

Financial Statements of

**THE MUNICIPALITY OF
MCDOUGALL**

Year ended December 31, 2018

Management's Responsibility for the Financial Statements

The accompanying financial statements of The Municipality of McDougall (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's financial statements.

Tim Hunt
Chief Administrative Officer



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Municipality of McDougall

Opinion

We have audited the financial statements of The Municipality of McDougall (the "Municipality"), which comprise:

- The statement of financial position as at December 31, 2018
- The statement of operations and accumulated surplus for the year then ended
- The statements of changes in net financial assets (debt) for the year then ended
- The statement of cash flows for the year then ended
- And the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and its results of operations and accumulated surplus, its changes in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.



Responsibility of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Municipality'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 Municipality or to cease operations or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 risk of material misstatement of the 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, internal 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 purposes of expressing an opinion on the effectiveness of the Municipality'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 the events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Municipality's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

April 17, 2019

THE MUNICIPALITY OF MCDOUGALL

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Year ended December 31, 2018

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THE MUNICIPALITY OF MCDougALL

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash	\$ 2,704,848	\$ 2,418,957
User charges receivable	105,531	119,077
Taxes receivable (note 2)	466,756	334,976
Accounts receivable	579,083	391,839
Water capital debenture (note 6)	137,787	169,697
	<u>3,994,005</u>	<u>3,434,546</u>
Financial Liabilities		
Accounts payable and accrued liabilities	750,538	620,737
Accrued landfill closure costs (note 7)	402,000	361,000
Deferred revenue - obligatory reserve funds (note 4)	56,862	29,676
Long-term debt (note 8)	2,483,871	2,895,086
	<u>3,693,271</u>	<u>3,906,499</u>
Net financial assets (debt)	300,734	(471,953)
Non-financial Assets		
Tangible capital assets (note 9)	43,624,834	43,528,056
Prepaid expenses	34,909	26,411
	<u>43,659,743</u>	<u>43,554,467</u>
Accumulated surplus (note 10)	\$ 43,960,477	\$ 43,082,514

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

Approved by:

_____ Mayor

THE MUNICIPALITY OF MCDOUGALL

Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	Actual 2018	Actual 2017
	(note 5)		
Revenue:			
Taxation	\$ 4,167,149	\$ 4,158,361	\$ 4,065,029
Fees and user charges	1,755,656	1,748,915	1,683,391
Government grants	2,286,472	2,296,164	1,056,587
Investment income	17,000	51,242	21,885
Other	130,000	93,294	93,024
Gain (loss) on sale of tangible capital assets	-	(47,819)	26,545
Total revenue	8,356,277	8,300,157	6,946,461
Expenses:			
Transportation services	2,232,109	2,367,361	2,517,318
Environmental services	1,470,060	1,565,448	1,550,101
General government	1,069,795	1,122,535	1,086,697
Protection of persons and property	1,167,979	1,215,128	1,189,105
Social and family services	440,630	440,630	438,955
Health services	301,488	312,550	294,169
Recreational and cultural services	341,390	347,914	333,359
Planning and development	64,892	50,628	48,557
Total expenses	7,088,343	7,422,194	7,458,261
Annual surplus (deficit)	1,267,934	877,963	(511,800)
Accumulated surplus, beginning of year	43,082,514	43,082,514	43,594,314
Accumulated surplus, end of year	\$ 44,350,448	\$ 43,960,477	\$ 43,082,514

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

THE MUNICIPALITY OF MCDOUGALL

Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018 (note 5)	2018	2017
Annual surplus (deficit)	1,267,934	\$ 877,963	\$ (511,800)
Acquisition of tangible capital assets	(2,111,507)	(1,782,884)	(1,336,798)
Amortization of tangible capital assets	1,579,668	1,579,668	1,643,451
Loss (gain) on sale of tangible capital assets	-	47,819	(26,545)
Proceeds on sale of tangible capital assets	-	58,619	26,545
Change in prepaid expenses	-	(8,498)	(7,506)
Change in net financial assets	736,095	772,687	(212,653)
Net financial assets (debt), beginning of year	(471,953)	(471,953)	(259,300)
Net financial assets (debt), end of year	264,142	\$ 300,734	\$ (471,953)

