



TOWN OF
Parry Sound

**Consolidated Financial Statements
For the year ending December 31, 2018**

Corporation of the Town of Parry Sound

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Tel: 705 726 6331
Fax: 705 722 6588
www.bdo.ca

BDO Canada LLP
300 Lakeshore Drive
Suite 300
Barrie, ON L4N 0B4
Canada

Independent Auditor's Report

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, 2018, 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, 2018, and its consolidated results of operations, its consolidated change in net debt 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

September 17, 2019

Barrie, Ontario

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

December 31	2018	2017
Financial assets		
Cash and cash equivalents (Note 2)	\$ 9,893,559	\$ 9,805,135
Short term investments (Note 3)	5,034,619	6,289,377
Taxes receivable (net of \$467,615 allowance)	536,943	422,537
Accounts receivable	2,421,106	3,368,371
Inventories held for resale	63,495	47,477
Long-term receivables	66,775	77,758
Investment in Lakeland Holding (Note 4)	5,855,104	5,855,104
	23,871,601	25,865,759
Liabilities		
Accounts payable and accrued liabilities	2,731,402	3,656,232
Accrued Interest on debt	179,171	191,066
WSIB future benefits liability (Note 6)	301,900	283,500
Deferred revenue - general (Note 8)	755,278	428,428
Deferred revenue - obligatory reserve funds (Note 9)	335,905	560,288
Long-term debt (Note 10)	13,022,164	14,025,191
	17,325,820	19,144,705
Net financial assets	6,545,781	6,721,054
Non-financial assets		
Tangible capital assets (Note 15)	126,295,872	123,882,627
Prepaid expenses	757,134	296,374
	127,053,006	124,179,001
Accumulated surplus (Note 16)	\$133,598,787	\$130,900,055
Contingent liabilities (Note 12)		
Commitments (Note 13)		
Subsequent Events (Note 22)		

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

For the Year Ended December 31	Budget 2018 (Note 21)	2018	2017
Revenue			
Property Taxation (Note 17)	\$ 10,549,538	\$ 10,679,031	\$ 10,196,120
Taxation from other governments	369,300	333,918	376,848
Revenue from other municipalities (Note 20)	3,923,255	3,901,175	3,786,225
User charges	7,041,522	7,577,096	7,093,656
Government grants - Federal	446,379	1,467,061	1,103,039
Government grants - Provincial (Note 20)	7,527,373	8,646,813	7,653,613
Investment income	189,100	301,296	216,574
Penalties and interest on taxes/utilities	135,000	137,639	135,109
Donations	120,475	191,656	190,697
Fines (Note 19)	1,330,000	1,150,595	1,295,961
Other	3,600	4,444	9,562
Dividend income - Lakeland Holding (Note 4)	250,000	294,878	236,292
	31,885,542	34,685,602	32,293,696
Expenses			
General government	2,324,367	2,418,960	2,288,178
Protection services (Note 19)	4,642,502	4,412,954	4,411,038
Transportation services	4,228,265	4,296,141	4,573,358
Environmental services	6,035,392	6,240,653	6,232,077
Health services (Note 20)	9,365,747	9,297,755	8,902,222
Social and family services	458,142	461,249	461,602
Recreation and cultural services	3,583,745	4,028,316	3,723,584
Planning and development	994,988	830,842	707,930
	31,633,148	31,986,870	31,299,989
Annual Surplus	252,394	2,698,732	993,707
Accumulated surplus, beginning of the year	130,900,055	130,900,055	129,906,348
Accumulated surplus, end of the year	\$131,152,449	\$133,598,787	\$130,900,055

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**

For the Year Ended December 31	Budget 2018 (Note 21)	2018	2017
Annual Surplus	\$ 252,394	\$ 2,698,732	\$ 993,707
Acquisition of tangible capital assets	-	(8,016,485)	(7,962,327)
Amortization of tangible assets	4,697,048	5,250,764	5,175,052
Loss on disposal of tangible capital assets	31,700	295,958	256,889
Proceeds on sale of tangible capital assets	-	56,518	355,347
	<u>4,981,142</u>	<u>285,487</u>	<u>(1,181,332)</u>
Use (Acquisition) of prepaid expenses	-	(460,760)	31,837
Net change in net financial assets	4,981,142	(175,273)	(1,149,495)
Net financial assets, beginning of the year	6,721,054	6,721,054	7,870,549
Net financial assets, end of the year	<u>\$ 11,702,196</u>	<u>\$ 6,545,781</u>	<u>\$ 6,721,054</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**

