

Consolidated financial statements of

Corporation of the Town of Pelham

December 31, 2016

Corporation of the Town of Pelham

December 31, 2016

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Independent Auditor's Report

To the Members of Council, and the Citizens of the
Corporation of the Town of Pelham

We have audited the accompanying consolidated financial statements of the Corporation of the Town of Pelham, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, change 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 Consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Corporation of the Town of Pelham as at December 31, 2016, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 5, 2017

Corporation of the Town of Pelham
 Consolidated statement of operations
 year ended December 31, 2016

	Budget 2016 (Note 14)	Actual 2016	Actual 2015
	\$	\$	\$
Revenue			
Taxation (Note 9)	11,420,424	11,648,113	10,561,790
User charges (Note 10)	5,376,181	6,298,719	4,936,058
Grants (Note 12)	708,888	1,117,957	313,433
Contributions from developers	224,532	1,352,815	896,845
Contributed tangible capital assets	-	4,928,757	-
Other (Note 13)	3,729,212	819,533	762,968
Equity earnings in subsidiary (Note 2)	-	91,166	116,718
Gain (loss) on disposal of tangible capital assets	-	11,527	(289,270)
	21,459,237	26,268,587	17,298,542
Expenses			
General government	3,075,576	3,172,931	2,706,059
Protection to persons and property	2,061,904	1,856,290	1,660,147
Transportation services	8,613,602	7,516,336	6,136,269
Environmental services	4,897,803	4,623,560	4,280,855
Health services	119,501	115,850	105,322
Recreation and culture services	2,286,675	2,052,145	2,041,296
Planning and development	404,176	466,160	535,302
	21,459,237	19,803,272	17,465,250
Annual surplus (deficit)	-	6,465,315	(166,708)
Accumulated surplus, beginning of year	84,299,727	84,299,727	84,466,435
Accumulated surplus, end of year	84,299,727	90,765,042	84,299,727

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Corporation of the Town of Pelham

Consolidated statement of change in net debt year ended December 31, 2016

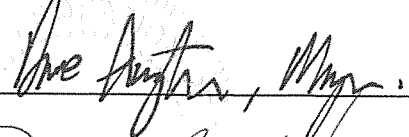
	Budget 2016 (Note 15)	Actual 2016	Actual 2015
		\$	\$
Annual surplus (deficit)	-	6,465,315	(166,708)
Amortization of tangible capital assets	7,980,800	4,703,874	4,515,944
Acquisition of tangible capital assets	(45,357,619)	(15,761,806)	(6,277,712)
(Gain) loss on disposal of tangible capital assets	-	(11,527)	289,270
Proceeds on disposal of tangible capital assets	-	263,536	159
	(37,376,819)	(4,340,608)	(1,639,047)
Acquisition of other assets	-	(349,081)	(182,665)
Use of other assets	-	175,050	58,591
	-	(174,031)	(124,074)
Increase in net debt	(37,376,819)	(4,514,639)	(1,763,121)
Net debt, beginning of year	(9,226,200)	(9,226,200)	(7,463,079)
Net debt, end of year	(46,603,019)	(13,740,839)	(9,226,200)

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

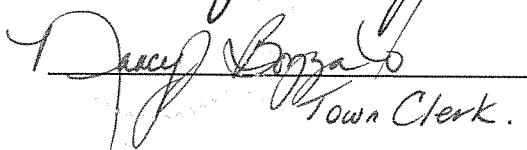
Corporation of the Town of Pelham
 Consolidated statement of financial position
 as at December 31, 2016

	2016	2015
	\$	\$
Financial assets		
Cash	9,324,711	554,430
Taxes receivable	2,210,469	2,306,587
User charges receivable	592,086	579,200
Accounts receivable	6,753,703	942,057
Investment in subsidiary (Note 2)	5,293,453	5,253,882
	<u>24,174,422</u>	<u>9,636,156</u>
Liabilities		
Bank indebtedness (Note 3)	1,800,000	3,350,000
Accounts payable and accrued liabilities	7,712,420	3,738,556
Other liabilities	1,429,957	971,712
Deposits and deferred revenue	1,864,319	157,698
Deferred revenue - obligatory reserve funds (Note 4)	3,398,984	1,932,489
Long-term debt (Note 5)	21,310,239	8,395,372
Employee benefit obligations (Note 6)	399,342	316,529
	<u>37,915,261</u>	<u>18,862,356</u>
Contingencies (Note 17)		
Net debt	<u>(13,740,839)</u>	<u>(9,226,200)</u>
Non-financial assets		
Tangible capital assets (Schedule 2)	104,132,637	93,326,714
Other assets	373,244	199,213
	<u>104,505,881</u>	<u>93,525,927</u>
Accumulated surplus (Note 7)	<u>90,765,042</u>	<u>84,299,727</u>

Approved by the Board



 Mayor



 Town Clerk.

