

Committee of the Whole Meeting Agenda

Consolidated as of June 2, 2017

Tuesday, June 6, 2017 – 2:00 p.m.
Council Chambers, Guelph City Hall, 1 Carden Street

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Call to Order – Mayor

Disclosure of Pecuniary Interest and General Nature Thereof

Items for Discussion – Audit

Chair – Councillor Billings

The following items have been extracted from Consent Agenda and will be considered separately. These items have been extracted either at the request of a member of Council or because they include a presentation and/or delegations.

COW-AUD-2017.03 2016 Consolidated Financial Statements and External Audit Findings Report (staff memo)

Presentation:

Matthew Betik, Partner, Audit, KPMG LLP

Recommendation:

That the 2016 Consolidated Financial Statements presented in report CS-2017-21 Consolidated Financial Statements and External Audit Findings Report be approved.

COW-AUD-2017.04 2016 Unconsolidated Financial Statements and Financial Highlights (staff memo)

Presentation:

Tara Baker, General Manager, Finance / City Treasurer

Recommendation:

That report CS-2017-20 titled, 2016 Unconsolidated Financial Statements and Financial Highlights, be received for information.

COW-AUD-2017.05 Internal Audit Follow-Up Process

Presentation:

Catherine Spence, Internal Auditor

Recommendation:

That the report CAO-A-1703, "Internal Audit Follow-Up Process" dated June 6, 2017, be received.

COW-AUD-2017.06 Legal Representation Follow-Up Audit

Presentation:

Catherine Spence, Internal Auditor

Recommendation:

That the report CAO-A-1705 "Legal Representation Follow-Up Audit" dated June 6, 2017 be received.

COW-AUD-2017.07 Vendor / Payment Process Audit Report

Presentation:

Catherine Spence, Internal Auditor

Recommendation:

That the report CAO-A-1704, "Vendor/Payment Process Audit Report" dated June 6, 2017 be received.

Consent Agenda – Corporate Services

Chair – Councillor MacKinnon

The following resolutions have been prepared to facilitate Council's consideration of various matters and are suggested for consideration. If Council wishes to address a specific report in isolation of the Consent Agenda, please identify the item. It will be extracted and dealt with separately as part of the Items for Discussion.

COW-CS-2017.08 Fibre-Optic Cable Build – Phase 2

Recommendation:

1. That the City enter into a partnership agreement with the Upper Grand District School Board and the Wellington Catholic District School Board to build the required fibre-optic cabling associated with their Provincial mandate.
2. That the City provide an irrevocable right-of-use (IRU) to the fibre-optic cabling associated with the School Boards' Provincial mandate, for the exact implementation cost.

**COW-CS-2017.09 Budget Impacts per Ontario Regulation 284/09 and
Budget Public Sector Accounting Standards
Reconciliation**

Recommendation:

That report CS-2017-15 Budget Impacts per Ontario Regulation 284/09 and Budget Public Sector Accounting Standards Reconciliation dated June 6, 2017 be approved.

COW-CS-2017.10 2017 Q1 Operating Variance Report

Recommendation:

That the report titled 2017 Q1 Operating Variance Report (CS-2017-16), and dated June 6, 2017, be received.

COW-CS-2017.11 2017 Q1 Capital Variance and Activity Report

Recommendation:

That report 2017 Q1 Capital Variance and Activity Report - CS-2017-17 be received.

Consent Agenda – Public Services

Chair – Councillor Downer

The following resolutions have been prepared to facilitate Council's consideration of various matters and are suggested for consideration. If Council wishes to address a specific report in isolation of the Consent Agenda, please identify the item. It will be extracted and dealt with separately as part of the Items for Discussion.

**COW-PS-2017.06 Land Ambulance Response Time Performance Plan for
2018**

Recommendation:

That the Response Time Performance Plan (RTPP) for 2017 as outlined in Report # PS-17-09 dated June 6, 2017 be set as recommended by staff.

**COW-PS-2017.09 Multi-Year Governance Agreement for the Joint
Procurements Facilitated by Metrolinx**

Item removed from the agenda.

Items for Discussion – Public Services

The following items have been extracted from Consent Agenda and will be considered separately. These items have been extracted either at the request of a member of Council or because they include a presentation and/or delegations.

COW-PS-2017.07 Outdoor Aquatic Facilities in Parks

Correspondence:

Pat Fung

Delegations:

Pat Fung

Recommendation:

1. That staff be directed to plan and install recirculating splash pads over wading pools as the preferred outdoor aquatic facility in parks in order to conform to the City of Guelph Water Efficiency Strategy.
2. That staff be directed to locate new splash pads in community and regional zoned parks where they accommodate a wider segment of the population and have additional park amenities, following the Proposed Locations for Outdoor Aquatic Facilities.
3. That staff be directed to bring forward a ten-year capital program of work which will identify funds for Council consideration and approval to replace the three wading pool facilities with appropriate park amenities, and implement new splash pads in various parks throughout the city.

COW-PS-2017.08 Guelph Transit Special Event Fare Pilot Program

Correspondence:

Pat Fung

Delegations:

Pat Fung

Steven Petric, Chair, Transit Advisory Committee

Recommendation:

1. That the Guelph Transit Special Event Fare Pilot Program be approved.
2. That By-Law Number XX (2016) regarding 2017 Transit User Fees be amended to reflect the new special event fare category.

COW-PS-2017.10 Guelph Transit Route Realignment

Presentation:

Mike Spicer, General Manager, Guelph Transit

Correspondence:

Steven Petric, Chair, Transit Advisory Committee

Brenda Cormier

Petition with 180 signatures

Delegations:

Steve Petric, Chair, Transit Advisory Committee

Recommendation:

That Public Services Report # PS-17-12 titled "Guelph Transit Route Realignment" dated June 6, 2017 be received.

Items for Discussion – Infrastructure, Development and Enterprise**Chair – Councillor Gibson**

The following items have been extracted from Consent Agenda and will be considered separately. These items have been extracted either at the request of a member of Council or because they include a presentation and/or delegations.

COW-IDE-2017.28 Exploring Pathways for Aligning Guelph's Corporate Assets with the Low Carbon Economy

Councillor Gibson will speak to this item.

Delegations:

Abhilash Kantamneni

Mike Schreiner

Patrick Sheridan

Jonathan Knowles

Recommendation:

1. That in alignment with the CEP mandate, city staff, in coordination with the newly formed Climate Change Office be directed to explore pathways for transitioning the corporation to net zero, or similar, low carbon designation.
2. That staff examine the current fleet procurement policy and explore pathways to fully electrifying the corporations transportation fleet.
3. That staff report back on potential next steps in Q4 of 2017.

Mayor as Chair**Adjournment**

Addendum Memo



DATE June 2, 2017
TO Committee of the Whole
FROM Jade Surgeoner
DIVISION Corporate Services
DEPARTMENT Finance
SUBJECT Adjustments to reports CS-2017-20 (ATT-1) and CS-2017-21 (ATT-1)

The City's 2016 Consolidated and Unconsolidated Financial Statements distributed within the June 6, 2017 Committee of the Whole package included the year end surplus allocation entry as approved by Committee on May 1st, 2017. The June 6 package material was prepared under this allocation direction as the materials needed to be ready for distribution in advance of Council's revised allocation decision on May 23, 2017. The changes required due to this decision are not significant; however they do impact the following notes and schedules of the financial statements:

- 1) CS-2017-20 (ATT-1) & CS-2017-21 (ATT-1) - Schedule 4 of both the Unconsolidated and Consolidated Financial Statements were adjusted to reallocate funds between the Infrastructure renewal reserve fund 150 (\$2,004,000) and Tax rate stabilization reserve 180 \$2,004,000.
- 2) CS-2017-20 (ATT-1) & CS-2017-21 (ATT-1) - Note 14 of both the Unconsolidated and Consolidated Financial Statements were adjusted for the allocation change within accumulated surplus balance between stabilization reserves \$2,004,000 and capital reserve funds \$(2,004,000).
- 3) In addition, page 7 of the Unconsolidated Financial Statement Highlights presentation should highlight the increase in stabilization reserves as \$7.6 million rather than the previously reported amount of \$5.6 million.

Due to these changes the financial statement attachments have been reprinted for distribution.

Regards,

Jade Surgeoner, CPA, CA, CIA
Manager of Financial Reporting and Accounting

Approved by:

Tara Baker, CPA, CA
GM Finance & City Treasurer

Staff Report



To	Committee of the Whole
Service Area	Corporate Services
Date	Tuesday, June 6, 2017
Subject	2016 Consolidated Financial Statements and External Audit Findings Report
Report Number	CS-2017-21

Recommendation

That the 2016 Consolidated Financial Statements presented in report CS-2017-21 Consolidated Financial Statements and External Audit Findings Report be approved.

Executive Summary

Purpose of Report

The purpose of this report is:

- a) To present and review the City's 2016 Consolidated Financial Statements including related entities' Financial Statements;
- b) To provide Council with the City's external audit results as reported in KPMG LLP's 2016 Audit Findings Report; and
- c) To present the 2016 Corporate Financial Dashboard

Key Findings

KPMG LLP, the City's external auditor, performed an audit of the City's 2016 Consolidated Financial Statements in accordance with generally accepted auditing standards and expressed an unqualified or "clean" opinion that the statements present fairly, in all material respects, the financial position of the City.

A full analysis of the City's unconsolidated Financial Statement is included in report CS-2017-20 and therefore this report excludes that commentary.

The City is required to consolidate and report on the following entities as a requirement of Public Sector Accounting Standards. Highlights of these entities' 2016 Audited Financial Statements include:

The Elliott Community

The Elliott's 2016 deficit was \$344,000 compared to \$339,000 in 2015. The 2015 & 2016 financial results are a significant improvement over historical losses which were upwards of \$1.0 million. The Elliott's financial improvement over the past two years is directly attributed to the Elliott becoming the City's designated Long-Term Care facility as of February 1, 2015 and the associated operating and capital funding now available for this segment of their operations.

The Downtown Guelph Business Association

The Downtown Guelph Business Association reported a 2016 surplus of \$20,000 (2015-\$102,000), which is the second year ending in a surplus position after five consecutive year of deficits. In 2015 net income was significantly higher as the board approved an operating budget in excess of the 2015 annual requirements in order to eliminate the opening deficit of \$81,000.

Wellington-Dufferin-Guelph Public Health

During 2016, Public Health spent \$1,359,000 on capital asset purchases compared to \$629,000 in 2015. In 2016 leasehold improvements were made to the Fergus facility, and the parking lot at the Chancellors Way facility was expanded. Similar to 2015, significant investment continued in information technology hardware and software in 2016.

Public Health received a 0% base funding increase from the Province in 2016, which was in line with the budgeted provincial funding.

Based on finalizing the 2016 financial statements, the Public Health Board approved a reserve distribution totalling \$1.9 million, of which the City's portion was \$859,000. This was paid to the City in April 2017. These are monies that were previously paid by the City in 2013 towards two Public Health capital facility projects which the City fully debt-funded. As a result, these funds will reduce the associated loan receivable from Public Health and free up previously committed debt capacity which will be available for use by the City on future debt-funded capital projects.

Guelph Junction Railway Limited

Guelph Junction Railway Limited (GJR) had another positive year and realized net income of \$506,000 compared to \$645,000 in 2015. The main reason for the decrease in net income relates to the costs of servicing the Eramosa Bridge which was constructed in 2015. Additional amortization was recognized on the bridge of approx. \$76,000 and additional interest paid on the loan to the City to debt fund the bridge was \$52,000.

Guelph Municipal Holdings Inc.

Guelph Municipal Holdings Inc. (GMHI) recognized a consolidated net loss of \$1.3 million compared to a net gain of \$2.8 million in 2015. Upon including the impact of the \$1.5 million dividend paid to the City in 2016, the total decrease in the City's investment in GMHI is \$2.8 million

Guelph Police Board and Guelph Public Library

An analysis of Guelph Police Board and Guelph Public Library variances were included in the annual reporting that went to Committee on May 2, 2017, so a further analysis has not been provided in this report.

2016 Corporate Performance Measures Dashboard

The City's corporate performance measure dashboard shows that the City continues to have strong ratings in tax collections and debt, although the debt issue in 2016 has had an expected downward impact on a number of the corporate ratios.

The Capital Reserves (before commitments) continue to also show strongly but Staff caution that these are based on book value of assets and not asset replacement value. The funding directed to capital, including the new capital levy is addressing the future replacement cost of capital and this continues to be a significant corporate need.

There has been a noted betterment of the City's Tax-supported Operating Reserves as a result of Council's successful effort in contributing to these reserves annually through the budget and allocation of operating surplus. Additionally this ratio was positively impacted through the Council approved reserve and reserve fund consolidation process in 2016 which changed the way operating reserves are categorized.

Financial Implications

An unqualified opinion of the 2016 Consolidated Financial Statements will assist the City in obtaining a fair credit rating, which has the potential to lower its borrowing costs, as well as support grant-funding requests from outside organizations. In addition, monitoring financial trends will enable the City to identify concerns early, address them, and prepare long-term financial strategies.

Report**Background**

City Council annually reviews and approves the City of Guelph's audited Consolidated Financial Statements as required under the Municipal Act 2001. The Consolidated Financial Statements include the results of the following entities:

- Guelph Police Services Board
- Guelph Public Library Board
- Investment in Guelph Junction Railway Limited (GJR)
- Investment in Guelph Municipal Holdings Inc. (GMHI)
- The Elliott Community (The Elliott)
- The Downtown Guelph Business Association (The BIA)
- 45.9% of Wellington-Dufferin-Guelph Public Health (Public Health)

While not required by the Municipal Act 2001, a previous Council requested that City staff present unconsolidated Financial Statements to provide more transparent and relevant information for Council members. The unconsolidated Financial Statements, along with financial analysis and highlights, are included in CS-2017-20 – 2016 Unconsolidated Financial Statements and City financial highlights.

Review and approval of the audited 2016 Consolidated Financial Statements and review of KPMG LLP's External Findings Report satisfy the following Committee responsibilities:

- Understand the scope of the external auditor's review of internal financial control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses and the timing of the disposition of significant findings;
- After consultation with the Treasurer and the external auditors, gain a reasonable assurance, at least annually, of the quality and sufficiency of the City's accounting and financial personnel and other resources;
- Review with staff and the external auditors the results of the audit, including any difficulties encountered, and all other matters required to be communicated to the Committee under generally accepted auditing standards;
- If required, at the conclusion of the audit, consult with the external auditors, without the presence of staff, about internal financial controls, compliance, and the completeness and accuracy of the City's Consolidated Financial Statements;
- Ensure the timely presentation of the external auditor's annual audit report to Council;
- Review significant accounting and reporting issues in terms of their impact on the Financial Statements, including complex or unusual transactions, areas high in subjectivity, and recent professional and regulatory pronouncements;
- Review the representation letter provided by staff to the external auditors;
- Prior to the presentation of the annual Financial Statements to Council, review the Financial Statements and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles; and
- Recommend to Council the approval and distribution of the annual consolidated Financial Statements.

Overview of the Consolidated Financial Statements

Throughout this report, please refer to **ATT-1** for Draft Consolidated Financial Statements information. These statements are required to be approved by Council in accordance with the Municipal Act 2001.

The Consolidated Financial Statements have been prepared in accordance with the Public Sector Accounting Standards, which means that in addition to the City's numerous departments, the following entities are also included:

- a) Guelph Police Services Board – fully consolidated
- b) Guelph Public Library Board – fully consolidated
- c) The Elliott Community – fully consolidated
- d) The Downtown Guelph Business Association – fully consolidated
- e) 45.9% of Wellington-Dufferin-Guelph Public Health – proportionately consolidated
- f) Guelph Municipal Holdings Inc.– modified equity basis
- g) Guelph Junction Railway Limited – modified equity basis

Fully consolidated means that the full financial statements of those entities have been combined into the City's statements, and for The Elliott, and The BIA all inter-organizational transactions have been eliminated. Proportionately consolidated means that only the City's share (45.9%) of Public Health's Financial Statements has been included in the City's statements, and all inter-organizational transactions have been eliminated. Modified equity basis means that the carrying value of the net assets of the investees are shown on the face of the City's Statement of Financial Position as an investment, and any gain or loss is shown on the Statement of Operations; there are no inter-organizational eliminations.

Review of the Consolidated Entities' Financial Statements

In the preparation of the 2016 Consolidated Financial Statements, staff reviewed each of the Financial Statements of the consolidated entities. The following is a summary of financial highlights of these entities, and any relevant information that resulted from each of their audits. Although this report includes analysis of the GJR and GMHI Financial Statements, these have not been included in an attachment because Council will receive them at each company's Annual General Meeting.

- a) Guelph Police Services – Guelph Police Services is fully consolidated into the City of Guelph's Consolidated Financial Statements, a supplementary schedule (6) within the Financial Statements also outlines the activity throughout the year. An analysis of Guelph Police Services' variance is included in the quarterly and annual reporting that goes to Committee, so a further analysis has not been provided in this report.

b) Guelph Public Library – Guelph Public Library is fully consolidated into the City of Guelph's Consolidated Financial Statements, a supplementary schedule (5) within the Financial Statements also outlines the activity throughout the year. An analysis of Library's variance is included in the quarterly and annual reporting that goes to Committee, so a further analysis has not been provided in this report.

c) The Elliott Community- **ATT-2**

The Elliott Community (The Elliott) is required to be consolidated into the City's Financial Statements because of its financial reliance on the City. The Elliott's Financial Statements are audited by KPMG LLP and have a year-end date of December 31, 2016.

- The Elliott's 2016 deficit was \$344,000 compared to \$339,000 in 2015. The 2015 & 2016 financial results are a significant improvement over historical losses which were upwards of \$1.0 million. The Elliott's financial improvement over the past two years is directly attributed to the Elliott becoming the City's Long-Term Care facility as of February 1, 2015 and the associated operating and capital funding now available to help fund this segment of their operations.
- The City has a loan receivable outstanding from the Elliott of \$16.5 million relating to debentures issued on behalf of the Elliott by the City. The loan was eliminated in the consolidated statements, but highlighted here because it appears on the Elliott's Financial Statements.
- The City guarantees the Elliott's line of credit totaling \$80,000 for 2016.

d) Public Health – **ATT-3** – Public Health is audited by KPMG LLP. The City consolidates 45.9% of its operations as the City's proportionate share. Please refer to Note 16 of the City's 2016 Consolidated Financial Statements for a summary of Public Health's Financial Statements. Highlights from these Statements include:

- Excess of revenue over expenditures of \$848 is partially a result of the manner in which the Financial Statements are prepared, and partially the result of a modified cash basis surplus as a result of one-time funding received from the Ministry of Health and Long-Term Care. Funding was received April 2017 to cover various specific expenditures made in the 2016 fiscal year. The audited Financial Statements are prepared on an accrual basis, whereas statements prepared for the Ministry of Health and Long-Term Care (MOHLTC) are prepared on a modified cash basis. Under the modified cash basis, capital asset

acquisitions are fully expensed in the year they are purchased as opposed to capitalization and amortization over the useful life of the asset (accrual basis); additionally, transfers to reserves and loan principal repayments are not recorded as expenditures in the audited Financial Statements, but are in the MOHLTC statements.

- Public Health received a 0% base funding increase from the Province in 2016, which was in line with the budgeted provincial funding.
- During 2016, Public Health spent \$1,359,000 on capital asset purchases compared with \$629,000 in 2015. In 2016, leasehold improvements were made to the Fergus facility, and the parking lot at the Chancellors Way facility was expanded. A significant investment was also made in information technology hardware and software in 2016 as it was in 2015.
- In December 2012, the three obligated municipalities and Public Health signed a financing agreement to fund the capital cost of building the two new facilities in Guelph and Orangeville. Disclosure was included in both the Public Health Statements and the City's Financial Statements. This financing agreement will protect the City's investment over the 10-year financing period in case of unexpected changes in legislation. As of December 31, 2016 the outstanding balance on the loan was \$6.9 million. This loan is eliminated upon consolidation, but highlighted here because it is included in the individual Public Health's Financial Statements.

Based on finalizing the 2016 financial statements, the Public Health Board approved a reserve distribution totaling \$1.9 million, of which the City's portion was \$859,000. This was paid to the City in April 2017. These are monies that were previously paid by the City in 2013 for two Public Health capital facility projects which the City fully debt-funded. As a result, these funds will reduce the associated loan receivable from Public Health and free up previously committed debt capacity which will be available for use by the City on future debt-funded capital projects.

e) The BIA - **ATT-4** – The BIA is a “business improvement area” of the City and is consolidated because it is financially dependent on the City for funding. Highlights from these Financial Statements include:

- The BIA reported a 2016 surplus of \$20,000 (2015-\$102,000), which is the second year in a surplus position after five consecutive years of deficits. The 2015 net income was significantly higher as the board approved an operating budget in excess of the 2015 annual requirements in order to eliminate the opening deficit of \$81,000.