For the Year Ended December 31	2018	2017
Operating transactions		
Annual surplus	\$ 2,698,732	\$ 993,707
Items not involving cash		
Amortization	5,250,764	5,175,052
Loss on disposal of tangible capital assets	295,958	256,889
Changes in non-cash operating balances		
Taxes receivable	(114,406)	147,475
Accounts receivable	947,265	(919,809)
Inventories	(16,018)	14,453
Prepaid expenses	(460,760)	31,837
Long-term receivables	10,983	(131)
Accounts payable, accrued liabilities and accrued interest on debt	(936,725)	(78,881)
Workplace safety insurance future benefits liability	18,400	17,500
Deferred revenue	326,850	3,008
Deferred revenue - obligatory reserve funds	(224,383)	297,847
	<u>7,796,660</u>	<u>5,938,947</u>
Capital transactions		
Acquisition of tangible capital assets	(8,016,485)	(7,962,327)
Proceeds on sale of tangible capital assets	56,518	355,347
	<u>(7,959,967)</u>	<u>(7,606,980)</u>
Investing transactions		
Decrease (Increase) in short term investments	1,254,758	(3,555,609)
Financing transactions		
Proceeds from issuance of long-term debt	-	572,056
Repayment of long-term debt	(1,003,027)	(955,133)
	<u>(1,003,027)</u>	<u>(383,077)</u>
Net change in cash and cash equivalents	88,424	(5,606,719)
Cash and cash equivalents, beginning of the year	9,805,135	15,411,854
Cash and cash equivalents, end of the year	\$ 9,893,559	\$ 9,805,135

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

Corporation of the Town of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2018

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.

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

December 31, 2018

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 16 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.

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

December 31, 2018

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.

Corporation of the Town of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2018

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.

Corporation of the Town of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2018

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.

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

December 31, 2018

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

	2018	2017
General accounts	\$ 5,736,829	\$ 5,683,197
Reserve funds	4,087,285	4,063,938
Obligatory reserve funds	69,445	58,000
	\$ 9,893,559	\$ 9,805,135

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

December 31, 2018

3. Short Term Investments

Short term investments comprise the following:

	2018	2017
Guaranteed Investment Certificates, interest rates ranging from 1% to 2.85%, maturing from May 2019 to November 2022	\$ 2,969,416	\$ 4,225,641
Marketable securities, (quoted market value \$1,093,910)	1,061,388	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 \$988,300)	1,003,815	1,002,348
	<u>\$ 5,034,619</u>	<u>\$ 6,289,377</u>

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, 2018 was \$ 54,000,644 (2017 - \$49,810,510) of which the Town owns has a 15.57% stake equating to \$8,407,900 (2017 - \$7,755,496). 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, 2018 there was \$NIL (2017 - \$NIL) drawn on the operating credit facility.

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

December 31, 2018

6. Workplace Safety Insurance Future Benefits Liability

	2018	2017
WSIB accrued benefit obligation and liability beginning of year	\$ 283,500	\$ 266,000
WSIB expenses for the year net of benefits paid	18,400	17,500
WSIB accrued benefit obligation and liability end of year	\$ 301,900	\$ 283,500

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:

	2018	2017
Current year WSIB benefit cost	\$ 15,500	\$ 15,000
Interest on accrued WSIB benefit obligation	8,900	8,300
WSIB benefit paid	(6,000)	(5,800)
Total WSIB expenses	\$ 18,400	\$ 17,500

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, 2016.

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	3.0%
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 482,000 active and retired members and approximately 1,000 employers.

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

December 31, 2018

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, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 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 2018 were \$485,319 (2017 - \$464,012) and are included as an expense on the Consolidated Statement of Operations.

8. Deferred Revenue

	Opening Balance	Contributions Received	Revenue Recognized/ Deposits Returned	Ending Balance
Deferred Government Funding	\$ -	\$ 312,750	\$ -	\$ 312,750
Deferred User Charges	201,405	247,491	(201,405)	247,491
Contractor and Developer Deposits/Securities	219,959	-	(36,455)	183,504
Other	7,064	4,469	-	11,533
	\$ 428,428	\$ 564,710	\$ (237,860)	\$ 755,278

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, 2018

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 Balance	Contributions Received	Investment Income	Revenue Recognized	Ending Balance
Federal gas tax	\$ 287,163	\$ -	\$ -	\$ (287,163)	\$ -
Provincial gas tax	42,075	8,123	769	-	50,967
Development charges	105,330	-	2,171	-	107,501
Recreational land	125,720	-	8,067	-	133,787
Main Street Revitalization	-	43,315	335	-	43,650
	\$ 560,288	\$ 51,438	\$ 11,342	\$ (287,163)	\$ 335,905

