



**CORPORATION OF THE CITY OF QUINTE WEST
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016**

WILKINSON & COMPANY LLP - CHARTERED ACCOUNTANTS

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CORPORATION OF THE CITY OF QUINTE WEST
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AS AT DECEMBER 31, 2016

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MANAGEMENT'S REPORT

Management's Report

Management's Responsibility for the Consolidated Financial Statement

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Corporate and Financial Services Committee are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through Council. The Committee reviews internal consolidated financial statements on a regular basis and external audited consolidated financial statements yearly. The Committee also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The external auditors, Wilkinson & Company LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Corporation of the City of Quinte West and meet when required. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of the Corporation of City of Quinte West.

Committee Member

Committee Member

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INDEPENDENT AUDITORS' REPORT

To the Council of the
Corporation of the City of Quinte West

Report on the Financial Statements

We have audited the accompanying financial statements of Corporation of the City of Quinte West, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations, cash flows, and changes in net debt 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. Management is also responsible for internal controls that they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these 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.

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Opinion

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

Wilkinson & Company LLP

QUINTE WEST, Canada
May 5, 2017

Chartered Professional Accountants
Licensed Public Accountants

**CORPORATION OF THE CITY OF QUINTE WEST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016**

	2016 \$	2015 \$
FINANCIAL ASSETS		
Cash and cash equivalents - Note 5	32,091,242	23,042,919
Taxes receivable	3,699,671	3,442,020
Accounts receivable - Note 6	6,430,608	6,593,340
Land held for resale	2,896,884	2,896,884
	45,118,405	35,975,163
LIABILITIES		
Accounts payable and accrued liabilities	13,341,478	17,024,368
Deferred revenue and deposits - Note 7	7,720,162	5,303,590
Landfill obligation - Note 8	840,251	782,161
Contaminated sites obligation - Note 9	722,000	100,000
Employee future benefits - Note 10	3,171,100	3,059,233
Municipal debt - Note 11	91,525,959	61,783,369
	117,320,950	88,052,721
Net debt	(72,202,545)	(52,077,558)
NON-FINANCIAL ASSETS		
Tangible capital assets - Note 16	347,985,464	324,576,039
Inventory	117,479	102,374
Prepaid expenses	479,413	463,206
	348,582,356	325,141,619
MUNICIPAL POSITION		
Accumulated Surplus - Note 12	276,379,811	273,064,061

The accompanying notes form an integral part of these financial statements

**CORPORATION OF THE CITY OF QUINTE WEST
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget (Unaudited) Note 15 2016 \$	Actual 2016 \$	Actual 2015 \$
REVENUES			
Taxes levied for own purposes - Note 3	43,158,300	43,932,791	41,124,647
Taxes from other governments	8,917,300	8,815,167	8,335,040
User fees	16,232,325	16,801,450	15,297,682
Grants:			
Government of Canada	4,377,334	3,861,432	3,598,436
Province of Ontario	5,417,475	5,125,389	3,740,714
Other municipalities	20,000	20,911	19,340
Other:			
Developer contributions	23,629	998,610	1,897,320
Other	1,570,700	1,324,243	2,712,223
Loss on disposal of tangible capital assets	-	(705,895)	(3,592,632)
Interest	740,535	803,212	777,868
	80,457,598	80,977,310	73,910,638
EXPENDITURES			
General government	8,786,497	8,543,684	8,258,476
Protection services	14,166,100	13,979,891	14,695,388
Transportation services	27,197,177	20,119,826	25,370,725
Environmental services	16,328,687	15,703,918	14,638,486
Health services	3,084,300	3,166,853	3,078,281
Social and family services	5,951,000	5,946,027	5,919,342
Recreation and cultural services	8,353,912	8,746,045	7,689,530
Planning and development	1,572,700	1,455,316	1,577,890
	85,440,373	77,661,560	81,228,118
ANNUAL SURPLUS (DEFICIT)	(4,982,775)	3,315,750	(7,317,480)
ACCUMULATED SURPLUS - BEGINNING OF YEAR	273,064,061	273,064,061	280,381,541
ACCUMULATED SURPLUS - END OF YEAR	268,081,286	276,379,811	273,064,061