- f) GMHI and GJR – both of these entities have a formal process for reporting their Financial Statements to Council in accordance with each entity's Shareholder Declaration; for this reason their Financial Statements have not been included as attachments. However, a summary of each of these entity's financial results can be found in Notes 4 and 5 of the 2016 Consolidated Financial Statements. KPMG LLP audits GMHI's and GJR's Financial Statements. Highlights relating to these two entities include:
- GJR realized a net income of \$506,000 (compared to \$645,000 in 2015), which represents an increase in the City's investment in this company. The main reason for the decrease in net income from 2015 relates to the costs of servicing the new bridge which was constructed in 2015. Additional amortization was recognized on the bridge of approx. \$76,000 and additional interest paid on the loan to the City to debt fund the bridge was \$52,000.
 - On December 31, 2015 GJR and the City entered into a loan agreement for \$1.7 million for the reconstruction of a bridge within the City limits. Throughout 2016 the scheduled debt payments were made to the City and the balance outstanding at the end of 2016 was \$1.6 million.
 - GMHI recognized a consolidated net loss of \$1.3 million (compared to a net gain of \$2.8 million in 2015). The consolidated net loss plus the dividend payment of \$1.5 million represents the decrease in the City's investment in GMHI of \$2.8 million.

External Audit Findings Report

The external audit results as prepared by KPMG LLP are included in **ATT-5**. Highlights from KPMG's report include:

- Audit procedures were conducted as planned and presented to Committee December 5, 2016.
- No audit differences were identified by KPMG.
- No independence issues were identified.
- No significant control deficiencies were identified.

2016 Corporate Performance Measures Dashboard

The City's corporate performance measure dashboard shows that the City continues to have strong ratings in tax collections and debt, although the debt issue in 2016 has had an expected downward impact on a number of the corporate ratios.

The capital reserves (before commitments) continue to also show strongly but staff caution that these are based on book value of assets and not asset replacement

value. The funding directed to capital, including the new capital levy are addressing the future replacement cost of capital and this continues to be a significant corporate need.

There has been a noted betterment of the City's tax-supported operating reserves as a result of Council's successful effort in contributing to these reserves annually through the budget and allocation of operating surplus. Additionally this ratio was positively impacted through the Council approved reserve and reserve fund consolidation process in 2016 which changed the way operating reserves are categorized.

Financial Implications

An unqualified opinion of the 2016 Consolidated Financial Statements will assist the City in obtaining a fair credit rating, which has the potential to lower its borrowing costs, as well as support grant-funding requests from outside organizations. In addition, monitoring financial trends will enable the City to identify concerns early, address them, and prepare long-term financial strategies.

Consultations

Finance staff met with the Corporate Communications Department, and determined that a communication plan was not required.

Corporate Administrative Plan

Overarching Goals

Financial Stability

Service Area Operational Work Plans

Our Resources - A solid foundation for a growing city

Our Services - Municipal services that make lives better

Attachments

ATT-1	2016 City of Guelph Consolidated Financial Statements
ATT-2	The Elliott Community 2016 Audited Financial Statements
ATT-3	Wellington-Dufferin-Guelph Public Health 2016 Audited Financial Statements
ATT-4	The Downtown Guelph Business Association 2016 Audited Financial Statements
ATT-5	2016 External Audit Findings Report
ATT-6	2016 Corporate Financial Performance Measures Dashboard

Departmental Approval

N/A

Report Author

Jade Surgeoner, CPA, CA, CIA
Manager, Financial Reporting & Accounting



Approved By

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Consolidated financial statements of

City of Guelph

December 31, 2016

City of Guelph

December 31, 2016

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the City of Guelph

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

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 26, 2017

DRAFT

City of Guelph

Consolidated statement of financial position as at December 31, 2016 ('000's)

	2016	2015
	\$	\$
Financial assets		
Cash	47,897	19,873
Investments (Note 3)	272,632	227,313
Taxes receivable	7,220	6,048
Accounts receivable	23,526	23,845
Loans and notes receivable (Note 4)	2,666	2,642
Investment in Guelph Junction Railway Ltd. (Note 4)	7,811	7,305
Investment in Guelph Municipal Holdings Inc. (Note 5)	67,122	69,939
	428,874	356,965
Liabilities		
Accounts payable and accrued liabilities	53,728	45,900
Accrued interest payable	1,069	653
Vacation and other employee benefits payable	6,816	6,251
Developer agreement deferred revenue	5,214	6,128
Other deferred revenue	17,690	16,793
Deferred contributions (Note 6)	53,951	61,556
Employee future benefits (Note 8)	33,772	31,740
Debt (Note 9)	135,323	81,149
Obligation under capital lease (Note 10)	941	469
Landfill post-closure liability (Note 11)	4,540	4,564
Liability for contaminated sites (Note 18)	26,860	24,396
Other long-term liabilities (Note 12)	2,191	2,751
	342,095	282,350
Net financial assets	86,779	74,615
Non-financial assets		
Tangible capital assets (Note 13)	1,032,202	993,677
Inventory	1,739	1,748
Prepaid expenses	2,250	1,982
	1,036,191	997,407
Contingencies (Note 19)		
Commitments and guarantees (Note 20)		
Accumulated surplus (Note 14)	1,122,970	1,072,022

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

City of Guelph

Consolidated statement of operations and accumulated surplus year ended December 31, 2016 ('000's)

	2016 Budget (Note 22)	2016 Actual	2015 Actual
	\$	\$	\$
Revenues			
Taxation			
Property taxation (Note 2)	219,377	222,218	211,172
Property taxation - Downtown Guelph Business Association	471	471	457
Penalties and interest on taxes	1,212	1,399	1,345
	221,060	224,088	212,974
User charges	96,303	96,128	93,682
Contributed subdivision assets	9,470	9,470	5,430
Contributions			
Government of Canada	8,496	10,052	10,543
Province of Ontario	56,607	59,295	55,969
Municipal	3,579	3,883	4,129
Developers	26,135	22,542	20,648
Other	1,004	845	1,345
	201,594	202,215	191,746
Other			
Investment income	4,594	4,939	5,730
Donations	591	473	515
Sales of equipment, publications	6,917	5,280	6,321
Recoveries	2,959	4,023	4,645
Licences and permits	3,668	3,877	3,416
Provincial Offences Act revenues	2,727	3,292	2,588
Other fines	995	1,206	1,221
(Loss) gain on disposal of tangible capital assets	5	(1,156)	(777)
(Loss) earnings from Government Business Enterprises	-	(811)	3,436
	22,456	21,123	27,095
Total revenues	445,110	447,426	431,815
Expenses			
General government	30,795	28,088	27,165
Protection services	79,865	78,661	76,292
Transportation services	64,603	64,078	61,634
Environmental services	76,301	77,105	78,118
Health services	29,683	30,184	29,185
Social and family services	45,781	44,311	43,727
Social housing	24,303	23,760	21,370
Recreation and cultural services	41,675	42,212	40,807
Planning and development	9,015	8,079	7,329
Total expenses	402,021	396,478	385,627
Excess of revenues over expenses for the year	43,089	50,948	46,188
Accumulated surplus, beginning of year	1,072,022	1,072,022	1,025,834
Accumulated surplus, end of year	1,115,111	1,122,970	1,072,022

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

City of Guelph

Consolidated statement of change in net financial assets year ended December 31, 2016 ('000's)

	2016 Budget (Note 22)	2016 Actual	2015 Actual
	\$	\$	\$
Excess of revenue over expenses for the year	43,089	50,948	46,188
Amortization of tangible capital assets	47,081	47,328	46,860
Acquisition of tangible capital assets	(89,778)	(78,835)	(58,783)
Contributed subdivision assets	(9,470)	(9,470)	(5,430)
Loss (gain) on disposal of tangible capital assets	(5)	1,156	777
Proceeds on disposal of tangible capital assets	-	1,296	2,503
Acquisition of inventory	-	(1,739)	(1,748)
Consumption of inventory	-	1,748	1,934
Acquisition of prepaid expenses	-	(2,250)	(1,982)
Use of prepaid expenses	-	1,982	2,085
Increase in net financial assets for the year	(9,083)	12,164	32,404
Net financial assets, beginning of year	74,615	74,615	42,211
Net financial assets, end of year	65,532	86,779	74,615

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

City of Guelph

Consolidated statement of cash flows year ended December 31, 2016 ('000's)

	2016	2015
	\$	\$
Operating activities		
Excess of revenues over expenses for the year	50,948	46,188
Items not affecting cash:		
Amortization of tangible capital assets	47,328	46,860
Loss on disposal of tangible capital assets	1,156	777
Contributed subdivision assets	(9,470)	(5,430)
Allowance on asset backed investment	-	(118)
Unrealized loss on interest rate swap contracts	(336)	168
Loss (earnings) from Government Business Enterprises	811	(3,436)
Employee future benefit expenses	2,032	1,402
Landfill post-closure recovery	(24)	400
Change in contaminated sites	2,464	354
Changes in non-cash working capital:		
Taxes receivable	(1,172)	(986)
Accounts receivable	319	(940)
Developer agreement receivable/deferred revenue	(914)	2,047
Inventory	9	186
Prepaid expenses	(268)	103
Accounts payable and accrued liabilities	8,164	(699)
Accrued interest payable	416	(62)
Vacation and other employee benefits payable	565	349
Other deferred revenue	897	552
Other long-term liabilities	(560)	1,296
Cash provided by operating activities	102,365	89,011
Capital and investing activities		
Acquisition of tangible capital assets	(78,835)	(58,783)
Proceeds from disposal of tangible capital assets	1,296	2,503
Dividend from Guelph Municipal Holdings Inc.	1,500	1,500
Change in loans and notes receivable	(24)	(1,309)
Net investment acquisitions	(45,319)	(60,477)
Cash used by capital and investing activities	(121,382)	(116,566)
Financing activities		
Proceeds from debt issuance	62,500	-
Repayment of debt principal	(8,326)	(10,552)
Net change in obligation under capital lease	472	437
Net change in deferred contributions	(7,605)	39
Cash provided by (used in) financing activities	47,041	(10,076)
Increase (decrease) in cash for the year	28,024	(37,631)
Cash, beginning of year	19,873	57,504
Cash, end of year	47,897	19,873

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

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

1. Significant accounting policies

The consolidated financial statements of the Corporation of the City of Guelph (the "City") have been prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the City are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, operating revenues and expenses and of the reporting entity. The reporting entity is comprised of those City functions or entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City, except for the City's government businesses which are accounted for on the modified equity basis of accounting.

Consolidated entities

In addition to the City departments, the reporting entity includes the following:

Guelph Public Library Board
Guelph Police Services Board
Downtown Guelph Business Association
The Elliott Community

All interfund assets, liabilities, revenues and expenses have been eliminated.

Proportionately consolidated entities

The City reports only its share of assets, liabilities and results of operations of any government partnerships in which it participates. The City participates in the Wellington-Dufferin-Guelph Public Health Unit to the extent of 45.9% (2015 – 45.9%) based on population, as stated in agreement with the other participants.

Modified equity basis entities

The investments in Guelph Municipal Holdings Inc. and Guelph Junction Railway Limited are accounted for on a modified equity basis, consistent with the public sector accounting standards for the treatment of government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. Under the modified equity basis of accounting, the carrying value of the investment in subsidiaries is adjusted to reflect the City's share of the net asset change of the investee.

Basis of accounting

Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting except for revenues generated under the Provincial Offences Act which are accounted for on the cash basis. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that gave rise to the revenues; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services or the creation of an obligation to pay.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

1. Significant accounting policies (continued)

Basis of accounting (continued)

Taxes receivable and related revenues

Property tax billings are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by the City Council, incorporating amounts to be raised for local services and amounts the City is required to collect on behalf of the Province of Ontario in respect of education taxes. A normal part of the assessment process is the issuance of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the City determines the taxes applicable and renders supplementary tax billings.

Taxation revenues are recorded at the time the tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded as a reduction of tax revenue when the result of the appeal process is reasonably certain. The City is entitled to collect interest and penalties on overdue taxes and these revenues are recorded in the period the interest and penalties are levied. Tax revenue is recorded net of reductions including rebates. Taxes receivable are reported net of any expense or allowance for doubtful accounts.

Reserves and reserve funds

Certain amounts, as approved by City Council, are set aside in reserves and reserve funds for future operating and capital purposes. Reserve funds are interest bearing and the current year earned interest is accounted for as an adjustment within accumulated surplus.

Deferred revenue and deferred contributions

Deferred revenues and deferred contributions represent property taxes, user charges and fees, developer contributions and other grant revenues which have been collected but for which the related services or expenses have yet to be incurred. These revenues have certain restrictions and will be recognized in the fiscal year the services are performed, or expenses incurred.

Tangible capital assets

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

Land improvements	- 20 to 75 years
Buildings	- 10 to 75 years
Machinery and equipment	- 3 to 25 years
Vehicles	- 5 to 15 years
Sanitary sewers infrastructure	- 50 to 80 years
Storm sewer infrastructure	- 15 to 80 years
Transportation infrastructure	- 20 to 80 years
Waterworks infrastructure	- 5 to 80 years

The City has various capitalization thresholds, so that individual tangible capital assets of lesser value are expensed, unless the assets have significant value collectively (pooled assets). Examples of pools are desktop and laptop computers, police equipment, traffic signals, streetlights, and fire equipment.

- (ii) Land purchased for service delivery purposes is recorded as a tangible capital asset at cost. Any land cost premium incurred or discount received related to expropriation will be included as part of the asset to be constructed and amortized over its' useful life.
- (iii) Tangible capital assets received as contributions are recognized at their fair value at the date of receipt, and correspondingly recognized as revenue in that period. Similarly, contributions of assets to a third party are recorded as an expense equal to the net book value of the tangible capital asset as of the date of transfer.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

1. Significant accounting policies (continued)

Basis of accounting (continued)

Tangible capital assets (continued)

- (iv) Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of the asset 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.

Employee future benefit obligations

The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions of mortality and termination rates, retirement age and expected inflation rates.

Past service costs from plan amendments, if any, are deferred and amortized on a straight-line basis over the average remaining service life of active employees at the date of the amendment. Actuarial gains and losses on the accrued benefit obligation arise from differences between the actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service life of active employees.

Government transfers

Government transfers are recognized as revenues by the City 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.

Investment income

Investment income earned on available funds and loans receivable are reported as revenue in the period earned. Investment income earned on deferred contributions is recorded as an increase to deferred contributions.

Contaminated sites

Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation allowance for asset backed investments, valuation allowances for receivables, certain accrued liabilities and obligations related to employee future benefits, landfill post closure liability, liability for contaminated sites and the estimated future lives of tangible capital assets. Actual results could differ from these estimates.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

1. Significant accounting policies (continued)

Future accounting changes

Effective for fiscal periods beginning on or after April 1, 2016, all governments will be required to adopt PSAS Section 2601, Foreign Currency Translation, PSAS Section 3450 Financial Instruments and PSAS Section 1201 Financial Statement Presentation. This standard provides guidance on how to account for and report on financial instruments and related revenue and expenditures and also provides guidance on financial statement presentation and disclosure.

The City is currently in the process of evaluating the potential impact of adopting these standards.

2. Taxation revenue

a) Taxation collected on behalf of school boards

The net taxation levies collected on behalf of the school boards are comprised of the following:

	2016	2015
	\$	\$
Taxation	64,628	63,273
Payments in lieu	1	3
	64,629	63,276
Requisitions	(64,629)	(63,276)
Net levy for the year	-	-

b) Taxation revenue by major tax class

2016	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2016 Total
	\$	\$	\$	\$	\$
Residential	141,611	27	4,146	(226)	145,558
Multi-residential	16,182	-	31	(49)	16,164
Commercial	38,148	3,337	913	(489)	41,909
Industrial	16,541	-	385	(722)	16,204
Pipelines	573	-	11	-	584
Farmlands	11	-	1	-	12
Managed forests	2	-	-	-	2
Other	-	2,697	-	(912)	1,785
Total tax revenue	213,068	6,061	5,487	(2,398)	222,218

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

2. Taxation revenue (continued)

2015	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2015 Total
	\$	\$	\$	\$	\$
Residential	134,307	26	2,206	(248)	136,291
Multi-residential	15,376	-	(13)	(58)	15,305
Commercial	36,690	3,232	520	(625)	39,817
Industrial	17,085	-	124	(206)	17,003
Pipelines	558	-	7	-	565
Farmlands	11	-	-	-	11
Managed forests	2	-	-	-	2
Other	-	2,651	118	(591)	2,178
Total tax revenue	204,029	5,909	2,962	(1,728)	211,172

3. Investments

Investments are recorded at cost. The cost and market values are as follows:

	2016		2015	
	Market	Cost	Market	Cost
	\$	\$	\$	\$
Short-term investments	56,198	56,116	70,011	68,255
Long-term investments	218,348	216,516	160,522	159,058
	274,546	272,632	230,533	227,313

In 2009, a restructuring plan was implemented to convert frozen short-term asset-backed commercial paper to long-term notes of various classes with terms matching the maturity of the underlying assets. As a result of the exchange, the City recorded the carrying value but recognized the highly speculative nature of any ultimate payment of principal at maturity by recording a provision for impairment. The impairment is recorded net of the cost of the long-term investments and is estimated to be 7.6% of the original investment cost or \$158 (2015 – 7.6% or \$158). Subsequent to yearend, the City received \$1,856 of the \$1,875 carrying value recorded within the investment balance at December 31, 2016.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

4. Investment in Guelph Junction Railway Limited

The City of Guelph owns 100% of Guelph Junction Railway Limited (the "Railway"). The following table provides condensed supplementary financial information for the year ended December 31:

	2016	2015
	\$	\$
Financial position		
Current assets	829	1,018
Property, plant and equipment	10,723	10,365
Total assets	11,552	11,383
Current liabilities	825	1,149
Long-term debt	1,947	1,998
Deferred capital contributions	969	931
Total liabilities	3,741	4,078
Net assets	7,811	7,305
Results of operations		
Revenues	3,279	2,951
Operating expenses	2,773	2,306
Net income	506	645
Retained earnings, beginning of year	7,305	6,660
Retained earnings, end of year	7,811	7,305

Related party transactions

The City pays certain expenses and receives certain revenues on behalf of the Railway for which the Railway reimburses the City periodically through the year. During the year, these net expenses reimbursed to the City amounted to \$971 (2015 - \$1,382). Included in loans and notes receivable is an amount owing from the Railway of \$393 (2015 - (\$125)) related to the reimbursement of these current year net expenses.

The Railway paid the City \$56 (2015- \$23) in office rent and administration fees. These transactions were made in the normal course of business and have been recorded at the exchange amounts.

In 2015, the City entered into a long-term loan agreement with Guelph Junction Railway Limited for the purpose of reconstructing a bridge within City limits. The total amount of the loan was \$1,710 repayable monthly through blended principal and interest payments which started January 2016 at 3.395%. At year end \$1,661 (2015 - \$1,710) was outstanding and included in loans and notes receivable. In 2016 principal and interest payments were \$49 and \$52 respectively (2015 - \$nil, \$nil).

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

5. Investment in Guelph Municipal Holding Inc.

The City of Guelph owns 100% of Guelph Municipal Holdings Inc. ("GMHI") which owns 100% of Guelph Hydro Electric Systems Inc., 100% of Envida Community Energy Inc. and 100% of GMHI Development Corporation. The following table provides condensed supplementary financial information for GMHI for the year ended December 31:

	2016	2015
	\$	\$
Financial position		
Current assets	67,943	72,615
Property, plant and equipment	160,445	155,713
Intangible assets	665	832
Deferred income taxes	1,543	5,327
Total assets	230,596	234,487
Current liabilities	30,736	35,285
Customer deposits and deferred revenue	27,668	24,544
Long-term debt	94,773	94,245
Employee future benefits	10,297	10,474
Total liabilities	163,474	164,548
Shareholder's equity	67,122	69,939
Results of operations		
Revenues	250,761	247,404
Cost of sales	214,539	201,234
Operating expenses	32,644	39,274
Income taxes	5,273	4,106
Total expenses	252,456	244,614
Net income (loss)	(1,695)	2,790
Retained earnings, beginning of year	3,342	2,052
Dividends	(1,500)	(1,500)
Retained earnings, end of year	147	3,342

Related party transactions

GMHI pays certain expenses and receives certain revenues on behalf of the City related to customer water billings for which GMHI remits to the City monthly. During the year, these net revenues received amounted to \$56,920 (2015 - \$55,125). The cost paid to GMHI for administering these billings on behalf of the City was \$1,518 (2015 - \$1,395). Amounts owing to the City related to these transactions total \$9,640 (2015 - \$8,073) and are included in accounts receivable.