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Corporation of the Town of Pelham

Consolidated statement of cash flows

year ended December 31, 2016

	2016	2015
	\$	\$
Operating activities		
Annual surplus (deficit)	6,465,315	(166,708)
Amortization	4,703,874	4,515,944
Gain (loss) on disposal of tangible capital assets	(11,527)	289,270
Net earnings from investment in subsidiary	(91,166)	(158,949)
(Increase)/decrease in taxes receivable	96,118	(193,675)
(Increase)/decrease in user charges receivable	(12,886)	(2,628)
(Increase)/decrease in accounts receivable	(5,811,646)	(9,561)
Increase/(decrease) in accounts payable and accrued liabilities	3,973,864	(879,949)
Increase/(decrease) in due to perpetual care fund	-	(639,943)
Increase/(decrease) in other liabilities	458,245	126,753
Increase/(decrease) in deferred revenue - obligatory reserve funds	1,466,495	875,347
Increase/(decrease) in deposits and deferred revenue	1,706,621	-
Increase/(decrease) increase in employee benefit obligations	82,813	36,020
Decrease/(increase) in other assets	(174,031)	(124,074)
	12,852,089	3,667,847
Capital activities		
Proceeds from disposal of tangible capital assets	263,536	159
Acquisition of tangible capital assets, net of construction in process capitalized	(15,761,806)	(6,277,712)
	(15,498,270)	(6,277,553)
Financing activities		
(Decrease) increase in bank indebtedness	(1,550,000)	150,000
Dividends received from investment in subsidiary (Note 2)	51,595	42,231
Issuance of long-term debt	14,816,166	3,335,150
Repayment of long-term debt	(1,901,299)	(837,617)
	11,416,462	2,689,764
Net increase in cash	8,770,281	81,158
Cash, beginning of year	554,430	473,272
Cash, end of year	9,324,711	554,430

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

1. Significant accounting policies

The consolidated financial statements of the Corporation of the Town of Pelham ("the Town") are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

Basis of consolidation

These consolidated financial statements reflect the assets, liabilities, non-financial assets, revenues, and expenses and include all activities of all committees of Council and the following local boards and municipal entities which are under the control of Council:

Pelham Public Library Board

Interdepartmental and organizational transactions and balances are eliminated.

The following joint local board is proportionality consolidated:

Niagara Central Airport Commission (Joint Board)

Related party transactions are eliminated (Note 15).

Peninsula West Power Inc.

Peninsula West Power Inc., a subsidiary corporation of the Town is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government enterprises (Note 2). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Town, and inter-organizational transactions and balances are not eliminated.

The consolidated statements exclude trust funds that are administered for the benefit of external parties (Note 16).

Basis of accounting

The consolidated financial statements are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues, as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Deferred revenue - obligatory reserve funds

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

Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care and dental costs.

Deposits and deferred revenue

Deposits and deferred revenue represent user fees and charges that have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

1. Significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of an asset. The cost, less residual value of the tangible capital asset is amortized on a straight line basis over the estimated useful life as follows:

<u>Classification</u>	<u>Useful life</u>
Land improvements	15 to 40 years
Buildings	20 to 60 years
Machinery and equipment	7 to 40 years
Furniture and fixtures	5 to 10 years
Computer hardware	4 years
Computer software	5 years
Library collection	15 years
Linear assets	2 to 90 years
Vehicles	3 to 20 years

Half year amortization is charged in the year of acquisition and no amortization is taken in year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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

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

Works of art, artifacts, cultural or historic assets are not recorded as assets in the 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.

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 Town. The Town is not involved in the construction.

Reserves for future expenses

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

Government transfer payments

Government transfers are recognized as revenues by the Town in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions or programs to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

Local improvements

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

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

1. Significant accounting policies (continued)

Tax revenue

Tax revenue is recognized on all taxable properties within the Town that are included in the tax roll provided by the Municipal Property Assessment Corporation, using property values included in the tax roll or property values that can be reasonably estimated by the Town as it relates to supplementary or omitted assessments, at tax rates authorized by Council for the Town's own purposes in the period for which the tax is levied.

