

Financial Report

Corporation of the City of Thorold

2016

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Independent auditor's report

Grant Thornton LLP
Suite B
222 Catharine Street, PO Box 336
Port Colborne, ON
L3K 5W1

T +1 905 834 3651
F +1 905 834 5095
E PortColborne@ca.gt.com
www.GrantThornton.ca

To the Members of Council, Inhabitants and Taxpayers of the
Corporation of the City of Thorold

We have audited the accompanying consolidated financial statements of the Corporation of the City of Thorold, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, changes in net financial assets 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 Thorold as at December 31, 2016, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Port Colborne, Canada
June 20, 2017

Chartered Professional Accountants
Licensed Public Accountants

Corporation of the City of Thorold

Consolidated Statement of Financial Position

As at December 31

2016

2015

Financial assets

Cash and cash equivalents	\$ 20,964,653	\$ 18,826,713
Portfolio investments (Note 2)	14,395,461	12,966,028
Taxes receivable (Note 3)		
Current year	210,389	730,049
Prior years	1,936,101	1,842,004
User charges receivable	1,271,670	1,224,471
Other receivables	<u>1,387,683</u>	<u>1,277,004</u>
	<u>40,165,957</u>	<u>36,866,269</u>

Liabilities

Accounts payable and accrued liabilities	5,030,482	5,139,468
Deferred revenue – obligatory reserve funds (Note 4)	3,304,385	2,960,290
Deferred revenue – other	20,654	7,654
Post-employment benefits (Note 5)	2,243,606	2,386,604
Landfill liability (Note 6)	5,691,178	5,377,850
Contaminated sites liability (Note 7)	114,700	114,700
Long term debt (Note 8)	<u>1,282,921</u>	<u>1,750,567</u>
	<u>17,687,926</u>	<u>17,737,133</u>

Net financial assets

22,478,031 19,129,136

Non-financial assets

Tangible capital assets (Note 9)	98,009,855	97,363,147
Inventory and prepaid expenses	<u>136,420</u>	<u>125,536</u>

Accumulated surplus (Note 10)

\$ 120,624,306 \$ 116,617,819

Commitments and contingencies (Notes 20 and 21)

Approved by

Chief Administrative Officer

Director of Finance

See accompanying notes and schedules to the consolidated financial statements

Corporation of the City of Thorold

Consolidated Statement of Operations

For the Year Ended December 31, 2016

	Budget 2016 (Note 25)	Actual 2016	Actual 2015
Revenue			
Taxation (Note 13)	\$ 14,765,724	\$ 15,050,638	\$ 13,085,540
User fees and charges (Note 15)	9,562,478	8,859,759	8,093,678
Government transfers (Note 16)	752,423	1,047,843	788,910
Other (Note 17)	1,548,646	1,466,098	2,067,050
	<u>26,629,271</u>	<u>26,424,338</u>	<u>24,035,178</u>
Expenses			
General government	1,504,983	1,487,094	1,461,373
Protection to persons and property	4,780,707	4,587,204	4,522,949
Transportation services	5,156,659	5,068,683	5,437,398
Environmental services	7,813,472	8,295,220	7,457,644
Health services	1,203,960	1,092,700	1,091,494
Social and family services	262,086	266,311	286,599
Recreation and culture services	3,418,103	3,370,686	3,346,593
Planning and development	814,947	968,018	772,483
	<u>24,954,917</u>	<u>25,135,916</u>	<u>24,376,533</u>
Net revenues (expenses)	<u>1,674,354</u>	<u>1,288,422</u>	<u>(341,355)</u>
Other			
Revenue related to tangible capital assets			
User fees and charges (Note 15)	1,335,000	1,273,912	927,703
Government transfers (Note 16)	1,050,878	917,910	599,791
Other (Note 17)	264,000	356,350	294,797
Gain on disposal of tangible capital assets	-	169,893	11,689
	<u>2,649,878</u>	<u>2,718,065</u>	<u>1,833,980</u>
Annual surplus	4,324,232	4,006,487	1,492,625
Accumulated surplus (Note 10)			
Beginning of year	<u>116,617,819</u>	<u>116,617,819</u>	<u>115,125,194</u>
End of year	<u>\$ 120,942,051</u>	<u>\$ 120,624,306</u>	<u>\$ 116,617,819</u>

See accompanying notes and schedules to the consolidated financial statements

Corporation of the City of Thorold
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2016

	Budget <u>2016</u> (Note 25)	Actual <u>2016</u>	Actual <u>2015</u>
Annual surplus	\$ 4,324,232	\$ 4,006,487	\$ 1,492,625
Amortization of tangible capital assets	3,933,046	3,933,046	3,975,536
Acquisition of tangible capital assets	(12,234,534)	(4,629,692)	(3,864,488)
Proceeds on disposal of tangible capital assets	-	219,831	12,590
Gain on disposal of tangible capital assets	<u>-</u>	<u>(169,893)</u>	<u>(11,689)</u>
	(3,977,256)	3,359,779	1,604,574
(Acquisition) use of inventory and prepaid expenses	<u>-</u>	<u>(10,884)</u>	<u>14,471</u>
Increase (decrease) in net financial assets	(3,977,256)	3,348,895	1,619,045
Net financial assets			
Beginning of year	<u>19,129,136</u>	<u>19,129,136</u>	<u>17,510,091</u>
End of year	<u>\$ 15,151,880</u>	<u>\$ 22,478,031</u>	<u>\$ 19,129,136</u>

See accompanying notes and schedules to the consolidated financial statements

Corporation of the City of Thorold

Consolidated Statement of Cash Flows

For the Year Ended December 31

2016

2015

Increase (decrease) in cash and cash equivalents

Operating activities		
Annual surplus	\$ 4,006,487	\$ 1,492,625
Non-cash items		
Amortization of tangible capital assets	3,933,046	3,975,536
Gain on disposal of tangible capital assets	(169,893)	(11,689)
Changes in:		
Taxes receivable	425,563	(501,198)
User charges receivable	(47,199)	23,896
Other receivables	(110,679)	336,726
Accounts payable and accrued liabilities	(108,986)	953,764
Deferred revenue – obligatory reserve funds	344,095	318,744
Deferred revenue – other	13,000	2,500
Post-employment benefits	(142,998)	55,129
Landfill liability	313,328	41,830
Contaminated sites	-	114,700
Inventory and prepaid expenses	(10,884)	14,471
	<u>8,444,880</u>	<u>6,817,034</u>
Capital activities		
Proceeds on disposal of tangible capital assets	219,831	12,590
Acquisition of tangible capital assets, net of construction in process capitalized	<u>(4,629,692)</u>	<u>(3,864,488)</u>
	<u>(4,409,861)</u>	<u>(3,851,898)</u>
Investing activities		
Increase in portfolio investments	<u>(1,429,433)</u>	<u>(1,144,534)</u>
Financing activities		
Repayment of long term debt	<u>(467,646)</u>	<u>(122,711)</u>
Net increase in cash and cash equivalents	2,137,940	1,697,891
Cash and cash equivalents		
Beginning of year	<u>18,826,713</u>	<u>17,128,822</u>
End of year	<u>\$ 20,964,653</u>	<u>\$ 18,826,713</u>

See accompanying notes and schedules to the consolidated financial statements

Corporation of the City of Thorold

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 Thorold ("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

- (i) 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:

Thorold Public Library Board
Thorold Business Improvement Area

Interdepartmental and organizational transactions and balances are eliminated.

- (ii) Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the Trust Funds Statements of Financial Position and Operations (Pages 37 and 38).

(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.

(c) Cash and cash equivalents

Cash and cash equivalents are represented by cash on hand, cash on deposit in chartered banks and investments that mature within three months.

(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.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies (continued)

(e) Deferred revenue

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

(f) Employee future benefits

The Municipality pays certain benefits on behalf of its retired employees. These post-employment costs are recognized in the period in which the employees rendered their services to the Municipality. The actuarial determination of the accrued benefit obligations for pension benefits earned by employees uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

(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.

(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 capitalizes interest as part of the costs of its capital assets.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies (continued)

(h) Tangible capital assets (continued)

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 for all assets with any net gain or loss arising from the disposal of assets recognized in the Consolidated Statement of Operations.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Land improvements	10 to 30 years
Buildings	20 to 50 years
Machinery and equipment	3 to 20 years
Vehicles	7 to 20 years
Infrastructure	5 to 75 years

For non-pooled assets, amortization is charged in the year of acquisition beginning in the month subsequent to asset purchase. For pooled assets, amortization is not charged in the year of acquisition and begins in the year subsequent to asset purchase. Assets under construction are not amortized until the asset is available for productive use.

(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. The Municipality is not involved in the construction.

(j) Inventory

Inventory is recorded at the lower of average cost and net realizable value.

(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.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies (continued)

(l) 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 Region of Niagara and 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 Region of Niagara and 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 are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

iv) Other

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

v) Investment income

Investment income earned on operating surplus funds and reserves and reserve funds (other than obligatory reserve funds) are recorded as revenue in the period earned. Investment income earned on obligatory reserve funds are recorded directly to each respective fund balance and forms part of the deferred revenue – obligatory reserve funds balance.

