

Financial Report

City of Port Colborne

December 31, 2016

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Independent auditor's report

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To the Members of Council, Inhabitants and Taxpayers of the
Corporation of the City of Port Colborne

We have audited the accompanying consolidated financial statements of the Corporation of the City of Port Colborne, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of Port Colborne as at December 31, 2016, and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Port Colborne, Canada
January 22, 2018

Chartered Professional Accountants
Licensed Public Accountants

City of Port Colborne

Consolidated Statement of Financial Position

As at December 31

2016

2015

Financial assets

Cash and cash equivalents (Note 2)	\$ 1,439,226	\$ 3,464,908
Portfolio investments (Note 3)	12,132,914	10,593,831
Taxes receivable	1,979,562	1,949,060
User charges receivable	1,801,174	1,410,790
Other receivables	<u>2,899,675</u>	<u>2,877,855</u>
	<u>20,252,551</u>	<u>20,296,444</u>

Liabilities

Payables and accruals	5,459,193	4,361,558
Other liabilities	822,835	606,787
Deferred revenue (Note 5)	321,237	692,294
Construction loan (Note 6)	7,437,000	-
Long term debt (Note 7)	11,742,073	13,214,271
Employee benefit obligations (Notes 8 and 17)	<u>8,042,000</u>	<u>7,860,679</u>
	<u>33,824,338</u>	<u>26,735,589</u>

Net debt

	<u>(13,571,787)</u>	<u>(6,439,145)</u>
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Non-financial assets

Tangible capital assets (Note 9 and Pages 28 and 29)	125,937,648	116,082,367
Prepaid expenses	<u>949,726</u>	<u>632,678</u>
	<u>126,887,374</u>	<u>116,715,045</u>

Accumulated surplus (Note 10)

	<u>\$ 113,315,587</u>	<u>\$ 110,275,900</u>
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Contingencies (Note 20)

Approved by

Director of Corporate Services

Chief Administrative Officer

See accompanying notes to the consolidated financial statements.

City of Port Colborne

Consolidated Statement of Operations

For the Year Ended December 31, 2016

	Budget 2016 (Note 23)	Actual 2016	Actual 2015
Revenue			
Taxation (Note 12)	\$ 15,691,076	\$ 15,768,064	\$ 14,688,088
User charges (Note 14)	12,999,506	12,462,080	11,914,135
Government transfers (Note 15)	3,080,366	3,206,916	3,169,890
Other (Note 16)	779,495	979,943	945,899
	<u>32,550,443</u>	<u>32,417,003</u>	<u>30,718,012</u>
Expenses			
General government	3,632,139	3,711,835	5,196,241
Protection to persons and property	3,902,864	4,071,433	3,458,214
Transportation services	5,040,371	4,894,053	5,042,918
Environmental services	10,297,367	8,852,399	10,318,615
Health services	173,746	214,672	189,231
Social and family services	60,000	46,464	20,000
Recreation and culture services	7,418,134	7,994,237	7,609,794
Planning and development	2,105,175	2,065,641	2,531,120
	<u>32,629,796</u>	<u>31,850,734</u>	<u>34,366,133</u>
Net revenues (expenses)	<u>(79,353)</u>	<u>566,269</u>	<u>(3,648,121)</u>
Other			
Revenue related to tangible capital assets			
Government transfers (Note 15)	839,592	1,945,543	1,735,042
Other (Note 16)	2,500	449,397	577,218
Gain on disposal of tangible capital assets	-	78,478	40,483
Gain on sale of investment in Niagara Regional Broadband Network Limited	-	-	6,725,000
	<u>842,092</u>	<u>2,473,418</u>	<u>9,077,743</u>
Annual surplus	762,739	3,039,687	5,429,622
Accumulated surplus (Note 10)			
Beginning of year	<u>110,275,900</u>	<u>110,275,900</u>	<u>104,846,278</u>
End of year	<u>\$ 111,038,639</u>	<u>\$ 113,315,587</u>	<u>\$ 110,275,900</u>

See accompanying notes to the consolidated financial statements.

City of Port Colborne

Consolidated Statement of Changes in Net Debt

For the Year Ended December 31, 2016

	Budget <u>2016</u> (Note 23)	Actual <u>2016</u>	Actual <u>2015</u>
Annual surplus	\$ 762,739	\$ 3,039,687	\$ 5,429,622
Amortization of tangible capital assets	5,012,783	5,012,765	4,990,398
Acquisition of tangible capital assets	(19,446,799)	(15,204,882)	(7,953,267)
Proceeds from sale of tangible capital assets	-	415,314	716,473
Gain on disposal of tangible capital assets	<u>-</u>	<u>(78,478)</u>	<u>(40,483)</u>
	(13,671,277)	(6,815,594)	3,142,743
Acquisition of prepaid expenses	<u>-</u>	<u>(317,048)</u>	<u>(227,612)</u>
(Increase) decrease in net debt	(13,671,277)	(7,132,642)	2,915,131
Net debt			
Beginning of year	<u>(6,439,145)</u>	<u>(6,439,145)</u>	<u>(9,354,276)</u>
End of year	<u>\$ (20,110,422)</u>	<u>\$ (13,571,787)</u>	<u>\$ (6,439,145)</u>

See accompanying notes to the consolidated financial statements.