Dividends received from GMHI during the year were \$1,500 (2015 - \$1,500). These transactions were made in the normal course of business and have been recorded at the exchange amounts.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

5. Investment in Guelph Municipal Holding Inc. (continued)

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts and balances with GMHI for the year ended December 31:

	2016	2015
	\$	\$
Revenue:		
Property taxes	355	327
Rent, percentage, land lease	50	53
Subcontracting	5	7
Expenses:		
Energy sales (at commercial rates)	9,097	8,245
Waterworks expense	1,518	1,395
Street light maintenance	380	353
Balances:		
Accounts receivable	9,640	8,126
Accounts payable and accrued liabilities	1,943	1,894

6. Deferred contributions

The following funds have statutory restrictions and as such are classified as deferred contributions:

	Beginning balance 2016	2016 Inflows	2016 Outflows	Ending balance 2016
	\$	\$	\$	\$
Development charges	44,870	17,377	22,542	39,705
Grants	10,710	7,934	10,868	7,776
Other	5,976	890	396	6,470
	61,556	26,201	33,806	53,951

The development charges are restricted for use to fund growth related capital expenditures in accordance with the Development Charges Act. The deferred grants include federal gas tax funds, and provincial gas tax funds. Each of the grants has a specified set of restrictions that outlines how the funds can be utilized. The other deferred contributions include funds received for parkland dedication as restricted under the Planning Act and funds received in relation to the Ontario Building Code Act.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

7. Pension agreement

The City makes contributions to the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer plan, on behalf of the 1,973 (2015 – 1,944) 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 multi-employer plan is valued on a current market basis for all plan assets.

The amount contributed to OMERS for 2016 is \$14,859 (2015 - \$14,519) for current service and is reported as an expense on the consolidated statement of operations and accumulated surplus.

The latest available report for the OMERS plan was as at December 31, 2016. At that time the plan reported a \$5.7 billion actuarial deficit, based on actuarial liabilities of \$87 billion and actuarial assets of \$81.2 billion. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements. As at December 31, 2016, the City has no obligation under the past service provisions of the OMERS agreement.

8. Employee future benefits

Employee future benefits are current costs of the City to its employees and retirees for benefits earned but not taken as at December 31, and consist of the following:

	2016	2015
	\$	\$
Workplace Safety and Insurance ("WSIB")	6,844	5,399
Sick leave	9,339	9,491
Post retirement benefits	17,589	16,850
	33,772	31,740

a) Liability for Workplace Safety & Insurance ("WSIB")

The City is a Schedule II employer under the Workplace Safety and Insurance Act. As a Schedule II employer, the City assumes the liability for any award made under the Act. A comprehensive actuarial valuation of the future liability for WSIB benefits was conducted as at December 31, 2015 and has been extrapolated to estimate the liability for the 2016 period. The next required valuation will be performed in 2019 using information as of December 31, 2018.

The significant actuarial assumptions adopted in estimating the City's WSIB liabilities are as follows:

- | | |
|--|----------------------------------|
| • Discount rate | 4.25% (2012 - 4%) |
| • Expected future WSIB payments per lost time injury | 69% (2012 - 49%) |
| • Health care inflation | CPI plus 4% (2012 - CPI plus 4%) |
| • WSIB administration rate | 36% (2012 - 36%) |
| • Lost time injury count | 50 (2012 - 51) |

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

8. Employee future benefits and other liabilities (continued)

Information about the City's WSIB liability is as follows:

	2016	2015
	\$	\$
Accrued benefit obligation, beginning of year	5,822	5,617
Plan amendment	1,039	-
Current service cost	820	824
Interest	290	224
Benefits paid	(853)	(843)
Accrued benefit obligation, end of year	7,118	5,822
Unamortized net actuarial loss	(274)	(423)
	6,844	5,399

Information about the City's WSIB expenses recognized in the period is as follows:

	2016	2015
	\$	\$
Plan amendment	1,039	-
Current period benefit cost	820	824
Amortization of losses	149	150
Interest expense	290	224
	2,298	1,198

A reserve in the amount of \$1,452 (2015 - \$1,799) has been accumulated to fund this liability.

b) Liability for sick leave

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

A comprehensive actuarial valuation was completed as of December 31, 2013 and extrapolated for the 2016 year end. The next required valuation will be performed in 2017 using information as of December 31, 2016.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

8. Employee future benefits and other liabilities (continued)

b) Liability for sick leave (continued)

The significant actuarial assumptions adopted in estimating the City's sick leave liabilities are as follows:

- Discount rate 4.75% (2012 – 4.75%)
- Inflation rate 2% (2012 - 2%)
- Future salaries 3% per year (2012 – 3.5%)

Information about the City's sick leave liability is as follows:

	2016	2015
	\$	\$
Accrued benefit obligation, beginning of year	11,114	10,903
Current service cost	698	654
Interest	508	511
Benefits paid	(1,534)	(954)
Accrued benefit obligation, end of year	10,786	11,114
Unamortized net actuarial loss	(1,447)	(1,623)
	9,339	9,491

Information about the City's sick leave expenditures recognized in the period are as follows:

	2016	2015
	\$	\$
Current period benefit cost	698	654
Amortization of net actuarial loss	175	175
Interest expense	508	511
	1,381	1,340

There are currently reserves totaling \$9,589 (2015 - \$9,069) available to fund this liability.

c) Post retirement benefits

The City provides dental and health care benefits between the time an employee retires under OMERS, or retires at a normal retirement age, up to the age of 65.

The significant actuarial assumptions adopted in estimating the City's liabilities are as follows:

- Discount rate 4.75% (2012 – 4.75%)
- Consumer price index 2.0% (2012 - 2.0%)
- Prescription drugs trend rate 5.67% reducing 4.0% per year to reach 4.0% per year starting in 2019 (2012 – no change)
- Dental and other medical trend rates 4.0% (2012 – 4.0%)

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

8. Employee future benefits and other liabilities (continued)

c) Post retirement benefits (continued)

Information about the City's employee post-retirement benefits are as follows:

	2016	2015
	\$	\$
Accrued benefit obligation, beginning of year	19,944	19,396
Current service cost	948	890
Interest	940	913
Benefits paid	(1,263)	(1,255)
Accrued benefit obligation, end of year	20,569	19,944
Unamortized net actuarial loss	(2,980)	(3,094)
	17,589	16,850

Information about the City's employee future benefit expenses recognized in the period are as follows:

	2016	2015
	\$	\$
Current period benefit cost	948	890
Amortization of net actuarial loss	114	113
Interest expense	940	913
	2,002	1,916

A comprehensive actuarial valuation was completed as of December 31, 2013 and extrapolated for the 2016 year end. The next required valuation will be performed in 2017 using information as of December 31, 2016.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

9. Debt

a) The debt is comprised of the following components:

	2016	2015
	\$	\$
Operating line of credit - bearing interest at prime, due on demand	80	700
Debentures - repayable at rates ranging from 0.95% to 5.237% and maturing from 2018 through 2031	118,988	62,818
Long-term loans - repayable at rates ranging from prime to 6.38% and maturing from 2017 through 2025	14,525	15,713
Banker's acceptance, interest at 2.07% fixed through a swap transaction, plus a stamping fee of 0.8% for a total of 2.87%, payable in varying installments of principal and interest, maturing June 25, 2025	1,730	1,918
	135,323	81,149

Included in accounts payable and accrued liabilities is \$1,056 (2015 - \$1,392) representing the fair market value of the interest rate swap facilities.

All debt is payable in Canadian dollars. Refer to schedule 3 for further details.

b) The debt is repayable in the following periods and will be funded through the following revenue sources:

	General taxation	User pay and other	Total
	\$	\$	\$
2017	24,210	462	24,672
2018	14,311	395	14,706
2019	13,505	355	13,860
2020	10,931	425	11,356
2021	11,063	440	11,503
Thereafter	55,385	3,841	59,226
	129,405	5,918	135,323

c) Total charges during the year for debt are as follows:

	2016	2015
	\$	\$
Principal repayments	8,326	10,552
Interest	4,177	3,477
	12,503	14,029

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

10. Obligation under capital lease:

A consolidated entity of the City has financed certain equipment through a capital lease arrangement as follows:

	2016	2015
	\$	\$
2016	-	118
2017	233	108
2018	258	108
2019	258	108
2020	225	63
2021	24	-
Total minimum lease payments	998	505
Less amount representing interest at 3.16%	(57)	(36)
Present value of net minimum capital lease payments	941	469

Interest of \$16 (2015 - \$9) relating to capital lease obligations has been included in interest expense.

11. Landfill post-closure liability

The City owns one landfill site. This landfill site was closed in 2003. The liability was calculated based upon the present value of estimated post-closure costs discounted to December 31, 2016 at a factor of 3.5% (2015 - 3.5%) per annum. Post-closure care is estimated to be required for 35 years from the date of site closure.

The estimated expenditures for post-closure care as at December 31, 2016 are \$4,540 (2015 - \$4,564).

No reserve funds have been established to fund this liability as at December 31, 2016, as the City is funding this cost annually through the budget process.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

12. Other long-term liabilities

The City offers three tax-increment based grant ("TIBG") programs in the areas of Heritage Redevelopment, Brownfield Redevelopment and Downtown Development.

The tax-increment based grants are approved individually by Council and require annual reporting and property tax payment by the applicant in order for the City to pay a grant installment. The agreements have two identifiable phases: i) grant pre-approval and construction phase; ii) grant approval and payment phase.

In 2016, the City has four TIBG agreements that are in the grant payment phase:

a) TIBG Agreements

	2016	2015
	\$	\$
Heritage Redevelopment	8	1,606
Downtown Development	1,892	854
Brownfield Strategy	291	291
	2,191	2,751

b) The TIBG's are repayable in the following periods:

	2016	2015
	\$	\$
2016	-	1,743
2017	280	148
2018	280	148
2019	280	148
2020	280	145
2021	273	142
Thereafter	798	277
	2,191	2,751

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

13. Tangible capital assets

Cost				2016
	Balance, beginning of year	Additions	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	78,295	5,028	(751)	82,572
Buildings	306,145	5,767	-	311,912
Machinery and equipment	152,890	12,253	(3,360)	161,783
Assets under capital lease	802	578	-	1,380
Vehicles	70,293	6,089	(5,262)	71,120
Infrastructure				
Sanitary sewers & waste water	272,212	14,072	-	286,284
Storm water	195,224	9,342	-	204,566
Transportation	401,417	14,589	-	416,006
Waterworks	239,104	15,878	-	254,982
Assets under construction	24,281	4,709	-	28,990
	1,740,663	88,305	(9,373)	1,819,595
Accumulated amortization	Balance, beginning of year	Amortization	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	6,327	850	(34)	7,143
Buildings	100,106	10,346	-	110,452
Machinery and equipment	98,544	9,281	(2,688)	105,137
Assets under capital lease	259	188	-	447
Vehicles	40,168	5,605	(4,199)	41,574
Infrastructure				
Sanitary sewers & waste water	138,971	4,808		143,779
Storm water	53,478	2,932		56,410
Transportation	210,357	8,542		218,899
Waterworks	98,776	4,776		103,552
	746,986	47,328	(6,921)	787,393
Net book value	Balance, beginning of year			Balance, end of year
	\$			\$
Land and land improvements	71,968			75,429
Buildings	206,039			201,460
Machinery and equipment	54,346			56,646
Asset under capital lease	543			933
Vehicles	30,125			29,546
Infrastructure				
Sanitary sewers & waste water	133,241			142,505
Storm water	141,746			148,156
Transportation	191,060			197,107
Waterworks	140,328			151,430
Assets under construction	24,281			28,990
	993,677			1,032,202

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

13. Tangible capital assets (continued)

Cost	Balance, beginning of year (restated)	Additions	Disposals	2015 Balance, end of year
	\$	\$	\$	\$
Land and land improvements	78,198	2,204	(2,107)	78,295
Buildings	298,090	8,055	-	306,145
Machinery and equipment	147,996	8,059	(3,165)	152,890
Assets under capital lease	302	500	-	802
Vehicles	65,885	7,574	(3,166)	70,293
Infrastructure				
Sanitary sewers & waste water	269,745	2,467	-	272,212
Storm water	191,394	3,895	(65)	195,224
Transportation	392,539	8,920	(42)	401,417
Waterworks	230,103	9,001	-	239,104
Assets under construction	10,743	13,538	-	24,281
	1,684,995	64,213	(8,545)	1,740,663
Accumulated amortization	Balance, beginning of year (restated)	Amortization	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	5,633	776	(82)	6,327
Buildings	90,144	9,962	-	100,106
Machinery and equipment	92,432	9,009	(2,897)	98,544
Assets under capital lease	194	65	-	259
Vehicles	36,395	6,043	(2,270)	40,168
Infrastructure				
Sanitary sewers & waste water	134,066	4,905	-	138,971
Storm water	50,651	2,832	(5)	53,478
Transportation	202,093	8,275	(11)	210,357
Waterworks	93,783	4,993	-	98,776
	705,391	46,860	(5,265)	746,986
Net book value	Balance, beginning of year (restated)			Balance, end of year
	\$			\$
Land and land improvements	72,565			71,968
Buildings	207,946			206,039
Machinery and equipment	55,564			54,346
Asset under capital lease	108			543
Vehicles	29,490			30,125
Infrastructure				
Sanitary sewers & waste water	135,679			133,241
Storm water	140,743			141,746
Transportation	190,446			191,060
Waterworks	136,320			140,328
Assets under construction	10,743			24,281
	979,604			993,677

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

14. Accumulated surplus

The accumulated surplus is comprised of the following components:

	2016	2015
	\$	\$
Reserves set aside for specific purpose by Council:		
for employee future benefits	11,696	12,015
for stabilization and contingency	21,606	14,045
for program related purposes	11,884	11,439
Reserves set aside by Wellington-Dufferin-Guelph Public Health		
for contingency	642	491
Total reserves - Schedule 4	45,828	37,990
Reserve funds set aside for specific purpose by Council:		
for capital financing purposes	148,310	138,392
Reserves set aside by Wellington-Dufferin-Guelph Public Health		
for capital financing purposes	1,950	1,652
Total reserve funds - Schedule 4	150,260	140,044
Total reserves and reserve funds - Schedule 4	196,088	178,034
Invested in tangible capital assets	1,032,202	993,677
Investment in Guelph Municipal Holdings Inc.	67,122	69,939
Investment in Guelph Junction Railway Limited	7,811	7,305
Operating fund	27,999	(28,364)
Unfunded liabilities		
Net debt & obligation under capital lease	(136,264)	(81,618)
Employee future benefits and related liabilities	(40,588)	(37,991)
Contaminated sites liability	(26,860)	(24,396)
Landfill post closure liability	(4,540)	(4,564)
Total	926,882	893,988
Accumulated surplus	1,122,970	1,072,022

In accordance with the City's policy for reserve funds, interest is earned on the average reserve fund balance for the year at the average internal rate of return earned during the year. In 2016, \$2,751 (2015 - \$2,999) of interest was earned by the reserve funds and is an increase in reserve and reserve funds.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

15. Expenses by object

The following is a summary of the current expenses reported on the consolidated statement of operations and accumulated surplus by the type of expenses:

	2016	2015
	\$	\$
Salaries, wages and employee benefits	199,963	192,659
Interest on debt	4,177	3,477
Materials	38,510	39,939
Purchased services	38,154	33,882
Rents and financial expenses	9,506	10,656
External transfers	58,840	58,154
Amortization of tangible capital assets	47,328	46,860
	396,478	385,627

16. Government partnerships

The City's share of 45.9% (2015 - 45.9%) of the results of the Wellington-Dufferin-Guelph Public Health's operations for the year and its financial position at December 31 are included in the consolidated financial statements using proportionate consolidation and include the amounts as follows:

	2016	2015
	\$	\$
Assets	3,955	3,521
Liabilities	8,347	8,620
Net financial assets	(4,392)	(5,099)
Tangible capital assets	11,905	12,174
Prepaid expenses	38	87
Inventory	3	2
Total non-financial assets	11,946	12,263
Accumulated surplus	7,554	7,164
Revenues	12,085	12,113
Expenses	11,695	11,616
Excess of revenue over expenses	390	497
Accumulated surplus, beginning of year	7,164	6,667
Accumulated surplus, end of year	7,554	7,164

During the year, the City contributed \$3,683 (2015 - \$3,610) towards its share of the costs of the partnership.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

16. Government partnerships (continued)

Financing Agreement:

On December 19, 2012, the City, the County of Wellington and the County of Dufferin (the "obligated municipalities") entered into a Financing Agreement with the Wellington-Dufferin-Guelph Public Health ("Public Health") to finance the cost of building two new Public Health facilities at Chancellors Way, Guelph, and Broadway, Orangeville.

The Financing Agreement allows for quarterly advances of capital by the obligated municipalities to Public Health beginning in January 2013, until the completion of the new facilities. The total amount of the advances will not exceed \$24,400. Interest will be calculated annually, commencing on the 1st day of the month following the date of substantial completion of both facilities. The interest rate will be 3.34% per annum, and the term and amortization of the loan will be twenty years. Repayment to the obligated municipalities will commence thirty days following certification by the project's architect of substantial completion of both facilities. The whole or any part of the capital financing under this agreement may be prepaid at any time or times without penalty or bonus. The aforementioned loan has been eliminated upon consolidation.

17. Shared service agreements

Certain programs as mandated by provincial legislation are managed by neighboring municipalities on behalf of the City and certain programs are also managed by the City on behalf of other municipalities.

The City's share of revenues and expenses from social service programs managed by Wellington County are as follows:

	2016	2015
	\$	\$
Revenues		
Social housing	6,251	5,568
Child care	9,364	8,776
Social services	13,530	13,280
	29,145	27,624
Expenses		
Social housing	20,080	20,830
Child care	11,421	10,958
Social services	16,701	16,705
	48,202	48,493
Net expenses	(19,057)	(20,869)

The City's share of net expenses for social housing is 83% (2015 - 82%), child care 75% (2015 - 74%) and social services 67% (2015 - 68%).

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

17. Shared service agreements (continued)

The City's share of revenues and expenses from programs managed by the City are as follows:

	2016	2015
	\$	\$
Revenues		
Land Ambulance	5,749	5,033
Provincial Offences Act	1,738	1,369
	7,487	6,402
Expenses		
Land Ambulance	11,145	10,466
Provincial Offences Act	1,186	1,027
	12,331	11,493
Net expenses	(4,844)	(5,091)

The City's share of net expenses for land ambulance is 62% (2015 – 62%) and Provincial Offences Act is 59% (2015 – 55%).

The Provincial Offences Act revenues are recorded on a cash basis due to regulatory restrictions. As at December 31, 2016 there are \$16,484 (2015 - \$14,337) of over-due fines receivable and of this amount \$92 (2015 - \$8,022) is considered uncollectable, and \$3,164 (2015 - \$nil) is a collection agency cost and fully recoverable upon receipt of payment. The City's share of the net expenses for all the above programs are included in the consolidated statement of operations and accumulated surplus.

18. Liability for contaminated sites

The City reports environmental liabilities related to the management and remediation of contaminated sites where the City is obligated or likely obligated to incur such costs. A contaminated sites liability of \$26,860 (2015 - \$24,396) has been recorded based on environmental assessments or estimates for those sites where an assessment has not been conducted.

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

19. Contingencies

From time to time, the City may be involved in other claims in the normal course of business. Management assesses such claims and where considered likely to be material exposure and, where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of the likely outcome. The City does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of loss cannot be reasonably estimated. Any settlements or awards under such claims are provided when reasonably determinable.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

20. Commitments and guarantees

- a) The City has guaranteed a non-revolving facility for Guelph Community Sports which is supported by Council resolution authorizing provision of such guarantee in favour of Guelph Community Sports. The balance of the guaranteed facility is \$379 as at August 31, 2016.
- b) The City has commitments totaling \$91 (2015 - \$nil) resulting from agreements entered into as part of the Heritage Redevelopment Grant Program. Grant expenses will be recognized upon the applicant meeting all the eligibility criteria.
- c) The City has commitments totaling \$10,161 (2015 - \$10,161) resulting from agreements entered into as part of the Brownfield Tax Increment Based Grant Program. Grant expenses will be recognized in the year of reassessment by MPAC and when all eligibility criteria have been met by the applicant.
- d) The City has commitments totaling \$16,295 (2015 - \$18,284) resulting from agreements entered into as part of the Major Downtown Activation Grant Program. Grant expenses will be recognized in the year of reassessment by MPAC and when all eligibility criteria have been met by the applicant.
- e) The City has commitments under a variety of leases and agreements of which the longest expires on June 18, 2088. The minimum lease payments over the next five years and thereafter are as follows:

	\$
2017	1,128
2018	1,098
2019	971
2020	908
2021	725
Thereafter	1,351
	6,181

- f) Other obligations include:

Other community grants

The City has committed to providing various grants to organizations in the community totalling \$505 (2015 - \$435).

21. Local Immigration Partnership

Included in the consolidated statement of operations and accumulated surplus are the activities of the Local Immigration Partnership Program (LIPP) which is a federally funded program for the purpose of creating a more welcoming community for immigrants by focusing efforts on employment services, English language training, community integration/inclusion and community services/programs. During 2016, the City of Guelph received \$223 (2015 - \$234) of funding from Citizenship and Immigration Canada related to the operation this program.

22. Budget figures

Budgets are established to set tax rates or to finance projects which may be carried out over one or more years. Budget figures have been translated to reflect changes in public sector accounting standards on the consolidated statement of operations and accumulated surplus by adjusting for amortization of tangible capital assets, including the consolidated entities and excluding budgeted amounts for the debt principal repayment and reserve transfers.

23. Comparative figures

Certain 2015 comparative figures have been reclassified in order to present them in a form comparable to those for 2016.