(m) 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.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Significant accounting policies (continued)

(n) Region of Niagara 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.

(o) Use of estimates

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Portfolio investments	<u>2016</u>	<u>2015</u>
Guaranteed investment certificates	\$ 3,468,293	\$ 3,026,346
Federal, provincial and municipal bonds	<u>10,927,168</u>	<u>9,939,682</u>
	<u>\$ 14,395,461</u>	<u>\$ 12,966,028</u>

Portfolio investments carry an effective interest rate ranging from 1.82% to 4.90% and maturity dates ranging from January, 2017 to June, 2026. Interest is receivable on an annual basis. Portfolio investments reported on the Consolidated Statement of Financial Position have a market value of \$ 15,146,485 (2015 - \$ 13,829,623).

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

3. Taxes receivable

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"). The property tax receivables and tax revenue of the Municipality are subject to measurement uncertainty as a number of appeals submitted by taxpayers have yet to be heard. The Municipality has established an allowance for doubtful accounts in the amount of \$ 1,360,642 (2015 - \$ 1,235,030). The Province of Ontario instituted a mandatory capping program through the provisions of Bill 140 which limits assessment related increases in property tax bills.

4. Deferred revenue – obligatory reserve funds

The following balances are reflected as deferred revenue – obligatory reserve funds as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded:

	<u>2016</u>	<u>2015</u>
Parkland	\$ 137,124	\$ 130,879
Building code	416,769	325,392
Ontario Sport & Recreation Community grant	22,616	35,833
Tree planting	4,921	4,876
Gas tax	281,674	629,583
Development charges	<u>2,441,281</u>	<u>1,833,727</u>
	<u>\$ 3,304,385</u>	<u>\$ 2,960,290</u>

The deferred revenue – obligatory reserve funds reported on the Consolidated Statement of Financial Position, are made up of the following:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	<u>\$ 2,960,290</u>	<u>\$ 2,641,546</u>
Contributions from Development Charges Act	1,883,921	1,143,951
Interest earned	35,501	36,618
Federal gas tax grant received	545,160	519,199
Provincial gas tax grant received	179,646	248,084
Infrastructure grants received	116,878	116,878
Other revenue	<u>103,443</u>	<u>64,971</u>
	<u>2,864,549</u>	<u>2,129,701</u>
Utilized for		
Operations	(374,888)	(401,253)
Tangible capital asset acquisitions	<u>(2,145,566)</u>	<u>(1,409,704)</u>
	<u>(2,520,454)</u>	<u>(1,810,957)</u>
Balance, end of year	<u>\$ 3,304,385</u>	<u>\$ 2,960,290</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

5. Post-employment benefits	<u>2016</u>	<u>2015</u>
Accrued vacation pay	<u>\$ 493,550</u>	<u>\$ 471,974</u>
Accumulated sick leave	<u>720,054</u>	855,533
Post-employment benefits	<u>1,030,002</u>	<u>1,059,097</u>
	<u>1,750,056</u>	<u>1,914,630</u>
	<u>\$ 2,243,606</u>	<u>\$ 2,386,604</u>

Accrued vacation pay

As at December 31, 2016, employees of the Municipality have accumulated vacation pay credits in the amount of \$ 493,550 (2015 - \$ 471,974). Any unused credits may be carried forward to the next year.

Accumulated sick leave and post-employment benefits

Under the Municipality's sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Municipality's employment. The Municipality pays certain medical and dental benefits for early retirees and life insurance benefits on behalf of its retired employees.

The accrued benefit liability for accumulated sick leave and post-employment benefits as at December 31, 2016 of \$ 1,750,056 (2015 - \$ 1,914,630) was determined by actuarial valuation using a discount rate of 4%. A reserve has been established for the accumulated sick leave liability. The balance as at December 31, 2016 is \$ 828,808 (2015 - \$ 780,736).

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation:		
Beginning of year	\$ 1,436,630	\$ 1,385,600
Benefit expense	78,700	75,600
Interest accrued	70,800	55,500
Benefits paid	<u>(287,374)</u>	<u>(80,070)</u>
End of year	<u>\$ 1,298,756</u>	<u>\$ 1,436,630</u>
Funded status:		
Employment benefit plan liabilities	\$ 1,298,756	\$ 1,436,630
Unamortized net actuarial gain	<u>451,300</u>	<u>478,000</u>
Employee benefit plan liability	<u>\$ 1,750,056</u>	<u>\$ 1,914,630</u>
The accrued benefit obligation consists of the following:		
Accumulated sick leave	\$ 720,054	\$ 855,533
Other post-employment	<u>1,030,002</u>	<u>1,059,097</u>
	<u>\$ 1,750,056</u>	<u>\$ 1,914,630</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

5. Post-employment benefits (continued)

The most recent actuarial valuation was performed as at December 31, 2014. The main assumptions employed for the valuation are as follows:

General inflation – future general inflation levels, as measured by changes in the Consumer Price Index (CPI), were assumed at 3% per annum.

Salary levels – future general salary and wage levels were assumed to increase at 3% per annum.

Dental costs – dental costs were assumed to increase to 4% per annum.

Medical costs – medical costs were assumed to increase to 5% per annum for 2016 grading down 0.5% per annum to a rate of 4% per annum.

6. Landfill liability

The Municipality owns and monitors one closed landfill site. The liability for post-closure care has been recognized based upon monitoring costs included in the 2016 budget and inflation adjusted at 1.50% per annum. These costs were then discounted to December 31, 2016 using a discount rate of 4%. Post-closure care is estimated to be required for an indefinite period and will be funded by future tax levies.

The liability for post-closure care as at December 31, 2016 is \$ 5,691,178 (2015 - \$ 5,377,850). Additional expenses for post-closure care recorded in 2016 were in the amount of \$ 439,822 (2015 - \$ 210,753).

7. Contaminated sites liability

The Municipality reports environmental liabilities related to the management and remediation of contaminated sites where the Municipality is obligated or likely obligated to incur such costs.

The Municipality has identified one property where environmental assessments have indicated soil contamination that exceeds current environmental standards.

A contaminated sites liability of \$ 114,700 (2015 - \$ 114,700) has been recorded based on estimated future remediation costs in 2104 of between \$ 900,000 and \$ 1,200,000 using a present value technique at a discount rate of 4%.

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.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

8. Long term debt 2016 2015

- (a) The Municipality has assumed responsibility for the payment of principal and interest charges on certain long term debt issued by other municipalities. At the end of the year the outstanding principal amount of this debt is

\$ 1,282,921 \$ 1,750,567

- (b) The balance of net long term debt reported on the Consolidated Statement of Financial Position is made up of the following:

Debenture <u>Number</u>	<u>Purpose</u>	Interest <u>Rates</u>	Maturity <u>Date</u>	<u>2016</u>	<u>2015</u>
57-2006	City Hall	4.89%	2016	\$ -	\$ 365,000
60-2006	City Hall	5.354%	2026	377,460	405,365
129-2011	City Hall	3.43%	2026	<u>905,461</u>	<u>980,202</u>
				<u>\$ 1,282,921</u>	<u>\$ 1,750,567</u>

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

2017	\$ 106,746
2018	111,017
2019	115,468
2020	120,105
2021	124,938

- (d) The long term debt in (a) issued in the name of the Municipality was approved by by-law. The annual principal and interest payments required to service this debt are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

- (e) Total charges for the year for net long term debt, which are reported on the Consolidated Statement of Operations, are as follows:

	<u>2016</u>	<u>2015</u>
Principal	\$ 467,647	\$ 122,711
Interest	<u>63,388</u>	<u>77,083</u>
	<u>\$ 531,035</u>	<u>\$ 199,794</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

9. Tangible capital assets

The net book values of the tangible capital assets are as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 2,196,811	\$ 2,232,141
Land improvements	3,597,826	3,758,894
Buildings	12,099,817	12,654,220
Machinery and equipment	1,616,407	1,582,357
Vehicles	<u>1,530,483</u>	<u>1,758,187</u>
	<u>21,041,344</u>	<u>21,985,799</u>
Infrastructure		
Transportation	25,739,218	25,687,966
Storm sewers	6,622,137	6,822,052
Sanitary sewers	25,876,436	26,346,542
Infrastructure water	<u>14,949,196</u>	<u>15,252,302</u>
	<u>73,186,987</u>	<u>74,108,862</u>
Construction in process	<u>3,781,524</u>	<u>1,268,486</u>
	<u>\$ 98,009,855</u>	<u>\$ 97,363,147</u>

See Pages 27 and 28 for more detail.