City of Port Colborne

Consolidated Statement of Cash Flows

For the Year Ended December 31

2016

2015

Increase (decrease) in cash and cash equivalents

Operating activities		
Annual surplus	\$ 3,039,687	\$ 5,429,622
Non-cash items		
Amortization of tangible capital assets	5,012,765	4,990,398
Gain on disposal of tangible capital assets	(78,478)	(40,483)
Gain on sale of investment in Niagara Regional Broadband Network Limited	-	(6,725,000)
Increase in taxes receivable	(30,502)	(52,616)
(Increase) decrease in user charges receivable	(390,384)	102,370
Increase in other receivables	(21,820)	(944,070)
Increase in payables and accruals	1,097,635	484,747
Increase (decrease) in other liabilities	216,048	(16,172)
(Decrease) increase in deferred revenue	(371,057)	3,285
Increase in prepaid expenses	(317,048)	(227,612)
	<u>8,156,846</u>	<u>3,004,469</u>
Capital activities		
Proceeds from sale of tangible capital assets	415,314	716,473
Acquisition of tangible capital assets	(15,204,882)	(7,953,267)
	<u>(14,789,568)</u>	<u>(7,236,794)</u>
Financing activities		
Issue of construction loan	7,437,000	-
Issue of long term debt	296,000	4,864,576
Issue of capital lease obligations	-	6,861
Repayment of long term debt	(1,750,589)	(1,077,152)
Repayment of capital lease obligation	(17,609)	(19,411)
Increase in employee benefit obligations	181,321	1,450,272
	<u>6,146,123</u>	<u>5,225,146</u>
Investing activities		
Proceeds from sale of investment in Niagara Regional Broadband Network Limited	-	7,500,000
Purchase of portfolio investments, net	(1,539,083)	(8,669,235)
	<u>(1,539,083)</u>	<u>(1,169,235)</u>
Net decrease in cash and cash equivalents	(2,025,682)	(176,414)
Cash and cash equivalents (Note 2)		
Beginning of year	<u>3,464,908</u>	<u>3,641,322</u>
End of year	<u>\$ 1,439,226</u>	<u>\$ 3,464,908</u>

See accompanying notes to the consolidated financial statements.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies

Management responsibility

The consolidated financial statements of the City of Port Colborne (“Municipality”) are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of the consolidated 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 significant accounting policies used are as follows:

(a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include the following:

- Port Colborne Public Library Board
- Port Colborne Downtown Development Board
- Port Colborne Main Street Business Improvement Area
- Port Colborne Fibre Inc.
- Port Colborne Hydro Inc.

Interdepartmental and organizational transactions and balances are eliminated.

The following joint local board is proportionally consolidated:

- Niagara Central Airport Commission (Joint Board)

Related party transactions are eliminated (Note 18).

The statements exclude trust assets that are administered for the benefit of external parties (Note 19).

(b) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies (continued)

(c) Cash and cash equivalents

Cash and temporary investments include cash on hand, balances with banks and guaranteed investment certificates that mature within one year.

(d) Portfolio investments

Portfolio investments are valued at the lower of cost and market value. Interest income is reported as revenue in the period earned.

(e) Deferred revenue

Receipts that are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenses are incurred, restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenses that will be incurred in a later period are deferred until they are earned by being matched against those expenses.

(f) Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service.

(g) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Municipality:
 - 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 is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies (continued)

(h) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition.

The Municipality does not capitalize interest as part of the costs of its capital assets.

Works of art for display in municipal property are not included as capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The cost of art is not determinable or relevant to their significance. No valuation of the collection has been conducted or disclosed in the consolidated financial statements.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the consolidated statement of operations as "other revenue". Half-year amortization is charged in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Land improvements	10-100 years
Buildings	20-50 years
Leasehold improvements	20-50 years
Vehicles	10-20 years
Office equipment and furniture and fixtures	5-10 years
Machinery and equipment	3-30 years
Infrastructure	10-100 years

(i) Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the Municipality and recorded as tangible capital assets. The Municipality is not involved in the construction.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies (continued)

(j) Revenue recognition

i) Taxation

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment.

Once a supplementary roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Assessments of the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the school boards, as appropriate.

ii) User charges

User charges are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

iii) Government transfers

Government transfers include entitlements, transfers under shared cost agreements, and grants. Revenue is recognized for entitlements and grants in the period received. Revenue is recognized for transfers under shared cost agreements in the period the costs are incurred.

iv) Other

Other revenue is recorded when it is earned and collection is reasonably assured.

(k) Reserves for future expenses

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future operating and capital expenses.

(l) Local improvements

The Municipality records capital expenses funded by local improvement agreements as they are incurred. Revenues are recognized in the year they become payable.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies (continued)

(m) Region and school board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Region of Niagara are not reflected in the accumulated surplus of these consolidated financial statements.

(n) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Two areas in which management make estimates are with regards to an allowance for uncollectible taxes receivable and obligations for employee benefits.

2. Cash and cash equivalents	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 3,950	\$ 4,350
Bank balances	<u>1,435,276</u>	<u>3,460,558</u>
	<u>\$ 1,439,226</u>	<u>\$ 3,464,908</u>

3. Portfolio investments

Guaranteed investment certificates carry an effective interest rate from 1.00% to 2.50% and maturity dates ranging from January, 2017 to December, 2020. Interest is receivable on maturity. Carrying value approximates market value.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

4. Bank indebtedness

An operating line of credit of \$ 4,000,000 has been established with the CIBC, of which \$ Nil (2015 - \$ Nil) was used at December 31, 2016. An executed borrowing by-law in form and content satisfactory to CIBC is in effect to a limit of \$ 4,000,000. Interest is calculated at prime minus 0.50%. Overdrafts outstanding under the line of credit are converted to a promissory note at the CIBC's request which has not been enacted.