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, 2018

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

	2018	2017
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.	\$ 631,000	\$ 928,000
Debenture for McDougall Water Works Project; semi-annual principal payments of \$50,000 plus interest at 4.61% per annum; matures December 2026.	800,000	900,000
Debenture for Waste Water Treatment Plant; semi-annual principal payments of \$62,500 plus interest at 5.19% per annum; matures February 2050.	3,937,501	4,062,500
Debenture for Gibson St.; semi-annual principal payments of \$28,750 plus interest at 5.04% per annum; matures October 2027.	517,504	575,004
Bank Loan; interest at 2.67%, blended monthly payments of \$3,293, matures June 2020.	293,373	324,489
Debenture for Riverdale Rd.; semi-annual principal payments of \$17,500 plus interest of 5.54% per annum; matures December 2028.	350,000	385,000
Debenture for Municipal offices; semi-annual principal payments of \$50,000 plus interest at 4.61% per annum; matures September 2050.	3,200,000	3,300,000
Debenture for Bobby Orr Community Centre; semi-annual principal payments of \$58,750 plus interest at 4.15% per annum; matures September 2030.	1,410,000	1,527,500
Obligation under capital lease - Honda Canada; interest at 2.99%; blended monthly payments of \$408; matures March 2020.	6,000	10,642
Debenture for Forest St. reconstruction; semi-annual principal payments of \$53,333 plus interest at 2.78% per annum; matures March 2031.	1,333,333	1,440,000
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.	543,453	572,056
	\$ 13,022,164	\$ 14,025,191

The gross interest expensed relating to the above long-term debt was \$604,498 (2017 - \$634,442). Interest paid during the year is \$616,138 (2017 - \$642,438).

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

December 31, 2018

10. Long-term Debt (continued)

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

2019	\$ 1,008,609
2020	1,019,339
2021	697,565
2022	885,940
2023	670,270
Thereafter	<u>8,740,441</u>
	<u>\$ 13,022,164</u>

11. Collateral Guarantee

The Town and other participating municipalities have provided the Canadian Imperial Bank of Commerce guarantees for the long-term loan held by Belvedere Heights Home for the Aged. Effective July 25, 2018 securities from the supporting municipalities have been discharged.

12. 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, 2018, management believes that the Town has valid defences and appropriate and adequate insurance coverage in place.

13. Commitments

In the year, the Town committed to the purchase of a Fire Department Pumper Rescue vehicle from Dependable Emergency Vehicles for \$522,888 plus HST, inclusive of any trade-in value. The purchase of the vehicle is to take place in fiscal 2019.

14. Funds Held in Trust

At the year end, the Town held \$296,067 (2017 - \$289,803) 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, 2018

15. Tangible Capital Assets

	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	\$ 198,764,495
Additions	433,512	175,134	1,550,927	747,970	671,123	20,786	945,671	691,047	2,780,315	8,016,485
Disposals	(1,351)	(36,115)	(94,401)	(488,715)	(297,993)	(19,807)	(365,183)	(213,905)	-	(1,517,470)
Transfer	-	-	26,405	-	123,584	-	2,039,039	1,836,151	(4,025,179)	-
Other adjustment	-	-	-	-	-	-	-	-	(12,205)	(12,205)
Cost, end 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
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	-	74,881,868
Amortization	-	174,915	1,667,107	566,512	543,817	20,943	1,721,275	556,195	-	5,250,764
Disposals	-	(19,425)	(60,050)	(408,148)	(247,846)	(19,807)	(294,913)	(127,010)	-	(1,177,199)
Accumulated amortization, end 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
	\$ 7,561,527	\$ 3,080,049	\$ 42,611,508	\$ 4,026,774	\$ 3,480,408	\$ 79,291	\$ 29,131,929	\$ 32,658,420	\$ 3,665,966	\$ 126,295,872

