; and
- Operation of the public harbour must be at substantially the same level as the operation in the 12 month period prior to January 22, 2020.

Failure to comply with the covenant will result in a repayment of \$1,293,240.00 to the Ministry of Fisheries and Oceans.

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# Corporation of the Town of Parry Sound

## Notes to Consolidated Financial Statements

December 31, 2019

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### 21. Subsequent Events (continued)

#### Development of lots on Dennis and Macklaim Drive

In May of 2018 the Town entered into an Memorandum of Understanding (“MOU”) with Property Owners in regards to developing lots on Dennis and Macklaim Drive for residential purposes. The MOU provided that the Town would have the lots identified serviced with municipal water and sewer and the costs of this would be recovered from the property owners once the work was completed. The MOU noted collection would be through immediate repayment or put on the tax bills of the benefiting properties and paid over a period of time.

Subsequent to year end the Town plans to pass a By-Law that will give each property owner the option of paying back the cost over time up to 20 years with interest or immediately thus avoiding borrowing cost over the period. Property owners shall notify the Town of their decisions within 30 days of receiving notice. Total costs incurred on the project were approximately \$927,370, and were temporarily funded through the Town's General Working Capital Reserve (per Resolution 2018-046). Subsequent to year end the Town plans to take on a debenture for the funds that were incurred and property owners who chose to defer payment over time will bear their portion of the interest cost. Although the project was completed in 2019 the Town will be notifying and billing the property owners subsequent to year end in accordance with the By-Law as such there was no receivable setup as of December 31, 2019.

#### COVID-19 Pandemic

The global COVID-19 pandemic has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances and the duration of business disruption, the related financial impact cannot be reasonably estimated at this time. The Town's ability to continue to service debt and meet other obligations as they come due is dependent on the continued ability to generate earnings and cash flows, including the use of existing credit facilities.

During the pandemic, Council approved the following:

- Closure of Town facilities to the public and cancellation of events and rentals;
- Waived penalty and interest charges on 2020 interim property tax billings between April 1st and June 30th, 2020;

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# Corporation of the Town of Parry Sound

## Notes to Consolidated Financial Statements

December 31, 2019

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### 21. Subsequent Events (continued)

- Waived penalty and interest charges on water and sewer accounts between April 1st and June 30th, 2020;
- Waived non-sufficient funds charges for both property taxes and water and sewer accounts between April 1st and June 30th, 2020;
- Reduction in summer part-time staffing due to closures and cancellations; and
- Deferral of various capital projects.

### 22. Segmented Information

The Town is a diversified municipal government institution that provides a wide range of services to its citizens such as transit, police, fire and water, roads 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 are revenues and expenses that relate to the operations of the Town itself and cannot be directly attributed to a specific segment.

#### **Protection Services**

Protection is comprised of police services, fire protection, protective inspection and control, emergency measures, and Provincial Offences Administration (see Note 18). The police services work to ensure the safety and protection of the citizens and their property. 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 inspections, by-law enforcement and animal control services.

#### **Transportation Services**

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

#### **Environmental Services**

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

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## Corporation of the Town of Parry Sound Notes to Consolidated Financial Statements

December 31, 2019

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### 22. Segmented Information (continued)

#### **Health Services**

Health services oversees the care and maintenance of the Town controlled cemeteries and the Land Ambulance Administration (see Note 19).

#### **Social and Family Services**

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

#### **Recreation and Culture Services**

This area operates recreational 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 department provides general planning and zoning services and review of all property development plans through its application process. It also facilitates commercial and economic development in a variety of ways along with the operation of the Business Improvement Area.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of cost. Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis as follows:

Taxation, fees and user charges: Allocated to those segments that are funded by these amounts based on the net surplus (deficit) for the year