5. Deferred revenue	<u>2016</u>	<u>2015</u>
Development Charges Act	\$ 215,898	\$ 415,983
Parkland	15,315	924
Federal gas tax	<u>90,024</u>	<u>275,387</u>
	<u>\$ 321,237</u>	<u>\$ 692,294</u>

The deferred revenue is made up of the following:

Balance, beginning of year	<u>\$ 692,294</u>	<u>\$ 689,009</u>
Contributions from		
Parkland	17,200	-
Interest earned	8,400	11,116
Gas tax grants received		
Federal	<u>560,148</u>	<u>533,475</u>
	<u>585,748</u>	<u>544,591</u>
Utilized for		
Tangible capital asset acquisitions	<u>(956,805)</u>	<u>(541,306)</u>
Balance, end of year	<u>\$ 321,237</u>	<u>\$ 692,294</u>

6. Construction loan

The City entered into an agreement with the Ontario Infrastructure and Lands Corporation ("OILC") to temporarily borrow money to finance capital expenditures relating to the operations centre for \$ 13,780,000 and the east side employment lands for \$ 450,000 to a maximum of \$ 14,230,000, pending the issue of debentures in 2017. The City is paying interest on the loan monthly at the OILC floating interest rate until the loan is replaced by the debenture. Principal payments will begin once the debenture is issued.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

7. Long term debt 2016 2015

- (a) The balance of net long term debt reported on the consolidated statement of financial position is made up of the following:

The Municipality has assumed responsibility for the payment of principal and interest charges on certain long term debt issued by the Region of Niagara. At the end of the year, the outstanding principal amount of this debt is	\$ 11,708,601	\$ 13,163,190
Capital lease obligations	<u>33,472</u>	<u>51,081</u>
Net long term debt	<u>\$ 11,742,073</u>	<u>\$ 13,214,271</u>

- (b) The net long term debt:

Debenture Number	Purpose	Interest Rates	Maturity Dates	<u>2016</u>	<u>2015</u>
74-2003	Marina Pavilion/ Restaurant and				
	Fire Dept. HQ	2.95 to 5.65%	2018	\$ 694,000	\$ 1,014,000
57-2006	Fire Truck	4.70 to 5.15%	2016	-	346,000
72-2007	Marina Boat Ramp and Drains	4.90 to 5.10%	2017	104,224	203,478
61-2008	Watermains	3.70 to 4.90%	2018	165,000	242,000
67-2009	Vehicles and Equip.	1.15 to 4.80%	2019	155,000	203,000
73-2010	City Hall, Marina, Main St. CIP and				
	Fire Vehicle	1.60 to 4.65%	2020	1,262,101	1,437,314
46-2013	Health & Wellness Centre	2.67%	2023	2,039,192	2,322,869
47-2013	Roads and Fire Dept.	3.37%	2033	696,063	727,159
48-2013	Skatepark, Fuel Tanks and Op. Centre Design	3.70%	2043	1,764,119	1,802,794
75-2015	LED Street Lights and Water Meters	1.15 to 2.80%	2025	2,498,000	2,755,000
94-2015	Fire Tanker and Watermains	3.46%	2035	2,034,902	2,109,576
34-2016	Fire Truck	1.20 to 1.60%	2021	296,000	-
	Leased Vehicles and Equipment	Various	2016-18	<u>33,472</u>	<u>51,081</u>
				<u>\$ 11,742,073</u>	<u>\$ 13,214,271</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

7. Long term debt (continued)

(c) Principal repayments in each of the next five years are due as follows:

2017	\$ 1,530,628
2018	1,472,469
2019	1,045,319
2020	1,501,320
2021	831,541

(d) The Municipality paid \$ 445,608 (2015 - \$ 364,868) interest on long term debt during the year.

8. Employee benefit obligations	<u>2016</u>	<u>2015</u>
Workplace Safety and Insurance Board future benefits	\$ 1,851,400	\$ 1,837,779
Vested sick leave benefits	249,300	268,900
Retirement benefits	<u>5,941,300</u>	<u>5,754,000</u>
	8,042,000	7,860,679
Less: sick leave funded by reserve	<u>(36,118)</u>	<u>(85,007)</u>
	<u>\$ 8,005,882</u>	<u>\$ 7,775,672</u>

(a) Workplace Safety and Insurance Board future benefits

The City of Port Colborne is a Workplace Safety and Insurance Board (WSIB) Schedule 2 employer.

In 2016, an actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. In 2015, the City has recorded an accrual for the estimate of future benefit costs and administrative loading as calculated by the WSIB. During the year \$ 38,237 (2015 - \$ 36,811) was paid by the City to the WSIB in relation to these benefits.

The accrued benefit obligation at December 31, 2016 of \$ 1,851,400 was determined by an actuarial valuation using a discount rate of 3.3%.

The most recent actuarial valuation was prepared at December 31, 2016.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

8. Employee benefit obligations (continued)

(a) Workplace Safety and Insurance Board future benefits (continued)

The main actuarial assumptions employed above are as follows (where applicable):

(i) Interest (discount) rate

The obligations as at December 31, 2016 of the present value of future liabilities were determined using a discount rate of 3.3%.

(ii) Future benefit indexing rate

The rates used for loss of earnings benefits and pension and survivors benefits are assumed to be 2% per annum. The rate for health benefits is assumed to be 4% per annum.

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 1,837,800	\$ 582,400
Benefit payments	(129,000)	(109,300)
Current service cost	81,400	79,600
Interest cost	61,200	20,000
Increase in obligation related to new firefighters estimated liability	<u>-</u>	<u>1,265,100</u>
Balance, end of year	<u>\$ 1,851,400</u>	<u>\$ 1,837,800</u>
Funded status		
Deficit	\$ 1,571,000	\$ 1,837,800
Unamortized actuarial gain	<u>280,400</u>	<u>-</u>
	<u>\$ 1,851,400</u>	<u>\$ 1,837,800</u>

The net benefit expense is as follows:

Current service cost	\$ 81,400	\$ 79,600
Interest cost	<u>61,200</u>	<u>20,000</u>
Net benefit expense	<u>\$ 142,600</u>	<u>\$ 99,600</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

8. Employee benefit obligations (continued)

(b) Vested sick leave benefits

Under the sick leave benefit plan for employees of the Port Colborne Firefighters' Association, sick leave can accumulate and employees may become entitled to a cash payment upon leaving the Municipality's employment.

The accrued benefit obligation at December 31, 2016 of \$ 249,300 (2015 - \$ 268,900) was determined by an actuarial valuation using a discount rate of 3.4%.