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

December 31, 2018

15. Tangible Capital Assets (continued)

	Land	Land Improvements	Building and Facilities	Machinery and Equipment	Fleet	Library Books	Transportation Infrastructure	Environmental Infrastructure	Assets Under Construction	Total 2017
Cost, beginning of year	\$ 6,018,518	\$ 6,697,127	\$ 65,163,870	\$ 6,870,881	\$ 5,412,660	\$ 154,645	\$ 59,500,113	\$ 39,259,963	\$ 4,209,189	\$ 193,286,966
Additions	1,115,090	152,980	391,096	659,342	577,458	19,737	932,796	2,714	4,111,114	7,962,327
Disposals	(4,242)	(100)	(322,360)	(251,548)	(665,390)	(18,362)	(1,084,765)	(105,805)	-	(2,452,572)
Transfer	-	-	239,294	2,395	-	-	1,751,185	1,372,168	(3,365,042)	-
Other adjustment	-	-	-	-	-	-	-	-	(32,226)	(32,226)
Cost, end 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	198,764,495
Accumulated amortization, beginning of year	-	3,580,874	21,246,320	3,059,665	1,972,378	74,055	32,373,434	9,272,652	-	71,579,378
Amortization	-	172,713	1,646,217	547,070	526,237	20,879	1,719,169	542,767	-	5,175,052
Disposals	-	(100)	(160,728)	(251,548)	(453,552)	(18,362)	(932,038)	(60,691)	-	(1,877,019)
Other adjustment	-	-	4,457	-	-	-	-	-	-	4,457
Accumulated amortization, end of year	-	3,753,487	22,736,266	3,355,187	2,045,063	76,572	33,160,565	9,754,728	-	74,881,868
	\$ 7,129,366	\$ 3,096,520	\$ 42,735,634	\$ 3,925,883	\$ 3,279,665	\$ 79,448	\$ 27,938,764	\$ 30,774,312	\$ 4,923,035	\$ 123,882,627

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

December 31, 2018

16. Accumulated Surplus

The Town segregates its accumulated surplus in the following categories:

	2018	2017
Surplus		
Investment in tangible capital assets	\$ 113,273,712	\$ 109,857,436
Library and Downtown Improvement Area	12,678	14,579
Unfunded capital expenditures	(5,829,885)	(4,284,783)
Investment in Lakeland Holdings Ltd.	5,855,104	5,855,104
General funds	358,133	2,044,358
	113,669,742	113,486,694
Reserves set aside by Council		
Working capital	2,256,154	1,437,741
Tax rate stabilization	1,012,162	796,986
Transportation	419,990	342,900
Wastewater systems	3,366,323	2,631,109
Waterworks systems	5,108,388	4,470,524
Parks and recreation	263,368	216,368
Capital asset purposes	1,926,961	1,846,034
Other purposes	1,055,252	925,363
Library	11,206	2,000
Downtown Improvement Area	23,000	23,000
	15,442,804	12,692,025
Reserve Funds set aside for a specific purpose by Council		
Municipal Parking	120,542	137,144
Wastewater and waterworks system	247,534	215,579
Land Ambulance services	1,367,066	1,778,992
Parks and recreation	47,868	54,251
Stockey Centre - Bobby Orr Hall of Fame	410,157	408,653
Capital asset purposes	1,691,888	1,504,927
Other purposes	368,136	376,694
Library bequest fund	233,050	245,096
	4,486,241	4,721,336
Total Accumulated Surplus	\$ 133,598,787	\$ 130,900,055

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

December 31, 2018

17. Taxation

	Budget 2018 (Note 21)	2018	2017
Property taxes	\$ 12,734,659	\$ 12,957,357	\$ 12,465,801
Payments to school boards	(2,185,121)	(2,278,326)	(2,269,681)
Available for general municipal purposes	<u>\$ 10,549,538</u>	<u>\$ 10,679,031</u>	<u>\$ 10,196,120</u>

18. Contributions to Unconsolidated Joint Boards

The following contributions were made to these joint boards:

	2018	2017
Emergency 911	\$ 3,364	\$ 3,428
Parry Sound Area Municipal Airport Commission	10,000	10,000
North Bay Parry Sound Health Unit	183,566	183,566
District of Parry Sound Social Services Administration Board	318,891	321,246
Home for the Aged	138,858	136,856
Parry Sound Area Planning Board	7,000	7,000
Parry Sound Area Industrial Park Board	13,970	13,575
	<u>\$ 675,649</u>	<u>\$ 675,671</u>

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 2018 audited financial statements indicate that the boards have a surplus.

19. 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.

Corporation of the Town of Parry Sound

Notes to Consolidated Financial Statements

December 31, 2018

19. 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 \$1,092,870 (2017 - \$1,214,430). Expenses of the POA office (before adjustments for amortization and capital asset additions) amounted to \$1,130,600 (2017 - \$1,215,678), which includes distribution to the Municipal partners in the amount of \$238,316 (2017 - \$410,108). The total fines revenue of \$1,150,595 (2017 - \$1,295,961) on the statement of operations includes the Town's share of POA fines plus By-law fines and library fines.