Region and school board transactions

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

Development charges

Development charges, collected under the authority of Sections 33 to 35 of the Development Charges Act, 1997, are reported as deferred revenue - obligatory reserve funds in the consolidated statement of financial position in accordance with Canadian public sector accounting standards. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period in which the funds are expended on qualifying capital projects. Development charges will also be applied to cover costs for servicing debt including interest on borrowings and contributions to sinking funds to retire debt.

Management estimates

The preparation of these consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include accounts receivable, accrued liabilities, deferred revenue, employee benefit obligations and useful lives of tangible capital assets.

2. Subsidiary operations

Peninsula West Power Inc. (PWPI), established by Council under Municipal By-law 2004-45, is an amalgamation of hydro-electric commissions from the Municipalities of Lincoln, West Lincoln and Pelham. PWPI owns a 25.5% share of Niagara Peninsula Energy Inc., which provides electric distribution services and wholly-owns Peninsula West Services Ltd. (PWSL), which provides water heater, sentinel lights and related services. The Town of Pelham has a 17% interest in PWPI.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

2. Subsidiary operations (continued)

The following table provides condensed supplementary financial information for Peninsula West Power Inc.:

	2016	2015
	\$	\$
Financial position		
Current assets	1,334,468	1,290,164
Capital assets	106,030	101,953
Investment	35,371,434	34,689,814
Total assets	36,811,932	36,081,931
Current liabilities		
Accounts payable and accrued liabilities	27,382	59,061
Future payments in lieu of taxes	5,651,993	5,123,083
Total liabilities	5,679,375	5,182,144
Net assets	31,132,557	30,899,787
Town of Pelham's interest - 17%	5,293,453	5,253,882
	2016	2015
	\$	\$
Change in equity investment in subsidiary		
Revenues	195,685	243,955
Expenses	(158,890)	(204,526)
Payment in lieu of income taxes	(539,145)	(184,947)
Loss from operations	(502,350)	(145,518)
Gain on investment	1,038,620	1,080,518
Net earnings	536,270	935,000
Dividends	(303,500)	(248,417)
Net increase in equity of subsidiary	232,770	686,583
Change in equity of subsidiary - 17%	39,570	116,718

The financial position, long-term debt, capital lease and contingent liabilities information is as reported by Peninsula West Power Inc. at December 31, 2016 and the results of operations is as reported for the year ended December 31, 2016. The comparative financial position and results of operations figures are as reported by Peninsula West Power Inc. at December 31, 2015.

The following summarizes the Town's related party transactions with for Peninsula West Power Inc. for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

2. Subsidiary operations (continued)

	2016	2015
	\$	\$
Electricity purchased	47,493	42,622
Administration expense	7,124	6,336
	54,617	48,958

3. Bank indebtedness

The Town has an authorized revolving line of credit of \$3,000,000 at prime minus 0.25%, of which \$2,800,000 (2015 - \$1,250,000) remained unused at year-end. The line of credit is secured by borrowing by-law for operating line of \$3,000,000 held. Payment is due on demand. The Town has a non-revolving demand instalment loan of \$2,000,000 at prime minus 0.10%, of which \$400,000 (2015 - \$400,000) remained unused at year-end. Payment is due on demand.

In addition, the Town has an outstanding letter of credit in the amount of \$316,154 (2015 - \$Nil).

4. Deferred revenue - obligatory reserve funds

A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The net change during the year in the legislatively restricted deferred revenue balances is as follows:

	Development charges	Parkland	Other	2016 Total	2015 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	563,556	933,991	434,942	1,932,489	1,214,840
Restricted funds received	2,558,444	629,098	492,708	3,680,250	3,353,662
Interest earned	3,098	5,135	4,696	12,929	7,063
Revenue recognized	(1,177,095)	(175,721)	(873,868)	(2,226,684)	(2,643,076)
Balance, end of year	1,948,003	1,392,503	58,478	3,398,984	1,932,489

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

5. Long-term debt

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

	2016	2015
	\$	\$
CIBC bank loan, with interest only payable monthly until January, 2007 and then monthly principal payments of \$21,428 plus interest commencing in January, 2007. Interest is payable at the prime rate	-	1,088,444
The Town has assumed responsibility for the payment of principal and interest charges on certain long-term debt issued by the Region of Niagara. At the end of the year, the outstanding principal amount of this debt is	21,310,239	7,306,928
	21,310,239	8,395,372

- (b) The net long-term debt:

Debenture number	Purpose	Interest rates	Maturity dates	2016	2015
				\$	\$
67-2009	Centennial Park	3.5% to 4.8%	2019	69,000	91,000
83-2011	Haist & Pelham St	1.55% to 4.05%	2021	922,551	1,090,853
73-2012	Haist St & Rice Rd	1.35% to 3.10%	2022	506,000	584,000
72-2013	Effingham & Hwy 20	1.40% to 3.75%	2023	516,869	584,367
78-2014	Pelham St & Fire Stn #2	1.20% to 3.30%	2024	1,455,653	1,621,578
75-2015	Fire Station #3	1.94%	2025	3,024,000	3,335,130
72-2016	Pelham Community Centre	3.34%	2046	9,066,166	-
35-2016	Fenwick & Pt Robinson	1.20% to 2.40%	2026	5,750,000	-
Bank loan	Land purchase	Prime		-	1,088,444
				21,310,239	8,395,372

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

	\$
2017	1,543,167
2018	1,571,835
2019	1,601,908
2020	1,610,677
2021	1,647,825

The Town paid \$302,470 (2015 - \$213,924) interest on long-term debt during the year.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

6. Employee benefit obligations

The Town completed a valuation for accounting purposes annually using the projected benefit method prorated on service.

The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect management's best estimates. The main assumptions employed for the valuation are as follows:

Discount rate	beginning of year	2.80%
	end of year	2.40%
Medical cost increases	ultimate trend rate	4.50%

The post-employment benefit expense is reported as a component of expenses on the consolidated statement of operations. Composition of the amount is as follows:

	2016	2015
	\$	\$
Current service cost	107,279	54,274
Interest on post-employment benefit liability	8,863	9,257
Total expense related to post-employment benefits	116,142	63,531

Vested sick leave benefits

Under the sick leave benefit plan, which was in place until 1994, unused sick leave could accumulate and employees were entitled to a cash payment. All the vested sick leave benefits have been paid out.

Post-employment benefit liability

The Town sponsors a defined benefit plan for post-employment benefits other than pensions for substantially all of its employees. The plan provides extended health and life insurance coverage to age 65 for full-time employees. The plan is unfunded and requires no contribution from employees. Total benefit payments to retirees during the year were \$33,329 (2015 - \$27,511).

Pension agreement

The Town makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 60 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The amount the Town contributed to OMERS for 2016 was \$494,800 (2015 - \$444,593) for current service which is included as an expense in the consolidated statement of operations.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

7. Accumulated surplus

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2016	2015
	\$	\$
Surplus (deficit)		
Town	(2,417,090)	(9,911,596)
Library (Schedule 1)	(429,171)	(377,505)
Niagara Central Airport Commission (Note 15)	66,410	24,177
	<u>(2,779,851)</u>	<u>(10,264,924)</u>
Investment in tangible capital assets (Schedule 2)	<u>104,132,637</u>	<u>93,326,714</u>
Investment in subsidiary	<u>5,293,453</u>	<u>5,253,882</u>
Unfunded		
Long-term debt	(21,310,239)	(8,395,372)
Employee benefit obligations	(399,342)	(316,529)
	<u>(21,709,581)</u>	<u>(8,711,901)</u>
Reserves and reserve funds (Note 8)	<u>5,828,384</u>	<u>4,695,956</u>
	<u>90,765,042</u>	<u>84,299,727</u>

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

8. Reserves and reserve funds

	2016	2015
	\$	\$
Reserves set aside for specific purposes by Council		
Airport (Note 15)	2,955	2,955
Building department	584,949	4,515
Cemetery	(92,491)	(112,491)
Community Centre	951,776	42,881
Community improvement plan	179,047	147,616
Elections	(2,162)	(4,572)
Fire equipment	76,075	(110,080)
Fleet	69,017	141,071
Future subdivision project	362,613	362,613
Information technology	(3,102)	5,306
Land acquisition	60,098	60,098
Library (Schedule 1)	149,496	148,657
Municipal building facility	(54,222)	(193,665)
Municipal drainage	(41,518)	-
Parks and recreation	326,759	98,182
Physician recruitment	24,697	13,833
Planning	(24,517)	(44,640)
Roads	346,300	1,260,302
Wastewater	650,989	616,663
Water	2,260,086	2,140,228
Working capital	1,539	116,484
	5,828,384	4,695,956