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

THE MUNICIPALITY OF MCDOUGALL

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 877,963	\$ (511,800)
Items not involving cash:		
Amortization of tangible capital assets	1,579,668	1,643,451
Loss (gain) on sale of tangible capital assets	47,819	(26,545)
Change in landfill closure and post-closure liability	41,000	71,000
	<u>2,546,450</u>	<u>1,176,106</u>
Change in non-cash assets and liabilities:		
Decrease (increase) in taxes receivable	(131,780)	144,172
Decrease (increase) in user charges receivable	13,546	(47,919)
Decrease (increase) in accounts receivable	(187,244)	12,901
Increase in prepaid expenses	(8,498)	(7,506)
Increase in accounts payable and accrued liabilities	129,801	176,206
Increase in deferred revenue - obligatory reserve funds	27,186	15,344
Net change in cash from operating activities	<u>2,389,461</u>	<u>1,469,304</u>
Financing activities:		
Principal repayments on net long-term liabilities	(411,215)	(244,844)
Net change in financing activities	<u>(411,215)</u>	<u>(244,844)</u>
Investing activities:		
Principal repayments received on water capital debenture	31,910	30,248
Net change in cash from investing activities	<u>31,910</u>	<u>30,248</u>
Capital activities:		
Proceeds on sale of tangible capital assets	58,619	26,545
Acquisition of tangible capital assets	(1,782,884)	(1,336,798)
Net change in cash from capital activities	<u>(1,724,265)</u>	<u>(1,310,253)</u>
Net change in cash	285,891	(55,545)
Cash, beginning of year	2,418,957	2,474,502
Cash, end of year	<u>\$ 2,704,848</u>	<u>\$ 2,418,957</u>

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

THE MUNICIPALITY OF MCDOUGALL

Notes to Financial Statements

Year ended December 31, 2018

The Municipality of McDougall (the "Municipality") is a single-tier municipal corporation located in the District of Parry Sound, Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and other related legislation.

1. Significant accounting policies:

The financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting entity:

These financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The following joint board is not consolidated:

Parry Sound Area Industrial Park

(b) Basis of accounting:

Sources of financing and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(c) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	10
Buildings	20 - 50
Machinery and equipment	5 - 20
Vehicles	5 - 20
Roads, bridges and culverts	15 - 75
Water and sewer	20 - 30

THE MUNICIPALITY OF MCDOUGALL

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(c) Tangible capital assets (continued):

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(i) Contributions of tangible capital assets

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

(ii) Natural resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

(iii) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(iv) Interest capitalization

The Municipality capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of tangible capital assets.

(d) Revenue recognition:

The Municipality prepares tax billings based on assessment rolls issued by Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the period in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated. Government grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

THE MUNICIPALITY OF MCDOUGALL

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation allowances for taxes and user charges receivable, accounts receivable, and estimating provisions for accrued liabilities and landfill closure and post-closure liabilities. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

(f) School Boards:

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

(g) Solid waste management liabilities:

The liability for closure of operational site and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

(h) Pensions and employee benefits:

The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. Vacation entitlements are accrued for as entitlements are earned.

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation allowances for taxes and user charges receivable, accounts receivable, and estimating provisions for accrued liabilities and landfill closure and post-closure liabilities. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

THE MUNICIPALITY OF MCDOUGALL

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Taxes receivable:

	2018	2017
Current	\$ 272,308	\$ 209,558
Past due	157,148	106,880
Allowance for doubtful accounts	(10,000)	(10,000)
Penalties and interest	47,300	28,538
	\$ 466,756	\$ 334,976

3. Credit facilities:

The Municipality has available a \$700,000 (2017 - \$700,000) demand line of credit. This unsecured line of credit bears interest at the bank's prime rate. At December 31, 2018, \$Nil (2017 - \$Nil) has been drawn against this facility.

4. Deferred revenue:

	December 31, 2017	Contributions received	Interest received	Amounts taken to revenue	December 31, 2018
Parkland reserves	\$ 29,676	\$ 37,000	\$ 1,870	\$ 11,684	\$ 56,862

5. Budget:

The budget was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). As a result, the budget figures presented in the Statement of Operations and Accumulated Surplus required the following adjustments:

Budget surplus per financial plan	\$	–
Add:		
Budgeted loan principal payments		417,837
Budgeted capital expenditures		2,111,507
Transfers to reserve		359,258
Less:		
Amortization		(1,579,668)
Landfill adjustment		(41,000)
Budget deficit per financial statements	\$	1,267,934

THE MUNICIPALITY OF MCDOUGALL

Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Nobel water system capital upgrade:

The Municipality completed the capital project to provide water to 347 users in the community of Nobel.