The accompanying notes form an integral part of these financial statements

**CORPORATION OF THE CITY OF QUINTE WEST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016 \$	2015 \$
OPERATING TRANSACTIONS		
Annual surplus (deficit)	3,315,750	(7,317,480)
Adjustment for items which do not affect cash -		
Amortization of tangible capital assets	15,638,915	20,916,446
Loss on disposal of tangible capital assets	705,895	3,592,632
Increase (decrease) in landfill obligation	58,090	(144,991)
Increase in contaminated sites obligation	622,000	100,000
Increase (decrease) in employee future benefits	111,867	(39,365)
Decrease (increase) in taxes receivable	(257,652)	604,672
Decrease in accounts receivable	162,734	4,445,691
Increase in inventory	(15,105)	(27,646)
Increase in prepaid expenses	(16,207)	(38,251)
Increase in land held for resale	-	(254,400)
Increase (decrease) in accounts payable and accrued liabilities	(3,682,891)	5,770,791
Increase (decrease) in deferred revenue and deposits	2,416,572	(632,420)
CASH PROVIDED BY OPERATING TRANSACTIONS	19,059,968	26,975,679
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(40,089,412)	(43,660,189)
Proceeds on sale of tangible capital assets	335,177	345,083
CASH APPLIED TO CAPITAL TRANSACTIONS	(39,754,235)	(43,315,106)
FINANCING TRANSACTIONS		
Issuance of municipal debt	31,850,000	21,020,000
Debt principal repayments	(2,107,410)	(1,201,741)
CASH PROVIDED BY FINANCING ACTIVITIES	29,742,590	19,818,259
INCREASE IN CASH AND CASH EQUIVALENTS	9,048,323	3,478,832
OPENING CASH AND CASH EQUIVALENTS	23,042,919	19,564,087
CLOSING CASH AND CASH EQUIVALENTS	32,091,242	23,042,919
REPRESENTED BY:		
Cash and cash equivalents	32,091,242	23,042,919

The accompanying notes form an integral part of these financial statements

**CORPORATION OF THE CITY OF QUINTE WEST
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget (Unaudited) Note 15 2016 \$	2016 \$	2015 \$
Annual surplus (deficit)	(4,982,775)	3,315,750	(7,317,480)
Acquisition of tangible capital assets	(16,297,268)	(40,089,412)	(43,660,189)
Amortization of tangible capital assets	21,555,600	15,638,915	20,916,446
Loss on disposal of tangible capital assets	-	705,895	3,592,632
Proceeds on sale of tangible capital assets	-	335,177	345,083
	<u>275,557</u>	<u>(20,093,675)</u>	<u>(26,123,508)</u>
Acquisition of inventory	-	(117,479)	(102,374)
Consumption of inventory	-	102,374	74,727
Acquisition of prepaid expenses	-	(479,413)	(463,206)
Consumption of prepaid expenses	-	463,206	424,955
	<u>-</u>	<u>(31,312)</u>	<u>(65,898)</u>
Increase in net debt	275,557	(20,124,987)	(26,189,406)
Net debt - beginning of year	(52,077,558)	(52,077,558)	(25,888,152)
Net debt - end of year	<u>(51,802,001)</u>	<u>(72,202,545)</u>	<u>(52,077,558)</u>

The accompanying notes form an integral part of these financial statements

**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation of the City of Quinte West are prepared by management in accordance with Canadian generally accepted accounting policies as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

(a) Basis of Accounting

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(b) Basis of Consolidation

The Consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity, which are composed of all boards, which are controlled by the Council. These boards are the Quinte West Public Library Board, Trenton Downtown Business Improvement Area Board, and Mount Evergreen Cemetery Board.

All interfund and inter-entity assets, liabilities, revenues and expenses are eliminated upon consolidation.

Trust funds and their related operations administered by the City are not consolidated, but are disclosed separately in Note 2.

The taxes, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the balances of these consolidated financial statements, but are disclosed separately in Note 3.