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

9. Taxation

	Budget 2016 (Note 14)	Actual 2016	Actual 2015
	\$	\$	\$
Real property	30,876,295	31,406,193	30,094,761
From other governments payments in lieu of taxes	282,109	299,263	292,558
	<u>31,158,404</u>	<u>31,705,456</u>	<u>30,387,319</u>
Less: taxation collected on behalf of (Note 11)			
Region of Niagara	14,686,852	14,931,337	14,732,869
School boards	5,051,132	5,126,006	5,092,660
	<u>19,737,984</u>	<u>20,057,343</u>	<u>19,825,529</u>
Net taxes available for municipal purposes	11,420,420	11,648,113	10,561,790
Residential and farm	10,458,781	10,669,455	9,697,154
Multi-residential	184,781	188,050	178,614
Commercial	729,301	742,203	647,516
Industrial	47,563	48,405	38,506
	<u>11,420,426</u>	<u>11,648,113</u>	<u>10,561,790</u>

10. User charges

	Budget 2016 (Note 14)	Actual 2016	Actual 2015
	\$	\$	\$
Operating			
Fees and service charges	842,110	1,046,311	754,018
Water charges	2,329,707	2,446,405	2,241,648
Sewer charges	1,689,514	1,706,355	1,590,836
Licences and permits	514,850	1,099,648	349,556
	<u>5,376,181</u>	<u>6,298,719</u>	<u>4,936,058</u>

11. Collections for the Region of Niagara and school boards

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

	2016	2015
	\$	\$
Region of Niagara	14,931,337	14,732,870
School boards	5,126,006	5,092,660
	<u>20,057,343</u>	<u>19,825,530</u>

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

11. Collections for the Region of Niagara and school boards (continued)

The Town 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).

The Town collects development charges on behalf of the Region of Niagara. Development charges collected in excess of those paid to the Region are recorded as accounts payable.

12. Grants

	Budget 2016 (Note 14)	Actual 2016	Actual 2015
	\$	\$	\$
Operating			
Government of Canada	12,500	19,584	4,020
Province of Ontario	116,388	106,075	86,774
Region of Niagara	-	5,000	23,765
Other	-	-	-
	128,888	130,659	114,559
Capital			
Government of Canada	500,000	873,868	70,371
Province of Ontario	80,000	113,430	112,713
Other	-	-	15,790
	580,000	987,298	198,874
	708,888	1,117,957	313,433

13. Other revenue

	Budget 2016 (Note 14)	Actual 2016	Actual 2015
	\$	\$	\$
Operating			
Penalties and interest on taxes	340,000	317,330	340,402
Investment income	52,500	18,696	14,324
Fines and other penalties	59,000	44,811	46,479
Other	277,712	438,696	332,763
	729,212	819,533	733,968
Capital			
Other	3,000,000	-	29,000
	3,729,212	819,533	762,968

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

14. Budget amounts

The operating budget was approved by Council on February 1, 2016 and the tax rate supported capital budgets were approved by Council on January 11, 2016 to establish the tax rates for the year. In addition, the water and wastewater operating and capital budgets were approved by Council on March 7, 2016.

An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original council approved budget.

Amounts included in the original council approved capital budget which are not recognized as tangible capital assets are included in consolidated statement of operations under the appropriate functional expense category, while those recognized as tangible capital assets are include in the consolidated statement of change in net debt.

15. Niagara Central Airport Commission

The Niagara Central Airport Commission operates a two runway airport offering a year round fixed base operation. The Commission is funded by the four nearby municipalities, City of Welland, City of Port Colborne, Town of Pelham and the Township of Wainfleet. The Town of Pelham has a non-controlling interest in the airport of 18%.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

15. Niagara Central Airport Commission (continued)

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

	2016	2015
	\$	\$
Financial assets		
Cash and temporary investments	87,329	125,564
Receivables	40,659	17,710
	<u>127,988</u>	<u>143,274</u>
Liability		
Accounts payable and accrued liabilities	44,763	14,552
Net financial assets	<u>83,225</u>	<u>128,722</u>
Non-financial assets		
Prepaid expenses	1,354	1,354
Fuel inventory	24,712	18,347
Tangible capital assets	1,238,404	1,132,862
	<u>1,264,470</u>	<u>1,152,563</u>
	<u>1,347,695</u>	<u>1,281,285</u>
Accumulated surplus		
Operating surplus	198,670	132,259
Reserves	16,164	16,164
Investment in tangible capital assets	1,238,404	1,132,862
	<u>1,453,238</u>	<u>1,281,285</u>
Revenues		
Grants	84,450	82,800
Fuel and rentals	113,522	104,426
Other	38,587	4,653
Interest	477	935
Expenses	(170,626)	(166,679)
Annual surplus	<u>66,410</u>	<u>26,135</u>