Each unit was charged an equal amount of \$3,000 with the option to pay the full amount up front or over the term of the debenture. The debenture is collected in equal bi-monthly installments as added into the current water billing. The debenture is to be collected over 15 years for residential users and 5 years for commercial users.

The annual payment collected by the Municipality including principal and interest is \$40,315. The balance receivable on December 31, 2018 is \$137,787 (2017 - \$169,697).

7. Landfill closure and post-closure liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Municipality's long-term borrowing rate of 3.42% and the discounted future cash flows for post-closure care activities at the 10-year running average inflation rate for Non-Residential Building Construction Price Indices of 2.03%. The estimated total landfill closure and post-closure care expenses are calculated to be \$1,693,468. The estimated liability for these expenses is recognized as the landfill site's capacity is used. At December 31, 2018, an amount of \$402,000 (2017 - \$361,000) with respect to landfill closure and post-closure liabilities has been accrued.

The estimated remaining capacity of the landfill site is 76% of its total estimated capacity and its estimated remaining life is approximately 31 years. The period for post-closure care is estimated to be 25 years.

THE MUNICIPALITY OF MCDOUGALL

Notes to Financial Statements (continued)

Year ended December 31, 2018

8. Long-term debt:

The balance of long-term debt is comprised of the following:

	2018	2017
Loan payable to Ontario Infrastructure Projects Corporation due February 2031, repayable in blended monthly payments of \$10,323 at an interest rate of 2.95% per annum	\$ 1,265,008	\$ 1,350,195
Loan payable to Ontario Infrastructure Projects Corporation due July 2022, repayable in blended monthly payments of \$24,838 at an interest rate of 1.95%	1,030,766	1,305,808
Loan payable to Ontario Infrastructure Projects Corporation, due October 2022, repayable in semi-annual blended payments of \$20,448 at an interest rate of 5.07% per annum	146,399	178,642
Loan payable to Ontario Infrastructure Projects Corporation, due February 2021, repayable in blended monthly payments of \$1,634 at an interest rate of 1.67% per annum	41,698	60,441
	<u>\$ 2,483,871</u>	<u>\$ 2,895,086</u>

The principal repayments are as follows:

2019	\$ 421,145
2020	431,348
2021	425,389
2022	307,976
2023	98,708
Thereafter	799,305
	<u>\$ 2,483,871</u>

THE MUNICIPALITY OF MCDOUGALL

Notes to Financial Statements

Year ended December 31, 2018

9. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Land	\$ 3,410,971	-	-	3,410,971
Land improvements	6,963,569	170,994	-	7,134,563
Buildings	5,066,304	26,986	-	5,093,290
Machinery and equipment	4,308,746	179,049	(155,000)	4,332,795
Vehicles	1,325,186	8,968	(147,290)	1,186,864
Roads, bridges and culverts	30,450,590	1,396,887	(333,992)	31,513,485
Water and sewer	11,787,134	-	-	11,787,134
Total	\$ 63,312,500	1,782,884	(636,282)	64,459,102

Accumulated Amortization	Balance at December 31, 2017	Disposals	Amortization	Balance at December 31, 2018
Land	\$ -	-	-	-
Land improvements	1,285,369	-	156,639	1,442,008
Buildings	1,598,792	-	86,564	1,685,356
Machinery and equipment	2,033,726	(121,019)	279,283	2,191,990
Vehicles	878,651	(147,290)	68,809	800,170
Roads, bridges and culverts	9,169,329	(261,535)	771,517	9,679,311
Water and sewer	4,818,577	-	216,856	5,035,433
Total	\$ 19,784,444	(529,844)	1,579,668	20,834,268

	Net book value, December 31, 2017	Net book value, December 31, 2018
Land	\$ 3,410,971	3,410,971
Land improvements	5,678,200	5,692,555
Buildings	3,467,512	3,407,934
Machinery and equipment	2,275,020	2,140,805
Vehicles	446,535	386,694
Roads, bridges and culverts	21,281,261	21,834,174
Water and sewer	6,968,557	6,751,701
Total	\$ 43,528,056	43,624,834