10. Accumulated surplus

	<u>2016</u>	<u>2015</u>
Operating deficit	\$ (5,213,332)	\$ (5,612,371)
Investment in tangible capital assets	98,009,855	97,363,147
Reserves and reserve funds (Note 11)	37,160,188	34,496,764
Unfunded liabilities (Note 12)	<u>(9,332,405)</u>	<u>(9,629,721)</u>
	<u>\$ 120,624,306</u>	<u>\$ 116,617,819</u>

The 2016 operating deficit of the Municipality available for the general reduction of taxation or user charges has been decreased by an amount of \$ 281,438; transferred from the reserve for industrial development and the reserve for municipal development as authorized by Council. Had this transfer not been made the operating deficit would have been \$ 5,494,770. The 2015 operating deficit was decreased by \$ 132,462; transferred from the reserve for industrial development. Had this transfer not been made the 2015 operating deficit would have been \$ 5,744,833.

Corporation of the City of Thorold

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 by Council for specific purposes:		
Municipal development	\$ 895,162	\$ 684,563
Working funds (uncollectible taxes)	510,000	510,000
Equipment replacement	2,465,109	1,963,137
Accumulated sick leave	828,808	780,736
Computer	106,776	94,476
Contingencies	207,259	147,259
Election	35,792	21,319
Sewage capital	3,529,595	2,985,737
Water capital	4,767,025	4,446,355
Insurance deductible	236,252	224,288
Industrial development	997,190	847,190
Pay equity	54,823	54,462
Winter control	113,668	63,668
Encumbrances	<u>564,877</u>	<u>549,852</u>
 Total reserves	 <u>15,312,336</u>	 <u>13,373,042</u>
Reserve funds set aside by Council for specific purposes:		
Capital assets	783,668	667,229
Transportation asset replacement	1,359,234	996,563
Hospital expansion	11,139	7,514
Transit	71,810	104,810
Arena building	376,048	358,370
Library expansion	29,848	29,588
Hydro proceeds	17,005,594	17,037,258
Mausoleum and cemetery improvements	534,348	438,242
Municipal land and building	731,223	519,061
Niagara Falls bridge	776,294	769,287
Parking	9,853	86,033
Port Robinson transportation	146,726	89,675
Thorold pre-recreation (Mel Swart Park)	7,926	16,048
Thorold South Community Centre building	2,349	2,328
Darlene Ryan Port Robinson Community Centre	<u>1,792</u>	<u>1,716</u>
 Total reserve funds	 <u>21,847,852</u>	 <u>21,123,722</u>
	<u>\$ 37,160,188</u>	<u>\$ 34,496,764</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

11. Reserves and reserve funds (continued)

The reserves and reserve funds are made up of the following:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	<u>\$ 34,496,764</u>	<u>\$ 32,199,252</u>
Contributions from		
Investment income	523,313	529,485
Government transfers	65,060	-
User charges	97,355	23,116
Other revenue	<u>183,570</u>	<u>6,037</u>
	<u>869,298</u>	<u>558,638</u>
Provided from operations	601,013	(93,564)
Provided for tangible capital asset acquisitions	<u>1,193,113</u>	<u>1,832,438</u>
	<u>1,794,126</u>	<u>1,738,874</u>
Balance, end of year	<u>\$ 37,160,188</u>	<u>\$ 34,496,764</u>

12. Unfunded liabilities

	<u>2016</u>	<u>2015</u>
Post-employment benefits	\$ 2,243,606	\$ 2,386,604
Landfill liability	5,691,178	5,377,850
Contaminated sites	114,700	114,700
Long term debt	<u>1,282,921</u>	<u>1,750,567</u>
	<u>\$ 9,332,405</u>	<u>\$ 9,629,721</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

13. Taxation	Budget 2016 (Note 25)	Actual 2016	Actual 2015
Real property		\$ 34,859,792	\$ 29,987,910
From other governments			
Payments in lieu of taxes		<u>1,134,658</u>	<u>1,129,707</u>
		<u>35,994,450</u>	<u>31,117,617</u>
Less: taxation collected on behalf of (Note 14)			
Region of Niagara		14,687,747	13,211,863
School boards		<u>6,256,065</u>	<u>4,820,214</u>
		<u>20,943,812</u>	<u>18,032,077</u>
Net taxes available for municipal purposes		<u>\$ 15,050,638</u>	<u>\$ 13,085,540</u>
Residential, multi-residential and farm	\$ 11,228,544	\$ 11,409,023	\$ 10,629,598
Commercial and industrial	<u>3,537,180</u>	<u>3,641,615</u>	<u>2,455,942</u>
Net taxes available for municipal purposes	<u>\$ 14,765,724</u>	<u>\$ 15,050,638</u>	<u>\$ 13,085,540</u>

14. Collections for the Region of Niagara and school boards

Total taxation 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	\$ 14,687,747	\$ 13,211,863
School boards	<u>6,256,065</u>	<u>4,820,214</u>
	<u>\$ 20,943,812</u>	<u>\$ 18,032,077</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).

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

15. User fees and charges	Budget 2016 (Note 25)	Actual 2016	Actual 2015
Operating			
Fees and service charges	\$ 1,169,267	\$ 1,089,386	\$ 790,754
Water charges	3,325,350	3,490,965	3,270,245
Sewage charges	3,659,163	3,849,261	3,550,672
Licences and permits	749,315	380,495	385,846
Development charges	<u>659,383</u>	<u>49,652</u>	<u>96,161</u>
	<u>9,562,478</u>	<u>8,859,759</u>	<u>8,093,678</u>
Capital			
Fees and service charges	-	-	1,179
Development charges	<u>1,335,000</u>	<u>1,273,912</u>	<u>926,524</u>
	<u>1,335,000</u>	<u>1,273,912</u>	<u>927,703</u>
	<u>\$ 10,897,478</u>	<u>\$ 10,133,671</u>	<u>\$ 9,021,381</u>

16. Government transfers	Budget 2016 (Note 25)	Actual 2016	Actual 2015
Operating			
Province of Ontario	\$ 639,733	\$ 736,923	\$ 619,082
Government of Canada	27,440	94,068	104,391
Municipal	<u>85,250</u>	<u>216,852</u>	<u>65,437</u>
	<u>752,423</u>	<u>1,047,843</u>	<u>788,910</u>
Capital			
Province of Ontario	306,878	117,671	117,707
Government of Canada	744,000	800,239	335,222
Municipal	<u>-</u>	<u>-</u>	<u>146,862</u>
	<u>1,050,878</u>	<u>917,910</u>	<u>599,791</u>
	<u>\$ 1,803,301</u>	<u>\$ 1,965,753</u>	<u>\$ 1,388,701</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

17. Other	Budget 2016 (Note 25)	Actual 2016	Actual 2015
Operating			
Penalties and interest on taxes	\$ 602,000	\$ 645,683	\$ 617,287
Fines	40,725	73,551	57,565
Investment income	250,600	112,620	106,934
Investment income – reserves and reserve funds	553,612	523,313	529,485
Rental income	70,535	72,396	70,480
Donations	-	11,198	11,373
Transfer from the Corporation of the City of Thorold - Trust Funds	26,000	27,337	30,349
Other	<u>5,174</u>	<u>-</u>	<u>643,577</u>
	<u>1,548,646</u>	<u>1,466,098</u>	<u>2,067,050</u>
Capital			
Donations	15,000	90,500	15,000
Other	<u>249,000</u>	<u>265,850</u>	<u>279,797</u>
	<u>264,000</u>	<u>356,350</u>	<u>294,797</u>
	<u>\$ 1,812,646</u>	<u>\$ 1,822,448</u>	<u>\$ 2,361,847</u>

18. Pension agreement

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 \$ 711,223 (2015 - \$758,455) and were matched by employee contributions in a similar amount.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

19. Corporation of the City of Thorold – Trust Funds

Trust Funds administered by the Municipality amounting to \$ 1,285,386 (2015 - \$ 1,242,937) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

20. Commitments

Capital expenses

The estimated future capital expense commitments based on projects in progress at December 31, 2016 is approximately \$ 3,695,135 (2015 - \$ 1,798,179). These projects will be financed by grants, subsidies and long term liabilities in future years.

Transit services

The Municipality has a contract for transit services with the St. Catharines Transit. The Municipality's charges for the year are determined using the forecasted expenses less the actual revenues generated for the previous year. The fee is also impacted by any service changes made, but in a typical year the fee increases between 3% and 5%. The contract expires on December 31, 2018.

Leases

The Municipality has commitments for operating leases for office equipment and certain premises with various expiry dates up to 2027. The approximate total commitment for each of the next five years is as follows:

2017	\$ 17,512
2018	11,945
2019	4,277
2020	455
2021	455

Hospital

The Municipality has an agreement with the Niagara Health System to contribute funding for a new hospital in the amount of \$ 4.3 million, on a net present value basis with a discount rate of 5%. The contributions will be made over a sixteen year period commencing with the first payment of \$ 1,206,860 in 2011, followed by payments of \$ 298,000 per year for the remaining fifteen years up to and including 2026. The contributions are being funded from taxes with an annual levy of approximately \$ 298,000 which commenced in 2008.