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

The Town has recorded in the financial statements its 18% share of the Niagara Central Airport Commissions' assets, liabilities, accumulated surplus, revenues, expenses, and annual surplus.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

15. Niagara Central Airport Commission (continued)

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

	2016	2015
	\$	\$
Grants	15,201	14,901

16. Trust funds

Trust funds administered by the Municipality amounting to \$994,934 (2015 - \$963,921) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

17. Contingencies

From time to time, the Town is the subject of litigation. In the opinion of management, any litigation outstanding, if successful, would not have a material impact on the financial statements.

18. Financial instruments

The Town's financial instruments consist of cash, accounts receivable, temporary and long-term investments, bank indebtedness, accounts payable, other liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

19. Comparative figures

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

20. Segmented information

The Town provides a diverse range of services to its citizens. The Consolidated schedule of segment disclosure has grouped various services into segments to provide a further breakdown of the revenues and expenses attributable to each segment. 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 services included in each segment are as follows:

General government

General government is comprised of governance, corporate management and program support.

Protection services

Protection is comprised of fire, police, conservation authority, protective inspection and control, emergency measures and provincial offenses.

Corporation of the Town of Pelham

Notes to the consolidated financial statements

December 31, 2016

20. Segmented information (continued)

Transportation services

Transportation is comprised of roads, winter control, transit, parking, street lighting and air transportation.

Environmental services

Environmental is comprised of storm sewer systems, water collection, waste disposal and recycling.

Health services

Health services is comprised of cemeteries.

Recreation and culture services

Recreation and culture services is comprised of parks, recreation programs, recreation facilities, libraries and cultural services.

Planning and development

Planning and development is comprised of planning and zoning, commercial and industrial development, residential development, agricultural and reforestation and tile draining and shoreline assistance.

Corporation of the Town of Pelham

Consolidated schedule of library operations - Schedule 1 year ended December 31, 2016

	Budget 2016 (Note 14)	Actual 2016	Actual 2015
	\$	\$	\$
Revenue			
Municipal contribution	763,265	759,690	752,258
Grants	23,388	28,491	33,703
Contributions from developers	47,709	47,709	47,709
Other	48,600	60,255	60,831
	882,962	896,145	894,501
Expenses			
Administration	39,541	36,446	33,980
Amortization	-	66,263	87,924
Books, periodicals and other media	60,782	51,666	48,052
Electronic resources and maintenance	42,750	35,460	18,937
Furnishings and office equipment	1,600	259	216
Insurance	3,050	3,097	3,008
Programs	6,200	10,913	11,947
Repairs and maintenance	27,900	19,167	19,899
Salaries, wages and benefits	685,247	709,959	683,466
Supplies	2,500	1,790	3,039
Utilities	25,425	23,601	24,511
	894,995	958,621	934,979
Annual deficit	(12,033)	(62,476)	(40,478)
Accumulated surplus, beginning of year	219,462	219,462	259,940
Accumulated surplus, end of year	207,429	156,986	219,462
Accumulated surplus consists of the following			
Operating deficit	-	(429,169)	(377,505)
Investment in tangible capital assets	-	472,636	481,207
Reserves	-	149,496	148,657
Unfunded employee benefit obligations	-	(35,977)	(32,897)
	-	156,986	219,462

Corporation of the Town of Pelham

Consolidated schedule of tangible capital assets - Schedule 2
year ended December 31, 2016

	Land improvements	Land	Buildings	Machinery, equipment, furniture, fixtures and computers	Vehicles	Linear assets	Construction in process	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Beginning of year	12,248,542	3,702,780	9,934,510	6,357,293	6,551,228	113,801,371	3,820,209	156,415,933
Additions	-	67,412	1,120,627	319,980	250,596	3,699,695	10,369,011	15,827,321
Less construction in process capitalized	-	-	-	-	-	-	(65,515)	(65,515)
Less disposals during the year	(81,398)	-	(83,102)	(43,550)	(255,700)	(548,997)	-	(1,012,747)
End of year	12,167,144	3,770,192	10,972,035	6,633,723	6,546,124	116,952,069	14,123,705	171,164,992
Accumulated amortization								
Beginning of year	-	1,038,035	3,365,411	3,438,878	3,719,200	51,527,695	-	63,089,219
Add during the year	-	152,087	229,546	376,870	348,072	3,597,299	-	4,703,874
Less on disposals	-	-	(80,313)	(41,464)	(250,008)	(388,953)	-	(760,738)
End of year	-	1,190,122	3,514,644	3,774,284	3,817,264	54,736,041	-	67,032,355
Net book value	12,167,144	2,580,070	7,457,391	2,859,439	2,728,860	62,216,028	14,123,705	104,132,637