THE MUNICIPALITY OF MCDOUGALL

Notes to Financial Statements

Year ended December 31, 2018

9. Tangible capital assets (continued):

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$ 3,410,971	-	-	3,410,971
Land improvements	6,958,915	4,654	-	6,963,569
Buildings	4,940,826	125,478	-	5,066,304
Machinery and equipment	3,935,381	373,365	-	4,308,746
Vehicles	1,314,219	33,377	(22,410)	1,325,186
Roads, bridges and culverts	30,258,354	799,924	(607,688)	30,450,590
Water and sewer	11,787,134	-	-	11,787,134
Total	\$ 62,605,800	1,336,798	(630,098)	63,312,500

Accumulated Amortization	Balance at December 31, 2016	Disposals	Amortization	Balance at December 31, 2017
Land	\$ -	-	-	-
Land improvements	1,133,530	-	151,839	1,285,369
Buildings	1,512,269	-	86,523	1,598,792
Machinery and equipment	1,753,572	-	280,154	2,033,726
Vehicles	834,377	(22,410)	66,684	878,651
Roads, bridges and culverts	8,935,621	(607,688)	841,396	9,169,329
Water and sewer	4,601,722	-	216,855	4,818,577
Total	\$ 18,771,091	(630,098)	1,643,451	19,784,444

	Net book value, December 31, 2016	Net book value, December 31, 2017
Land	\$ 3,410,971	3,410,971
Land improvements	5,825,385	5,678,200
Buildings	3,428,557	3,467,512
Machinery and equipment	2,181,809	2,275,020
Vehicles	479,842	446,535
Roads, bridges and culverts	21,322,733	21,281,261
Water and sewer	7,185,412	6,968,557
Total	\$ 43,834,709	43,528,056

THE MUNICIPALITY OF MCDOUGALL

Notes to Financial Statements (continued)

Year ended December 31, 2018

10. Accumulated surplus:

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

	2018	2017
Surplus (deficit):		
Invested in tangible capital assets	\$ 41,140,963	40,632,970
General deficit	(783,004)	(544,092)
Unfunded:		
Landfill closure costs	(402,000)	(361,000)
Total surplus	39,955,959	39,727,878
Reserves set aside for specific purpose by Council:		
Working capital reserve	710,394	710,394
Landfill	1,559,103	1,371,319
Nobel waterworks	683,431	645,452
Crawford septic system	62,172	73,581
Waubamik Community Centre	16,253	16,253
Elections	4,236	13,914
Legal	38,023	38,023
Capital acquisition	855,845	410,639
Recreation	75,061	75,061
	4,004,518	3,354,636
Accumulated surplus	\$ 43,960,477	43,082,514

11. Contributions to unconsolidated joint boards:

The following contributions were made to these joint boards:

	2018	2017
District of Parry Sound Social Services Administration Board	\$ 324,536	\$ 324,491
North Bay Parry Sound Health Unit	88,187	88,575
District of Parry Sound (West) Belvedere Heights		
Home for the Aged	116,094	114,464
Parry Sound Area Industrial Park	13,970	13,871
	\$ 542,787	\$ 541,401

THE MUNICIPALITY OF MCDougALL

Notes to Financial Statements (continued)

Year ended December 31, 2018

12. Pension agreements:

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS) (the "Plan"), which is a multi-employer plan, on behalf of 27 members of its staff. The Plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2018 was \$147,602 (2017 - \$127,115) for current service.

13. Operations of school boards:

During the year, the following taxation revenue was raised and remitted to the school boards:

	2018	2017
Taxation	\$ 1,301,423	\$ 1,312,877

14. Contingencies:

The Municipality is involved in claims and litigation in the normal course of operations. The outcome of these actions are not determinable and, accordingly, no amounts have been reflected in the accounts of the Municipality for this matter. Any settlements or awards will be recorded in the period they become determinable.

15. Public sector salary disclosure:

During 2018, two employee were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Municipality.

16. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2018 financial statements.

17. Segmented information:

The Municipality provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. For management reporting purposes the Municipality's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

- (a) General Government: includes corporate services and governance of the Municipality. General government is responsible for human resource management, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status is provided as well as frontline reception and customer service.