The most recent actuarial valuation for the vested sick leave was prepared at December 31, 2015.

The main actuarial assumptions employed for the vested sick leave and retirement benefits valuations above are as follows (where applicable):

(i) Interest (discount) rate

The obligations as at December 31, 2016 of the present value of future liabilities were determined using a discount rate of 3.4%.

(ii) Salary increase rate

The rate used to increase salaries is assumed to be 3% per annum. This rate reflects management's best estimate of future salary increases.

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 268,900	\$ 268,096
Benefit payments	(51,300)	(30,000)
Current service cost	24,700	23,900
Interest cost	8,600	8,600
Amortization of actuarial gain	<u>(1,600)</u>	<u>(1,696)</u>
Balance, end of year	<u>\$ 249,300</u>	<u>\$ 268,900</u>
Funded status		
Deficit	\$ 237,000	\$ 255,000
Unamortized actuarial gain	<u>12,300</u>	<u>13,900</u>
	<u>\$ 249,300</u>	<u>\$ 268,900</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

8. Employee benefit obligations (continued)

(b) Vested sick leave benefits (continued)

The net benefit expense for the employee benefit plan is as follows:

	<u>2016</u>	<u>2015</u>
Current service cost	\$ 24,700	\$ 23,900
Interest cost	8,600	8,600
Amortization of actuarial gain	<u>(1,600)</u>	<u>(1,696)</u>
Net benefit expense	<u>\$ 31,700</u>	<u>\$ 30,804</u>

During the year \$ 50,427 (2015 - \$ 48,341) was paid to employees who left the Municipality's employment. The Municipality has set aside \$ 36,118 (2015 - \$ 85,007) in a reserve.

(c) Retirement benefits

The City of Port Colborne pays certain retirement benefits on behalf of its retired employees. The City of Port Colborne recognizes these retirement costs in the period in which the employees rendered the services. The plan is substantially unfunded and requires no contributions from employees.

The accrued benefit obligation at December 31, 2016 of \$ 5,941,300 (2015 - \$ 5,754,000) was determined by an actuarial valuation using a discount rate of 3.4%.

The City's obligation under the retirement provision of employment agreements will be funded out of current revenue. During the year benefit payments of \$ 337,900 (2015 - \$ 318,300) were paid to retirees.

Actuarial valuations for accounting purposes are performed every three years using the projected benefit method, pro-rated on service. Under this method, the projected retirement benefits are deemed to be earned on a pro-rata basis over the employee's years of service.

The most recent actuarial valuation for the retirement benefits was prepared at December 31, 2015.

The main actuarial assumptions employed for retirement benefits valuation above are as follows (where applicable):

(i) Interest (discount) rate

The obligations as at December 31, 2016 of the present value of future liabilities were determined using a discount rate of 3.4%.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

8. Employee benefit obligations (continued)

(c) Retirement benefits (continued)

(ii) Medical costs

Drug costs were assumed to be 8% in 2016 and decrease 0.175% per year until 2036 when the rate will be 4.5% and continue thereafter.

Vision costs were assumed to be 2.5% in 2016 and decrease 0.25% per year until 2026 when the rate will be 0% and continue thereafter.

Other health costs were assumed to be 4.5% in 2016 and continue thereafter.

(iii) Dental costs

Dental costs were assumed to be 6% in 2016 and decrease 0.1875% per year until 2024 when the rate will be 4.5% and continue thereafter.

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation		
Balance, beginning of year	\$ 5,754,000	\$ 5,559,924
Benefit payments	(337,900)	(318,300)
Current service cost	298,900	289,100
Interest cost	205,600	196,600
Amortization of actuarial loss	<u>20,700</u>	<u>26,676</u>
Balance, end of year	<u>\$ 5,941,300</u>	<u>\$ 5,754,000</u>
Funded status		
Deficit	\$ 6,083,100	\$ 5,916,500
Unamortized actuarial loss	<u>(141,800)</u>	<u>(162,500)</u>
	<u>\$ 5,941,300</u>	<u>\$ 5,754,000</u>

The net benefit expense for the employee benefit plan is as follows:

Current service cost	\$ 298,900	\$ 289,100
Interest cost	205,600	196,600
Amortization of actuarial loss	<u>20,700</u>	<u>26,676</u>
Net benefit expense	<u>\$ 525,200</u>	<u>\$ 512,376</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

9. Tangible capital assets	<u>2016</u>	<u>2015</u>
Net book value		
Land	\$ 6,203,049	\$ 6,411,698
Land improvements	9,351,806	9,573,052
Buildings	34,967,968	36,326,976
Leasehold improvements	273,214	172,654
Vehicles	2,739,467	2,838,602
Office equipment and furniture and fixtures	593,763	614,486
Machinery and equipment	2,370,711	2,437,889
Infrastructure	<u>58,722,511</u>	<u>54,929,113</u>
	115,222,489	113,304,470
Assets under construction	<u>10,715,159</u>	<u>2,777,897</u>
	<u>\$ 125,937,648</u>	<u>\$ 116,082,367</u>

10. Accumulated surplus	<u>2016</u>	<u>2015</u>
Consists of:		
Surpluses (deficits)		
Operating	\$ (3,336,488)	\$ (2,827,898)
Port Colborne Public Library Board	1,425	1,426
Port Colborne Downtown Development Board	43,334	40,915
Port Colborne Main Street Business Improvement Area	28,051	23,932
Niagara Central Airport Commission (Note 18)	<u>18,625</u>	<u>26,452</u>
	<u>(3,245,053)</u>	<u>(2,735,173)</u>
Investment in tangible capital assets	<u>125,937,648</u>	<u>116,082,367</u>
Unfunded		
Construction loan	(7,437,000)	-
Long term debt	(11,650,183)	(13,034,873)
Employee benefit obligations	<u>(8,042,000)</u>	<u>(7,860,679)</u>
	<u>(27,129,183)</u>	<u>(20,895,552)</u>
Reserves and reserve funds (Note 11)	<u>17,752,175</u>	<u>17,824,258</u>
	<u>\$ 113,315,587</u>	<u>\$ 110,275,900</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