**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

(c) Tangible Capital Assets

Tangible capital assets are recorded at historical cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Where historical cost is not available, management has developed estimation techniques to determine cost. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the useful lives of the assets. The only exception is for land, which is considered to have an indefinite life. Assets under construction are not amortized until the asset is available for productive use. Gains and/or losses on the disposal of an asset are recorded on the consolidated statement of operations as "gain/loss on disposal of assets". Amortization of tangible capital assets which is based on management's estimate of the useful life, is calculated from the month of addition as follows:

Asset	Basis	Useful Life
Land improvements	Straight-line	10-50 years
Buildings	Straight-line	20-110 years
Equipment	Straight-line	3-30 years
Computer hardware and software	Straight-line	3-5 years
Vehicles and rolling equipment	Straight-line	10-20 years
Furniture and fixtures	Straight-line	3-30 years
Road network	Straight-line	15-75 years
Water and sewer network	Straight-line	30-80 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for in the consolidated statement of operations.

(d) Pension Agreement

The City is an employer member of the Ontario Municipal Employee Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The City has adopted defined contribution plan accounting principles for the plan because insufficient information is available to apply defined benefit plan accounting principles. The City records as pension expense the current service cost, amortization of past costs and interest costs related to the future employer contributions to the plan for past employee service.

**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

(e) Use of Estimates and Measurement Uncertainty

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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include valuation of employee future benefits, landfill liability, liability for contaminated sites, fair value of contributed assets, and the estimated useful life of tangible capital assets.

Estimates are based on actuarial and engineering reports that are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed periodically. Actual results could differ from those estimates.

(f) Cash and Equivalents

Cash and equivalents consist of bank balances and investments in term deposits with maturity dates of less than three months from the date they are acquired, and is net of any temporary borrowings for current purposes.

(g) Deferred Revenue

Obligatory reserve funds and any other externally restricted financing amounts must be reported as deferred revenue. Only the amount earned by qualifying expenditures in the current year is reflected as revenue in the Consolidated Statement of Operations.

(h) Revenue Recognition

Revenue is reported on the accrual basis of accounting.

Tax revenue is recognized in the calendar year to which the tax assessment applies. When necessary, taxes are recorded at estimated amounts when actual balances are not known. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.

Fines and donations are recognized when collected.

Developer contributions and fees for services are recognized over the period of service or when required expenditures occur if applicable.

Except as noted in the government transfers policy below, conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenses are made.

**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

(i) Government Transfers

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the liabilities are settled.

(j) Liability for Contaminated Sites

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 all the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds environmental standard;
- (iii) The City is directly responsible or accepts responsibility; and
- (iv) a reasonable estimate of the amount can be made.

(k) Financial Instruments

The City initially measures its financial assets and liabilities at fair value adjusted by, in the case of financial instruments that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The City subsequently measures all its financial assets and financial liabilities at amortized cost except for equities quoted in an active market, which are subsequently measured at fair value.

All financial assets and financial liabilities are measured at amortized cost.

2. TRUST FUNDS

	2016	2015
	\$	\$
Mount Evergreen Cemetery	322,206	315,904
Longwell Cemetery	1,350	2,351
Mount Zion Cemetery	10,984	10,695
Mount Carmel Cemetery	38,432	39,383
McVicar Trust	2,551	2,527
	<hr/>	<hr/>
	375,523	370,860
	<hr/>	<hr/>

CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3. TAXES RAISED ON BEHALF OF OTHERS

	2016 \$	2015 \$
School boards	12,465,893	12,162,726

4. RESTRICTED ASSETS

	2016 \$	2015 \$
Cash	7,016,293	4,645,517
Short-term investments	15,500	15,500
Due to/from own municipality	32,937	103,176
	7,064,730	4,764,193
Consists of:		
Obligatory funds in deferred revenue	7,013,226	4,712,173
Reid fund reserve in surplus	17,506	17,487
Due to trust funds	33,998	34,533
	7,064,730	4,764,193

5. CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Unrestricted:		
Unrestricted cash	21,574,322	14,774,339
	21,574,322	14,774,339
Designated:		
Designated cash	3,485,127	3,607,563
	3,485,127	3,607,563
Restricted		
Restricted cash	7,016,293	4,645,517
Restricted investments	15,500	15,500
	7,031,793	4,661,017
	32,091,242	23,042,919

CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

5. CASH AND CASH EQUIVALENTS - (Cont'd)

The majority of the cash is on deposit at one financial institution (TD Canada Trust). The restricted investments are with TD Waterhouse and interest earned on these funds at 0.40% is restricted to the purchase of historical books in the library.