21. 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 consolidated financial statements.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

22. Government transfers

The Municipality recognizes the transfer of government funding as revenues or expenses in the period that the events giving rise to the transfer occurred. The government transfers reported on the Consolidated Statement of Operations are:

	<u>2016</u>	<u>2015</u>
Revenue		
Provincial		
Ontario Municipal Partnership Fund	\$ 130,700	\$ 153,700
Ontario Community Infrastructure Fund	117,671	117,707
Hydro One	226,184	26,895
Recreation and cultural	35,428	35,428
Transit – Provincial Gas Tax	278,980	333,477
Miscellaneous	<u>65,631</u>	<u>69,582</u>
	<u>854,594</u>	<u>736,789</u>
Federal		
Transit	65,000	75,000
Cemeteries	21,315	21,189
Infrastructure	-	(1,867)
Gas tax	800,239	337,089
Recreation and cultural	<u>7,753</u>	<u>8,202</u>
	<u>894,307</u>	<u>439,613</u>
Municipal		
Regional Municipality of Niagara`		
Provincial Offences Act	21,637	23,731
Capital grants	148,788	146,862
Community Improvement Plan	10,000	30,490
Port Robinson transportation service	33,250	-
Miscellaneous	<u>3,177</u>	<u>11,216</u>
	<u>216,852</u>	<u>212,299</u>
	<u>\$ 1,965,753</u>	<u>\$ 1,388,701</u>
Expenses		
Charitable and non-profit organizations	<u>\$ 42,430</u>	<u>\$ 35,197</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

23. Measurement uncertainty

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date that was used by the Municipality in computing the property tax bills. However, the property tax revenue and tax receivables of the Municipality are subject to measurement uncertainty as a number of appeals submitted by taxpayers have yet to be heard. Any 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 Region of Niagara and school boards, as appropriate.

24. Comparative figures

Certain of the comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

25. Budget

The budget by-law adopted by Council on January 19, 2016 was not prepared on a basis consistent with that used to report actual results in accordance with Canadian Public Sector Accounting Standards (PSAS). The budget was prepared on a modified accrual basis while PSAS require a full accrual basis. As a result, the budget figures presented in the Consolidated Statements of Operations and Changes in Net Financial Assets represent the budget approved by Council with the following adjustments:

Approved budgeted annual surplus – City	\$	-
Approved budgeted annual surplus – Library		-
Add: Principal repayments of long term debt		128,000
Reserves and reserve funds interest revenue		553,612
Reserves and reserve funds other revenue		66,850
Acquisition of tangible capital assets		12,234,534
Less: Amortization of tangible capital assets		(3,933,046)
Transfers from reserves and reserve funds - net		(1,825,718)
Debenture proceeds		<u>(2,900,000)</u>
Budgeted surplus reported on the Consolidated Statement of Operations	\$	<u>4,324,232</u>

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

26. Segmented information

The Municipality provides a wide range of services to its citizens. Municipal services are provided by departments and their activities are reported in the Consolidated Statement of Operations. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government

General government is comprised of Municipal council, administrative and clerks departments.

Protection to persons and property

Protection to persons and property is comprised of the fire, building, by-law enforcement and animal control departments.

Transportation services

The transportation services department is responsible for the delivery of public works services related to maintenance of roadway systems, maintenance of parks and open spaces, winter control, street lighting, air transportation and maintenance of municipal buildings.

Environmental services

The environmental services department consists of water, wastewater and solid waste disposal utilities. The department provides drinking water, collecting and treating wastewater, and providing collection disposal and waste minimization programs and facilities.

Health services

Health services department is responsible for cemetery operations.

Social and family services

Social and family services department is responsible for providing grants to external agencies.

Recreation and culture services

Recreation and culture services department is responsible for the delivery and upkeep of all recreation programs and facilities including arena, recreation complex, parks and library.

Planning and development

Planning and development is responsible for providing planning and zoning advice to the residents of the Municipality and construction and maintenance of municipal drains.

Corporation of the City of Thorold

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

26. Segmented information (continued)

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 schedules of segment disclosure and the schedules of segment disclosure with budget information follow the notes.

Corporation of the City of Thorold Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2016

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Infrastructure (Note 9)	Construction in Progress	2016
Cost								
Beginning of year	\$ 2,232,141	\$ 9,732,867	\$ 19,991,379	\$ 4,141,135	\$ 4,837,951	\$ 112,264,709	\$ 1,268,486	\$ 154,468,668
Add additions	-	282,087	34,343	410,723	40,523	1,348,977	3,815,397	5,932,050
Less disposals during the year	<u>(35,330)</u>	<u>-</u>	<u>-</u>	<u>(141,039)</u>	<u>-</u>	<u>(199,862)</u>	<u>(1,302,359)</u>	<u>(1,678,590)</u>
End of year	<u>2,196,811</u>	<u>10,014,954</u>	<u>20,025,722</u>	<u>4,410,819</u>	<u>4,878,474</u>	<u>113,413,824</u>	<u>3,781,524</u>	<u>158,722,128</u>
Accumulated amortization								
Beginning of year	-	5,973,973	7,337,159	2,558,778	3,079,764	38,155,847	-	57,105,521
Add amortization during the year	-	443,155	588,746	376,673	268,227	2,256,245	-	3,933,046
Less amortization on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(141,039)</u>	<u>-</u>	<u>(185,255)</u>	<u>-</u>	<u>(326,294)</u>
End of year	<u>-</u>	<u>6,417,128</u>	<u>7,925,905</u>	<u>2,794,412</u>	<u>3,347,991</u>	<u>40,226,837</u>	<u>-</u>	<u>60,712,273</u>
Net book value	<u>\$ 2,196,811</u>	<u>\$ 3,597,826</u>	<u>\$ 12,099,817</u>	<u>\$ 1,616,407</u>	<u>\$ 1,530,483</u>	<u>\$ 73,186,987</u>	<u>\$ 3,781,524</u>	<u>\$ 98,009,855</u>

Contributed tangible capital assets are recognized at fair market value at the date of contribution. The value of contributed assets during the year is \$ 75,500 (2015 - \$ Nil).

Corporation of the City of Thorold

Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2015

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure (Note 9)</u>	<u>Construction in Progress</u>	<u>2015</u>
Cost								
Beginning of year	\$ 2,232,141	\$ 9,709,969	\$ 18,662,195	\$ 4,390,104	\$ 4,838,784	\$ 112,894,937	\$ 366,492	\$ 153,094,622
Add additions	-	22,898	1,393,879	269,827	51,986	1,223,904	2,669,040	5,631,534
Less disposals during the year	-	-	(64,695)	(518,796)	(52,819)	(1,854,132)	(1,767,046)	(4,257,488)
End of year	<u>2,232,141</u>	<u>9,732,867</u>	<u>19,991,379</u>	<u>4,141,135</u>	<u>4,837,951</u>	<u>112,264,709</u>	<u>1,268,486</u>	<u>154,468,668</u>
Accumulated amortization								
Beginning of year	-	5,486,240	6,868,543	2,704,923	2,848,686	37,711,135	-	55,619,527
Add amortization during the year	-	487,733	532,411	372,651	283,897	2,298,844	-	3,975,536
Less amortization on disposals	-	-	(63,795)	(518,796)	(52,819)	(1,854,132)	-	(2,489,542)
End of year	-	<u>5,973,973</u>	<u>7,337,159</u>	<u>2,558,778</u>	<u>3,079,764</u>	<u>38,155,847</u>	-	<u>57,105,521</u>
Net book value	<u>\$ 2,232,141</u>	<u>\$ 3,758,894</u>	<u>\$ 12,654,220</u>	<u>\$ 1,582,357</u>	<u>\$ 1,758,187</u>	<u>\$ 74,108,862</u>	<u>\$ 1,268,486</u>	<u>\$ 97,363,147</u>

Corporation of the City of Thorold

Consolidated Schedule of Segment Disclosure

For the year ended December 31, 2016

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	2016
Revenues									
Taxation	\$ 2,660,579	\$ 3,774,050	\$ 3,504,990	\$ 1,373,191	\$ 865,189	\$ 243,392	\$ 2,108,136	\$ 521,111	\$ 15,050,638
User charges	148,780	370,648	1,151,484	7,460,478	183,974	-	548,687	269,620	10,133,671
Government transfers	29,816	172,417	1,494,686	148,788	21,315	45,550	43,181	10,000	1,965,753
Other	1,409,497	1,529	92,807	-	35,224	3,571	279,803	17	1,822,448
Gain on disposal of tangible capital assets	169,893	-	-	-	-	-	-	-	169,893
	4,418,565	4,318,644	6,243,967	8,982,457	1,105,702	292,513	2,979,807	800,748	29,142,403
Expenses									
Salaries and benefits	928,435	3,644,584	1,599,719	1,037,558	566,951	43,365	1,620,958	492,477	9,934,047
Operating materials and supplies	246,103	405,569	770,769	184,177	130,934	60,272	853,349	166,544	2,817,717
Contracted services	57,944	249,895	1,122,379	5,906,673	(3,430)	121	89,650	164,386	7,587,618
Rent and financial expenses	25,759	33,356	40,862	77,511	8,674	21,402	57,280	8,509	273,353
External transfers to others	-	-	-	54,253	298,000	-	42,430	132,064	526,747
Amortization	165,465	253,800	1,534,954	1,035,048	91,571	141,151	707,019	4,038	3,933,046
Debt service	63,388	-	-	-	-	-	-	-	63,388
	1,487,094	4,587,204	5,068,683	8,295,220	1,092,700	266,311	3,370,686	968,018	25,135,916
Annual surplus (deficit)	\$ 2,931,471	\$ (268,560)	\$ 1,175,284	\$ 687,237	\$ 13,002	\$ 26,202	\$ (390,879)	\$ (167,270)	\$ 4,006,487