Corporation of the Town of Pelham

Consolidated schedule of tangible capital assets - Schedule 2 (continued)
year ended December 31, 2016

	Land		Land improvements		Buildings		Machinery, equipment, furniture, fixtures and computers		Vehicles		Linear assets		Construction in process		2015		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Cost																	
Beginning of year	12,198,995	2,819,795	9,928,002	6,015,233	6,657,074	107,716,325	5,781,357	151,116,781									
Additions	49,547	882,985	6,508	387,443	405,679	6,506,698	2,564,842	10,803,702									
Less construction in process capitalized	-	-	-	-	-	-	-	(4,525,990)									
Less disposals during the year	-	-	-	(45,383)	(511,525)	(421,652)	-	(978,560)									
End of year	12,248,542	3,702,780	9,934,510	6,357,293	6,551,228	113,801,371	3,820,209	156,415,933									
Accumulated amortization																	
Beginning of year	-	907,838	3,145,533	3,119,264	3,809,599	48,280,172	-	59,262,406									
Add amortization during the year	-	130,197	219,878	362,472	334,021	3,469,376	-	4,515,944									
Less amortization on disposals	-	-	-	(42,858)	(424,420)	(221,853)	-	(689,131)									
End of year	-	1,038,035	3,365,411	3,438,878	3,719,200	51,527,695	-	63,089,219									
Net book value	12,248,542	2,664,745	6,569,099	2,918,415	2,832,028	62,273,676	3,820,209	93,326,714									

Corporation of the Town of Pelham

Consolidated schedule of segment disclosure - Schedule 3 year ended December 31, 2016

	2016							
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Recreation and culture services	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Taxation	4,113,369	399,023	6,004,277	-	33,457	1,010,888	87,099	11,648,113
User charges	32,458	1,115,399	47,169	4,119,234	38,977	565,522	379,960	6,298,719
Grants	10,577	-	1,062,927	-	1,577	56,230	(13,354)	1,117,957
Contributions from developers	4,928,757	34,313	493,248	484,612	-	256,951	83,691	6,281,572
Other	461,919	54,211	69,146	19,714	41,839	162,554	10,150	819,533
Equity (loss) earnings in subsidiary	91,166	-	-	-	-	-	-	91,166
Gain (loss) on disposal of tangible capital assets	-	253,344	(160,431)	-	-	-	(81,386)	11,527
	9,638,246	1,856,290	7,516,336	4,623,560	115,850	2,052,145	466,160	26,268,587
Expenses								
Salaries and wages	1,858,881	1,141,278	1,970,296	970,897	91,683	1,233,643	354,785	7,621,463
Long-term debt interest	-	51,630	209,159	37,875	-	9,441	11,902	320,007
Materials	851,801	125,853	973,557	257,839	3,142	317,682	23,044	2,552,918
Contracted services	301,125	180,000	1,332,266	2,536,913	9,879	111,454	57,204	4,528,841
Rents and financial expenses	789	-	6,842	12,211	-	-	-	19,842
External transfers	55,328	-	-	-	-	1,000	-	56,328
Amortization	105,007	357,529	3,024,216	807,825	11,146	378,925	19,225	4,703,873
	3,172,931	1,856,290	7,516,336	4,623,560	115,850	2,052,145	466,160	19,803,272
Annual surplus	6,465,315	-	-	-	-	-	-	6,465,315

Corporation of the Town of Pelham
 Consolidated schedule of segment disclosure - Schedule 3 (continued)
 year ended December 31, 2015