Grants: Based on nature of grant

**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

December 31, 2019

**22. Segmented Information (continued)**

|   | General Government  | Protection to Persons and Property | Transportation Services | Environmental Services | Health Services  | Social and Family Services | Recreation and Culture Services | Planning and Development | 2019 Total          |
|---|---------------------|------------------------------------|-------------------------|------------------------|------------------|----------------------------|---------------------------------|--------------------------|---------------------|
| <b>Revenue</b>                            |                     |                                    |                         |                        |                  |                            |                                 |                          |                     |
| Property taxation                         | \$ 2,749,729        | \$ 1,167,818                       | \$ 3,159,613            | \$ -                   | \$ 756,604       | \$ 460,895                 | \$ 2,260,271                    | \$ 525,823               | \$ 11,080,753       |
| Taxation from other governments           | 424,219             | -                                  | -                       | -                      | -                | -                          | -                               | -                        | 424,219             |
| Revenue from other municipalities         | 126,990             | 59,015                             | -                       | 17,550                 | 3,772,382        | -                          | 135,136                         | -                        | 4,111,073           |
| User charges                              | 158,963             | 190,541                            | 14,814                  | 6,028,465              | 35,933           | -                          | 1,367,876                       | 41,867                   | 7,838,459           |
| Government grants - Federal               | 17,640              | -                                  | 403,196                 | -                      | -                | -                          | 35,000                          | -                        | 455,836             |
| Government grants - Provincial            | 864,741             | 1,989,794                          | 1,011,554               | 382,682                | 5,106,103        | -                          | 75,715                          | 25,077                   | 9,455,666           |
| Investment income                         | 339,999             | 1,765                              | 3,420                   | 6,159                  | 48,287           | -                          | 13,581                          | 518                      | 413,729             |
| Penalties and interest on taxes/utilities | 167,507             | -                                  | -                       | 5,509                  | -                | -                          | -                               | -                        | 173,016             |
| Donations                                 | -                   | -                                  | -                       | -                      | -                | -                          | 207,073                         | 41,787                   | 248,860             |
| Fines                                     | -                   | 947,742                            | 20,447                  | -                      | -                | -                          | 2,746                           | -                        | 970,935             |
| Other                                     | -                   | -                                  | -                       | -                      | -                | -                          | 5,774                           | -                        | 5,774               |
| Dividend income - Lakeland Holding        | 311,400             | -                                  | -                       | -                      | -                | -                          | -                               | -                        | 311,400             |
|   | <b>5,161,188</b>    | <b>4,356,675</b>                   | <b>4,613,044</b>        | <b>6,440,365</b>       | <b>9,719,309</b> | <b>460,895</b>             | <b>4,103,172</b>                | <b>635,072</b>           | <b>35,489,720</b>   |
| <b>Expenses</b>                           |                     |                                    |                         |                        |                  |                            |                                 |                          |                     |
| Salaries, wages & benefits                | 1,126,246           | 1,097,567                          | 1,088,870               | 1,697,954              | 326,028          | -                          | 1,554,676                       | 308,354                  | 7,199,695           |
| Materials                                 | 251,056             | 160,959                            | 675,268                 | 945,534                | 176,059          | -                          | 816,911                         | 142,962                  | 3,168,749           |
| Contracted services                       | 292,227             | 2,517,842                          | 497,034                 | 1,399,237              | 8,520,437        | -                          | 818,528                         | 117,981                  | 14,163,286          |
| Rents & financial expenses                | 59,244              | 67,061                             | 183,186                 | 24,230                 | 96,629           | -                          | 65,253                          | 3,216                    | 498,819             |
| Interest on long-term debt                | 126,870             | -                                  | 160,061                 | 338,449                | -                | -                          | 67,091                          | 7,488                    | 699,959             |
| External transfers to others              | 20,386              | 349,307                            | 10,000                  | -                      | 184,462          | 460,895                    | 52,480                          | 36,360                   | 1,113,890           |
| Amortization of tangible assets           | 144,554             | 158,415                            | 2,064,882               | 1,849,251              | 413,911          | -                          | 728,607                         | 18,711                   | 5,378,331           |
| Inter-segment transfers                   | 167                 | 5,524                              | (66,257)                | 59,157                 | 1,783            | -                          | (374)                           | -                        | -                   |
|   | <b>2,020,750</b>    | <b>4,356,675</b>                   | <b>4,613,044</b>        | <b>6,313,812</b>       | <b>9,719,309</b> | <b>460,895</b>             | <b>4,103,172</b>                | <b>635,072</b>           | <b>32,222,729</b>   |
| <b>Net Surplus</b>                        | <b>\$ 3,140,438</b> | <b>\$ -</b>                        | <b>\$ -</b>             | <b>\$ 126,553</b>      | <b>\$ -</b>      | <b>\$ -</b>                | <b>\$ -</b>                     | <b>\$ -</b>              | <b>\$ 3,266,991</b> |