20. 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 \$4,862,371 (2017 - \$4,629,024), municipal contributions in the amount of \$3,697,271 (2017 - \$3,584,861). The Town's share of municipal contributions in the amount of \$243,629 (2017 - \$237,539) has been eliminated for purposes of consolidation. The actual expenses for 2018 were \$8,944,214 (2017 - \$8,488,167).

21. Budget

The Financial Plan (Budget) By-Law adopted by Council on February 6, 2018 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 February 6, 2018 with adjustments as follows:

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

December 31, 2018

21. Budget (continued)

	<u>2018</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	17,838,303
Principal repayments on long-term debt	998,427
Less:	
Amortization	(4,691,248)
Capital Grants	(2,674,496)
Budget transfers from reserves	(1,968,627)
Proceeds from external debt	(9,241,842)
Other	(8,123)
	<u>\$ 252,394</u>

22. Subsequent Events

Subsequent to year end

The Town received a debenture in the amount of \$4,585,452 for the reconstruction of William Street and Emily Street; semi-annual payments of \$124,672, includes interest at 3.54% per annum; matures March 1, 2049.

The Town has entered into an operating agreement with the West Parry Sound Health Centre (WPSHC) whereby the WPSHC provides 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. 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 \$8,150,058 (2017 - \$7,701,714) in contract fees to the WPSHC.

The Town has entered into an operating 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.

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

December 31, 2018

23. 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 19). 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.

Health Services

Health services oversees the care and maintenance of the Town controlled cemeteries and the Land Ambulance Administration (see Note 20).

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.

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

December 31, 2018

23. Segmented Information (continued)

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, 2018

23. 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	2018 Total
Revenue									
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
	4,692,960	4,412,954	4,296,141	6,665,385	9,297,755	461,249	4,028,316	830,842	34,685,602
Expenses									
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	-
	2,418,960	4,412,954	4,296,141	6,240,653	9,297,755	461,249	4,028,316	830,842	31,986,870
Net Surplus	\$ 2,274,000	\$ -	\$ -	\$ 424,732	\$ -	\$ -	\$ -	\$ -	\$ 2,698,732

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

December 31, 2018

23. 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	2017 Total
Revenue									
Property taxation	\$ 2,023,602	\$ 1,183,837	\$ 2,636,555	\$ 621,529	\$ 554,367	\$ 461,602	\$ 2,065,877	\$ 648,751	\$ 10,196,120
Taxation from other governments	376,848	-	-	-	-	-	-	-	376,848
Revenue from other municipalities	-	59,548	-	13,345	3,584,861	-	128,471	-	3,786,225
User charges	134,923	107,708	12,698	5,521,645	45,105	-	1,238,636	32,941	7,093,656
Government grants - Federal	14,573	-	1,055,217	-	-	-	33,249	-	1,103,039
Government grants - Provincial	189,891	1,779,965	853,986	67,127	4,683,197	-	79,447	-	7,653,613
Investment income	176,754	133	2,392	2,138	29,879	-	5,078	200	216,574
Penalties and interest on taxes/utilities	128,816	-	-	6,293	-	-	-	-	135,109
Donations	-	-	-	-	4,813	-	159,846	26,038	190,697
Fines	-	1,279,847	12,510	-	-	-	3,604	-	1,295,961
Other	186	-	-	-	-	-	9,376	-	9,562
Dividend Income - Lakeland Holding	236,292	-	-	-	-	-	-	-	236,292
	3,281,885	4,411,038	4,573,358	6,232,077	8,902,222	461,602	3,723,584	707,930	32,293,696
Expenses									
Salaries, wages & benefits	1,107,699	1,075,334	1,045,503	1,532,762	335,685	-	1,561,450	339,025	6,997,458
Materials	234,922	170,253	744,144	958,749	151,233	-	808,375	134,953	3,202,629
Contracted services	321,210	2,272,264	658,102	1,356,728	7,735,998	-	643,071	165,308	13,152,681
Rents & financial expenses	341,333	67,570	160,079	193,302	92,371	-	(124,289)	2,468	732,834
Interest on long-term debt	134,937	-	30,389	393,045	-	-	63,312	12,760	634,443
External transfers to others	1,211	664,633	10,000	-	183,566	461,602	48,822	35,058	1,404,892
Amortization of tangible assets	146,595	149,575	1,968,209	1,775,591	399,288	-	717,605	18,189	5,175,052
Inter-segment transfers	271	11,409	(43,068)	21,900	4,081	-	5,238	169	-
	2,288,178	4,411,038	4,573,358	6,232,077	8,902,222	461,602	3,723,584	707,930	31,299,989
Net Surplus	\$ 993,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 993,707