City of Guelph

Notes to the consolidated financial statements

December 31, 2016

(\$000's)

24. Segmented information

The City of Guelph is a diversified municipal government institution that provides a wide range of services to its citizens. For management reporting purposes, the City's operations and activities are organized and reported on in two groups: Operating Fund and Capital Fund. These funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Within the operating fund, the City's operations are further defined into the Tax Supported and Non Tax Supported categories and then segregated into four service area pillars: Office of the Chief Administrative Officer, Corporate Services, Infrastructure, Development & Enterprise Services, and Public Services.

Although City services are provided internally by these defined service areas, for financial reporting, the City has chosen to remain consistent with the Ontario Financial Information Return (FIR) and the nine functional areas that it prescribes. This will allow comparability between our Schedule of Segment Disclosure (Schedules 1 and 2 attached) and several schedules on the FIR that require full segment disclosure of operating expenses and limited disclosure of operating revenues.

The services that have been separately disclosed in the segmented information are defined by the compositional requirements of the FIR as follows:

General Government

Governance (election management, Council, Council support, Office of the Mayor)

Corporate management (Office of the CAO, finance, corporate communications, legal, corporate properties and real estate and information technology)

Protection services

Police services, fire services, 911 service, court operations, building and structural inspection, parking enforcement, by-law enforcement and animal control

Transportation services

Roadways – including asphalt resurfacing and crack sealing, line painting, sweeping, traffic operations and maintenance of roadside areas, culverts and bridges

Winter control, street lighting, parking and public transit

Environmental services

Water, wastewater, storm sewers, and solid waste collection, disposal and recycling

Health services

Land ambulance operations and City's proportionate share of Public Health

Social housing

Social housing program costs

Social and family services

General assistance (Ontario Works) and childcare programs, contributions to The Elliott operations

Recreation and cultural services

Parks, recreational facilities, recreational programs, libraries, museums, River Run Centre, Sleeman Centre and other cultural services

Planning and development services

Planning and zoning, Committee of Adjustment, tourism, economic development, and Downtown Guelph Business Association operations

City of Guelph

Consolidated schedule of segment disclosure - Schedule 1

year ended December 31, 2016

('000's)

(Unaudited)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Recreation & Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Taxation	224,088	-	-	-	-	-	-	-	-	224,088
User charges	982	1,142	13,937	63,932	25	9,439	-	5,987	684	96,128
Contributed subdivision assets	9,470	-	-	-	-	-	-	-	-	9,470
Contributions	1,207	9,773	17,126	11,394	17,070	27,386	6,251	6,163	247	96,617
Other										
Investment income	4,317	-	-	60	36	526	-	-	-	4,939
Donations	-	15	-	-	-	-	-	458	-	473
Sales of equipment, publications	3	4	5	3,699	-	92	-	1,475	2	5,280
Recoveries	414	96	1,400	969	-	277	-	686	181	4,023
Licences and permits	76	3,740	-	40	-	-	-	21	-	3,877
Provincial offences act	-	3,292	-	-	-	-	-	-	-	3,292
Other fines	-	1,206	-	-	-	-	-	-	-	1,206
Gain (loss) on disposal of tangible capital assets	5	(290)	(887)	(62)	16	-	-	(9)	71	(1,156)
Loss from Government Business Enterprises	(811)	-	-	-	-	-	-	-	-	(811)
	239,751	18,978	31,581	80,032	17,147	37,720	6,251	14,781	1,185	447,426
Expenses										
Salaries, wages and employee benefits	18,297	67,806	33,259	20,404	23,321	10,123	-	22,477	4,276	199,963
Interest on debt	845	487	361	774	58	900	-	532	220	4,177
Materials	993	1,826	12,601	15,446	1,283	1,635	-	4,563	163	38,510
Purchased services	5,994	3,891	4,867	14,052	2,052	1,532	418	3,789	1,559	38,154
Rents and financial expenses	3,101	176	1,309	3,497	190	-	-	1,187	46	9,506
External transfers	1,693	1,009	165	1,810	-	28,038	23,322	1,281	1,522	58,840
Internal charges	(6,811)	402	(4,808)	6,977	1,744	74	-	2,438	(16)	-
Amortization of tangible capital assets	3,976	3,064	16,324	14,145	1,536	2,009	20	5,945	309	47,328
	28,088	78,661	64,078	77,105	30,184	44,311	23,760	42,212	8,079	396,478
Excess of revenues over expenses (expenses over revenues)	211,663	(59,683)	(32,497)	2,927	(13,037)	(6,591)	(17,509)	(27,431)	(6,894)	50,948

City of Guelph

Consolidated schedule of segment disclosure - Schedule 2

year ended December 31, 2015

('000's)

(Unaudited)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Recreation & Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Taxation	212,974	-	-	-	-	-	-	-	-	212,974
User charges	1,000	1,125	13,081	61,562	34	9,280	-	6,839	761	93,682
Contributed subdivision assets	5,430	-	-	-	-	-	-	-	-	5,430
Contributions	3,771	6,080	16,830	14,183	16,379	26,352	5,568	3,229	242	92,634
Other										
Investment income	5,087	-	-	69	29	545	-	-	-	5,730
Donations	-	14	-	-	-	13	-	488	-	515
Sales of equipment, publications	2	8	2	4,563	-	86	-	1,655	5	6,321
Recoveries	394	109	1,789	1,052	-	255	-	880	166	4,645
Licences and permits	67	3,273	-	52	-	-	-	24	-	3,416
Provincial offences act	-	2,588	-	-	-	-	-	-	-	2,588
Other fines	-	1,221	-	-	-	-	-	-	-	1,221
Gain (loss) on disposal of tangible capital assets	(46)	(130)	415	(712)	-	-	-	(171)	(133)	(777)
Gain from Government Business Enterprises	3,436	-	-	-	-	-	-	-	-	3,436
	232,115	14,288	32,117	80,769	16,442	36,531	5,568	12,944	1,041	431,815
Expenses										
Salaries, wages and employee benefits	17,319	66,218	30,697	20,616	22,811	9,764	-	21,567	3,667	192,659
Interest on debt	903	406	163	867	4	439	-	484	211	3,477
Materials	918	1,804	14,013	14,805	1,246	2,324	-	4,696	133	39,939
Purchased services	5,303	3,375	5,409	12,316	1,746	1,439	459	3,130	705	33,882
Rents and financial expenses	3,852	161	1,102	3,701	198	2	-	1,617	23	10,656
External transfers	1,708	885	1,782	1,568	-	27,808	20,890	1,194	2,319	58,154
Internal charges	(6,714)	359	(5,112)	7,200	1,662	95	1	2,529	(20)	-
Amortization of tangible capital assets	3,876	3,084	13,580	17,045	1,518	1,856	20	5,590	291	46,860
	27,165	76,292	61,634	78,118	29,185	43,727	21,370	40,807	7,329	385,627
Excess of revenues over expenses (expenses over revenues)	204,950	(62,004)	(29,517)	2,651	(12,743)	(7,196)	(15,802)	(27,863)	(6,288)	46,188

City of Guelph

Consolidated schedule of debt - Schedule 3

December 31, 2016

('000's)

Bylaw	Project description	Term	Maturity date	Interest rates	2016	2015
					\$	\$
Debentures:						
18105	New City Hall	25	28-Aug-31	5.237%	14,503	15,127
18105	New POA Court	25	28-Aug-31	5.237%	4,091	4,266
18622	Social Services Building Renovation	10	25-Sep-18	3.25% to 4.70%	632	931
18622	Police HQ Renovations	10	25-Sep-18	3.25% to 4.70%	293	432
18622	Road Projects - Gordon, Victoria, Cardigan, Clair	10	25-Sep-18	3.25% to 4.70%	1,262	1,829
18622	Bus Storage Area Expansion	10	25-Sep-18	3.25% to 4.70%	43	63
18622	Organic Waste Facility - Roof Repairs	10	25-Sep-18	3.25% to 4.70%	115	170
18898	Road Projects - Gordon, Victoria, Eramosa	10	25-Nov-19	.95 % to 4.60%	252	330
18898	South End Station	10	25-Nov-19	.95 % to 4.60%	2,211	2,895
18898	New City Hall	10	25-Nov-19	.95 % to 4.60%	763	999
18898	Land Purchase - Library	10	25-Nov-19	.95 % to 4.60%	282	369
18898	Public Drop Off Facility	10	25-Nov-19	.95 % to 4.60%	72	94
18898	Transit Terminal Road Upgrades	10	25-Nov-19	.95 % to 4.60%	620	810
18898	Watermain Projects - Laird, Arkell, Scout Camp	10	25-Nov-19	.95 % to 4.60%	2,111	2,763
18898	Waste Water Treatment Plant Facility Upgrade	10	25-Nov-19	.95 % to 4.60%	1,940	2,539
19294	Organic Waste Facility Composter Rebuild	10	9-Nov-21	1.25% to 3.70%	14,734	17,490
19294	Civic Museum Renovations	10	9-Nov-21	1.25% to 3.70%	2,999	3,560
19294	On behalf of the Elliott	10	9-Nov-21	1.25% to 3.70%	6,867	8,151
20084	Public Health Facilities	7	20-Jul-23	1.20% to 2.25%	6,703	-
20084	Roads Projects - Carden & Downtown	7	20-Jul-23	1.20% to 2.25%	5,535	-
20084	Land Purchase - Baker Street	7	20-Jul-23	1.20% to 2.25%	1,137	-
20084	Waste Management Carts	7	20-Jul-23	1.20% to 2.25%	4,346	-
20084	Roads Projects - Clair & Laird Road	7	20-Jul-23	1.20% to 2.25%	5,248	-
20084	Roads Projects - Clair & Laird Road - DC	10	20-Jul-26	1.20% to 2.25%	13,309	-
20084	Police HQ Renovations	7	20-Jul-23	1.20% to 2.25%	8,200	-
20084	Police HQ Renovations - DC	10	20-Jul-26	1.20% to 2.25%	7,800	-
20084	Victoria Road Recreation Facility Renovation	10	20-Jul-26	1.20% to 2.25%	12,922	-
					118,990	62,818
Other loans:						
	The Elliott Line of Credit - RBC	Demand	NA	prime	80	700
	The Elliott Bankers Acceptance - SWAP	10	25-Jun-25	4.83%	1,728	1,918
	Mortgage RBC - Sleeman Centre	10	1-May-17	3.04%	283	1,120
	CIBC Loan - Sleeman Centre - SWAP	18.8	01-Sep-25	6.38%	4,242	4,593
	TD Interest only loan - SWAP	5	31-Dec-17	2.105%	10,000	10,000
Total Debt					135,323	81,149

City of Guelph

Consolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2016

('000's)

Code	Description	2016	2015
		\$	\$
Reserves:			
For Employee Future Benefits:			
100	Sick Leave - Fire	5,475	5,207
101	Sick Leave - Police	4,114	3,862
330	WSIB	1,452	1,799
338	Land Ambulance Retirement	655	722
212	Early Retiree Benefits	-	425
		11,696	12,015
For Stabilization and Contingency:			
131	Compensation Contingency	5,414	1,838
180	Tax Rate Stabilization	6,810	3,206
181	Water Rate Stabilization	3,040	2,521
182	Waste Water Rate Stabilization	3,844	3,297
105	Wastewater Contingency	890	890
106	Water Contingency	858	418
198	Operating Contingency	750	750
191	Human Resource Contingency	-	1,125
		21,606	14,045
For Program Related:			
184	Insurance	2,145	2,145
119	Affordable Housing	794	650
122	Brownfield Strategy	3,131	2,329
206	Building Operating Maintenance	82	77
192	Heritage Redevelopment	3	1,159
193	Ontario Municipal Board	1,555	1,555
194	Downtown Improvements	332	349
195	Election Costs	400	275
196	Joint Job Evaluation Committee	-	276
345	Westminster Woods	35	35
197	Human Resource Negotiations	-	173
210	Information Technology Licences	849	760
211	POA Contingency	468	213
205	Community Investment Strategy	89	89
179	Strategic Priorities	663	689
358	Downtown TIBG Reserve	1,338	665
		11,884	11,439
Consolidated Entities			
	Reserves - Wellington-Dufferin-Guelph Public Health	642	491
Total Reserves		45,828	37,990

City of Guelph

Consolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2016

('000's)

Code	Description	2016	2015
		\$	\$
Reserve Funds:			
111	Fire	-	614
113	Transit	-	1,035
115	Police	2,927	1,053
116	Waste Management	-	576
118	Computers	-	755
121	Play Equipment	-	407
124	Operations Fleet	-	5,251
120	POA Relocation	1,132	963
135	Museum Development	93	132
136	McCrae House Development	24	33
137	Moon-McKeigan	15	15
138	Library Bequests	370	325
150	Infrastructure Renewal	22,488	5,146
151	Capital Parking	-	1,141
152	Capital Waterworks	46,870	45,169
153	Capital Wastewater	59,270	53,846
154	Capital Strategic Plan	16	16
155	Capital Landfill Compensation	80	102
156	Growth Capital	4,526	3,387
157	Capital Library	899	854
158	Capital Police	3,216	2,161
159	City Building Capital	1,815	198
160	Road Infrastructure	-	2,263
162	Capital Sleeman Centre	34	-
164	Capital Roads	(24)	573
165	Capital Stormwater	10	358
166	Capital Park Planning	-	482
167	Capital Policy Planning	-	659
169	Capital Operations	-	1,550
171	Capital Culture	-	136
172	Capital Transit	-	1,704
176	Capital Information Services	-	940
186	Capital Waste Management	51	45
189	Capital GSEC	-	43
190	Building Life Cycle	-	1,166
Carried forward to next page		143,812	133,098

City of Guelph

Consolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2016

('000's)

Code	Description	2016	2015
		\$	\$
	Carried forward from previous page	143,812	133,098
331	Road Widening	895	877
332	Industrial Land	(6,846)	(6,829)
340	Capital River Run	108	68
350	Transportation Demand Management	23	23
351	Capital Asset Renewal	8,690	8,494
352	Greenhouse Gas	148	327
353	Waterworks DC Exempt	524	647
354	Wastewater DC Exempt	713	1,576
355	Greening	-	(15)
356	Public Art	151	83
357	Brownfield Capital	92	43
Consolidated Entities			
	Reserve Funds - Wellington-Dufferin-Guelph Public Health	1,950	1,652
Total Reserve Funds		150,260	140,044
Total Reserves and Reserve Funds		196,088	178,034

City of Guelph

Guelph Public Library Board - Schedule 5

Statement of revenue and expense

year ended December 31, 2016

('000's)

	2016 Budget	2016 Actual	2015 Actual
	\$	\$	\$
OPERATING FUND			
Revenue			
Grant - Province of Ontario	168	168	168
Donations	69	102	89
Fees and service charges	290	257	275
Sundry revenue	23	40	20
	550	567	552
Expenses			
Administrative and office	8	6	12
Operating supplies	439	581	246
Repairs and maintenance	526	460	424
Interest on long-term debt	-	-	19
Consulting and professional fees	43	121	87
Communications	178	195	170
Amortization	-	1,098	944
Training	40	44	32
Salaries and benefits	5,666	5,842	5,686
Rental and leases	949	788	862
Furniture and equipment	29	1	5
Utilities and taxes	139	159	143
	8,017	9,295	8,630
Net operating deficit	(7,467)	(8,728)	(8,078)
CAPITAL FUND			
Developer contribution revenues	-	256	397
Tangible capital asset acquisitions	(1,695)	(1,155)	(1,627)
Net capital deficit	(1,695)	(899)	(1,230)
Total combined net deficit	(9,162)	(9,627)	(9,308)
Less: net contributions (to)/from reserves	194	198	127
Less: debt principal repayments	-	-	(84)
	(8,968)	(9,429)	(9,265)
City of Guelph share of net deficit	8,968	9,429	9,265
Fund balance, end of year	-	-	-

City of Guelph

Guelph Police Services Board - Schedule 6

Statement of revenue and expense

year ended December 31, 2016

('000's)

	2016 Budget	2016 Actual	2015 Actual
	\$	\$	\$
OPERATING FUND			
Revenue			
Grants	1,750	1,955	1,824
Other fees and recoveries	914	955	1,036
	2,664	2,910	2,860
Expenses			
Amortization	-	1,361	1,431
Personnel supplies	157	111	125
Professional services	1,178	1,351	1,263
Fleet	698	482	500
Repairs and maintenance	215	191	209
Corporate development and travel	485	484	425
Rental and lease	107	111	70
Communication	357	372	169
Utilities, taxes and insurance	498	403	427
Banking and other fees	15	8	9
Software	230	222	243
Operating, admin and office supplies	264	236	232
Interest on long-term debt	-	199	91
Salaries and benefits	36,604	35,969	35,092
	40,808	41,500	40,286
Net operating deficit	(38,144)	(38,590)	(37,426)
CAPITAL FUND			
Revenue			
Province of Ontario grants	-	44	93
Other revenues	-	3,639	27
	-	3,683	120
Expenses			
Loss (gain) on disposal of tangible capital assets	(5)	287	50
Tangible capital asset acquisitions	2,626	9,357	2,948
Net capital deficit	(2,621)	(5,961)	(2,878)
Total combined net deficit	(40,765)	(44,551)	(40,304)
Add: net contributions from reserves	2,618	7,673	3,463
Less: debt principal repayments	(139)	(139)	(440)
	(38,286)	(37,017)	(37,281)
City of Guelph share of net deficit	(38,286)	(37,017)	(37,281)
Fund balance, end of year	-	-	-

Financial Statements of

THE ELLIOTT

Year ended December 31, 2016

THE ELLIOTT

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Statement of Cash Flows	4
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INDEPENDENT AUDITORS' REPORT

To the Members of The Elliott

We have audited the accompanying financial statements of The Elliott, which comprise the statement of financial position as at December 31, 2016, the statements of operations and changes in deficit, remeasurement gains and losses and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Elliott as at December 31, 2016, and its results of operations, changes in deficit, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

April 27, 2017

Waterloo, Canada

THE ELLIOTT

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ -	\$ 29,332
Accounts receivable (note 2)	216,030	169,072
Inventory	4,702	4,547
Prepaid expenses	32,750	5,856
Trust funds held for residents	4,023	5,648
	257,505	214,455
Capital assets (note 3)	14,202,185	15,266,467
	<u>\$ 14,459,690</u>	<u>\$ 15,480,922</u>

Liabilities, Deferred Contributions and Deficit

Current liabilities:		
Bank indebtedness	\$ 91,505	\$ -
Operating line of credit (note 4)	80,000	700,000
Accounts payable and accrued liabilities	1,179,761	1,378,814
Deferred revenue	450,939	60,969
Trust funds held for residents	4,023	5,648
Current portion of long-term debt (note 5)	805,605	781,940
Current portion of obligations under capital leases (note 6)	198,436	93,052
	2,810,269	3,020,423
Long-term liabilities:		
Long-term debt (note 5)	17,468,918	18,270,786
Obligations under capital leases (note 6)	743,143	375,702
	18,212,061	18,646,488
Employee future benefits obligation (note 7)	335,445	303,049
Deferred capital contributions (note 8)	655,845	720,503
Fair value of interest rate swap contract (note 5)	46,649	70,482
	1,037,939	1,094,034
Deficit:		
Deficit	(7,553,930)	(7,209,541)
Accumulated remeasurement losses	(46,649)	(70,482)
	(7,600,579)	(7,280,023)
Subsequent event (note 6)		
	<u>\$ 14,459,690</u>	<u>\$ 15,480,922</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director
John Schitka

 Director
Randy Wilson

THE ELLIOTT

Statement of Operations and Changes in Deficit

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Long-Term Care - Basic	\$ 1,722,897	\$ 1,700,507
Long-Term Care - Preferred	413,110	386,584
Retirement Suites	5,841,904	5,835,493
Life Lease Suites	568,901	550,953
Provincial Subsidy	4,192,268	3,951,768
City of Guelph - Long-Term Care Grant	1,252,404	1,136,663
City of Guelph - Long-Term Care Grant - Capital	211,561	191,351
Suite re-leasing (note 10)	93,900	199,251
Fees and recoveries	462,763	327,854
Amortization of deferred capital contributions	64,658	87,562
Community Centre	234,845	280,815
Other revenue	112,188	54,125
	15,171,399	14,702,926
Expenditures:		
Wages and salaries	7,714,384	7,330,932
Employee benefits	1,768,394	1,700,313
Supplies	1,175,669	1,106,588
Facility costs	1,193,448	1,139,951
Interest and financing fees	650,580	711,907
Minor equipment, repairs and maintenance	755,870	881,031
Purchased services	286,250	270,567
Administrative and other	87,666	164,813
Amortization of capital assets	1,880,046	1,731,863
Accretion of deferred financing costs	3,481	3,481
	15,515,788	15,041,446
Annual deficit	(344,389)	(338,520)
Deficit, beginning of year	(7,209,541)	(6,871,021)
Deficit, end of year	\$ (7,553,930)	\$ (7,209,541)

See accompanying notes to financial statements.