6. ACCOUNTS RECEIVABLE

	2016 \$	2015 \$
Unrestricted		
Canada	2,359,710	2,397,782
Ontario	437,422	19,781
Municipal	32,001	29,913
Other	3,601,475	4,145,864
	6,430,608	6,593,340

7. DEFERRED REVENUE AND DEPOSITS

	2016 \$	2015 \$
Obligatory reserve funds:		
Development Charges Act	5,441,720	3,328,413
Parkland (Planning Act)	389,030	312,283
Federal Gas Tax	1,035,581	736,119
Provincial Gas Tax	146,895	335,358
	7,013,226	4,712,173
Deferred revenue:		
Stormwater	58,790	58,233
Other deferred revenue and deposits	648,146	533,184
	706,936	591,417
	7,720,162	5,303,590

**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

7. DEFERRED REVENUE AND DEPOSITS - (Cont'd)

The net change during the year in the restricted deferred revenue balances is made up of the following:

	Development charges \$	Parkland \$	Federal Gas tax \$	Provincial Gas tax \$	Total \$
Opening balance	3,328,413	312,283	736,119	335,358	4,712,173
Amounts received	2,147,530	73,400	2,619,903	472,342	5,313,175
Interest earned	40,189	3,347	12,623	784	56,943
Revenue recognized	(74,412)	-	(2,333,064)	(661,589)	(3,069,065)
Ending obligatory funds	5,441,720	389,030	1,035,581	146,895	7,013,226

Gas tax revenue is provided by the Government of Canada. The use of the funds is established by the funding agreement signed between the City and the Association of Municipalities of Ontario. Gas tax funds may be used towards designated projects as specified in the funding agreements.

8. LANDFILL OBLIGATION

The consolidated statement of financial position reflects a liability for anticipated future costs related to the closing and monitoring of the existing landfill site. The waste site closure and post closure cost liability has been estimated at December 31, 2016 to be \$840,251 (2015 - \$782,161). This liability represents the estimated total expenditures for closure and post closure care. This liability was updated as of December 31, 2016 by Cambium Environmental, an engineering firm hired by the City who has experience with landfill construction, closure and on-going monitoring work and related processes. For purposes of the above calculation, the landfill has an estimated remaining life span of 10 years and remaining capacity of 46,500 cubic meters. Once closed, the site will be monitored for an estimated period of 25 years with the estimated costs of \$24,260 per year. A discount rate has been used that is equal to the rate available to the City on long-term borrowing. The estimated present value of total closure and post closure costs is \$1,097,167 and the estimated portion related to remaining available capacity is \$256,916. As at December 31, 2016, the landfill closure and post closure costs have not been fully financed.

**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

9. CONTAMINATED SITES OBLIGATION

The consolidated statement of financial position recognizes and estimates a liability of \$722,000 (2015 - \$100,000) for remediation of two properties using the historical costing technique of valuation. The nature of the liability is due to a history of industrial contamination associated with the use of various chemicals, of which leaking buried drums containing these chemicals were discovered in 1990 and subsequently removed. This liability was updated as of December 31, 2016 by Cambium Environmental, an engineering firm hired by the City who has experience with contaminated sites and on-going monitoring work and related processes. For purposes of the above calculation, the contaminated sites have an estimated remaining life span of seven years. A discount rate has been used that is equal to the rate available to the City on long-term borrowing. As at December 31, 2016, the costs associated with the contaminated sites have not been fully financed.

10. EMPLOYEE FUTURE BENEFITS

The city provides certain employee amounts which will require funding in future periods.

(i) Vacation Payable

Vacation pay owing at December 31, 2016 of \$170,068 (2015 - \$146,765) has been fully funded from operations and included in accounts payable in these financial statements.

(ii) Pension Agreement

OMERS provides pension services to more than 470,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2016. The results of this valuation disclosed total actuarial liabilities of \$87,554 million in respect of benefits accrued for service with actuarial assets at that date of \$81,834 million indicating an actuarial deficit of \$5,720 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the municipality to OMERS for 2016 were \$1,633,959 (2015 - \$1,408,826).

(iii) Post-Employment Benefits

Under the provisions of certain employee benefit plans, an employee, who is eligible for a retirement pension from OMERS, and is under the age of 65 will be provided with Extended Health coverage.