Corporation of the City of Thorold

Consolidated Schedule of Segment Disclosure

For the year ended December 31, 2015

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreation and culture services	Planning and development	2015
Revenues									
Taxation	\$ 2,214,994	\$ 3,293,100	\$ 2,899,886	\$ 1,359,427	\$ 792,624	\$ 222,489	\$ 1,818,725	\$ 484,295	\$ 13,085,540
User charges	70,135	389,760	43,910	6,916,633	102,162	-	1,371,477	127,304	9,021,381
Government transfers	26,895	199,210	865,976	144,994	23,312	40,237	52,927	35,150	1,388,701
Other	1,848,612	3,217	74,140	85,004	52,433	1,611	295,916	914	2,361,847
Gain on disposal of tangible capital assets	11,689	-	-	-	-	-	-	-	11,689
	4,172,325	3,885,287	3,883,912	8,506,058	970,531	264,337	3,539,045	647,663	25,869,158
Expenses									
Salaries and benefits	917,725	3,573,320	1,755,873	904,404	565,895	38,783	1,677,406	439,521	9,872,927
Operating materials and supplies	287,904	401,271	1,027,611	159,597	138,918	59,633	831,708	90,695	2,997,337
Contracted services	19,950	251,255	834,739	5,498,174	(1,039)	1,681	91,308	141,044	6,837,112
Rent and financial expenses	19,968	8,259	14,435	7,592	2,155	35,569	36,740	2,973	127,691
External transfers to others	-	-	-	77,082	298,000	-	35,166	78,599	488,847
Amortization	138,743	288,844	1,804,740	810,795	87,565	150,933	674,265	19,651	3,975,536
Debt service	77,083	-	-	-	-	-	-	-	77,083
	1,461,373	4,522,949	5,437,398	7,457,644	1,091,494	286,599	3,346,593	772,483	24,376,533
Annual surplus (deficit)	\$ 2,710,952	\$ (637,662)	\$ (1,553,486)	\$ 1,048,414	\$ (120,963)	\$ (22,262)	\$ 192,452	\$ (124,820)	\$ 1,492,625

Corporation of the City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2016

	Budget <u>2016</u>	Actual <u>2016</u>	Actual <u>2015</u>
General government			
Revenue			
Taxation	\$ 2,604,539	\$ 2,660,579	\$ 2,214,994
User charges	384,193	148,780	70,135
Government transfers	20,000	29,816	26,895
Other	1,461,248	1,409,497	1,848,612
Gain on disposal of tangible capital assets	<u>-</u>	<u>169,893</u>	<u>11,689</u>
	<u>4,469,980</u>	<u>4,418,565</u>	<u>4,172,325</u>
Expenses			
Salaries and benefits	917,018	928,435	917,725
Operating materials and supplies	288,843	246,103	287,904
Contracted services	48,791	57,944	19,950
Rent and financial expenses	2,366	25,759	19,968
External transfers to others	500	-	-
Amortization	165,465	165,465	138,743
Debt service	<u>82,000</u>	<u>63,388</u>	<u>77,083</u>
	<u>1,504,983</u>	<u>1,487,094</u>	<u>1,461,373</u>
Annual surplus	<u>\$ 2,964,997</u>	<u>\$ 2,931,471</u>	<u>\$ 2,710,952</u>
Protection to persons and property			
Revenue			
Taxation	\$ 3,694,554	\$ 3,774,050	\$ 3,293,100
User charges	742,935	370,648	389,760
Government transfers	198,700	172,417	199,210
Other	<u>725</u>	<u>1,529</u>	<u>3,217</u>
	<u>4,636,914</u>	<u>4,318,644</u>	<u>3,885,287</u>
Expenses			
Salaries and benefits	3,764,542	3,644,584	3,573,320
Operating materials and supplies	544,571	405,569	401,271
Contracted services	184,832	249,895	251,255
Rent and financial expenses	32,962	33,356	8,259
Amortization	<u>253,800</u>	<u>253,800</u>	<u>288,844</u>
	<u>4,780,707</u>	<u>4,587,204</u>	<u>4,522,949</u>
Annual deficit	<u>\$ (143,793)</u>	<u>\$ (268,560)</u>	<u>\$ (637,662)</u>

Corporation of the City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2016

	Budget <u>2016</u>	Actual <u>2016</u>	Actual <u>2015</u>
Transportation services			
Revenue			
Taxation	\$ 3,431,162	\$ 3,504,990	\$ 2,899,886
User charges	1,749,566	1,151,484	43,910
Government transfers	1,416,428	1,494,686	865,976
Other	<u>58,698</u>	<u>92,807</u>	<u>74,140</u>
	<u>6,655,854</u>	<u>6,243,967</u>	<u>3,883,912</u>
Expenses			
Salaries and benefits	1,868,027	1,599,719	1,755,873
Operating materials and supplies	(98,000)	770,769	1,027,611
Contracted services	1,810,050	1,122,379	834,739
Rent and financial expenses	41,628	40,862	14,435
Amortization	<u>1,534,954</u>	<u>1,534,954</u>	<u>1,804,740</u>
	<u>5,156,659</u>	<u>5,068,683</u>	<u>5,437,398</u>
Annual surplus (deficit)	<u>\$ 1,499,195</u>	<u>\$ 1,175,284</u>	<u>\$ (1,553,486)</u>
Environmental services			
Revenue			
Taxation	\$ 1,370,099	\$ 1,373,191	\$ 1,359,427
User charges	7,167,692	7,460,478	6,916,633
Government transfers	25,000	148,788	144,994
Other	<u>-</u>	<u>-</u>	<u>85,004</u>
	<u>8,562,791</u>	<u>8,982,457</u>	<u>8,506,058</u>
Expenses			
Salaries and benefits	1,041,110	1,037,558	904,404
Operating materials and supplies	124,410	184,177	159,597
Contracted services	5,559,084	5,906,673	5,498,174
Rent and financial expenses	53,820	77,511	7,592
External transfers to others	-	54,253	77,082
Amortization	<u>1,035,048</u>	<u>1,035,048</u>	<u>810,795</u>
	<u>7,813,472</u>	<u>8,295,220</u>	<u>7,457,644</u>
Annual surplus	<u>\$ 749,319</u>	<u>\$ 687,237</u>	<u>\$ 1,048,414</u>

Corporation of the City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2016

	Budget 2016	Actual 2016	Actual 2015
Health services			
Revenue			
Taxation	\$ 853,240	\$ 865,189	\$ 792,624
User charges	105,047	183,974	102,162
Government transfers	22,440	21,315	23,312
Other	<u>30,225</u>	<u>35,224</u>	<u>52,433</u>
	<u>1,010,952</u>	<u>1,105,702</u>	<u>970,531</u>
Expenses			
Salaries and benefits	578,572	566,951	565,895
Operating materials and supplies	256,159	130,934	138,918
Contracted services	(29,559)	(3,430)	(1,039)
Rent and financial expenses	9,217	8,674	2,155
External transfers to others	298,000	298,000	298,000
Amortization	<u>91,571</u>	<u>91,571</u>	<u>87,565</u>
	<u>1,203,960</u>	<u>1,092,700</u>	<u>1,091,494</u>
Annual surplus (deficit)	\$ (193,008)	\$ 13,002	\$ (120,963)
Social and family services			
Revenue			
Taxation	\$ 238,265	\$ 243,392	\$ 222,489
Government transfers	38,000	45,550	40,237
Other	<u>3,500</u>	<u>3,571</u>	<u>1,611</u>
	<u>279,765</u>	<u>292,513</u>	<u>264,337</u>
Expenses			
Salaries and benefits	46,336	43,365	38,783
Operating materials and supplies	60,750	60,272	59,633
Contracted services	121	121	1,681
Rent and financial expenses	13,728	21,402	35,569
Amortization	<u>141,151</u>	<u>141,151</u>	<u>150,933</u>
	<u>262,086</u>	<u>266,311</u>	<u>286,599</u>
Annual surplus (deficit)	\$ 17,679	\$ 26,202	\$ (22,262)