THE ELLIOTT

Statement of Remeasurement Gains and Losses

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Accumulated remeasurement losses, beginning of the year	\$ (70,482)	\$ (36,736)
Reduction (increase) in unrealized loss attributable to interest rate swap agreement	23,833	(33,746)
Accumulated remeasurement losses, end of the year	\$ (46,649)	\$ (70,482)

See accompanying notes to financial statements.

THE ELLIOTT

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operation activities:		
Annual deficit	\$ (344,389)	\$ (338,520)
Items not involving cash:		
Amortization of capital assets	1,880,046	1,731,863
Amortization of deferred capital contributions	(64,658)	(87,562)
Accretion of deferred financing costs	3,481	3,481
Employee future benefits obligation	32,396	22,925
	1,506,876	1,332,187
Change in non-cash operating working capital:		
Accounts receivable	(46,958)	(65,955)
Inventory	(155)	(144)
Prepaid expenses	(26,894)	10,504
Accounts payable and accrued liabilities	(199,053)	50,637
Deferred revenue	389,970	33,735
	1,623,786	1,360,964
Financing activities:		
Repayment of operating line of credit	(620,000)	(270,000)
Repayment of long-term debt	(781,684)	(1,174,628)
Principal repayments on capital leases	(91,576)	(62,689)
	(1,493,260)	(1,507,317)
Capital activities:		
Purchase of capital assets	(251,363)	(119,885)
Capital contributions received	-	279,158
	(251,363)	159,273
Increase (decrease) in cash	(120,837)	12,920
Cash, beginning of year	29,332	16,412
Cash (bank indebtedness), end of year	\$ (91,505)	\$ 29,332
Non-cash transactions:		
Capital assets financed by capital lease	\$ 564,401	\$ 499,732

See accompanying notes to financial statements.

THE ELLIOTT

Notes to Financial Statements

Year ended December 31, 2016

The Elliott is incorporated under the laws of the Province of Ontario and its principal business activity is the provision of sheltered care and services for seniors.

On January 31, 2015, The Elliott surrendered its long-term care license to the Ministry of Health and Long-Term Care. Subsequently the Corporation of the City of Guelph ("City of Guelph") was approved to operate the same long-term care beds. As part of this transfer, The Elliott was designated as the City of Guelph's long-term care home.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with the Chartered Professional Accountants of Canada Handbook - Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

(a) Basis of presentation:

These financial statements include the operations of:

Long-term care residence - reflects the activities associated with the provision of care in the full nursing arrangements of the long-term care facility.

Life lease suites - reflects the activities associated with the operation of the life lease suites.

Retirement suites - reflects the activities associated with the operation of the retirement facility.

(b) Revenue recognition:

The Elliott follows the deferral method of accounting for contributions which include donations and government grants.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of buildings and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate of the related buildings and equipment.

Revenue from suite re-leasing, preferred accommodation, interest, as well as income from parking and other ancillary operations, is recognized when the goods are sold or the service is provided.

THE ELLIOTT

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash, bank overdrafts and investments in money market or other short-term instruments or investments with a maturity of less than 90 days.

(d) Inventory:

Inventory is valued at the lower of cost on a first-in, first-out basis, and replacement cost.

(e) Capital assets:

Capital assets are recorded at cost and amortized as follows:

Asset	Method	Rate
Buildings	Straight-line	20 - 40 years
Machinery and equipment	Straight-line	5 - 15 years
Vehicles	Straight-line	10 years
Equipment under capital leases	Straight-line	Over the lease term

The estimated useful lives of capital assets are reviewed by management and adjusted if necessary.

(f) Employee future benefits:

The Elliott provides sick leave benefits for substantially all employees.

The Elliott accrues its obligations under the defined benefit plan as the employees render the services necessary to earn the compensated absences. The actuarial valuation of the benefit plan was performed as of December 31, 2016.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees which is 18.1 years. Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

(g) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

THE ELLIOTT

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost. The related interest rate swaps are recorded at fair value.

Canadian Public Sector Accounting Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- . Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities;
- . Level 2 Observable or corroborated inputs; other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- . Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

THE ELLIOTT

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(i) Multiemployer pension plan:

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(j) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, and obligations related to employee future benefits. Actual results could differ from those estimates.

2. Accounts receivable:

	2016	2015
Ministry of Health and Long-Term Care (MOHLTC)	\$ 14,469	\$ 14,069
WWLHIN	-	25,718
HST receivable	101,411	87,050
Residents	44,231	31,786
Other	55,919	10,449
Less allowance for doubtful accounts	-	-
	<u>\$ 216,030</u>	<u>\$ 169,072</u>

THE ELLIOTT

Notes to Financial Statements (continued)

Year ended December 31, 2016

3. Capital assets:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Buildings	\$ 34,621,210	\$ 21,805,014	\$ 12,816,196	\$ 14,349,128
Machinery and equipment	2,948,481	2,573,993	374,488	285,708
Vehicles	110,120	32,024	78,096	89,108
Construction in progress	7,331	-	7,331	-
	37,687,142	24,411,031	13,276,111	14,723,944
Equipment under capital leases	1,372,686	446,612	926,074	542,523
	\$ 39,059,828	\$ 24,857,643	\$ 14,202,185	\$ 15,266,467

The above buildings and equipment do not include those assets related to the life lease suites building and equipment other than the cost of the security system and common area renovations. The terms and conditions of suite-leasing transfer the responsibility and stewardship of the individual suites to the residents occupying the suites.

4. Operating line of credit:

The Elliott has an operating line available of up to \$1,000,000, of which \$80,000 is drawn at year end (2015 - \$700,000). The operating line of credit bears interest at bank prime rate.

THE ELLIOTT

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Long-term debt:

	2016	2015
Mortgage held by the City of Guelph bearing interest at 3.119%, payable in monthly installments of \$71,169 in 2015 and \$93,000 thereafter for principal and interest, maturing December 25, 2036	\$ 16,545,238	\$ 17,135,179
Banker's acceptance, with interest of 2.07% per annum fixed through a swap transaction, plus a stamping fee of 0.8% for a total of 2.87%, payable in varying installments of principal and interest, maturing June 25, 2025	1,803,257	1,995,000
	18,348,495	19,130,179
Less current portion of long-term debt	805,605	781,940
	17,542,890	18,348,239
Less transaction costs	73,972	77,453
	\$ 17,468,918	\$ 18,270,786

THE ELLIOTT

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Long-term debt (continued):

The repayment terms of the mortgage held with the City of Guelph have payments due 30 days from the invoice date, being the payment due date under the mortgage agreement.

The Elliott has an interest rate swap agreement to manage the volatility of interest rates. The maturity date of the interest rate swap is the same as the maturity dates of the banker's acceptance, being June 25, 2025.

The fair value of the interest rate swap at December 31, 2016 is in a net unfavourable position of \$46,649 (2015 - \$70,482 unfavourable) which is recorded on the statement of financial position. The current year impact of the change in fair value of the interest rate swap is a reduction of the accumulated remeasurement losses in the statement of remeasurement gains and losses of \$23,833 (2015 - increase \$33,746).

The fair value of the interest rate swap has been determined using Level 3 of the fair value hierarchy. The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Principal repayments on the long-term debt are due as follows:

2017	\$	805,605
2018		827,861
2019		852,727
2020		877,221
2021		901,363
Thereafter		14,083,718
	\$	18,348,495

Interest expense on long-term debt for the year ended December 31, 2016 amounted to \$581,524 (2015 - \$624,066).

THE ELLIOTT

Notes to Financial Statements (continued)

Year ended December 31, 2016

6. Obligations under capital leases:

The Elliott has financed various equipment purchases by entering into capital lease arrangements. Capital lease repayments are due as follows:

	2016	2015
2016	\$ -	\$ 118,488
2017	220,145	107,897
2018	257,561	107,897
2019	257,561	107,897
2020	224,410	62,940
2021	38,447	-
Total minimum lease payments	998,124	505,119
Less amount representing interest at 3.16% and 3.04%	56,545	36,365
Present value of net minimum capital lease payments	941,579	468,754
Current portion of obligations under capital leases	198,436	93,052
Long-term portion of obligations under capital leases	\$ 743,143	\$ 375,702

Subsequent to year end, a capital demand loan bearing interest at bank prime plus 0.5% was financed as a capital lease. The obligation above reflects the subsequent lease financing terms.

Interest for the year ended December 31, 2016 of \$16,643 (2015 - \$8,932) relating to capital lease obligations has been included in interest expense.

7. Employee future benefits obligation:

Full time employees are provided with sick leave of 7.5 hours per month which, if unused, can accumulate to a maximum of 450 hours for use in future periods. Continuous part-time employees receive 3.75 hours per month and can accumulate at most 225 hours. Part-time employees receive 1.88 hours per month and can accumulate at most 225 hours. Flexible part-time employees do not receive sick leave.

Hourly paid employees are compensated at 75% for the first two days of illness and 100% for subsequent days. Salaried employees receive 100% reimbursement.

Accumulated credits may be used in future years if the employee's illness or injury exceeds the annual allocation of credits.

THE ELLIOTT

Notes to Financial Statements (continued)

Year ended December 31, 2016

7. Employee future benefits obligation (continued):

The main actuarial assumptions employed for the valuations are as follows:

	2016	2015
Discount rate	3.25%	3.50%
Rate of compensation increase	2.00%	2.00%

Information about The Elliott's sick leave benefit plan is as follows:

	2016	2015
Balance, beginning of year	\$ 303,049	\$ 280,124
Current benefit cost	39,796	30,678
Interest	10,981	9,896
Benefits paid	(18,381)	(17,649)
Actuarial loss	39,249	-
Balance, end of year	374,694	303,049
Unamortized actuarial loss	(39,249)	-
Accrued benefit obligation related to accumulated sick leave benefits	\$ 335,445	\$ 303,049

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amounts of donations and grants received for the purchase of capital assets. The amortization of contributions is recorded as revenue in the statement of operations:

	2016	2015
Balance, beginning of year	\$ 720,503	\$ 528,907
Less amounts amortized to revenue during the year	(64,658)	(87,562)
Add capital contributions received during the year	-	279,158
Balance, end of year	\$ 655,845	\$ 720,503

THE ELLIOTT

Notes to Financial Statements (continued)

Year ended December 31, 2016

9. Multiemployer defined benefit pension plan:

The Elliott makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of full-time members of staff and eligible part-time staff. The plan is a defined benefit pension plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2016 was \$531,014 (2015 - \$505,311) for current service.

The latest available report for the OMERS plan was as at December 31, 2016. At that time the plan reported a \$5.7 billion actuarial deficit, based on actuarial liabilities of \$87 billion and actuarial assets of \$81.2 billion. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

10. Suite re-leasing fees:

The Elliott provides a service coordinating the re-leasing of the life lease suites. A fee is charged for this service at 10% of the selling price for the re-leased units.

	2016	2015
Suite re-leasing revenue	\$ 939,000	\$ 2,069,001
Suite re-leasing costs	(845,100)	(1,869,750)
	\$ 93,900	\$ 199,251

THE ELLIOTT

Notes to Financial Statements (continued)

Year ended December 31, 2016

11. Elliott Endowment Fund:

The Elliott has a permanent endowment fund established under an agreement with the Guelph Community Foundation. Under the terms of this agreement, the invested capital cannot be withdrawn and only the related interest income can be paid to The Elliott.

The estimated market value of The Elliott Endowment Fund and the income earned during the year from the endowment fund are as follows:

		2016		2015
Market value	\$	10,829	\$	10,169
Income earned		660		85

12. Financial risks

(a) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose The Elliott to cash flow interest rate risk. The Elliott is exposed to this risk through its interest bearing loan payable, which is mitigated through its interest rate swap.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Elliott is exposed to credit risk with respect to the accounts receivable and cash.

The Elliott assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of The Elliott at December 31, 2016 is the carrying value of these assets. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations.

THE ELLIOTT

Notes to Financial Statements (continued)

Year ended December 31, 2016

12. Financial risks (continued):

(c) Liquidity risk:

Liquidity risk is the risk that The Elliott will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Elliott manages its liquidity risk by monitoring its operating requirements. The Elliott prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

The contractual maturities of long-term debt, capital leases and interest rate swaps are disclosed in notes 5 and 6.

13. Comparative information:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the December 31, 2016 financial statements.

Financial Statements of

Wellington-Dufferin-Guelph Public Health

December 31, 2016

Wellington-Dufferin-Guelph Public Health

December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Health of Wellington-Dufferin-Guelph Public Health

We have audited the accompanying financial statements of Wellington-Dufferin-Guelph Public Health ("the Entity"), which comprise the financial position as at December 31, 2016 and the statement of operations and surplus, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' 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 an 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 our 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, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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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 Wellington-Dufferin-Guelph Public Health as at December 31, 2016, and its results of operations and the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

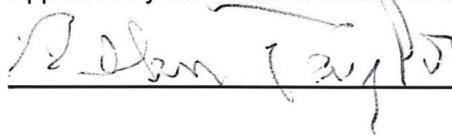
May 3, 2017
Waterloo, Canada

Wellington-Dufferin-Guelph Public Health

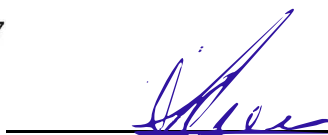
Statement of Operations and Accumulated Surplus year ended December 31, 2016

	Budget 2016 (Note 9)	Actual 2016	Actual 2015
	\$	\$	\$
Revenue			
Ministry of Health and Long-term Care Base Funding	14,294,614	14,271,723	14,591,295
Ministry of Health and Long-Term Care One-time	496,934	760,078	525,479
City of Guelph	3,798,394	3,799,560	3,685,196
County of Wellington	3,136,749	3,116,235	3,197,739
County of Dufferin	1,716,961	1,716,961	1,715,899
Ministry of Children and Youth Services	2,376,565	2,348,965	2,455,494
Public Health Agency of Canada	63,410	59,605	63,410
Other community grants	108,625	177,224	91,238
	25,992,252	26,250,351	26,325,750
Other revenue			
Interest income	20,000	77,518	64,253
Total revenue	26,012,252	26,327,869	26,390,003
Expenses			
Cost Shared Mandatory and One-time	20,536,309	19,953,133	19,636,377
Cost Shared VBD	206,221	186,242	180,934
Cost Shared CINOT	-	-	88,002
Cost Shared Small Drinking Water Systems	54,772	54,772	54,494
100% Needle Exchange	50,000	50,000	40,794
100% Enhanced Food Safety	40,300	40,300	40,300
100% Healthy Smiles Ontario	767,400	746,841	778,208
100% Infection Control	333,400	333,400	333,398
100% Smoke Free Ontario	409,500	407,959	409,500
100% Enhanced Safe Water	21,600	21,600	21,600
100% Chief Nursing Officer	121,500	121,500	121,500
100% Infection Control Nurse	90,100	90,100	90,100
100% Public Health Nurses Initiative	180,500	180,500	180,500
Electronic Cigarettes Act	19,200	8,868	5,810
Healthy Babies Healthy Children	1,567,992	1,560,478	1,567,991
100% MOH Compensation Initiative	83,714	83,714	87,476
Preschool Speech and Language	808,573	863,965	802,357
County of Wellington Weetalk	367,921	367,921	367,921
Canadian Prenatal Nutrition Program	63,411	60,641	56,853
Community Grants	366,643	348,410	446,218
Total expenses	26,089,056	25,480,344	25,310,333
Excess (deficiency) of revenue over expenditures	(76,804)	847,525	1,079,670
Accumulated surplus, beginning of year	14,525,193	15,604,863	14,525,193
Accumulated surplus, end of year	14,448,389	16,452,388	15,604,863

Approved by the Board of Health on May 3, 2017



Director



Director

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

Wellington-Dufferin-Guelph Public Health

Statement of Changes in Net Financial Debt
year ended December 31, 2016

	2016	2015
	\$	\$
Excess of revenue over expenditures	847,525	1,079,670
Amortization of tangible capital assets	1,943,597	1,844,116
Change in prepaid expenses	108,443	(3,922)
Change in inventory	(2,386)	(3,310)
Tangible capital asset purchases	(1,359,008)	(628,863)
Loss on disposal of tangible capital assets	2,712	-
Decrease (increase) in net debt	1,540,883	2,287,691
Net (debt), beginning of year	(11,110,405)	(13,398,096)
Net debt, end of year	(9,569,522)	(11,110,405)

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

Wellington-Dufferin-Guelph Public Health

Statement of Financial Position
as at December 31, 2016

	2016 \$	2015 \$
Financial assets		
Cash	7,931,208	7,204,428
Accounts receivable	485,390	415,229
Due from Province of Ontario	200,080	50,928
	8,616,678	7,670,585
Liabilities		
Accounts payable and accrued liabilities	1,282,229	1,109,829
Employee benefits payable (Note 7)	1,501,747	1,310,737
Deferred revenue	141,316	480,175
Trust liabilities (Note 4)	16,143	16,894
Due to programs (Note 5)	53,652	33,308
Long-term debt (Note 12)	15,191,113	15,830,047
	18,186,200	18,780,990
Net debt	(9,569,522)	(11,110,405)
Non financial assets		
Tangible capital assets (Schedule 3)	25,936,132	26,523,433
Prepaid expenses	80,082	188,525
Inventory	5,696	3,310
	26,021,910	26,715,268
Accumulated surplus	16,452,388	15,604,863

Approved by the Board of Health on May 3, 2017

 Director

 Director

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

Wellington-Dufferin-Guelph Public Health

Statement of Cash Flows

year ended December 31, 2016

	2016 \$	2015 \$
OPERATING ACTIVITIES:		
Excess of revenue over expenditures	847,525	1,079,670
Non cash charges to operations		
Amortization	1,943,597	1,844,116
Loss on disposal of tangible capital assets	2,712	-
Net changes in non-cash working capital items related to operations	(69,112)	1,029,440
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,724,722	3,953,226
CASH FLOWS FROM INVESTING ACTIVITY:		
Acquisition of tangible capital assets	(1,359,008)	(628,863)
NET CASH USED BY INVESTING ACTIVITIES	(1,359,008)	(628,863)
CASH FLOWS FROM FINANCING ACTIVITY:		
Long-term debt repaid	(638,934)	(819,268)
NET CASH USED BY FINANCING ACTIVITIES	(638,934)	(819,268)
Net increase in cash	726,780	2,505,095
Cash, beginning of year	7,204,428	4,699,333
Cash, end of year	7,931,208	7,204,428

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

Wellington-Dufferin-Guelph Public Health

Notes to the Financial Statements

For the Year Ended December 31, 2016

1. Description of business

The Board of Health for the Wellington-Dufferin-Guelph Health Unit (WDGPH) has been created by statute under the Health Protection and Promotion Act (HPPA) and is by statute an autonomous Board of Health. The Board of Health is comprised of municipal members representing each of the obligated municipalities of the County of Wellington (3), the County of Dufferin (2), and the City of Guelph (3) and seven Provincial appointees. As stated in WDGPH's Mission statement, WDGPH uses an innovative approach to deliver evidence-informed programs and services to meet the distinctive needs of our communities.

WDGPH operates programs in accordance with the Ontario Public Health Standards and Protocols as mandated by the Province of Ontario. The Province of Ontario mandates that WDGPH provide programs and services that prevent disease, protect health and promote the well-being of individuals. Additional initiatives are also delivered within Wellington, Dufferin, and Guelph including: Preschool Speech and Language, Canadian Prenatal Nutrition Program, and acting as the host agency for the Poverty Elimination Task Force Guelph-Wellington.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), and reflect the following policies:

Basis of accounting

- a) The operations reported on in the financial statements reflect the complete operations of WDGPH.
- b) The operations of WDGPH general programs are funded by the Counties of Wellington and Dufferin, the City of Guelph, and the Ontario Ministry of Health and Long Term Care. Each year the amount of expenditure is based upon budgeted approvals and is funded accordingly. Funding amounts not received at year-end are recorded as receivable. Funding amounts in excess of actual expenditures incurred during the year are recorded as payable, or as deferred revenue depending on the terms of the funding agreement.

Revenue and expenses are reported on the accrual basis of accounting.

Use of estimates

The preparation of the financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates used within these financial statements include accrued liabilities and employee benefits payable. Actual results may differ from these estimates.

Wellington-Dufferin-Guelph Public Health

Notes to the Financial Statements

For the Year Ended December 31, 2016

2. Significant Accounting Policies (continued)

Revenue recognition

WDGPH receives revenue in the form of government transfers from the Province of Ontario (Ministry of Health and Long-Term Care and Ministry of Children and Youth Services), the Corporation of the County of Wellington, the Corporation of the County of Dufferin, and the Corporation of the City of Guelph. Government transfers are recognized as revenue in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria and/or stipulations have been met, and reasonable estimates of the amount can be made.