Regular firefighters receive health benefits until death, Water and Sewer retirees with life insurance benefits also receive coverage until death. For all other groups, health benefits are terminated on the members 65th birthday. The plan requires no contribution from employees. Total benefit payments to retirees during the year were \$165,700 (2015 - \$119,539).

**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

10. EMPLOYEE FUTURE BENEFITS - (Cont'd)

(iii) Post-Employment Benefits - (Cont'd)

Actuarial valuations for accounting purposes will be performed triennially using the projected benefit method prorated on services. The last actuarial valuation was completed as at December 31, 2016. The next actuarial valuation is to be completed as at December 31, 2020. The accrued benefit obligation of \$3,171,100 shown for December 31, 2016 is based on that valuation. Actual experienced cost increases and discount rate adjustments have resulted in a net loss of \$655,300 which will be recognized over the estimated average remaining service life of the employee group.

The post-employment benefit liability at December 31, 2016 includes the following components.

	2016	2015
	\$	\$
Actuarially determined accrued benefit obligation	3,826,400	2,578,448
Unamortized actuarial gains (losses)	(655,300)	480,785
	3,171,100	3,059,233

The actuarial valuation and extrapolation were based on a number of assumptions about future events, such as wage and salary increases, and employee turnover and mortality. The assumptions used reflect the municipalities, best estimates. The main actuarial assumptions employed for the extrapolation are as follows:

Discount rate	3.4%
Medical cost increases:	
First year	7.23%
Decreasing over 20 years to	4%
Expected rate of dental cost increase	4%
Estimated average remaining service life of the employee group	11 years

The post-employment benefit expense is reported as a component of current expenditures on the statement of financial activities. Composition of the amount is as follows:

	2016	2015
	\$	\$
Current year benefit cost	115,900	75,516
Amortization of actuarial losses (gains)	10,868	(113,263)
Interest on post-employment benefit liability	150,800	117,921
	277,568	80,174

**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

11. MUNICIPAL DEBT

	2016 \$	2015 \$
Total long-term liabilities incurred for capital purposes by the City including those incurred on behalf of public works, Municipal Enterprise and individuals outstanding at year-end.	49,227,804	51,358,525
Total liabilities (construction loans) due on demand incurred for capital purposes by the City including those incurred on behalf of public works and Municipal Enterprise.	42,320,000	10,470,000
Of the long-term liabilities shown above, the responsibility for payment of principal and interest for tile drainage and shoreline property assistance loans assumed by individuals.	(21,845)	(45,156)
Net municipal debt	91,525,959	61,783,369

(i) The interest rates charged on debt range from 2.56% to 4.77%. The estimated requirement for future repayments, assuming payment on the demand loans is not enforced before debentures are finalized, are summarized as follows:

	2017 \$	2018 \$	2019 \$	2020 \$	2021 + \$	Total \$
Principal	2,579,824	3,076,728	3,188,569	3,038,398	79,642,440	91,525,959
Interest	2,593,354	3,258,556	3,146,715	3,032,831	37,623,595	49,655,051
	5,173,178	6,335,284	6,335,284	6,071,229	117,266,035	141,181,010

(ii) The long-term liabilities issued in the City's name have been approved by by-law as required and the annual principal and interest payments required are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

11. MUNICIPAL DEBT - (Cont'd)

(iii) The City of Quinte West is contingently liable for long-term liabilities with respect to tile drainage and shoreline property assistance loans. The total amount outstanding as at December 31, 2016 is \$21,845 (2015 - \$45,156) and is not recorded on the Consolidated Statement of Financial Position.

12. ACCUMULATED SURPLUS

	2016 \$	2015 \$
Total reserve and reserve funds	28,841,870	23,855,275
Land held for sale	2,896,884	2,896,884
Surplus attributable to net capital assets	347,985,464	324,576,039
Municipal debt to be recovered in future	(91,525,959)	(61,783,369)
Employee future benefits to be recovered in future	(3,171,100)	(3,059,233)
Landfill liability to be recovered in future	(840,251)	(782,161)
Contaminated sites liability to be recovered in future	(722,000)	(100,000)
Operating deficit	(7,085,097)	(12,539,374)
	276,379,811	273,064,061

13. CONTINGENCIES AND COMMITMENTS

(i) Credit facility agreement

The City has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$5 million through an operating line of credit. Any balance borrowed will bear interest at prime less 0.5% per annum on prime based loans, prime less 0.25% per annum on bankers acceptances and 1% per annum on letters of credit. Council authorized the temporary borrowing limit for 2016 in by-law 14-17, and there was a balance owing as at December 31, 2016 of Nil (2015 - Nil).