**Corporation of the Town of Parry Sound  
Notes to Consolidated Financial Statements**

December 31, 2019

**22. Segmented Information (continued)**

|   | General<br>Government | Protection to<br>Persons and<br>Property | Transportation<br>Services | Environmental<br>Services | Health Services  | Social and Family<br>Services | Recreation and<br>Culture Services | Planning and<br>Development | 2018<br>Total       |
|---|-----------------------|--|----------------------------|---------------------------|------------------|-------------------------------|------------------------------------|-----------------------------|---------------------|
| <b>Revenue</b>                            |                       |  |                            |                           |                  |                               |                                    |                             |                     |
| Property taxation                         | \$ 3,387,261          | \$ 990,541                               | \$ 2,832,316               | \$ -                      | \$ 642,854       | \$ 461,249                    | \$ 1,693,511                       | \$ 671,299                  | \$ 10,679,031       |
| Taxation from other governments           | 333,918               | -  | -                          | -                         | -                | -                             | -                                  | -                           | 333,918             |
| Revenue from other municipalities         | -                     | 56,557                                   | -                          | 14,992                    | 3,697,271        | -                             | 132,355                            | -                           | 3,901,175           |
| User charges                              | 133,332               | 188,220                                  | 11,811                     | 5,731,348                 | 52,319           | -                             | 1,345,709                          | 114,357                     | 7,577,096           |
| Government grants - Federal               | -                     | -  | 834,061                    | -                         | -                | -                             | 633,000                            | -                           | 1,467,061           |
| Government grants - Provincial            | 173,985               | 2,039,762                                | 603,923                    | 908,994                   | 4,862,371        | -                             | 57,778                             | -                           | 8,646,813           |
| Investment income                         | 237,338               | 1,018                                    | 3,028                      | 4,582                     | 42,940           | -                             | 11,910                             | 480                         | 301,296             |
| Penalties and interest on taxes/utilities | 132,170               | -  | -                          | 5,469                     | -                | -                             | -                                  | -                           | 137,639             |
| Donations                                 | -                     | -  | -                          | -                         | -                | -                             | 146,950                            | 44,706                      | 191,656             |
| Fines                                     | -                     | 1,136,856                                | 11,002                     | -                         | -                | -                             | 2,737                              | -                           | 1,150,595           |
| Other                                     | 78                    | -  | -                          | -                         | -                | -                             | 4,366                              | -                           | 4,444               |
| Dividend income - Lakeland Holding        | 294,878               | -  | -                          | -                         | -                | -                             | -                                  | -                           | 294,878             |
|   | <b>4,692,960</b>      | <b>4,412,954</b>                         | <b>4,296,141</b>           | <b>6,665,385</b>          | <b>9,297,755</b> | <b>461,249</b>                | <b>4,028,316</b>                   | <b>830,842</b>              | <b>34,685,602</b>   |
| <b>Expenses</b>                           |                       |  |                            |                           |                  |                               |                                    |                             |                     |
| Salaries, wages & benefits                | 1,314,207             | 1,012,504                                | 1,132,898                  | 1,571,060                 | 297,962          | -                             | 1,558,071                          | 354,815                     | 7,241,517           |
| Materials                                 | 236,086               | 194,673                                  | 699,997                    | 944,564                   | 122,005          | -                             | 816,424                            | 173,189                     | 3,186,938           |
| Contracted services                       | 389,311               | 2,472,186                                | 360,280                    | 1,352,930                 | 8,187,959        | -                             | 745,819                            | 173,686                     | 13,682,171          |
| Rents & financial expenses                | 199,931               | 69,361                                   | 138,796                    | 137,715                   | 97,695           | -                             | 66,086                             | 19,473                      | 729,057             |
| Interest on long-term debt                | 130,903               | -  | 27,668                     | 371,268                   | -                | -                             | 66,328                             | 8,331                       | 604,498             |
| External transfers to others              | 5,505                 | 505,799                                  | 10,000                     | -                         | 183,566          | 461,249                       | 43,491                             | 82,315                      | 1,291,925           |
| Amortization of tangible assets           | 142,814               | 152,701                                  | 2,003,749                  | 1,798,056                 | 408,289          | -                             | 727,621                            | 17,534                      | 5,250,764           |
| Inter-segment transfers                   | 203                   | 5,730                                    | (77,247)                   | 65,060                    | 279              | -                             | 4,476                              | 1,499                       | -                   |
|   | <b>2,418,960</b>      | <b>4,412,954</b>                         | <b>4,296,141</b>           | <b>6,240,653</b>          | <b>9,297,755</b> | <b>461,249</b>                | <b>4,028,316</b>                   | <b>830,842</b>              | <b>31,986,870</b>   |
| <b>Net Surplus</b>                        | <b>\$ 2,274,000</b>   | <b>\$ -</b>                              | <b>\$ -</b>                | <b>\$ 424,732</b>         | <b>\$ -</b>      | <b>\$ -</b>                   | <b>\$ -</b>                        | <b>\$ -</b>                 | <b>\$ 2,698,732</b> |