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 the asset. The cost, less residual value of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	30 years
Leasehold improvements	Term of lease
Equipment	5 years
Technology and communication	3 years
Furniture and fixtures	5 years
Parking lot	20 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Wellington-Dufferin-Guelph Public Health

Notes to the Financial Statements

For the Year Ended December 31, 2016

3. Expenditures by object:

	2016	2015
	\$	\$
Salaries and wages	14,501,174	14,538,345
Benefits	3,977,820	3,855,359
Staff and volunteer training and recognition	207,993	128,012
Board of Health	51,019	70,354
Travel	282,859	308,186
Building occupancy	1,481,006	1,429,767
Amortization of tangible capital assets	1,943,597	1,844,116
Professional and purchased services	1,506,331	1,862,396
Program materials and supplies	811,664	833,716
Office equipment	10,838	13,496
Office expenses, printing, and postage	176,341	170,686
Information and IT equipment	327,573	286,203
Communication costs	158,705	137,533
One-time projects	546,796	402,010
Loss on disposal of tangible capital assets	2,712	-
Administrative Charge Outs	1,710	-
Expenditure recoveries	(507,794)	(569,846)
Net expenditures	25,480,344	25,310,333

Wellington-Dufferin-Guelph Public Health

Notes to the Financial Statements

For the Year Ended December 31, 2016

4. Trust liabilities

WDGPH periodically receives funds from various sources for specific purposes, which WDGPH holds in Trust. Balances are drawn down when funds are expended in accordance with the stipulations placed on them by the provider of the funds.

	2016	2015
	\$	\$
Growing Great Kids	-	278
F&CS - Nobody's Perfect	-	415
Hearing (Wee Talk)	2,360	1,595
Children's Report Card	4,900	4,900
Teen Dental - NCB (Dufferin)	-	278
Due to Community Food Advisors	1,196	1,166
ASRTS	437	437
Mennonite Community Donations	-	575
Shirley's Garden	112	112
Community Action Research Project	7,138	7,138
	16,143	16,894

5. Due to programs

	2016	2015
	\$	\$
Due (from) to Canadian Prenatal Nutrition Program	(3,192)	(21,038)
Due to Preschool Speech and Language	56,844	54,346
	53,652	33,308

Wellington-Dufferin-Guelph Public Health

Notes to the Financial Statements

For the Year Ended December 31, 2016

6. Accumulated surplus and reserves

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

	2016	2015
December 31, 2016	\$	\$
Surplus		
Invested in tangible capital assets (Schedule 3)	25,936,132	26,523,433
Reserves	5,647,292	4,824,985
Long-term debt	(15,191,113)	(15,830,047)
Accumulated surplus from March 31st year-end programs	60,077	86,492
	16,452,388	15,604,863

Accumulated surplus from March 31st year-end programs represents the cumulative net excess of revenue over expenditures for the Preschool Speech and Language Program and the Canadian Prenatal Nutrition Program as at December 31st.

	2016	2015
December 31, 2016	\$	\$
Balance, beginning of year	4,824,985	3,441,304
Interest earned on reserve	47,941	36,673
Transfer to (from) reserves	774,366	1,347,008
Balance, end of year	5,647,292	4,824,985

Reserves consist of the following:

	2016	2015
December 31, 2016	\$	\$
Facilities Reserve	1,867,014	1,849,368
Contingency Reserve	1,398,286	1,069,211
Technology Reserve	737,492	731,151
Orangeville Facilities Reserve	551,739	429,026
Guelph Facilities Reserve	1,002,242	736,169
Fluoride Varnish Program Reserve	67,000	-
Poverty Elimination Task Force Reserve	23,519	10,060
Balance, end of year	5,647,292	4,824,985

Wellington-Dufferin-Guelph Public Health

Notes to the Financial Statements

For the Year Ended December 31, 2016

7. Employee benefits payable

	2016	2015
December 31, 2016	\$	\$
Sick leave benefits payable	23,601	31,107
Vacation time payable	1,404,982	1,231,077
Compensation time payable	59,034	48,553
Part-time ONA accumulated sick leave	14,130	-
	1,501,747	1,310,737

Sick leave benefits payable

Prior to January 1, 1982, WDGPB's sick leave benefit plan allowed for the accumulation of unused sick leave. If the criteria under the plan were met, employees were entitled to a cash payment based on the salary in effect when they left WDGPB's employment. The balance is reviewed at each year-end using the current salary rates in effect. There has been no accumulation of unused sick leave with entitlement to a cash payment at WDGPB since January 1, 1982.

The liability for sick leave accumulated by eligible employees and accrued prior to January 1, 1982, who meet the eligibility criteria for a payment in cash upon termination amounted to \$23,601 (2015 - \$31,107) at the end of the year.

Vacation time payable

The provisions of the employee's vacation plan allows for the accumulation of vacation credits for use in future periods. The approximate value of the credits as at December 31, 2016 is \$1,404,982 (2015 - \$1,231,077).

Compensation time payable

Hours earned by employees that are not paid or taken are compensation time. Upon termination of employment, any hours of compensation time that an employee has earned, but not taken, are payable at their wage rate. The approximate value of the time as at December 31, 2016 is \$59,034 (2015 - \$48,553).

Part-time nurses accumulated illness allowance

Permanent part-time nurses who work less than twenty-eight hours per week are not eligible for the short-term disability or long-term disability plans provided to staff working twenty-eight hours per week or more. Instead, these nurses accumulate an illness allowance on a pro rata basis of one and one-half days per month worked in each year. Any unused portion accumulates from year to year. In the event of an illness, a nurse may draw from this accumulated balance to continue to receive their regular daily rate of pay. There is no payout for unused illness allowance. The estimated potential liability for part-time nurses accumulated illness allowance as at December 31, 2016 is \$14,130.

Wellington-Dufferin-Guelph Public Health

Notes to the Financial Statements

For the Year Ended December 31, 2016

8. Pension agreements

WDGPH makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer plan, on behalf of approximately 182 (2015 - 179) members of its staff.

OMERS is a multi-employer plan, therefore, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, WDGPH does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2016. At that time, the plan reported a \$5.7 billion actuarial deficit (2015 - \$7.0 billion actuarial deficit).

The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employee based upon length of service and rates of pay.

The amount contributed to OMERS for 2016 was \$1,380,931 (2015 - \$1,344,217).

9. Budget figures

The budgeted figures, which are presented for comparison purposes, are prepared on a cash basis.

10. Commitments and contingencies

WDGPH leases office and clinic space under operating leases. In addition, land has been leased under a long-term operating lease which expires on April 30, 2062. WDGPH also has a small number of long-term commitments under contract. Minimum lease payments and other long-term commitments under contract over the next five years are as follows:

	\$
2017	349,800
2018	315,461
2019	315,165
2020	318,765
2021	318,765
	<hr/>
	1,617,956

In the normal course of business, WDGPH is involved in various claims. Though the outcome of these various pending claims as at December 31, 2016 cannot be determined with certainty, WDGPH believes that their outcome will have no significant adverse impact on its financial position, operating results or cash flows.

11. Credit facility

At December 31, 2016 WDGPH had an unsecured line of credit of \$500,000 (2015 - \$500,000) bearing interest at the bank prime rate of 2.70% (2015 - 2.70%), of which all has remained unused at year-end.

Wellington-Dufferin-Guelph Public Health

Notes to the Financial Statements

For the Year Ended December 31, 2016

12. Long-term debt

On December 19, 2012, WDGPB entered into a Financial Agreement with the County of Wellington, the County of Dufferin, and the City of Guelph to finance the cost of building the two new facilities at Chancellors Way, Guelph, and Broadway, Orangeville. The Financial Agreement allowed for quarterly advances of capital by the obligated municipalities to WDGPB beginning in January 2013, until the completion of the new facilities. The total amount of the advances was not to exceed \$24,400,000. Interest is calculated annually, commencing on the 1st day of the month following the date of substantial completion of both facilities. The interest rate is 3.34% per annum, and the term and amortization of the loans is twenty years. Repayment of these loans commenced thirty days following certification by the project's architect of substantial completion of both facilities. The whole or any part of the capital financing under this agreement may be prepaid at any time or times without penalty or bonus.

The total amount borrowed under the loan agreement was \$18,481,487. The amount outstanding as of December 31, 2016 is \$15,191,113. Future principal and interest payments based on the total anticipated advances under this loan agreement are projected to be:

	\$
2017	1,281,624
2018	1,281,624
2019	1,281,624
2020	1,281,624
2021	1,281,624
Subsequent to 2021	13,457,042
	<hr/>
	19,865,162

The total interest paid on long-term debt in 2016 was \$642,690 (2015 - \$462,356).

13. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

Wellington-Dufferin-Guelph Public Health

Notes to the Financial Statements

For the Year Ended December 31, 2016

14. Municipal Split

WDGPH receives funding for Cost Shared Mandatory and Related programs from the three obligated municipalities under the Health Protection and Promotion Act. The percentage of total municipal funding provided by each of the three obligated municipalities is based on the population of each municipality relative to the total population of Wellington-Dufferin-Guelph, based on the most recent Census. In 2016, the split is based on the 2011 Census (2015 - 2011 Census).

	2011 Census
County of Wellington	32.7%
County of Dufferin	21.4%
City of Guelph	45.9%
	100.0 %

Wellington-Dufferin-Guelph Public Health

Schedule of Expenditure Recoveries - Schedule 1
year ended December 31, 2016

	Budget	2016	2015
	2016	\$	\$
Contraceptive sales	60,000	52,775	55,096
File searches	1,000	525	1,275
Food safety courses	18,158	15,288	18,547
HPV vaccinations (per dose)	15,000	34,816	21,208
Meningococcal immunizations (per dose)	15,300	28,543	33,601
Other miscellaneous revenue	-	9,686	4,364
Prenatal and breastfeeding fees	30,465	11,544	25,470
TB skin tests	27,000	64,517	49,260
Vaccines (Gardasil)	10,000	26,689	17,273
Travel and immunization clinic fees	302,400	241,971	313,837
Universal influenza immunizations (per dose)	30,000	19,730	29,915
External Projects Cost Recovery	-	1,710	-
	509,323	507,794	569,846

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

Wellington-Dufferin-Guelph Public Health

Schedule of Revenue and Expenditures - Schedule 2

Cost Shared Mandatory and Related Programs, and 100% MOHLTC Funded Related Programs year ended December 31, 2016

	Total mandatory and related programs (cost shared & 100% MOHLTC)																		
	Cost shared mandatory	Cost shared one time	Cost shared VBD	Cost-shared Small Drinking Water Systems	100% Municipal	100% Provincial One-Time	100% MOH Compensati on Initiative	100% Needle exchange	100% Enhanced food safety	100% Healthy smiles Ontario	100% Infection control	100% Smoke Free Ontario	100% Enhanced safe water	100% Chief nursing officer	100% Infection control nurse	100% Social Determinant s of Health Nurses initiative	100% Electronic Cigarettes Act	Total mandatory and related programs 2016	Total mandatory and related programs 2015
Revenue																			
Shared funding: provincial																			
Ministry of Health and Long-term Care Base Funding	11,986,100	-	139,681	40,600	-	-	83,714	50,000	40,300	767,400	333,400	407,960	21,600	121,500	90,100	180,500	8,868	14,271,723	14,503,819
Ministry of Health and Long-Term Care One-time	-	226,259	-	-	-	533,819	-	-	-	-	-	-	-	-	-	-	-	760,078	612,955
Sub-total provincial funding	11,986,100	226,259	139,681	40,600	-	533,819	83,714	50,000	40,300	767,400	333,400	407,960	21,600	121,500	90,100	180,500	8,868	15,031,801	15,116,774
Shared funding: municipal																			
City of Guelph	1,833,873	34,618	25,484	6,506	1,782,150	-	-	-	-	-	-	-	-	-	-	-	-	3,682,631	3,610,434
County of Wellington	1,306,485	24,662	18,155	4,634	1,269,635	-	-	-	-	-	-	-	-	-	-	-	-	2,623,571	2,572,137
County of Dufferin	855,008	16,140	11,882	3,032	830,899	-	-	-	-	-	-	-	-	-	-	-	-	1,716,961	1,683,299
Sub-total municipal funding	3,995,366	75,420	55,521	14,172	3,882,684	-	-	-	-	-	-	-	-	-	-	-	-	8,023,163	7,865,870
Total cost-shared funding	15,981,466	301,679	195,202	54,772	3,882,684	533,819	83,714	50,000	40,300	767,400	333,400	407,960	21,600	121,500	90,100	180,500	8,868	23,054,964	22,982,644
General Revenue																			
Interest income	77,031	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	77,031	63,984
Total Revenue	16,058,497	301,679	195,202	54,772	3,882,684	533,819	83,714	50,000	40,300	767,400	333,400	407,960	21,600	121,500	90,100	180,500	8,868	23,131,995	23,046,628
Expenses																			
Employee costs																			
Salaries and wages	10,648,651	-	64,789	44,785	279,477	-	72,054	-	28,227	524,760	254,795	312,869	16,660	97,985	72,080	145,564	5,168	12,567,864	12,575,086
Benefits	3,003,524	-	15,669	9,987	-	-	11,660	-	8,370	155,142	74,444	86,070	4,940	23,515	18,020	34,936	1,532	3,447,809	3,350,714
Total salaries, wages and benefits	13,652,175	-	80,458	54,772	279,477	-	83,714	-	36,597	679,902	329,239	398,939	21,600	121,500	90,100	180,500	6,700	16,015,673	15,925,800
Operating costs																			
Staff and volunteer training and recognition	194,695	-	-	-	-	-	-	-	-	1,491	1,992	321	-	-	-	-	-	198,499	121,646
Board of Health	51,019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,019	70,354
Travel	225,715	-	-	-	-	-	-	-	-	5,259	1,953	5,352	-	-	-	-	-	238,279	257,747
Building occupancy	1,479,006	-	-	-	-	-	-	-	-	1,898	-	102	-	-	-	-	-	1,481,006	1,429,767
Office expenses, printing, and postage	172,054	-	-	-	-	-	-	-	-	514	-	-	-	-	-	-	-	172,568	167,391
Professional and purchased services	835,472	-	105,141	-	-	-	-	-	-	10,649	50	-	-	-	-	-	-	951,312	1,354,575
Program materials and supplies	590,510	-	643	-	-	-	-	50,000	3,703	44,058	166	2,945	-	-	-	-	1,868	693,893	657,713
Office equipment	10,838	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,838	13,496
Information and IT equipment	324,527	-	-	-	-	-	-	-	-	2,842	-	-	-	-	-	-	-	327,369	259,661
Communication costs	152,334	-	-	-	-	-	-	-	-	228	-	300	-	-	-	-	300	153,162	134,563
One-time projects	-	45,933	-	-	-	500,863	-	-	-	-	-	-	-	-	-	-	-	546,796	402,010
Amortization of tangible capital assets	1,943,597	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,943,597	1,844,116
Loss on disposal of tangible capital assets	2,712	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,712	-
Total net operating costs	5,982,479	45,933	105,784	-	-	500,863	-	50,000	3,703	66,939	4,161	9,020	-	-	-	-	2,168	6,771,050	6,713,039
Total expenditures	19,634,654	45,933	186,242	54,772	279,477	500,863	83,714	50,000	40,300	746,841	333,400	407,959	21,600	121,500	90,100	180,500	8,868	22,786,723	22,638,839
Expenditure recoveries (Schedule 1)	(507,794)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(507,794)	(569,846)
Total net expenditures after expenditure recoveries	19,126,860	45,933	186,242	54,772	279,477	500,863	83,714	50,000	40,300	746,841	333,400	407,959	21,600	121,500	90,100	180,500	8,868	22,278,929	22,068,993
(Deficiency) excess of revenue over expenditures for the year	(3,068,363)	255,746	8,960	-	3,603,207	32,956	-	-	-	20,559	-	1	-	-	-	-	-	853,066	977,635

Wellington-Dufferin-Guelph Public Health

Schedule of Tangible Capital Assets - Schedule 3
year ended December 31, 2016

	Land \$	Buildings \$	Leasehold improvements \$	Equipment \$	Technology and communication \$	Parking Lot \$	Furniture and fixtures \$	Totals 2016 \$	Totals 2015 \$
Cost									
Balance, beginning of year	1,021,785	23,817,591	648,278	832,455	3,828,809	-	2,018,811	32,167,729	31,662,569
Add: additions during the year	-	-	143,209	199,505	641,239	231,802	143,253	1,359,008	628,863
Less: dispositions during the year	-	-	-	(15,073)	(103,690)	-	(44,269)	(163,032)	(123,703)
Balance, end of year	1,021,785	23,817,591	791,487	1,016,887	4,366,358	231,802	2,117,795	33,363,705	32,167,729
Accumulated amortization									
Balance, beginning of year	-	1,197,888	235,849	472,425	2,964,876	-	773,258	5,644,296	3,923,883
Add: additions during the year	-	793,920	66,902	137,792	567,906	5,795	371,282	1,943,597	1,844,116
Less: dispositions during the year	-	-	-	(15,073)	(101,173)	-	(44,074)	(160,320)	(123,703)
Balance, end of year	-	1,991,808	302,751	595,144	3,431,609	5,795	1,100,466	7,427,573	5,644,296
Net book value of tangible capital assets	1,021,785	21,825,783	488,736	421,743	934,749	226,007	1,017,329	25,936,132	26,523,433

Wellington-Dufferin-Guelph Public Health

Schedule of One Time Funds - Schedule 4

year ended December 31, 2016

Funding Period		Provincial funding \$	Actual spent 2015 \$	Actual spent 2016 \$	Provincial %	Provincial Portion \$	Municipal %	Municipal portion \$	Transfer to 2017 \$	Amount to return
One time funding										
Clinical Dental Equipment	April 1, 2016 to March 31, 2017	34,300	-	-	100 %	-	- %	\$ -	34,300	-
Dental Practice Management Software	April 1, 2016 to March 31, 2017	25,000	-	-	100 %	-	- %	-	25,000	-
Public Health Inspector Practicum	April 1, 2016 to March 31, 2017	10,000	-	10,000	100 %	10,000	- %	-	-	-
Panorama (2016/2017)	April 1, 2016 to March 31, 2017	157,500	-	64,322	100 %	64,322	- %	-	93,178	-
Capital: Additional Parking Spaces	April 1, 2016 to March 31, 2017	250,000	-	216,708	100 %	216,708	- %	-	-	33,292
Emergency Preparedness: International Plowing Match	January 1 to December 31, 2016	19,300	-	19,300	100 %	19,300	- %	-	-	-
Human Papillomavirus Program for Boys	January 1 to December 31, 2016	21,100	-	21,100	100 %	21,100	- %	-	-	-
Outbreaks of Diseases: IPAC Lapse	January 1 to December 31, 2016	19,200	-	19,200	100 %	19,200	- %	-	-	-
Panorama (2015/2016)	April 1, 2015 to March 31, 2016	117,700	-	117,700	100 %	117,700	- %	-	-	-
Organizational Review	April 1, 2015 to March 31, 2016	25,000	-	25,000	100 %	25,000	- %	-	-	-
Electronic Cigarettes Act	April 1, 2015 to March 31, 2016	19,200	-	19,200	100 %	19,200	- %	-	-	-
Purpose Built Vaccine Refrigerators	April 1, 2015 to March 31, 2016	21,300	-	21,300	100 %	21,300	- %	-	-	-
Finance Budget Software	April 1, 2015 to March 31, 2016	63,400	-	84,533	75 %	63,400	25 %	21,133	-	-
Excelicare Modifications	April 1, 2015 to March 31, 2016	37,700	-	50,267	75 %	37,700	25 %	12,567	-	-
Performance Management Program	April 1, 2015 to March 31, 2016	22,500	-	30,000	75 %	22,500	25 %	7,500	-	-
Information Management Infrastructure (Sharepoint)	April 1, 2015 to March 31, 2016	18,200	-	24,186	75 %	18,140	25 %	6,046	-	60
Self Serve Attendance System	April 1, 2015 to March 31, 2016	15,000	-	6,742	75 %	5,057	25 %	1,685	-	9,943
Tuberculosis Clinic Equipment	April 1, 2015 to March 31, 2016	8,700	-	9,713	75 %	7,285	25 %	2,428	-	1,415
Mental Health and Wellness Initiative	April 1, 2015 to March 31, 2016	11,300	-	14,039	75 %	10,529	25 %	3,510	-	771

Wellington-Dufferin-Guelph Public Health

Schedule of One Time Funds - Schedule 4

year ended December 31, 2016

	Funding Period	Provincial funding \$	Actual spent 2015 \$	Actual spent 2016 \$	Provincial %	Provincial Portion \$	Municipal %	Municipal portion \$	Transfer to 2017 \$	Amount to return
Physical Demands Analysis	April 1, 2015 to March 31, 2016	11,300	9,158	4,627	75 %	10,339	25 %	3,446	-	961
Capital Facilities Renewal	April 1, 2015 to March 31, 2016	76,600	24,559	77,574	75 %	76,600	25 %	\$ 25,533	-	-