(ii) Other contingencies

In the normal course of its operations, the City is subject to various litigations and claims. The ultimate outcome of these claims cannot be determined at this time. However, the City's management believes that the ultimate disposition of these matters will not have a material adverse effect on its financial position.

**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

13. CONTINGENCIES AND COMMITMENTS - (Cont'd)

(iii) Legal matters

The City has been named in litigation matters, the outcome of which are undeterminable and accordingly, no provision has been provided for them in these financial statements. Should any loss result from these claims, not covered by insurance, such loss would be charged to operations in the year of resolution.

(iv) Spending commitments

The City has assumed and entered into certain agreements for collection, disposal and recycling of garbage.

The City has entered into a commitment with Hastings County to support the capital construction of the Hastings Manor in Belleville with an additional contribution of \$181,000 annually for 20 years, commencing in 2004, for a total estimated capital commitment of \$3,620,000.

The City has entered into a commitment with the Kingston Hospital Foundation to contribute a total of \$500,000 over 10 years commencing in 2008.

The City has entered into a commitment with the National Air Force Museum of Canada to contribute a total of \$550,000 over 10 years commencing in 2008.

The City has entered into a commitment with the Trenton Memorial Hospital Foundation to contribute a total of \$1,000,000 over 9 years commencing in 2013.

The City has entered into a commitment with Loyalist College to contribute a total of \$500,000 over 9 years commencing in 2013.

14. COMPARATIVE FIGURES

Prior year's figures have been reclassified to adjust prepaid balances in taxes and water and sewer billings receivable within the consolidated statement of financial position. As a result, taxes receivable has increased by \$348,071, accounts receivable has increased by \$53,504, and deferred revenue has increased by \$401,575.

**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

15. BUDGET AMOUNTS

The 2016 budget adopted by Council was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Public Sector accounting standards now require a full accrual basis. The budget figures treated all tangible capital expenditures as expenses. As a result, the budget figures presented in the consolidated statement of operations and consolidated change in net debt represent the budget adopted by Council with adjustments as follows:

	2016 budget adopted by Council \$	Non TCA expenditures from capital \$	2016 budget presented in statements \$
Revenue			
Taxes levied for own purposes	43,158,300	-	43,158,300
Taxes from other governments	8,917,300	-	8,917,300
User fees	16,232,325	-	16,232,325
Grants	9,814,809	-	9,814,809
Other	2,334,864	-	2,334,864
	80,457,598	-	80,457,598
Expenditures			
General government	8,778,497	8,000	8,786,497
Protection services	14,166,100	-	14,166,100
Transportation services	26,997,177	200,000	27,197,177
Environmental services	16,248,687	80,000	16,328,687
Health services	3,084,300	-	3,084,300
Social and family services	5,951,000	-	5,951,000
Recreation and cultural services	8,227,912	126,000	8,353,912
Planning and development	1,572,700	-	1,572,700
	85,026,373	414,000	85,440,373
Annual deficit	(4,568,775)	(414,000)	(4,982,775)
Capital expenditures	(16,711,268)	414,000	
Transfers from (to) reserve/reserve funds	746,164	-	
Debt proceeds	1,500,000	-	
Debt repayment	(2,521,721)	-	
Budget use of prior year surplus	(21,555,600)	-	
General levy surplus	18,445,600	-	
Area rating surplus	-	-	
Water and sewer surplus	2,875,000	-	
Library surplus	235,000	-	
	-	-	

CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

16. TANGIBLE CAPITAL ASSETS - (Cont'd)

	General Assets					Infrastructure Assets					
	Land	Land Improvements	Buildings	Equipment	Furniture Fixtures & Equipment	Computer Hardware & Software	Land	Buildings	Equipment	Road Network	Water & Sewer Network
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost, Beginning of year	6,810,575	8,884,069	40,810,323	9,887,793	1,361,287	2,302,566	178,644	52,755,965	15,091,184	660,055,793	92,336,205
Additions	298,709	639,512	9,934,728	954,169	220,801	395,024	-	3,220,371	1,306,147	9,621,280	3,892,983
Disposals	(15,535)	(246,211)	(34,279)	(178,788)	(235,334)	(691,394)	-	(2,028,283)	(44,234)	(7,298,314)	(2,015,408)
Internal Transfers	72,140	-	4,078,067	-	-	16,282	-	-	-	1,343,756	1,601,513
Cost, End of Year	7,165,889	9,277,370	54,788,839	10,663,174	1,346,754	2,022,478	178,644	53,948,053	16,353,097	663,722,515	95,815,293
Accumulated Dep'n Beginning of Year	-	3,372,527	13,285,586	5,846,656	942,841	1,600,416	-	24,502,649	7,321,256	500,821,970	36,580,137
Amortization	-	340,807	1,137,578	643,986	135,181	426,385	-	1,181,505	896,440	14,856,344	1,298,220
Disposals	-	(173,698)	(34,279)	(178,788)	(235,334)	(691,394)	-	(1,187,703)	(44,234)	(5,550,363)	(754,272)
Accumulated Dep'n End of Year	-	3,539,636	14,388,885	6,311,854	842,688	1,335,407	-	24,496,451	8,173,462	510,127,951	37,124,085
Net Book Value Beginning of Year	6,810,575	5,511,542	27,524,737	4,041,137	418,446	702,150	178,644	28,253,316	7,769,928	159,233,823	55,756,067
Net Book Value End of Year	7,165,889	5,737,734	40,399,954	4,351,320	504,066	687,071	178,644	29,451,602	8,179,635	153,594,564	58,691,208



**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

16. TANGIBLE CAPITAL ASSETS - (Cont'd)

The net book value of tangible capital assets not being amortized because they are under construction is \$40,996,107 (2015 - \$15,634,353).

Assets contributed to the City in 2016, consisting of road network and water & sewer network, had a fair market value of \$887,946 (2015 - road network and streetlights of \$281,900). They have been capitalized at their fair market value.

The City holds various works of art and historical treasures pertaining to the heritage and history of the Corporation of the City of Quinte West. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future economic benefits associated with such property cannot be made.

17. SEGMENTED INFORMATION

The Corporation of the City of Quinte West is a municipal government institution that provides a wide range of services to its citizens. City services are reported by function and their activities are separately disclosed in the segmented information.

For each reported segment, revenues and expenditures represent both amount that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxes, payments-in-lieu of taxes and unconditional government transfers are apportioned based on each segment's net budget requirements.

The nature of the segments and the activities they encompass are as follows:

General government:

General government consists of the activities of the Council and general financial and administrative management of the City and its programs and services.

Protection to persons and property:

Protection includes fire, police and emergency control and protective inspection.

**CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

17. SEGMENTED INFORMATION - (Cont'd)

Transportation services:

The activities of the transportation services department include the construction and maintenance of the City's roads and bridges, winter control, street lighting and transit services.

Environmental services

The environmental services department looks after the City's water and wastewater operations as well as garbage collection and disposal.

Health services:

This service is provided through the local health unit and also encompasses costs associated with operating abandoned cemeteries within the City.

CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

17. SEGMENTED INFORMATION - (Cont'd)

2016	General Government \$	Protection to Persons and Property \$	Transportation Services \$	Environment Services \$	Health Services \$	Social and Family Services \$	Recreational and Cultural Services \$	Planning and Development \$	2016 Total \$
REVENUE									
Tax Revenue Distributed	7,549,282	12,464,400	11,146,528	(3,221,600)	3,123,063	5,946,027	5,854,425	1,070,666	43,932,791
PIL Revenue Distributed	331,602	286,363	5,446,858	1,669,299	-	-	1,070,930	10,115	8,815,167
Penalty and Interest on Tax	21,850	18,870	358,920	109,998	-	-	70,569	667	580,874
OMPF Distributed	56,354	48,666	925,670	283,690	-	-	182,000	1,719	1,498,099
User Fees	204,128	1,078,872	45,906	14,054,406	39,746	-	1,201,774	176,618	16,801,450
Grants	3,590	97,084	4,219,954	3,051,414	-	-	128,400	9,190	7,509,632
Developer Contributions	-	-	638,570	360,040	-	-	-	-	998,610
Other Revenue	330,660	97,189	255,439	(18,076)	4,044	-	649,519	5,468	1,324,243
Interest Revenue	150,390	-	1,326	65,018	-	-	5,605	-	222,339
Gain (loss) on disposition of assets	25,000	-	(915,709)	-	-	-	-	184,814	(705,895)
	8,672,856	14,091,444	22,123,462	16,354,189	3,166,853	5,946,027	9,163,222	1,459,257	80,977,310
EXPENSES									
Salaries and Benefits	4,498,599	3,910,672	4,635,091	3,887,506	20,000	-	3,633,219	1,023,863	21,608,950
Materials, Supplies and Services	926,119	391,175	2,527,122	2,234,994	3,271	-	1,258,341	81,171	7,422,193
Contracted Services	1,464,227	600,498	2,089,378	4,240,991	71,553	-	1,244,160	62,351	9,773,158
Interest and Financial Expenses	78,472	7,995	501,165	1,547,266	-	-	674,151	5,625	2,814,674
Amortization Expense	588,293	508,034	9,663,225	2,961,489	-	-	1,899,928	17,946	15,638,915
Transfer to Other Entities	987,974	8,561,517	703,845	831,672	3,072,029	5,946,027	36,246	264,360	20,403,670
	8,543,684	13,979,891	20,119,826	15,703,918	3,166,853	5,946,027	8,746,045	1,455,316	77,661,560
SURPLUS	129,172	111,553	2,003,636	650,271	-	-	417,177	3,941	3,315,750



CORPORATION OF THE CITY OF QUINTE WEST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

17. SEGMENTED INFORMATION - (Cont'd)

2015	General Government \$	Protection to Persons and Property \$	Transportation Services \$	Environment Services \$	Health Services \$	Social and Family Services \$	Recreational and Cultural Services \$	Planning and Development \$	2015 Total \$
REVENUE									
Tax Revenue Distributed	6,984,704	13,264,640	8,303,131	(1,549,729)	3,020,290	5,919,342	4,445,122	737,147	41,124,647
PIL Revenue Distributed	268,227	194,949	6,073,536	1,163,363	-	-	627,799	7,166	8,335,040
Penalty and Interest on Tax	18,248	13,262	413,189	79,145	-	-	42,710	488	567,042
OMPF Distributed	55,730	40,505	1,261,920	241,716	-	-	130,440	1,489	1,731,800
User Fees	244,049	767,005	44,234	12,996,022	48,245	-	1,028,985	169,142	15,297,682
Grants	2,072	160,054	5,277,422	50,000	-	-	131,887	5,255	5,626,690
Developer Contributions	30,420	-	1,866,900	-	-	-	-	-	1,897,320
Other Revenue	302,671	86,760	690,019	587,288	9,746	-	734,719	301,020	2,712,223
Interest Revenue	136,448	-	1,344	66,866	-	-	6,168	-	210,826
Gain (loss) on disposition of assets	(15,535)	-	(3,927,097)	-	-	-	-	350,000	(3,592,632)
	8,027,034	14,527,175	20,004,598	13,634,671	3,078,281	5,919,342	7,147,830	1,571,707	73,910,638
EXPENSES									
Salaries and Benefits	4,296,187	3,773,524	4,585,467	3,531,415	40,000	-	3,292,359	1,016,854	20,535,806
Materials, Supplies and Services	886,458	366,869	2,594,907	2,192,576	4,571	-	1,085,306	71,872	7,202,559
Contracted Services	1,407,712	595,831	2,115,082	4,007,890	55,125	-	1,187,423	177,099	9,546,162
Interest and Financial Expenses	110,175	4,483	316,607	1,149,363	-	-	480,635	8,909	2,070,172
Amortization Expense	671,657	488,163	15,208,511	2,958,123	-	-	1,572,047	17,945	20,916,446
Transfer to Other Entities	886,287	9,466,518	550,151	799,119	2,978,585	5,919,342	71,760	285,211	20,956,973
	8,258,476	14,695,388	25,370,725	14,638,486	3,078,281	5,919,342	7,689,530	1,577,890	81,228,118
DEFICIT	(231,442)	(168,213)	(5,366,127)	(1,003,815)	-	-	(541,700)	(6,183)	(7,317,480)