11. Reserves and reserve funds	<u>2016</u>	<u>2015</u>
Reserves set aside for specific purposes by Council		
Working capital	\$ 703,010	\$ 703,010
Recreation programs and facilities	339,114	352,474
Acquisition of capital assets	2,085,445	1,450,757
Library	34,598	27,580
Museum	18,259	16,399
Transit	75,100	75,100
Election expense	70,956	47,956
Administration costs	1,032,117	816,357
Airport	33,232	33,232
Cemetery	16,978	16,978
Wastewater operations	2,679,471	1,793,579
Water operations	<u>544,039</u>	<u>2,981,579</u>
Total reserves	<u>7,632,319</u>	<u>8,315,001</u>
Reserve funds set aside for specific purposes by Council or agreement		
Acquisition of fixed assets	7,365,171	6,411,270
Accumulated sick leave and disability	36,118	85,007
Administration costs	1,133,189	1,031,630
Grain elevator property	891,041	845,563
Community centre	465,656	647,574
Library	191,301	241,120
Transit	37,380	18,891
Water projects	<u>-</u>	<u>228,202</u>
Total reserve funds	<u>10,119,856</u>	<u>9,509,257</u>
Total reserves and reserve funds	<u>\$ 17,752,175</u>	<u>\$ 17,824,258</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

12. Taxation	Budget <u>2016</u>	Actual <u>2016</u>	Actual <u>2015</u>
Real property		\$ 34,375,878	\$ 33,311,518
From other governments			
Payments in lieu of taxes		<u>382,761</u>	<u>365,683</u>
		<u>34,758,639</u>	<u>33,677,201</u>
Less: taxation collected on behalf of (Note 13)			
Region of Niagara		13,471,321	13,490,355
School boards		<u>5,519,254</u>	<u>5,498,758</u>
		<u>18,990,575</u>	<u>18,989,113</u>
Net taxes available for municipal purposes		<u>\$ 15,768,064</u>	<u>\$ 14,688,088</u>
Residential, multi-residential and farm	\$ 12,159,932	\$ 12,172,922	\$ 11,396,484
Commercial and industrial	<u>3,531,144</u>	<u>3,595,142</u>	<u>3,291,604</u>
Net taxes available for municipal purposes	<u>\$ 15,691,076</u>	<u>\$ 15,768,064</u>	<u>\$ 14,688,088</u>

13. Collections for the Region of Niagara and school boards

Total taxation and development charges received or receivable on behalf of the Region of Niagara and the school boards were as follows:

	<u>2016</u>	<u>2015</u>
Region of Niagara	\$ 13,471,321	\$ 13,490,355
School boards	<u>5,519,254</u>	<u>5,498,758</u>
	<u>\$ 18,990,575</u>	<u>\$ 18,989,113</u>

The Municipality is required to levy and collect taxes on behalf of the Region of Niagara and the school boards. These taxes are recorded as revenue at the amounts levied. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

14. User charges	Budget <u>2016</u>	Actual <u>2016</u>	Actual <u>2015</u>
Operating			
Fees and service charges	\$ 2,475,349	\$ 2,815,464	\$ 2,460,590
Direct water billings	4,707,244	4,383,898	4,209,330
Wastewater surcharges	5,591,436	4,934,473	5,032,943
Licences and permits	<u>225,477</u>	<u>328,245</u>	<u>211,272</u>
	<u>\$ 12,999,506</u>	<u>\$ 12,462,080</u>	<u>\$ 11,914,135</u>
15. Government transfers			
	Budget <u>2016</u>	Actual <u>2016</u>	Actual <u>2015</u>
Operating			
Government of Canada	\$ 23,400	\$ 41,108	\$ 35,531
Province of Ontario	3,056,966	3,165,395	3,096,444
Municipal	<u>-</u>	<u>413</u>	<u>37,915</u>
	<u>3,080,366</u>	<u>3,206,916</u>	<u>3,169,890</u>
Capital			
Government of Canada	743,000	748,951	1,425,000
Province of Ontario	96,592	1,196,592	110,042
Municipal	<u>-</u>	<u>-</u>	<u>200,000</u>
	<u>839,592</u>	<u>1,945,543</u>	<u>1,735,042</u>
	<u>\$ 3,919,958</u>	<u>\$ 5,152,459</u>	<u>\$ 4,904,932</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

16. Other revenue	Budget <u>2016</u>	Actual <u>2016</u>	Actual <u>2015</u>
Operating			
Penalties and interest on taxes	\$ 382,770	\$ 409,426	\$ 394,893
Fines	22,000	18,266	21,691
Interest income	30,525	34,164	50,095
Rental income	37,573	48,594	49,116
Investment income – reserves and reserve funds	-	131,450	50,041
Contributions from developers	100,000	-	-
Transfer from trust funds	5,105	4,273	4,371
Donations	184,462	128,822	122,230
Other	<u>17,060</u>	<u>204,948</u>	<u>253,462</u>
	<u>779,495</u>	<u>979,943</u>	<u>945,899</u>
Capital			
Contributions from developers	-	204,717	-
Donations	2,500	186,932	293,627
Other	<u>-</u>	<u>57,748</u>	<u>283,591</u>
	<u>2,500</u>	<u>449,397</u>	<u>577,218</u>
	<u>\$ 781,995</u>	<u>\$ 1,429,340</u>	<u>\$ 1,523,117</u>

17. Pension agreements

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

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan deficit of \$ 2.3 billion (2015 - \$ 5.3 billion) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2016 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the consolidated statement of operations. Employer contributions to OMERS for 2016 current and past service was \$ 761,678 (2015 - \$ 771,777) and were matched by employee contributions in a similar amount.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

18. Niagara Central Airport Commission

The Niagara Central Airport Commission operates a two runway airport offering a year round fixed base operation. The Commission is funded by the four nearby municipalities, City of Welland, City of Port Colborne, Town of Pelham and the Township of Wainfleet. The City of Port Colborne has a non-controlling interest in the airport of 20%.