	2015							
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Recreation and culture services	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Taxation	2,030,491	1,304,633	5,700,697	218,313	19,089	880,814	407,753	10,561,790
User charges	22,822	373,065	30,819	3,864,301	39,127	517,063	88,861	4,936,058
Grants	10,500	-	185,763	-	-	99,089	18,081	313,433
Contributions from developers	-	34,094	371,266	168,372	-	308,633	14,480	896,845
Other	358,820	35,301	46,935	32,982	47,106	235,697	6,127	762,968
Equity (loss) earnings in subsidiary	116,718	-	-	-	-	-	-	116,718
Loss on disposal of tangible capital assets	-	(86,946)	(199,211)	(3,113)	-	-	-	(289,270)
	2,539,351	1,660,147	6,136,269	4,280,855	105,322	2,041,296	535,302	17,298,542
Expenses								
Salaries and wages	1,648,959	985,227	1,751,435	845,841	84,567	1,199,027	358,997	6,874,053
Long-term debt interest	-	51,311	71,027	36,015	-	45,709	9,862	213,924
Materials	699,525	127,031	645,138	285,998	676	312,603	86,301	2,157,272
Contracted services	200,898	149,084	760,713	2,320,457	8,933	124,114	60,918	3,625,117
Rents and financial expenses	-	-	5,848	12,211	-	-	-	18,059
External transfers	59,881	-	-	-	-	1,000	-	60,881
Amortization	96,796	347,494	2,902,108	780,333	11,146	358,843	19,224	4,515,944
	2,706,059	1,660,147	6,136,269	4,280,855	105,322	2,041,296	535,302	17,465,250
Annual deficit	(166,708)	-	-	-	-	-	-	(166,708)



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Independent Auditor's Report

To the Members of Council, and the Citizens of the Corporation of the Town of Pelham

We have audited the accompanying financial statements of the Corporation of the Town of Pelham Trust Funds, which comprise the statement of financial position as at December 31, 2016, and the statement of revenue and expenses and change in fund balances 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 accounting standards for not-for-profit organizations, 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 Corporation of the Town of Pelham Trust Funds as at December 31, 2016 and the results of their operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 5, 2017

Corporation of the Town of Pelham Trust Funds

Statement of revenue and expenses and change in fund balances
year ended December 31, 2016

	Cemetery Care and Maintenance Funds	Bradshaw Estate	Library Trust Funds	Total 2016	Total 2015
	\$	\$	\$	\$	\$
Revenue					
Interest	8,804	1,087	2,055	11,946	7,224
Realized gain	-	-	68	68	-
Donations	-	-	59,429	59,429	25,922
Marker fees	3,700	-	-	3,700	3,500
Plot sales	7,946	-	-	7,946	20,070
	20,450	1,087	61,552	83,089	56,716
Expenses					
Purchase of equipment, books and periodicals and miscellaneous Maintenance	- 8,804	- 69	43,202 -	43,202 8,873	44,175 3,517
	8,804	69	43,202	52,075	47,692
Excess of revenues over expenses	11,646	1,018	18,350	31,014	9,024
Fund balance, beginning of year	704,331	136,233	123,356	963,920	954,896
Fund balance, end of year	715,977	137,251	141,706	994,934	963,920

The accompanying notes to the financial statements are an integral part of this financial statement.

Corporation of the Town of Pelham Trust Fund

Statement of financial position
as at December 31, 2016

	Cemetery Care and Maintenance Funds	Bradshaw Estate	Library Trust Funds	Total 2016	Total 2015
	\$	\$	\$	\$	\$
Assets					
Cash	61,332	31,723	184,570	277,625	206,114
Receivables and accrued interest	1,803	547	-	2,350	654
Investments (Note 2)	650,000	105,050	10,895	765,945	753,855
Due from Town of Pelham (Note 3)	2,842	-	-	2,842	47,081
	715,977	137,320	195,465	1,048,762	1,007,704
Liability					
Due to Town of Pelham	-	69	53,759	53,828	43,784
Fund balance	715,977	137,251	141,706	994,934	963,920

The accompanying notes to the financial statements are an integral part of this financial statement.

Corporation of the Town of Pelham Trust Funds

Notes to the financial statements

December 31, 2016

1. Accounting policies

The financial statements of the Corporation of the Town of Pelham Trust Funds are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Significant aspects of the accounting policies adopted are as follows:

(a) *Basis of accounting*

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable.

(b) *Investments*

Investments are recorded at cost.

(c) *Financial instruments*

Cash, due to Town of Pelham and due to other trust funds are recorded at amortized cost.

(d) *Use of estimates*

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 amount of revenues and expenses during the period. Actual results could differ from those estimates.

2. Investments

The total for investments by the trust funds of \$765,945 (2015 - \$753,855) reported on the statement of financial position at cost, have a market value of \$765,945 (2015 - \$753,855) at the end of the year.

3. Due to/from Town of Pelham

The amounts due to/ from the Town of Pelham is unsecured, interest bearing with no specific terms of repayment.

4. Statement of cash flows

A statement of cash flows has not been provided as the related information is readily determinable from the financial statements presented.