Corporation of the City of Thorold

Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2016

	Budget <u>2016</u>	Actual <u>2016</u>	Actual <u>2015</u>
Recreation and culture services			
Revenue			
Taxation	\$ 2,063,731	\$ 2,108,136	\$ 1,818,725
User charges	580,695	548,687	1,371,477
Government transfers	72,733	43,181	52,927
Other	<u>258,250</u>	<u>279,803</u>	<u>295,916</u>
	<u>2,975,409</u>	<u>2,979,807</u>	<u>3,539,045</u>
Expenses			
Salaries and benefits	1,700,161	1,620,958	1,677,406
Operating materials and supplies	899,917	853,349	831,708
Contracted services	10,942	89,650	91,308
Rent and financial expenses	49,397	57,280	36,740
External transfers to others	50,667	42,430	35,166
Amortization	<u>707,019</u>	<u>707,019</u>	<u>674,265</u>
	<u>3,418,103</u>	<u>3,370,686</u>	<u>3,346,593</u>
Annual (deficit) surplus	<u>\$ (442,694)</u>	<u>\$ (390,879)</u>	<u>\$ 192,452</u>
Planning and development			
Revenue			
Taxation	\$ 510,134	\$ 521,111	\$ 484,295
User charges	167,350	269,620	127,304
Government transfers	10,000	10,000	35,150
Other	<u>-</u>	<u>17</u>	<u>914</u>
	<u>687,484</u>	<u>800,748</u>	<u>647,663</u>
Expenses			
Salaries and benefits	469,880	492,477	439,521
Operating materials and supplies	127,808	166,544	90,695
Contracted services	101,740	164,386	141,044
Rent and financial expenses	9,980	8,509	2,973
External transfers to others	101,500	132,064	78,599
Amortization	<u>4,039</u>	<u>4,038</u>	<u>19,651</u>
	<u>814,947</u>	<u>968,018</u>	<u>772,483</u>
Annual deficit	<u>\$ (127,463)</u>	<u>\$ (167,270)</u>	<u>\$ (124,820)</u>



Independent auditor's report

Grant Thornton LLP
Suite B
222 Catharine Street, PO Box 336
Port Colborne, ON
L3K 5W1
T +1 905 834 3651
F +1 905 834 5095
E PortColborne@ca.gt.com
www.GrantThornton.ca

To the Members of Council, Inhabitants and Taxpayers of the
Corporation of the City of Thorold

We have audited the accompanying consolidated financial statements of the Trust Funds of the Corporation of the City of Thorold, 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 Thorold 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 and restriction on use

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 Thorold 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. Our report is intended solely for the City of Thorold and should not be used by parties other than the City.

Grant Thornton LLP

Port Colborne, Canada
June 20, 2017

Chartered Professional Accountants
Licensed Public Accountants

**Corporation of the City of Thorold
Trust Funds
Consolidated Statement of Financial Position**

As at December 31, 2016

	<u>Cemetery Care and Maintenance</u>	<u>Mausoleum Care and Maintenance</u>	<u>Monument and Marker Care</u>	<u>Total 2016</u>	<u>Total 2015</u>
Financial assets					
Cash and cash equivalents	\$ 237,775	\$ 443,999	\$ 93,151	\$ 774,925	\$ 489,270
Accounts receivable	-	10,461	-	10,461	3,701
Portfolio investments (Note 2)	<u>200,000</u>	<u>300,000</u>	<u>-</u>	<u>500,000</u>	<u>749,966</u>
Net financial assets and accumulated surplus	<u>\$ 437,775</u>	<u>\$ 754,460</u>	<u>\$ 93,151</u>	<u>\$ 1,285,386</u>	<u>\$ 1,242,937</u>

See accompanying notes to the consolidated financial statements

Corporation of the City of Thorold
Trust Funds
Consolidated Statement of Operations

For the Year Ended December 31, 2016

	Cemetery Care and <u>Maintenance</u>	Mausoleum Care and <u>Maintenance</u>	Monument and Marker <u>Care</u>	Total <u>2016</u>	Total <u>2015</u>
Revenue					
Marker fees	\$ -	\$ -	\$ 2,350	\$ 2,350	\$ 2,900
Sales of crypts and niches	-	31,627	-	31,627	6,705
Sale of plots	8,472	-	-	8,472	10,649
Interest	<u>10,680</u>	<u>15,778</u>	<u>879</u>	<u>27,337</u>	<u>30,349</u>
	19,152	47,405	3,229	69,786	50,603
Expenses					
Interest earned distributed to the City of Thorold	<u>10,680</u>	<u>15,778</u>	<u>879</u>	<u>27,337</u>	<u>30,349</u>
Annual surplus	8,472	31,627	2,350	42,449	20,254
Accumulated surplus					
Beginning of year	<u>429,303</u>	<u>722,833</u>	<u>90,801</u>	<u>1,242,937</u>	<u>1,222,683</u>
End of year	<u>\$ 437,775</u>	<u>\$ 754,460</u>	<u>\$ 93,151</u>	<u>\$ 1,285,386</u>	<u>\$ 1,242,937</u>

See accompanying notes to the consolidated financial statements

Corporation of the City of Thorold

Trust Funds

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2016

1. Accounting policies

The consolidated financial statements of the Corporation of the City of Thorold - Trust Funds are prepared by management in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. 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 estimates have been made using careful judgments.

Significant aspects of the accounting policies adopted are as follows:

(a) Basis of accounting

Sources of revenue and expenses are reported on the cash basis of accounting. The cash basis of accounting records revenues in the period they are received and expenses in the period they are paid.

(b) Cash and cash equivalents

Cash and cash equivalents are represented by cash on hand, cash on deposit in chartered banks and investments that mature within three months.

(c) Portfolio investments

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

2. Portfolio investments

Portfolio investments consist of Canadian provincial bonds and bank guaranteed investment certificates with interest rates of 3.20% maturing June, 2018. Portfolio investments of \$ 500,000 (2015 - \$ 749,966) have an estimated market value of \$ 510,500 (2015 - \$ 769,230).

Financial Report

Thorold Public Library Board

December 31, 2016

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Independent auditor's report

Grant Thornton LLP
Suite B
222 Catharine Street, PO Box 336
Port Colborne, ON
L3K 5W1

T +1 905 834 3651
F +1 905 834 5095
E PortColborne@ca.gt.com
www.GrantThornton.ca

To the Board Members, Members of Council, Inhabitants and Taxpayers
of the Corporation of the City of Thorold

We have audited the accompanying financial statements of the **Thorold Public Library Board**, which comprise the statement of financial position as at December 31, 2016 and the 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 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 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 qualified audit opinion.

Basis for qualified opinion

The Thorold Public Library Board derives revenue from donations and cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Thorold Public Library Board. Therefore, we were not able to determine whether any adjustments might be necessary to donations and other revenue and annual surplus (deficit) for the years ended December 31, 2016 and 2015, net debt as at December 31, 2016 and 2015, and accumulated surplus as at January 1, 2016 and 2015 and December 31, 2016 and 2015. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Thorold Public Library Board 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.

Grant Thornton LLP

Port Colborne, Canada
May 15, 2017

Chartered Professional Accountants
Licensed Public Accountants

Thorold Public Library Board

Statement of Financial Position

As at December 31	2016	2015
Financial assets		
Cash and cash equivalents	\$ 147,897	\$ 165,819
Receivables	5,262	6,918
Due from City of Thorold	<u>6,255</u>	<u>7,849</u>
	<u>159,414</u>	<u>180,586</u>
Liabilities		
Payables and accruals	11,655	19,690
Loan payable to City of Thorold (Note 4)	60,000	70,000
Future employment benefits (Note 5)	97,945	143,001
Deferred revenue	<u>2,500</u>	<u>2,500</u>
	<u>172,100</u>	<u>235,191</u>
Net debt	<u>(12,686)</u>	<u>(54,605)</u>
Non-financial assets		
Tangible capital assets (Page 14)	407,804	428,218
Prepays	<u>2,964</u>	<u>2,968</u>
	<u>410,768</u>	<u>431,186</u>
Accumulated surplus (Note 6)	<u>\$ 398,082</u>	<u>\$ 376,581</u>

On behalf of the Board

See accompanying notes and schedule to the financial statements.

Thorold Public Library Board

Statement of Operations

For the Year Ended December 31, 2016

	Budget 2016 (Note 3)	Actual 2016	Actual 2015
Revenue			
Municipal contribution	\$ 564,000	\$ 565,747	\$ 554,022
Government transfers (Note 8)	36,900	36,681	37,630
Other (Note 9)	<u>17,800</u>	<u>21,060</u>	<u>17,615</u>
	<u>618,700</u>	<u>623,488</u>	<u>609,267</u>
Expenses			
Administration	16,800	20,583	16,905
Amortization	76,146	76,146	74,461
Electronic services, periodicals and newspapers	10,900	15,433	5,519
Insurance	3,600	2,961	4,510
Programs	2,000	2,016	2,136
Repairs and maintenance	29,100	32,153	32,958
Salaries, wages and benefits (Note 10)	455,000	426,880	441,321
Service contracts	24,000	21,836	20,701
Supplies	4,800	4,798	4,619
Utilities	<u>22,000</u>	<u>24,181</u>	<u>22,273</u>
	<u>644,346</u>	<u>626,987</u>	<u>625,403</u>
	<u>(25,646)</u>	<u>(3,499)</u>	<u>(16,136)</u>
Other			
Revenue related to capital			
Municipal contribution	4,000	4,000	5,000
Development charges	<u>21,000</u>	<u>21,000</u>	<u>28,384</u>
	<u>25,000</u>	<u>25,000</u>	<u>33,384</u>
Annual surplus (deficit)	(646)	21,501	17,248
Accumulated surplus (Note 6)			
Beginning of year	<u>376,581</u>	<u>376,581</u>	<u>359,333</u>
End of year	<u>\$ 375,935</u>	<u>\$ 398,082</u>	<u>\$ 376,581</u>

See accompanying notes and schedule to the financial statements.