Wellington-Dufferin-Guelph Public Health

Statement of Revenues and Expenditures - Schedule 5

Healthy Babies Healthy Children

For the Year Ended December 31, 2016

	Budget 2016 \$	2016 \$	2015 \$
Revenues			
Government transfers			
Ministry of Children and Youth Services	1,567,992	1,567,992	1,567,990
Expenses			
Salaries and wages	1,149,267	1,141,089	1,145,236
Benefits	330,770	326,666	311,752
Travel	50,000	41,419	46,579
Program materials and supplies	20,955	28,447	24,723
Office expenses, printing, and postage	4,500	3,773	3,295
Language Line	-	6,335	2,635
Communication costs	-	5,530	2,970
Staff and volunteer training and recognition	11,500	6,201	3,259
Audit fees	1,000	1,018	1,000
Information and IT equipment	-	-	26,542
	1,567,992	1,560,478	1,567,991
(Deficiency) excess of revenue over expenditures	-	7,514	(1)
Due to Ontario Ministry of Children and Youth Services, beginning of year	-	663	345
Funding repaid to Ontario Ministry of Children and Youth Services	-	-	(345)
Interest owing on funding payable	-	417	664
Due to Ontario Ministry of Children and Youth Services, end of year	-	1,080	663

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

Wellington-Dufferin-Guelph Public Health

Statement of Revenues and Expenditures - Schedule 6

Preschool Speech and Language

For the Year Ended December 31, 2016

	Budget 2016 \$	2016 \$	2015 \$
Revenues			
Government transfers			
Ministry of Children and Youth Services	808,573	780,973	887,504
Other community grants	-	57,125	-
Preschool Speech and Language interest income	-	487	269
	808,573	838,585	887,773
Expenses			
Salaries and wages	202,865	216,468	178,347
Benefits	50,800	62,880	41,996
Program materials and supplies	-	1,084	7,683
Contracted Services	507,608	535,230	468,601
Special projects	45,000	47,285	102,881
Audit fees	2,300	1,018	2,849
	808,573	863,965	802,357
Excess (deficiency) of revenue over expenditures	-	(25,380)	85,416

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

Wellington-Dufferin-Guelph Public Health

Statement of Revenues and Expenditures - Schedule 7

County of Wellington Weetalk

For the Year Ended December 31, 2016

	Budget 2016 \$	2016 \$	2015 \$
Revenues			
Government transfers			
County of Wellington	367,921	367,921	367,921
Expenses			
Salaries and wages	274,091	277,316	274,315
Benefits	71,830	71,529	71,606
Program materials and supplies	22,000	19,076	22,000
	367,921	367,921	367,921
Excess of revenue over expenditures	-	-	-
Due to County of Wellington, beginning of year	-	14,088	14,088
Transferred to deferred revenue per County approval	-	(14,088)	-
Due to County of Wellington, end of year	-	-	14,088

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

Wellington-Dufferin-Guelph Public Health

Statement of Revenues and Expenditures - Schedule 8

Canadian Prenatal Nutrition Program

For the Year Ended December 31, 2016

	Budget 2016 \$	2016 \$	2015 \$
Revenues			
Government transfers			
Public Health Agency of Canada	63,410	59,605	63,410
Expenses			
Salaries and benefits	30,855	31,657	32,776
Travel	644	427	828
Program materials and supplies	24,831	20,549	17,144
Language Line	-	2,253	2,602
Contracted Services	7,081	5,755	3,503
	63,411	60,641	56,853
Excess (deficiency) of revenue over expenditures	(1)	(1,036)	6,557

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

Wellington-Dufferin-Guelph Public Health

Statement of Revenues and Expenditures - Schedule 9

Other Community Grants

For the Year Ended December 31, 2016

	Budget 2016 \$	2016 \$	2015 \$
Revenues			
City of Guelph	115,762	116,929	74,762
County of Wellington	145,257	124,743	257,681
County of Dufferin	-	-	32,600
Other community grants	108,625	120,099	91,238
Total revenue	369,644	361,771	456,281
Expenses			
Salaries and wages	271,019	266,780	332,585
Benefits	68,344	68,936	79,291
Travel	3,300	2,734	3,032
Program materials and supplies	3,186	1,330	1,572
Professional and purchased services	9,396	3,410	26,631
Information and IT equipment	1,313	204	-
Communication costs	-	13	-
Staff and volunteer training and recognition	8,375	3,293	3,107
Administrative Charge Outs	1,710	1,710	-
	366,643	348,410	446,218
Excess (deficiency) of revenue over expenditures	3,001	13,361	10,063

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

Financial Statements of

**DOWNTOWN GUELPH
BUSINESS ASSOCIATION**

Year ended December 31, 2016



KPMG LLP
115 King Street South
2nd floor
Waterloo ON N2J 5A3
Canada
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Fax 519-747-8830

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Downtown Guelph Business Association

We have audited the accompanying financial statements of Downtown Guelph Business Association, which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Downtown Guelph Business Association as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

May 16, 2017

Waterloo, Canada

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
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Financial Assets

Cash	\$ 64,221	\$ 6,464
Trade receivable	37,095	24,593
	101,316	31,057

Financial Liabilities

Accounts payable and accrued liabilities	10,197	7,611
Deferred revenue	44,450	123
Deposits payable	17,620	20,550
	72,267	28,284

Net financial assets	29,049	2,773
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Non-Financial Assets

Prepaid expense	7,966	8,674
Tangible capital assets (note 2)	4,084	9,698
	12,050	18,372

	\$ 41,099	\$ 21,145
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Accumulated Surplus

Accumulated surplus	\$ 41,099	\$ 21,145
	\$ 41,099	\$ 21,145

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Operations and Accumulated Surplus

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
City of Guelph:		
Tax levies	\$ 460,378	\$ 456,871
Revitalization	25,702	27,637
Other	750	10,150
Co-op advertising	23,134	45,382
Grants and sponsorships	20,315	21,540
Events	12,699	9,182
Interest and other	8,952	4,637
	551,930	575,399
Expenses:		
Salaries and benefits	221,441	196,609
Advertising	96,555	108,041
Special events	47,474	37,858
Revitalization	38,800	33,315
Rent	32,881	31,116
Consultant - planner	24,030	18,480
Office and general	15,180	12,094
Downtown WIFI	12,211	-
Bookkeeping services	6,594	6,492
Amortization of tangible capital assets	8,914	7,957
Telephone and fax	3,507	4,094
Member communication	3,701	3,794
Training and development	5,731	3,717
Legal and professional	3,053	3,562
Equipment rental	2,286	3,108
Miscellaneous	7,805	1,144
Bank charges	733	723
Insurance	198	24
Travel	882	971
	531,976	473,099
Excess of revenue over expenses	19,954	102,300
Accumulated surplus (deficit), beginning of year	21,145	(81,155)
Accumulated surplus, end of year	\$ 41,099	\$ 21,145

See accompanying notes to financial statements.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Change in Net Financial Assets

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Excess of revenue over expenses	\$ 19,954	\$ 102,300
Change in prepaid expenses	708	(6,585)
Acquisition of tangible capital assets	(3,300)	(1,539)
Amortization of tangible capital assets	8,914	7,957
Change in net financial assets	26,276	102,133
Net financial assets (liabilities), beginning of year	2,773	(99,360)
Net financial assets, end of year	29,049	2,773

See accompanying notes to financial statements.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 19,954	\$ 102,300
Item not involving cash:		
Amortization of tangible capital assets	8,914	7,957
Changes in non-cash operating working capital:		
Trade receivable	(12,502)	23,725
Prepaid expenses	708	(6,585)
Accounts payable and accrued liabilities	2,586	(98,766)
Deferred revenue	44,327	(40,193)
Deposits payable	(2,930)	(4,315)
Net change in cash from operating activities	61,057	(15,877)
Capital:		
Purchase of tangible capital assets	(3,300)	(1,539)
Increase (decrease) in cash	57,757	(17,416)
Cash, beginning of year	6,464	23,880
Cash, end of year	\$ 64,221	\$ 6,464

See accompanying notes to financial statements.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2016

Nature of operations:

Downtown Guelph Business Association (the "Association") was created by the City of Guelph, to promote the downtown businesses to the public in order to allow the downtown area to thrive. The Association acts on behalf of its members, who are the various businesses that are located in the downtown area of Guelph.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The Association's significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

(b) Tangible capital assets:

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

Asset	Rate
Furniture and fixtures	5 years
Computer equipment	3 years

One half of the annual amortization is applied to assets purchased within the year.

(c) Gift certificates:

The Association issues gift certificates throughout the community, which are recorded as a liability until redeemed.

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(d) Revenue recognition:

Revenues are reported on the accrual basis of accounting which recognizes revenues in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recognized as they are incurred and measurable as a result of a receipt of goods or services and the creation of a legal obligation to pay.

Where funding has been received in advance of expenses for a specific program, the amount has been recorded as deferred revenue and will be recognized as revenue in a future period when related expenses are incurred.

(e) Use of estimates:

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Significant estimates used within these financial statements include the liability for unclaimed gift certificates and the useful lives of tangible capital assets. Actual results could differ from those estimates and assumptions.

2. Tangible capital assets:

				2016	2015
		Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$	41,280	\$ 38,602	\$ 2,678	\$ 9,535
Computer		6,370	4,964	1,406	163
	\$	47,650	\$ 43,566	\$ 4,084	\$ 9,698

DOWNTOWN GUELPH BUSINESS ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2016

3. Commitments:

The Association is committed to payments for premises and certain office equipment, and other financial commitments over the next four years as follows:

2017	\$	16,380
2018		8,880
2019		1,192
2020		795
		<hr/>
		\$ 27,247

4. Accumulated surplus:

	2016	2015
Accumulated surplus from operations	\$ 37,015	\$ 11,447
Investment in tangible capital assets	4,084	9,698
		<hr/>
		\$ 41,099
		\$ 21,145



City of Guelph

Audit Findings Report
For the year ended December 31, 2016

KPMG LLP

Chartered Professional Accountants,
Licensed Public Accountants

May 10, 2017

kpmg.ca/audit

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The contacts at KPMG in connection with this report are:

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Executive summary

Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of the audit committee, in your review of the results of our audit of the consolidated financial statements of City of Guelph as at and for the year ended December 31, 2016.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on December 5, 2016.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Audit risks and results

We discussed with you at the start of the audit a number of **significant financial reporting risks**.

We are satisfied that our audit work has appropriately dealt with the risks.

We also discussed with you some **other areas of audit focus**.

See pages 4-7

This Audit Findings Report should not be used for any other purpose or by anyone other than the audit committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit risks and results

Inherent risk of material misstatement is the susceptibility of a balance or assertion to misstatement which could be material, individually or when aggregated with other misstatements, assuming that there are no related controls.

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

Significant financial reporting risks	Why	Our response and significant findings
Fraud risk from revenue recognition	<p>This is a presumed fraud risk. However, the audit team has rebutted this presumption due to the following reasons:</p> <ul style="list-style-type: none"> • The presumed fraud risk is ordinarily associated with for-profit enterprises • The majority of revenue is calculated based on MPAC data, approved utility rates and user fees, and is not subject to complexity or judgement at the reporting level; and <p>KPMG does not believe that the use of inappropriate cut-off would be utilized to perpetrate fraud.</p>	Not applicable
Fraud risk from management override of controls	<p>This is a presumed fraud risk. We have not identified additional risks of management override relating to this audit.</p>	<ul style="list-style-type: none"> • KPMG performed various substantive based procedures examining journal entries that were being posted to the general ledger. • Journal entries were selected using various criteria to identify journal entries that could possibly be related to override activities. • No issues were identified in our testing performed.

Audit risks and results

We identified other areas of focus for our audit in our discussion with you in the Audit Plan

Significant findings from the audit regarding other areas of focus are as follows:

Other areas of focus	Why	Our response and significant findings
Post-employment benefits	<ul style="list-style-type: none"> Estimates and judgements used by management Complexity of the accounting guidance 	<ul style="list-style-type: none"> Communicated with management's actuarial specialists Assessed the reasonableness of assumptions used Tested the appropriateness of the underlying data, including employee populations No issues noted
Obligatory Reserve Funds Revenue and Deferred Revenue	<ul style="list-style-type: none"> Revenue recognized from the Development Charge Reserve Fund is subject to judgement as capital projects must be growth related in nature 	<ul style="list-style-type: none"> Tested controls around the recording of revenues/cash receipts Identified and evaluated the operative effectiveness of internal controls over the identification of development charge funding projects and allocation of related expenses Performed substantive testing over amounts being recognized as revenue No issues noted
Tangible Capital Assets	<ul style="list-style-type: none"> Significance of the account balances Risk of error in inappropriately recognizing costs as either capital or operating 	<ul style="list-style-type: none"> Discussed capitalization policies and their application with management, Tested a sample of capital additions to ensure existence and accuracy. Tested items recorded as repairs & maintenance or other similar accounts to ensure completeness of capital additions No issues noted
Liabilities for contaminated sites	<ul style="list-style-type: none"> Significance of the account balance Complexity, judgement, and estimates involved 	<ul style="list-style-type: none"> Reviewed management prepared assessment of contaminated sites Tested changes from the prior year and considered completeness of changes No issues noted

Audit risks and results

Other significant accounts of focus and our audit approach include the following:

Other Significant Accounts	Our response and significant findings
Investments and related income	<ul style="list-style-type: none"> • Confirmations were sent to the City's financial institutions confirming balances; custody over the confirmation submission and receipt process was maintained at all times by KPMG LLP • No issues noted
Taxation Revenue	<ul style="list-style-type: none"> • Substantive analytical test used to develop an expectation of taxation revenues, using MPAC assessment with by-law approved taxation rates • No issues noted
Long term debt	<ul style="list-style-type: none"> • Confirmations were sent to the City's lenders and ensured that confirmation and amortization schedules support the balances recorded by the City at December 31, 2016 • No issues noted
User Fees and Service Charge Revenue	<ul style="list-style-type: none"> • Testing of internal controls was performed over cash receipts and recording • Analytical procedures were performed comparing current year's revenues on a disaggregated basis to the current year budget and the prior year, adjusting for known changes in assumptions • No issues noted
Government Transfers	<ul style="list-style-type: none"> • Reviewed agreements to ensure proper revenue recognition criteria was followed and to ensure the transfers were correctly authorized and all eligibility criteria and any stipulations were met. • Performed test of details on significant transfers • No issues noted
Expenses	<ul style="list-style-type: none"> • Evaluated the design and implementation of controls over payroll and non-payroll expenses and tested the operating effectiveness of key internal controls • Performed analytical procedures comparing current year's expenses on a disaggregated basis to the current year budget and the prior year, adjusting for known changes in assumptions • Tested the completeness, existence, and accuracy of year end accruals, most notably those that contain areas of estimate or judgment • No issues noted

Landfill Liabilities	<ul style="list-style-type: none">• Communicated directly with the City's internal specialist to obtain post-closure liability calculation reports and reviewed calculation and assessed the reasonableness of assumptions.• Recalculated the estimated liability as at December 31, 2016• No issues noted
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Significant accounting policies and practices

Significant accounting policies and practices are disclosed in Note 1 to the financial statements.

The accounting policies and format and content of the financial statements are appropriate for the Municipal Sector.

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Other matters

Professional standards require us to communicate to the Audit Committee Other Matters, identified fraud or non-compliance with laws and regulations, consultations with other accountants, significant matters relating to the Entity's related parties, significant difficulties encountered during the audit, and disagreements with management.

We have highlighted below other significant matters that we would like to bring to your attention:

Matter	KPMG comment
Contaminated Sites	<ul style="list-style-type: none"> Management has revised their estimated cost to remediate sites by \$2.45M during the year based on additional information available at the time of reporting KPMG reviewed management's project documentation, and worksheets estimating contamination at various in-active City properties Management has provided project level documentation and KPMG has reviewed the underlying changes in the estimate, and has noted no issues
Investments	<ul style="list-style-type: none"> As at December 31, 2016 there is \$1.875M in ABCP (Asset Backed Commercial Paper) which was originally invested in 2009. The original investment was over \$2.0M, and is therefore recorded net of an impairment allowance of \$156K Subsequent to year end, the City was able to redeem \$1.856M, resulting in a small residual which is expected to be redeemed in future years The impairment allowance (which was recorded in previous years) will be reversed in 2017.

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

Uncorrected differences

We did not identify differences that remain uncorrected.

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Appendices

Appendix 1: Required communications

Appendix 2: Independence

Appendix 3: Audit Quality and Risk Management

Appendix 4: Background and professional standards

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Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report which will be issued upon approval of the financial statements.

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Appendix 2: Independence

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards related to the threats to independence listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions
- We obtained pre-approval of non-audit services, and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services, and we have not made any management decisions or assumed responsibility for such decisions

Appendix 3: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit our [Audit Quality Resources page](#) for more information including access to our audit quality report, [Audit quality: Our hands-on process](#).

- Other controls include:
 - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
 - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
 - Assignment based on skills and experience;
 - Rotation of partners;
 - Performance evaluation;
 - Development and training; and
 - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 4: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.






Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

2016 Performance Measures Report Card

Legend

 Positive: target met; stay the course	 Caution: in the right range but may be moving in the wrong direction; or progressing in the right direction, target almost met	 Negative: take corrective action, target not met	 Positive change	 Negative change
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Financial Indicators	2016 finding	Change from 2015 to 2016	2015 finding
Financial Position per Capita			
Operating Surplus Ratio			
Receivables as % of taxes levied			
Net financial assets			
Net financial asset as % of own revenues			
Liquid assets to total reserves			
Debt to Total Reserve ratio			
Debt Outstanding per \$100k of Unweighted Tax Assessment			
Debt interest as a % of own source of revenues			
<u>Tax-based Reserves & Reserve Funds</u>			
Operating reserves as % of own source of revenue			
Capital reserve contributions as % of asset value			
Capital reserve contributions to depreciation			
<u>Non-tax supported Reserve & Reserve Funds</u>			
Operating reserves as % of own source of revenue			
Capital reserve contributions as % of asset value			
Capital reserve contributions to depreciation			

Financial Position per Capita: This term refers to the remaining assets in excess of all liabilities compared to net surplus on a per capita basis. Positive balances indicate the City’s margin of comfort it possesses to cover debt obligations and to have funds set aside for future sustainability. The City aims to be above the average per capita ratio as reported by the consulting firm BMA in the prior year.

Operating Surplus Ratio: This ratio provides perspective on how much of the City’s own source of revenues were left after normal operations that could be used to fund reserves, repay debt and invest in capital projects. There was a slight negative trend from 2015 due to own source revenues (tax and user fees) increasing at a lower marginal percentage compared to the expenditures.

Receivables as % of taxes levied: Uncollected property taxes as a percentage of total taxes charged is a strong indication of the strength of the local economy and the ability of the community to pay their annual tax billings. The City continues to be well ahead of the average reported by BMA of 6.4% in 2016 showing the City has great economic health and strong internal controls over tax collection. There was a slight decrease in this ratio over 2015, but we need to highlight that a guaranteed interest income revenue source isn't a bad thing when the City is well below the BMA average.

Net financial assets: This ratio is an indicator of the City's ability to repay liabilities at a point in time and is a useful trending tool. There was a slight decrease in this trend for 2016 indicating that the City created financial liabilities at a faster pace than it generated assets. Movement of this ratio depends on the balance of financial assets compared to liabilities; cash and investment holdings play a significant role in this ratio. The reason for the decrease in 2016 relates mainly to the debt issuance.

Net financial asset as % of own revenues: Similar to the ratio as described above, this indicator is annualized by comparing the net financial asset position to current revenue and provides an additional level of understanding useful for trending analysis and financial monitoring. In 2016, the negative trend on this ratio warns that the City's operating expenditures are increasing at a faster pace than net assets. The City should continue to consider this when building the 2018 budget to ensure revenues continue to match expenditures and reliance on reserves to fund operating expenditures is diminished.

Liquid assets to total reserves: As reserves are a critical component of the City's long-term sustainability, there is an expectation that the amounts that are set aside in reserves are liquid and available for use when required. This ratio compares the cash and investment balances to the reserve and reserve fund balances and a ratio of less than 1 would suggest asset levels need to be monitored closely. The City continues to meet this target in 2016 and has a balanced approach to managing the cash and investment position, while considering the City's current liabilities as well as its reserve and reserve funds.

Debt to Total Reserve ratio: This indicator provides a measure for financial prudence by comparing total debt to the total reserve balances. Generally, the benchmark suggested for this ratio is 1:1 or in other words, debt should not exceed total reserve and reserve fund balances. At the end of 2016, the City has met this standard however there was a decrease in the ratio due to the debt issuance. The positive result on this ratio is a strong indicator for assessing long-term sustainability and the ability to meet the City's debt obligations.

Debt Outstanding per \$100,000 of Unweighted Tax Assessment: This ratio shows total debt compared to the value of the unweighted tax assessment base and provides a fair basis to compare the City of Guelph debt to other municipalities. The target for this ratio is set at the average municipal rate as reported by BMA in the previous year. During 2016 the City was slightly below this range due to the new debt issuance. Over the next few years the City will improve this ratio as we finish paying off the debt issued in 2008 and 2009.

Debt interest as a % of own source revenues: This ratio indicates the extent to which the City's own source revenues are committed to debt charges and again is a useful tool when comparing to other municipalities. Debt charges continue to be less than 2% of own source of revenues and fall within a normal level compared to other municipalities.

Operating reserves as % of own source of revenue: This indicator analyzes the health of the operating reserves by focusing specifically on the stabilization and contingency reserves compared to own revenues. The City's benchmark is 8%-10% based on a review of what other municipalities target and what the Government Finance Officers Association (GFOA) suggests. The City splits the presentation of these ratios to show the tax-supported vs. non-tax supported ratios as this provides better information for planning purposes.