The following table provides condensed supplementary financial information for the Niagara Central Airport Commission:

	<u>2016</u>	<u>2015</u>
Financial assets		
Cash and temporary investments	\$ 87,329	\$ 125,564
Receivables	<u>40,659</u>	<u>17,710</u>
	127,988	143,274
Liabilities		
Accounts payable and accrued liabilities	<u>44,763</u>	<u>14,552</u>
Net financial assets	<u>83,225</u>	<u>128,722</u>
Non-financial assets		
Prepaid expenses	1,354	1,354
Fuel inventory	24,712	18,347
Tangible capital assets	<u>1,238,403</u>	<u>1,132,862</u>
	<u>1,264,469</u>	<u>1,152,563</u>
Accumulated surplus	<u>\$ 1,347,694</u>	<u>\$ 1,281,285</u>
Accumulated surplus consists of:		
Operating surplus	\$ 93,127	\$ 132,259
Reserves	16,164	16,164
Investment in tangible capital assets	<u>1,238,403</u>	<u>1,132,862</u>
	<u>\$ 1,347,694</u>	<u>\$ 1,281,285</u>
Revenues		
Grants	\$ 84,450	\$ 82,800
Fuel, rentals and other	152,110	109,079
Interest	477	935
Expenses	<u>(170,627)</u>	<u>(166,679)</u>
Annual surplus	<u>\$ 66,410</u>	<u>\$ 26,135</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

18. Niagara Central Airport Commission (continued)

The financial position information is as reported by the Niagara Central Airport Commission as at December 31, 2016 and the results of operations are as reported for the year ended December 31, 2016. The comparative financial position and results of operations figures are as reported by the Niagara Central Airport Commission at December 31, 2015.

The Municipality has recorded in the financial statements its 20% share of the Niagara Central Airport Commissions' assets, liabilities, accumulated surplus, revenues, expenses, and annual surplus.

The following summarizes the Municipality's related party transactions with the Niagara Central Airport Commission for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	<u>2016</u>	<u>2015</u>
Government transfers	<u>\$ 16,890</u>	<u>\$ 16,560</u>

19. Trust funds

Trust funds administered by the Municipality amounting to \$ 386,188 (2015 - \$ 358,553) have not been included in the consolidated statement of financial position nor have these operations been included in the consolidated statement of operations.

20. Contingencies

The Municipality is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

21. Liabilities for contaminated sites

The Municipality reports environmental liabilities related to the management and remediation of any contaminated sites where the Municipality is obligated or likely obligated to incur such costs. Currently no such contaminated sites have been identified and therefore no liability has been recorded.

The Municipality's ongoing efforts to assess contaminated sites may result in future environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any changes to the Municipality's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and reasonably estimable.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

22. Segmented information

The Municipality is a diverse municipal government that provides a wide range of services to its citizens. Segmented information has been identified for the service lines that reflect the way in which the operations are managed and resource needs are identified and budgeted. Municipal activities are reported by function in the body of the financial statements.

Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General

The general provision of municipal services includes general government, fire services, transportation services, storm sewer services, planning and development, facilities, parks and cemeteries.

Water

The water operations install and maintain water capital infrastructure to ensure the safe supply, metering and cost recovery for all treated water to serviced areas within all urban and settlement areas of the Municipality.

Wastewater

The wastewater operations install and maintain wastewater capital infrastructure and recover costs of providing this service within all urban and settlement areas of the Municipality.

Port Colborne Public Library Board

The Port Colborne Public Library Board provides library services, materials and facilities. The Municipality controls the board and consolidates the financial activities.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The consolidated schedule of segment disclosure and the schedules of segment disclosure with budget information follow the notes.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

23. Budget

The budget bylaw adopted by Council March 29, 2016 was not prepared on a basis consistent with that used to report actual results in accordance with Canadian public sector accounting standards. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. As a result, the budget figures presented in the consolidated statement of operations and consolidated statement of changes in net debt represent the budget adopted by Council with the following adjustments:

Budgeted annual deficit	\$	64,364
Add:		
Acquisition of tangible capital assets		19,446,799
Repayment of long term debt		1,696,293
Less:		
Transfers to (from) reserves, net		(2,731,569)
Amortization of tangible capital assets		(5,012,783)
Debenture proceeds		<u>(12,700,365)</u>
Budgeted deficit per consolidated statement of operations	\$	<u>762,739</u>

City of Port Colborne

Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2016

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Leaseholds</u>	<u>Vehicles</u>	<u>Furniture and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Process</u>	<u>2016</u>
Cost								
Beginning of year	\$ 6,411,698	\$ 16,811,714	\$ 46,414,989	\$ 5,130,428	\$ 7,006,628	\$ 102,110,260	\$ 2,777,897	\$ 186,663,614
Additions	-	289,388	353,228	195,755	479,297	5,949,952	8,701,202	15,968,822
Disposals	<u>(208,649)</u>	<u>(62,245)</u>	<u>(143,377)</u>	<u>(272,113)</u>	<u>(274,846)</u>	<u>(342,655)</u>	<u>(763,940)</u>	<u>(2,067,825)</u>
End of year	<u>6,203,049</u>	<u>17,038,857</u>	<u>46,624,840</u>	<u>5,054,070</u>	<u>7,211,079</u>	<u>107,717,557</u>	<u>10,715,159</u>	<u>200,564,611</u>
Accumulated amortization								
Beginning of year	-	7,238,662	9,915,359	2,291,826	3,954,253	47,181,147	-	70,581,247
Amortization	-	504,020	1,582,807	294,890	563,759	2,067,289	-	5,012,765
Amortization on disposals	<u>-</u>	<u>(55,631)</u>	<u>(114,508)</u>	<u>(272,113)</u>	<u>(271,407)</u>	<u>(253,390)</u>	<u>-</u>	<u>(967,049)</u>
End of year	<u>-</u>	<u>7,687,051</u>	<u>11,383,658</u>	<u>2,314,603</u>	<u>4,246,605</u>	<u>48,995,046</u>	<u>-</u>	<u>74,626,963</u>
Net book value	<u>\$ 6,203,049</u>	<u>\$ 9,351,806</u>	<u>\$ 35,241,182</u>	<u>\$ 2,739,467</u>	<u>\$ 2,964,474</u>	<u>\$ 58,722,511</u>	<u>\$ 10,715,159</u>	<u>\$ 125,937,648</u>