Thorold Public Library Board

Statement of Changes in Net Debt

For the Year Ended December 31, 2016

	Budget <u>2016</u>	Actual <u>2016</u>	Actual <u>2015</u>
Annual surplus (deficit)	\$ (646)	\$ 21,501	\$ 17,248
Amortization of tangible capital assets	76,146	76,146	74,461
Acquisition of tangible capital assets	(62,500)	(55,732)	(67,473)
Acquisition of prepaids	<u>-</u>	<u>4</u>	<u>(117)</u>
	<u>13,646</u>	<u>20,418</u>	<u>6,871</u>
Increase in net financial assets	13,000	41,919	24,119
Net debt			
Beginning of year	<u>(54,605)</u>	<u>(54,605)</u>	<u>(78,724)</u>
End of year	<u>\$ (41,605)</u>	<u>\$ (12,686)</u>	<u>\$ (54,605)</u>

See accompanying notes and schedule to the financial statements.

Thorold Public Library Board

Statement of Cash Flows

For the Year Ended December 31

2016

2015

Increase (decrease) in cash and cash equivalents

Operating		
Annual surplus	\$ 21,501	\$ 17,248
Non-cash items		
Amortization	76,146	74,461
Decrease in receivables	1,656	437
Decrease in due from City of Thorold	1,594	3,128
Decrease in payables and accruals	(8,035)	(2,458)
Increase in deferred revenue	-	2,500
(Decrease) increase in future employment benefits	(45,056)	3,466
Decrease (increase) in prepaids	<u>4</u>	<u>(117)</u>
	<u>47,810</u>	<u>98,665</u>
Financing		
Loan repayment to City of Thorold	<u>(10,000)</u>	<u>(10,000)</u>
Investing		
Acquisition of tangible capital assets	<u>(55,732)</u>	<u>(67,473)</u>
Net (decrease) increase in cash and cash equivalents	(17,922)	21,192
Cash and cash equivalents		
Beginning of year	<u>165,819</u>	<u>144,627</u>
End of year	<u>\$ 147,897</u>	<u>\$ 165,819</u>
Cash and cash equivalents consist of		
Cash on hand	\$ 200	\$ 200
Cash held in banks	29,404	39,238
Guaranteed investment certificates	<u>118,293</u>	<u>126,381</u>
	<u>\$ 147,897</u>	<u>\$ 165,819</u>

See accompanying notes and schedule to the financial statements.

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2016

1. Purpose of the Library Board

The Thorold Public Library Board ("Library") provides library services to the City of Thorold and residents of other municipalities who have contracted with the Library for services.

2. Significant accounting policies

Management responsibility

The financial statements are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. 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 significant accounting policies used are as follows:

(a) Basis of accounting

Sources of revenue and expenses are report 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.

(b) Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the Library.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and investments that mature within three months.

(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) Tangible capital assets

(i) Determination of costs

Tangible capital assets are recorded to reflect the cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed or donated tangible capital assets are recorded at their fair value at the date of receipt.

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2016

2. Significant accounting policies (continued)

(e) Tangible capital assets (continued)

(ii) Amortization

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing Library services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives as follows:

Books	7 years
DVDs	3 years
Office equipment	5 years
Furniture and equipment	10 years
Computer equipment	4 years
Building improvements	20 years

For non-pooled assets, amortization is charged in the year of acquisition beginning in the month subsequent to asset purchase. For pooled assets, amortization is not charged in the year of acquisition and begins in the year subsequent to asset purchase. Assets under construction are not amortized until the asset is available for productive use.

(f) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property 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.

(g) Revenue recognition

Government transfers, which include municipal contributions and provincial and federal grants, are recognized in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria or stipulations have been met and reasonable estimates of the amounts can be made.

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

(h) Reserves for future expenses

Certain amounts, as approved by the Library, are set aside in reserves for future operating and capital expenses.

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2016

2. Significant accounting policies (continued)

(i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Library may undertake in the future. Significant accounting estimates include allowance for doubtful accounts. Actual results could differ from those estimates.

3. Budget

The budget approved by the Library includes expenditures for tangible capital assets, but does not include amortization of tangible capital assets. The following is a reconciliation of the approved budget to that reported on the Statement of Operations.

	<u>2016</u>
Approved budgeted annual surplus	\$ -
Add: transfers to reserves – net	3,000
Add: debt reduction	10,000
Add: tangible capital asset expenditures	62,500
Less: amortization of tangible capital assets	<u>(76,146)</u>
Budgeted annual deficit reported on the Statement of Operations	<u>\$ (646)</u>

4. Loan payable to City of Thorold

The City of Thorold provided the Library with an interest-free loan of \$ 100,000 to be repaid over ten years, due in 2022. The amount repaid in 2016 was \$ 10,000 (2015 - \$ 10,000).

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2016

5. Future employment benefits

The accrued benefit obligation consists of the following:

	<u>2016</u>	<u>2015</u>
Accrued vacation pay	\$ 14,290	\$ 16,901
Accumulated sick leave	64,655	101,500
Other post-employment	<u>19,000</u>	<u>24,600</u>
	<u>\$ 97,945</u>	<u>\$ 143,001</u>

(a) Accrued vacation pay

As at December 31, 2016, employees of the Library have accumulated vacation pay credits in the amount of \$ 14,290 (2015 - \$ 16,901). Any unused credits up to five days may be carried forward to future years.

(b) Accumulated sick leave and post-employment benefits

Under the Library sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Library's employment.

Employees eligible to retire under the OMERS early retirement provisions are eligible to receive medical and dental benefits to the age of sixty-five, and life insurance benefits to the date of the employee's death. The Library pays the total premiums for such benefits.

The accrued benefit liability for accumulated sick leave and other post-employment benefits was determined by actuarial valuation using a discount rate of 4%. A reserve has been established for the accumulated sick leave liability. The balance as at December 31, 2016 is \$ 40,756 (2015 - \$ 49,503).

Defined benefit plan information:

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation:		
Beginning of year	\$ 125,100	\$ 125,700
Benefit expense	4,900	4,700
Interest accrued	3,600	4,100
Benefits paid	<u>(54,245)</u>	<u>(9,400)</u>
End of year	<u>\$ 79,355</u>	<u>\$ 125,100</u>
Funded status:		
Employment benefit plan liabilities	\$ 79,355	\$ 125,100
Unamortized net actuarial loss	<u>4,300</u>	<u>1,000</u>
Employee benefit plan liability	<u>\$ 83,655</u>	<u>\$ 126,100</u>

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2016

5. Future employment benefits (continued)

The accrued benefit obligation consists of the following:	<u>2016</u>	<u>2015</u>
Accumulated sick leave	\$ 64,655	\$ 101,500
Other post-employment	<u>19,000</u>	<u>24,600</u>
	<u>\$ 83,655</u>	<u>\$ 126,100</u>

The most recent actuarial valuation was performed as at December 31, 2014. The main assumptions employed for the valuation are as follows:

General inflation – Future general inflation levels, as measured by changes in the consumer price index (CPI), were assumed at 3% in 2015 and thereafter.

Salary levels – Future general salary and wage levels were assumed to increase at 3% per annum.

Health care costs – Health costs were assumed to be 5.0% in 2016 grading down at 0.5% per year to a rate of 4% in 2018 and future years.

Dental costs – Dental costs were assumed to be 4% per year.