THE MUNICIPALITY OF MCDOUGALL

Notes to Financial Statements (continued)

Year ended December 31, 2018

17. Segmented information (continued):

- (b) Protection to Persons and Property: includes policing, fire protection, protective inspection and control and emergency measures. The mandate of the police services contract is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes detection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. The members of the fire department consist of volunteers. Inspection and control includes building inspection, by-law enforcement and animal control services.
- (c) Transportation Services: this department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.
- (d) Environmental Services: includes the management and maintenance of water system, landfill site, transfer stations, and the waste collection system and disposal system that serves the Municipality.
- (e) Health Services: includes the ambulance contract and public health services as well as the management and maintenance of cemeteries.
- (f) Social and Family Services: includes transfer to joint boards that provide general assistance, assistance to aged persons, child care and social housing.
- (g) Recreation and Cultural Services: provides recreation and leisure programs and facilities, including community halls, libraries, parks, recreation fields and arena. It also provides building maintenance services to all municipal facilities.
- (h) Planning and Development: manages rural development for business interest, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geographic information services.

For each segment separately reported in the schedule below, the segment revenue and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These municipal services are funded primarily by taxation such as property tax revenue. Taxation and payments-in-lieu of taxes are apportioned to these services based on the net surplus. Certain government transfers, transfer from other funds, and other revenue have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

THE MUNICIPALITY OF MCDougall

Note 17 - Segmented Information (continued)

Year ended December 31, 2018

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2018 Total
Revenues:									
Fees and user charges	\$ 306,471	2,859	51,651	1,365,095	-	-	22,839	-	1,748,915
Government grants	510,154	23,718	1,523,109	75,076	-	-	164,107	-	2,296,164
Investment income	51,242	-	-	-	-	-	-	-	51,242
Gain on disposal of tangible capital assets	-	10,452	(54,228)	(4,043)	-	-	-	-	(47,819)
Other	93,294	-	-	-	-	-	-	-	93,294
	961,161	37,029	1,520,532	1,436,128	-	-	186,946	-	4,141,796
Expenses:									
Salaries, wages and benefits	700,800	346,255	549,422	550,140	-	-	142,803	-	2,289,420
Interest on long term debt	-	-	61,699	248	-	-	-	-	61,947
Materials	258,737	173,998	725,324	508,973	11,062	-	80,742	-	1,758,836
Contracted services	152,210	591,888	82,610	56,357	-	-	-	39,128	922,193
Transfer to other governments and the public	-	-	-	-	301,488	440,630	56,512	11,500	810,130
Amortization of tangible capital assets	10,788	102,987	948,306	449,730	-	-	67,857	-	1,579,668
	1,122,535	1,215,128	2,367,361	1,565,448	312,550	440,630	347,914	50,628	7,422,194
Deficiency of revenues over expenses	(161,374)	(1,178,099)	(846,829)	(129,320)	(312,550)	(440,630)	(160,968)	(50,628)	(3,280,398)
Funded through:									
Taxation									4,158,361
Annual surplus									\$ 877,963

THE MUNICIPALITY OF MCDougall

Note 17 - Segmented Information (continued)

Year ended December 31, 2018

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2017 Total
Revenues:									
Fees and user charges	\$ 225,507	1,901	67,386	1,368,610	-	-	19,987	-	1,683,391
Government grants	256,274	11,131	732,747	49,086	-	-	7,349	-	1,056,587
Investment income	21,885	-	-	-	-	-	-	-	21,885
Gain on disposal of tangible capital assets	-	-	-	-	-	-	26,545	-	26,545
Other	93,024	-	-	-	-	-	-	-	93,024
	596,690	13,032	800,133	1,417,696	-	-	53,881	-	2,881,432
Expenses:									
Salaries, wages and benefits	719,001	344,928	623,472	530,339	-	-	138,430	-	2,356,170
Interest on long term debt	-	-	13,165	161	-	-	-	-	13,326
Materials	172,721	184,004	779,422	528,161	-	-	76,251	40,057	1,780,616
Contracted services	181,672	566,646	77,533	36,085	-	-	-	-	861,936
Transfer to other governments and the public	-	-	-	-	294,169	438,955	61,138	8,500	802,762
Amortization of tangible capital assets	13,303	93,527	1,023,726	455,355	-	-	57,540	-	1,643,451
	1,086,697	1,189,105	2,517,318	1,550,101	294,169	438,955	333,359	48,557	7,458,261
Deficiency of revenues over expenses	(490,007)	(1,176,073)	(1,717,185)	(132,405)	(294,169)	(438,955)	(279,478)	(48,557)	(4,576,829)
Funded through:									
Taxation									4,065,029
Annual deficit									\$ (511,800)