City of Port Colborne Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2015

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Leaseholds</u>	<u>Vehicles</u>	<u>Furniture and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Process</u>	<u>2015</u>
Cost								
Beginning of year	\$ 6,466,065	\$ 16,708,675	\$ 46,090,400	\$ 4,409,884	\$ 6,816,683	\$ 98,740,465	\$ 1,437,745	\$ 180,669,917
Additions	20,289	177,321	565,964	1,270,111	411,748	4,301,382	4,285,495	11,032,310
Disposals	<u>(74,656)</u>	<u>(74,282)</u>	<u>(241,375)</u>	<u>(549,567)</u>	<u>(221,803)</u>	<u>(931,587)</u>	<u>(2,945,343)</u>	<u>(5,038,613)</u>
End of year	<u>6,411,698</u>	<u>16,811,714</u>	<u>46,414,989</u>	<u>5,130,428</u>	<u>7,006,628</u>	<u>102,110,260</u>	<u>2,777,897</u>	<u>186,663,614</u>
Accumulated amortization								
Beginning of year	-	6,761,803	8,421,865	2,349,466	3,616,512	45,724,783	-	66,874,429
Amortization	-	527,479	1,578,672	264,807	556,223	2,063,217	-	4,990,398
Amortization on disposals	<u>-</u>	<u>(50,620)</u>	<u>(85,178)</u>	<u>(322,447)</u>	<u>(218,482)</u>	<u>(606,853)</u>	<u>-</u>	<u>(1,283,580)</u>
End of year	<u>-</u>	<u>7,238,662</u>	<u>9,915,359</u>	<u>2,291,826</u>	<u>3,954,253</u>	<u>47,181,147</u>	<u>-</u>	<u>70,581,247</u>
Net book value	<u>\$ 6,411,698</u>	<u>\$ 9,573,052</u>	<u>\$ 36,499,630</u>	<u>\$ 2,838,602</u>	<u>\$ 3,052,375</u>	<u>\$ 54,929,113</u>	<u>\$ 2,777,897</u>	<u>\$ 116,082,367</u>

City of Port Colborne

Consolidated Schedule of Segment Disclosure

For the Year Ended December 31, 2016

	General	Water	Wastewater	Library	Eliminations	Consolidated
Revenue						
Taxation	\$ 15,768,064	\$ -	\$ -	\$ -	\$ -	\$ 15,768,064
User charges	3,093,256	4,407,243	4,935,007	26,574	-	12,462,080
Government transfers	5,109,516	-	-	729,633	(686,690)	5,152,459
Other revenue	1,229,626	166,602	-	33,112	-	1,429,340
Gain (loss) on disposal of tangible capital assets	78,490	(12)	-	-	-	78,478
	25,278,952	4,573,833	4,935,007	789,319	(686,690)	34,890,421
Expenses						
Salaries and benefits	11,170,066	610,388	208,458	511,099	-	12,500,011
Materials	5,414,003	246,855	61,991	129,085	-	5,851,934
Contracted services	1,904,485	2,240,339	3,458,421	23,260	-	7,626,505
Rents and financial expenses	109,038	6,482	2,869	162	-	118,551
External transfers to others	154,994	-	-	-	-	154,994
Long term debt interest	294,726	106,358	-	-	-	401,084
Tax write-offs	184,890	-	-	-	-	184,890
Amortization	4,082,436	497,503	363,792	69,034	-	5,012,765
Inter-functional transfers	235,908	247,616	203,166	-	(686,690)	-
	23,550,546	3,955,541	4,298,697	732,640	(686,690)	31,850,734
Annual surplus	\$ 1,728,406	\$ 618,292	\$ 636,310	\$ 56,679	\$ -	\$ 3,039,687

City of Port Colborne

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2016

Budget

Actual

General government

Revenue

Taxation	\$ 15,691,076	\$ 15,768,064
User charges	2,647,126	3,093,256
Government transfers	3,877,188	5,109,516
Other	679,953	1,229,626
Gain on disposal of tangible capital assets	-	78,490
	<u>22,895,343</u>	<u>25,278,952</u>

Expenses

Salaries and wages	10,699,588	11,170,066
Materials	5,414,651	5,414,003
Contracted services	1,701,200	1,904,485
Rents and financial expenses	124,185	109,038
External transfers to others	106,262	154,994
Long term debt interest	312,780	294,726
Tax write-offs	255,698	184,890
Amortization	4,082,454	4,082,436
Inter-functional transfers	236,349	235,908
	<u>22,933,167</u>	<u>23,550,546</u>

Annual surplus (deficit)

	\$ (37,824)	\$ 1,728,406
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City of Port Colborne

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2016

Budget

Actual

Water

Revenue

User charges	\$ 4,727,494	\$ 4,407,243
Government transfers	-	-
Other	102,042	166,602
Loss on disposal of tangible capital assets	-	(12)
	<u>4,829,536</u>	<u>4,573,833</u>