6. Accumulated surplus	<u>2016</u>	<u>2015</u>
Operating surplus	\$ 42,320	\$ 47,309
Unfunded liabilities	(157,945)	(213,001)
Reserves (Note 7)	105,903	114,055
Investment in tangible capital assets	<u>407,804</u>	<u>428,218</u>
	<u>\$ 398,082</u>	<u>\$ 376,581</u>

Thorold Public Library Board

Notes to the Financial Statements

For the Year Ended December 31, 2016

7. Reserves	<u>2016</u>	<u>2015</u>
Reserves set aside for specific purposes		
Sick pay reserve	\$ 40,756	\$ 49,504
Pay equity reserve	<u>38,097</u>	<u>37,736</u>
	78,853	87,240
Reserve funds set aside for specific purposes		
Expansion fund	<u>27,050</u>	<u>26,815</u>
	<u>\$ 105,903</u>	<u>\$ 114,055</u>
Balance, beginning of year	\$ 114,055	\$ 109,896
Interest income	999	1,159
Funds contributed (to) from operations	<u>(9,151)</u>	<u>3,000</u>
Balance, end of year	<u>\$ 105,903</u>	<u>\$ 114,055</u>

8. Government transfers	Budget <u>2016</u>	Actual <u>2016</u>	Actual <u>2015</u>
Operating			
Province of Ontario			
Unconditional grant	\$ 29,700	\$ 29,684	\$ 29,684
Pay equity grant	2,700	2,744	2,744
SOLS – Capacity Building Grant	2,500	2,500	3,000
Government of Canada			
HRDC summer student grant	<u>2,000</u>	<u>1,753</u>	<u>2,202</u>
	<u>\$ 36,900</u>	<u>\$ 36,681</u>	<u>\$ 37,630</u>

9. Other revenue	Budget <u>2016</u>	Actual <u>2016</u>	Actual <u>2015</u>
Operating			
Fines and fees	\$ 10,400	\$ 10,206	\$ 9,824
Interest	600	118	108
Interest - reserves	-	999	1,159
Miscellaneous	<u>6,800</u>	<u>9,737</u>	<u>6,524</u>
	<u>\$ 17,800</u>	<u>\$ 21,060</u>	<u>\$ 17,615</u>

Thorold Public Library Board Notes to the Financial Statements

For the Year Ended December 31, 2016

10. Salaries, wages and benefits	Budget <u>2016</u>	Actual 2016	Actual <u>2015</u>
Salaries and wages	\$ 362,000	\$ 340,096	\$ 348,960
Benefits	<u>93,000</u>	<u>86,784</u>	<u>92,361</u>
	<u>\$ 455,000</u>	<u>\$ 426,880</u>	<u>\$ 441,321</u>

11. Pension agreements

The Library 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 Library 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 Statement of Operations. Employer contributions to OMERS for 2016 current and past service was \$ 26,620 (2015 - \$ 30,880) and were matched by employee contributions in a similar amount.

Thorold Public Library Board

Schedule of Tangible Capital Assets

For the Year Ended December 31, 2016

	<u>Books</u>	<u>DVDs</u>	<u>Office Equipment</u>	<u>Furniture and Equipment</u>	<u>Computer</u>	<u>Building Improvements</u>	<u>2016</u>	<u>2015</u>
Cost								
Beginning of year	\$ 383,214	\$ 10,969	\$ 7,824	\$ 14,758	\$ 13,851	\$ 255,233	\$ 685,849	\$ 687,501
Add additions during the year	50,902	3,467	-	-	-	1,363	55,732	67,473
Less disposals during the year	<u>(56,753)</u>	<u>(3,960)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,713)</u>	<u>(69,125)</u>
End of year	<u>377,363</u>	<u>10,476</u>	<u>7,824</u>	<u>14,758</u>	<u>13,851</u>	<u>256,596</u>	<u>680,868</u>	<u>685,849</u>
Accumulated amortization								
Beginning of year	165,191	3,813	7,824	8,843	2,218	69,742	257,631	252,295
Add amortization during the year	54,745	3,656	-	1,476	3,462	12,807	76,146	74,461
Less amortization on disposals	<u>(56,753)</u>	<u>(3,960)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,713)</u>	<u>(69,125)</u>
End of year	<u>163,183</u>	<u>3,509</u>	<u>7,824</u>	<u>10,319</u>	<u>5,680</u>	<u>82,549</u>	<u>273,064</u>	<u>257,631</u>
Net book value	<u>\$ 214,180</u>	<u>\$ 6,967</u>	<u>\$ -</u>	<u>\$ 4,439</u>	<u>\$ 8,171</u>	<u>\$ 174,047</u>	<u>\$ 407,804</u>	<u>\$ 428,218</u>

Financial Report

Thorold Business Improvement Area

2016

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Independent auditor's report

Grant Thornton LLP
Suite B
222 Catharine Street, PO Box 336
Port Colborne, ON
L3K 5W1

T +1 905 834 3651
F +1 905 834 5095
E PortColborne@ca.gt.com
www.GrantThornton.ca

To the Board Members, Members of Council, Inhabitants and Taxpayers
of the Corporation of the City of Thorold

We have audited the accompanying financial statements of the **Thorold Business Improvement Area**, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and changes in net financial assets 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 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 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 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 financial statements present fairly, in all material respects, the financial position of the Thorold Business Improvement Area as at December 31, 2016, and the results of its operations and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Port Colborne, Canada
July 11, 2017



Chartered Professional Accountants
Licensed Public Accountants

Thorold Business Improvement Area Statement of Financial Position

As at December 31	2016	2015
Assets		
Due from City of Thorold	<u>\$ 29,403</u>	<u>\$ 24,000</u>
Net financial assets	29,403	24,000
Non-financial assets		
Tangible capital assets (Note 3)	<u> -</u>	<u> 3,871</u>
Accumulated surplus (Note 4)	<u>\$ 29,403</u>	<u>\$ 27,871</u>

On behalf of the Board

See accompanying notes to the financial statements.

Thorold Business Improvement Area

Statement of Operations

For the Year Ended December 31, 2016

	Budget <u>2016</u> (Note 5)	<u>2016</u>	<u>2015</u>
Revenues			
Requisition from City of Thorold			
Tax levy	\$ 40,000	\$ 40,000	\$ 40,000
Other revenue	-	3,650	3,868
Supplementals and tax write-offs, net	<u>-</u>	<u>349</u>	<u>-</u>
	<u>40,000</u>	<u>43,999</u>	<u>43,868</u>
Expenses			
Administration	13,590	10,439	6,975
Advertising and promotion	15,710	22,498	5,655
Amortization	3,871	3,871	5,341
Maintenance	10,700	5,659	8,010
Supplementals and tax write-offs, net	<u>-</u>	<u>-</u>	<u>106</u>
	<u>43,871</u>	<u>42,467</u>	<u>26,087</u>
Annual surplus (deficit)	(3,871)	1,532	17,781
Accumulated surplus			
Beginning of year	<u>27,871</u>	<u>27,871</u>	<u>10,090</u>
End of year	<u>\$ 24,000</u>	<u>\$ 29,403</u>	<u>\$ 27,871</u>

See accompanying notes to the financial statements.

Thorold Business Improvement Area Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2016

	Budget <u>2016</u> (Note 5)	<u>2016</u>	<u>2015</u>
Annual surplus (deficit)	\$ (3,871)	\$ 1,532	\$ 17,781
Amortization of tangible capital assets	<u>3,871</u>	<u>3,871</u>	<u>5,341</u>
Increase in net financial assets	-	5,403	23,122
Net financial assets			
Beginning of year	<u>24,000</u>	<u>24,000</u>	<u>878</u>
End of year	<u>\$ 24,000</u>	<u>\$ 29,403</u>	<u>\$ 24,000</u>

See accompanying notes to the financial statements.

Thorold Business Improvement Area

Notes to the Financial Statements

For the year ended December 31, 2016

1. Purpose of the Business Improvement Area

The Thorold Business Improvement Area ("BIA"), established in 1980 pursuant to the Ontario Municipal Act, operates to revitalize and promote the downtown area of Thorold, Ontario.

The BIA is financed by a special levy charged upon businesses in the improvement area.

2. Summary of significant accounting policies

Management responsibility

The financial statements are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. 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 significant accounting policies used are as follows:

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.

Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus balances of the BIA.

Tangible capital assets

(i) Determination of costs

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.

(ii) Amortization

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing government services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives. For non-pooled assets, amortization is charged in the year of acquisition beginning in the month subsequent to asset purchase. For pooled assets, amortization is not charged in the year of acquisition and begins in the year subsequent to asset purchase.

Decorations

5 years

Thorold Business Improvement Area

Notes to the Financial Statements

For the year ended December 31, 2016

2. Summary of significant accounting policies (continued)

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 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.

3. Tangible capital assets	<u>2016</u>	<u>2015</u>
Decorations		
Cost, beginning of year	\$ 28,176	\$ 28,176
Add additions during the year	-	-
Less disposals during the year	<u>-</u>	<u>-</u>
Cost, end of year	<u>28,176</u>	<u>28,176</u>
Accumulated amortization, beginning of year	24,305	18,964
Add amortization during the year	<u>3,871</u>	<u>5,341</u>
Accumulated amortization, end of year	<u>28,176</u>	<u>24,305</u>
Net book value	<u>\$ -</u>	<u>\$ 3,871</u>

4. Accumulated surplus	<u>2016</u>	<u>2015</u>
Operating surplus	\$ 29,403	\$ 24,000
Investment in tangible capital assets	<u>-</u>	<u>3,871</u>
	<u>\$ 29,403</u>	<u>\$ 27,871</u>

Thorold Business Improvement Area Notes to the Financial Statements

For the year ended December 31, 2016

5. Budget

The budget approved by the BIA includes expenses for tangible capital assets, but does not include amortization of tangible capital assets. The following is a reconciliation of the approved budget to that reported on the statement of operations.

	<u>2016</u>
Approved budgeted annual surplus (deficit)	\$ -
Less: amortization of tangible capital assets	<u>(3,871)</u>
Budgeted annual deficit reported on the statement of operations	<u>\$ (3,871)</u>

6. Statement of cash flows

A statement of cash flows has not been presented as management believes it would not provide additional meaningful information. Information about operations, financing and investments are readily apparent from the financial statements.