Expenses

Salaries and wages	600,442	610,388
Materials	373,831	246,855
Contracted services	2,418,313	2,240,339
Rents and financial expenses	10,734	6,482
Long term debt interest	109,096	106,358
Amortization	497,503	497,503
Inter-functional transfers	247,616	247,616
	<u>4,257,535</u>	<u>3,955,541</u>

Annual surplus

	<u>\$ 572,001</u>	<u>\$ 618,292</u>
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City of Port Colborne

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2016

Budget

Actual

Wastewater

Revenue

User charges	\$ 5,596,436	\$ 4,935,007
Government transfers	-	-
Other	-	-
Loss on disposal of tangible capital assets	-	-
	5,596,436	4,935,007

Expenses

Salaries and wages	291,975	208,458
Materials	361,240	61,991
Contracted services	4,147,637	3,458,421
Rents and financial expenses	6,230	2,869
Amortization	363,792	363,792
Inter-functional adjustments	203,166	203,166
	5,374,040	4,298,697

Annual surplus

	\$ 222,396	\$ 636,310
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Library

Revenue

User charges	\$ 28,450	\$ 26,574
Government transfers	729,460	729,633
Other	-	33,112
Loss on disposal of tangible capital assets	-	-
	757,910	789,319

Expenses

Salaries and wages	522,436	511,099
Materials	135,774	129,085
Contracted services	24,500	23,260
Rents and financial expenses	-	162
Amortization	69,034	69,034
	751,744	732,640

Annual surplus

	\$ 6,166	\$ 56,679
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Grant Thornton

Independent auditor's report

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To the Members of Council, Inhabitants and Taxpayers of the
Corporation of the City of Port Colborne

We have audited the accompanying consolidated financial statements of the trust funds of the Corporation of the City of Port Colborne, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of operations for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management based on the financial reporting provisions prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the City of Port Colborne as at December 31, 2016, and the results of its operations for the year then ended in accordance with the financial reporting provisions of the Ministry of Municipal Affairs and Housing.

Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to assist the trust funds of the Corporation of the City of Port Colborne to comply with the reporting provisions of the Ministry of Municipal Affairs and Housing. As a result, the consolidated financial statements may not be suitable for another purpose.



Port Colborne, Canada
January 22, 2018

Chartered Professional Accountants
Licensed Public Accountants

City of Port Colborne Trust Funds

Consolidated Statement of Financial Position As at December 31, 2016

	<u>Local Improvements</u>	<u>Julia Yager Trust</u>	<u>Fulton Trust</u>
Assets			
Cash	\$ 22,229	\$ 975	\$ 1,045
Investments	-	6,252	-
Accrued interest	<u>15</u>	<u>-</u>	<u>-</u>
Accumulated surplus	<u>\$ 22,244</u>	<u>\$ 7,227</u>	<u>\$ 1,045</u>

Consolidated Statement of Operations For the Year Ended December 31, 2016

	<u>Local Improvements</u>	<u>Julia Yager Trust</u>	<u>Fulton Trust</u>
Revenue			
Interest earned	\$ 167	\$ 43	\$ 1
Perpetual trust contributions	-	-	-
Donations	<u>-</u>	<u>-</u>	<u>-</u>
	<u>167</u>	<u>43</u>	<u>1</u>
Expenses			
Transfer to capital fund	-	-	-
Transfer to revenue fund	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Annual surplus	167	43	1
Accumulated surplus			
Beginning of year	<u>22,077</u>	<u>7,184</u>	<u>1,044</u>
End of year	<u>\$ 22,244</u>	<u>\$ 7,227</u>	<u>\$ 1,045</u>

Sherkston Trust	Overholt Cemetery	Roselawn Centre	Total <u>2016</u>	Total <u>2015</u>
\$ 772	\$ -	\$ 32,533	\$ 57,554	\$ 43,169
10,639	311,708	-	328,599	315,361
<u>-</u>	<u>-</u>	<u>20</u>	<u>35</u>	<u>23</u>
<u>\$ 11,411</u>	<u>\$ 311,708</u>	<u>\$ 32,553</u>	<u>\$ 386,188</u>	<u>\$ 358,553</u>

Sherkston Trust	Overholt Cemetery	Roselawn Centre	Total <u>2016</u>	Total <u>2015</u>
\$ 66	\$ 6,827	\$ 182	\$ 7,286	\$ 4,767
-	10,650	-	10,650	10,710
<u>-</u>	<u>-</u>	<u>13,972</u>	<u>13,972</u>	<u>18,375</u>
<u>66</u>	<u>17,477</u>	<u>14,154</u>	<u>31,908</u>	<u>33,852</u>
-	-	-	-	-
<u>-</u>	<u>4,273</u>	<u>-</u>	<u>4,273</u>	<u>7,136</u>
<u>-</u>	<u>4,273</u>	<u>-</u>	<u>4,273</u>	<u>7,136</u>
66	13,204	14,154	27,635	26,716
<u>11,345</u>	<u>298,504</u>	<u>18,399</u>	<u>358,553</u>	<u>331,837</u>
<u>\$ 11,411</u>	<u>\$ 311,708</u>	<u>\$ 32,553</u>	<u>\$ 386,188</u>	<u>\$ 358,553</u>

See accompanying notes to the consolidated financial statements

City of Port Colborne

Trust Funds

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Accounting policies

The consolidated financial statements of the trust funds of the City of Port Colborne are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

Significant aspects of the accounting policies adopted are as follows:

(a) 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.

(b) Investments

Investments are recorded at cost.

2. Subdividers' deposits

In addition to the cash accounts held by the Municipality and shown as trust funds, bank letters of credit are also held as security to ensure the provision of subdivision services and the completion of contracts.

	<u>2016</u>	<u>2015</u>
Letters of credit, beginning of year	\$ 479,369	\$ 454,455
Net additions	<u>619,354</u>	<u>24,914</u>
Letters of credit, end of year	<u>\$ 1,098,723</u>	<u>\$ 479,369</u>

These letters of credit are not reflected in the accounts.