Tax Supported: During 2016, there was a significant increase year over year on the tax-supported ratio and we are now closer to meeting our targeted levels.

Non-tax supported: The non-tax supported contingency funds have met targeted levels in 2016.

Capital reserve fund contributions as % of asset value and % of depreciation: These two ratios provide insight on the level of reserve funding for future capital purposes compared to the total value of depreciable assets and to the current rate of depreciation. As a rule, the City should be at a minimum funding the capital reserves at the same amount as the annual depreciation expense and as a benchmark capital reserve contributions should at a minimum be 2% to 3% of total asset value.

Tax Supported: During 2016, the tax-supported capital contributions as a percentage of depreciation and of asset value were above the target. Staff caution that these are based on historic book value of assets and not future replacement cost.

Non-tax supported: For both ratios, the City continues to be on target and in a healthy range for annual contributions for capital infrastructure.

Staff Report



To	Committee of the Whole
Service Area	Corporate Services
Date	Tuesday, June 6, 2017
Subject	2016 Unconsolidated Financial Statements and Financial Highlights
Report Number	CS-2017-20

Recommendation

That Report CS-2017-20 titled, 2016 Unconsolidated Financial Statements and Financial Highlights, be received for information.

Executive Summary

Purpose of Report

The purpose of this report is:

- a) To present the City of Guelph's 2016 Unconsolidated Financial Statements;
- b) To review the Financial Statement highlights; and
- c) To reconcile the operating surplus as previously presented in the 2016 Year-end Operating Variance Report CS-2017-10 to the Financial Statement surplus presented in accordance with Public Sector Accounting Standards.

Key Findings

In 2016 revenues increased by \$15 million and expenditures increased by \$10 million. The increase in revenues relates primarily to developer and government contributions of \$4.0 million and an increase in tax revenue of \$11 million which is a combination of the budgeted levy increase plus growth assessment. The increase in operating expenses relates mainly to salary and benefits (\$6.8 million), as well as an increase in estimate of the liability associated with remediating the City's contaminated sites (\$2.5 million).

The City capital spending increased \$19.5 million as a result of the construction progress on the large Tier 1 and Tier 2 capital projects as highlighted in the 2016 Year-End Capital Variance Report (CS-2017-11). Due to the level of capital spending anticipated in 2016/2017 the City issued \$62.5 million of debt in July to help finance these projects. The portion of the debt issued that remains unspent is included in the cash and investments balance which will be reduced as construction continues in 2017.

The City of Guelph maintains a stable financial position which helps ensure the level of service and infrastructure standards we have can be met without resorting to excessive rate increases or distributive cuts in service.

Financial Implications

These Financial Statements are unaudited and for internal purposes only. There are no financial implications resulting from this report.

Report

Under the Municipal Act, 2001, City Council is required to review and approve the City of Guelph's Audited Consolidated Financial Statements on an annual basis, which have been presented as part of the report CS-2017-21. Although not specifically required by the Municipal Act, 2001, a previous request was for City staff to present Unconsolidated Financial Statements to provide Council with additional comparative and relevant financial information. The Unconsolidated Financial Statements remove activities related to The Elliott Community, Downtown Guelph's Business Association, and the City's proportion of Wellington-Dufferin-Guelph Public Health.

Throughout this report, please refer to ATT-1 for information about the City's 2016 Unconsolidated Financial Statements. These Statements consist only of the City's operations, including Guelph Police Services Board and Guelph Public Library Board, and are the basis for the City's Consolidated Audited Statements.

Statement of Financial Position

The Statement of Financial Position is a summary of the City's assets and liabilities, as well as the accumulated surplus, which includes reserves and reserve funds. The City's net financial position is a key indicator of its overall fiscal condition and used by the credit rating agency in the City's annual rating review.

In 2016, the City was in a net financial asset position of \$113 million, which was an increase of \$11 million over 2015. There has been an increasing net asset trend over the past three years which indicates that the City is generating appropriate revenue to create assets at a greater pace than financial liabilities.

Chart 1: Three-Year Financial Asset and Liabilities Trend (millions)

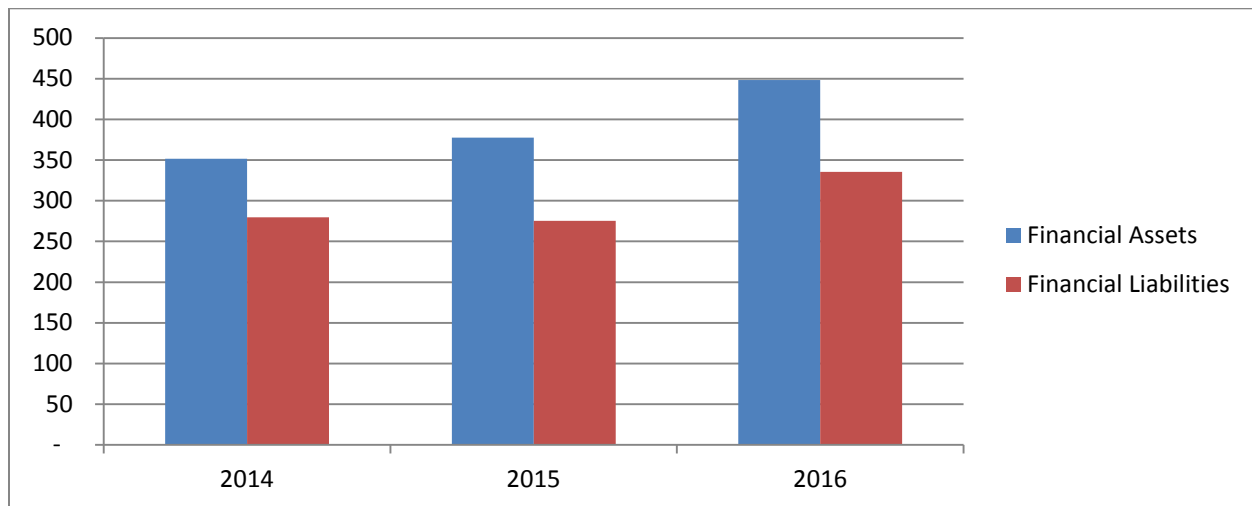
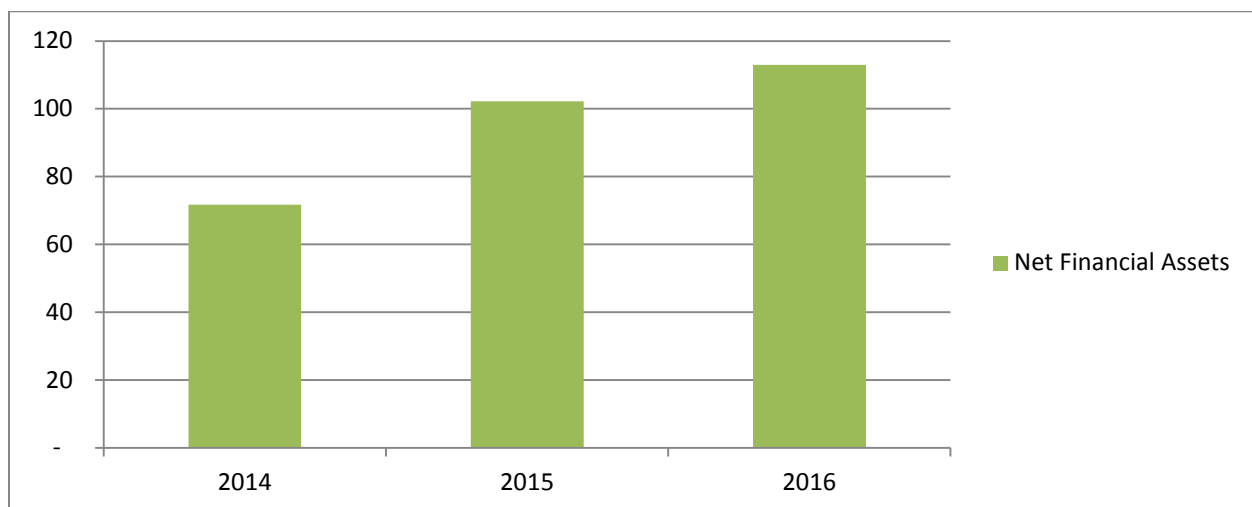


Chart 2: Three Year Net Financial Asset Trend (millions)



Highlights

- Increase of \$73 million in cash and investment holdings
The target measure of cash and investment holdings is a 1:1 ratio with the City's reserve and reserve fund balances including the deferred contributions on the Statement of Financial Position. In 2016 the City's cash and investment holdings surpassed this target, which was primarily due to the issuance of \$62.5 million in debt. Due to the planned capital spending in 2016, management decided to capitalize on low interest rates by borrowing externally. As approved in By-Law 2016-20084, the City issued debt for \$62.5 million.

- Increase in tax receivable of \$1.2 million
The City continues to have a favourable property tax receivable balance as a percentage of taxes levied. The 2016 BMA average for municipalities in Ontario's southwest region was 5.8 per cent, compared to the City's position in 2016 of 2.5 per cent (includes School Board Levy). The City's low percentage reflects the economic health of the City, as well as an increase in the number of taxpayers taking advantage of enhanced payment options. The lower than average tax receivable balance needs to be evaluated against the lost interest income that is guaranteed through the ability to collect on outstanding taxes.
- Decrease in accounts receivables of \$432,000
The decrease is due to timing of transactions. Although the City's receivable balance is \$23 million, this doesn't indicate any collection issues. At year-end, the receivable balance of amounts over 60 days was only \$79,000. Of that amount, the majority has since been collected. The main accounts in trade receivables include: Water and Wastewater Service user fees, accrued interest revenue and general receivables related to accruals at year-end.
- Decrease in loan and notes receivable of \$859,000
The loans and notes receivable balance relates to loans the City made to The Elliott Community, Wellington-Dufferin-Guelph Public Health and Guelph Junction Railway to purchase capital infrastructure. The decrease in the 2016 is due to the scheduled principal repayments.
- Decrease in the City's combined investment in Guelph Junction Railway and Guelph Municipal Holdings Inc. of \$2.3 million
This increase/decrease represents the City's investment in Guelph Junction Railway and Guelph Municipal Holdings Inc. both of these entities have a formal process for reporting their Financial Statements to Council in accordance with each entity's shareholder declaration. A summary of each of these entity's financial results can be found in Notes 4 and 5 of the 2016 Financial Statements.
- Increase in accounts payable and accrued liabilities of \$8.3 million
The increase is due to trade accounts payable items (\$6.3 million) as well as accrued payroll liabilities (\$2 million). The increase in trade payables relates to timing on a number of large construction projects including the Police Headquarters and the Victoria Road Recreation Centre and the associated holdbacks on projects ongoing at year-end. The increase in accrued payroll liabilities is due to the increased cost of an extra day being accrued on all pay periods that straddle December 31. There also was an increase in the costs

accrued for the settlement of the Fire and Emergency Services Union negotiations that were unsettled at year-end but have cost implications related to the employees' wages earned in 2016.

- Increase in accrued interest payable of \$416,000
The increase is due to the additional debt issued in 2016. While the settlement date was in July 2016, interest payments on this debt were not due until January 2017; the prorated portion of the interest expense was a 2016 cost.
- Decrease in Developer Agreement revenue of \$914,000
The City collects funds from Developers that are restricted for specific subdivision and site work. The Developers have the option of paying an upfront amount based on expected costs or they can provide the City with a letter of credit that is secured and drawn on once costs have been incurred. This balance fluctuates depending on the status of projects each year.
- Decrease in deferred contributions of \$7.6 million
These contributions include development charges restricted for use to fund growth related capital expenditures and grants that are restricted for specific purposes such as Provincial and Federal gas tax funds. The majority of the decrease is due to spending on eligible capital projects which has increased 22 per cent from 2015.
- Increase in employee future benefits of \$2 million
This line is comprised of the future Workplace Safety Insurance Board, retiree benefits and sick leave benefits. All three benefits require an actuarial report to help project current and future liability. These reports are prepared every three years which typically result in an increase which reflects current benefit costs. In 2016, the City worked with the Actuary to determine the revised Workplace Safety Insurance Board benefit costs; this resulted in an increase due to indexing changes in the Workplace Safety and Insurance Act, as well as a significant survivor claim that was awarded in 2014 and therefore not included in the past valuation. Unless there are any significant changes in the various Union Agreements, the next valuation will be completed for the 2019 year-end. A valuation will be done on the sick leave and retiree benefits for the 2017 year-end.
- Increase in debt of \$55 million
During 2016, the City issued \$62.5 million in debt to fund large capital projects due to the historically low financing rates. The increase related to the new debt issue was offset against the schedule repayments of other debt outstanding.

- Increase in liability for contaminated sites of \$2.5 million
In 2015 the City adopted the new accounting standard PS 3260, Liabilities for Contaminated Sites. Under PS 3260, the City is required to record a liability related to the estimated costs associated with remediating the City's contaminated sites. Contamination is defined as, the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. Contaminated sites are defined as, a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. At the end of each year the City is required to re-evaluate its liability for contaminated sites using all information available including new environmental studies, revised remediation timelines and adjust its estimate as appropriate. In 2016 there were more detailed evaluations done on these properties resulting in an increased cost to remediate.
- Increase in tangible capital assets of \$39.9 million
During 2016, the City spent \$77.4 million on capital investments eligible under PS-3150 and acquired \$9.5 million of contributed subdivision assets (compared to \$57.9 million and \$5.4 million in 2015, respectively). Depreciation expenses of \$44.5 million and net disposals of \$2.5 million offset 2016 additions. The resulting net increase of \$39.9 million is due to expenses for large Tier 1 projects including the Police Headquarters and the Victoria Road Recreation Centre renovation.

Statement of Operations and Accumulated Surplus

The Statement of Operations and Accumulated Surplus reflect that the City ended in a net surplus position of \$50.8 million for 2016 (compared to \$45.9 million in 2015). It also details significant components of revenues and expenses, and shows these components compared to the approved Council Budget.

Since the Financial Statements were prepared in accordance with the Public Sector Accounting Standards, the net surplus reported is different from the surplus reported by Staff in 2016 Operating Variance Report and Surplus and Deficit Allocation Report (CS-2017-10). Both surplus numbers are computed using the same underlying data; however, they are presented differently based on the requirements of cash-based operating and capital budgeting versus the requirements of accrual-based financial reporting.

Chart 3: Reconciliation of annual surplus to surplus under Public Sector Accounting Standards (millions)

Ending Surplus - Public Sector Accounting Standards	\$ 50,880
Capital related items:	7,132
Debt related and non-cash items:	396
Reserve related items:	(53,824)
	<u>\$ 4,585</u>
Ending Surplus- Tax supported	3,080
Ending Surplus - Non-tax supported (excludes OBC)	1,505
	<u>\$ 4,585</u>
Difference	-

Revenue

Tax revenue continues to be the largest source of income for the City, followed by contribution revenues and user service charges. Total revenue increased year over year by \$15.5 million largely because of increased capital spending, user service fees and taxes collected.

Tax revenue – Net property tax revenues have increased by \$11.0 million from 2015. The majority (\$9.1 million) is due to the 2016 tax levy increase approved by Council on December 10, 2016, the remaining \$2 million is due to assessment growth which exceeded the budgeted amount. This is one-time growth, and additional supplementary revenue such as this is not forecasted.

User fee revenue – The user fee revenue increase of \$2.3 million is mainly attributed to an increase in Water/Wastewater user fees (\$1.8 million) which is a combination of an increase in consumption volume and price.

Contributed subdivision assets – As new subdivisions are created, the City assumes the completed infrastructure assets that were built to support the new community. The developers pay to put this infrastructure in place and once the subdivisions are settled and in use, the City records the contributed asset as an increase to tangible capital assets and contributed revenue. The City's policy is to record the contributions two years after the work was performed to ensure that the assets are fully in use, and that the subdivisions are complete. In 2016 the City recognized the development work that was completed in 2014, which was \$4.0 million more than in 2013. Contributed assets are expected to fluctuate year-to-

year because of the impact that a single development can have on the total balance.

Contribution revenue – Contribution revenues are received from the Federal and Provincial governments, other Municipalities and Developers. The increase to contribution revenues is due an increase in eligible capital spending on Wastewater, Water and roads projects.

When money restricted for specific capital projects is collected (e.g. Federal and Provincial gas tax, development charges), the cash and associated liability (deferred revenue) is recorded. Once the City spends the money on an eligible project, it reduces the liability and recognizes the revenue. This increase in revenue is consistent with the increase in tangible capital assets.

Investment income – In 2016 the average rate of interest return for the City was 1.74 per cent compared to 1.98 per cent in 2015. As indicated in CS-2017-08 – 2016 Year End Investment Performance Report, Finance management decided to optimize investment returns by capitalizing on a stronger bond market, which gave rise to capital gains of \$1 million. Including these capital gains, the 2016 average rate of return on total investments and cash portfolio decreased to 2.05 per cent from 2.89 per cent in 2015).

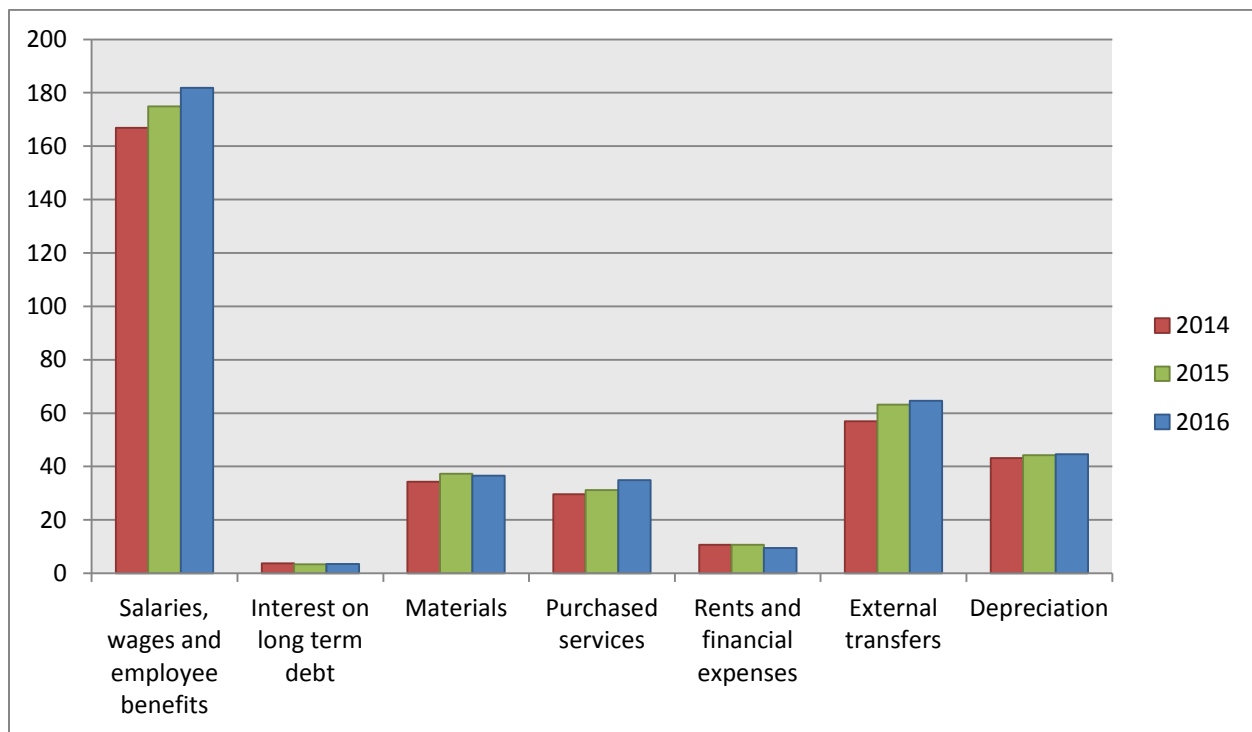
Provincial Offenses Act revenues – The \$704,000 increase in revenue is due to a few unique high dollar value fines which were collected in 2016.

Gain/loss on government business enterprises – Both Guelph Junction Railway and Guelph Municipal Holdings Inc. have a formal process for reporting their Financial Statements to Council in accordance with each entity's shareholder declaration. Therefore, no Financial Statement commentary is included in this report.

Expenses

Year-over-year total expenditures have increased by \$10.5 million as highlighted in Chart 4 and by the expenditure categories below.

Chart 4: Expenditure by type (millions)



Salaries, wages and employee benefits

Salaries and benefits continue to be the most significant component of the City's operating costs, increasing by \$6.8 million (3.9 per cent) over 2015. The increase is due to increased wage rates, increased employee benefits costs (OMERS, medical and dental, accumulated sick leave and retiree benefits) and costs from the additional full-time equivalents hired. Costs associated with employee future benefits also increased by \$2.03 million in 2016.

Materials

Materials expenses decreased by \$804,000 over prior year, which related to a few large site servicing projects the City performed on behalf of others which were unique to 2015. Since the majority of these costs are resident/developer driven the amounts fluctuate from year-to-year.

Purchased services

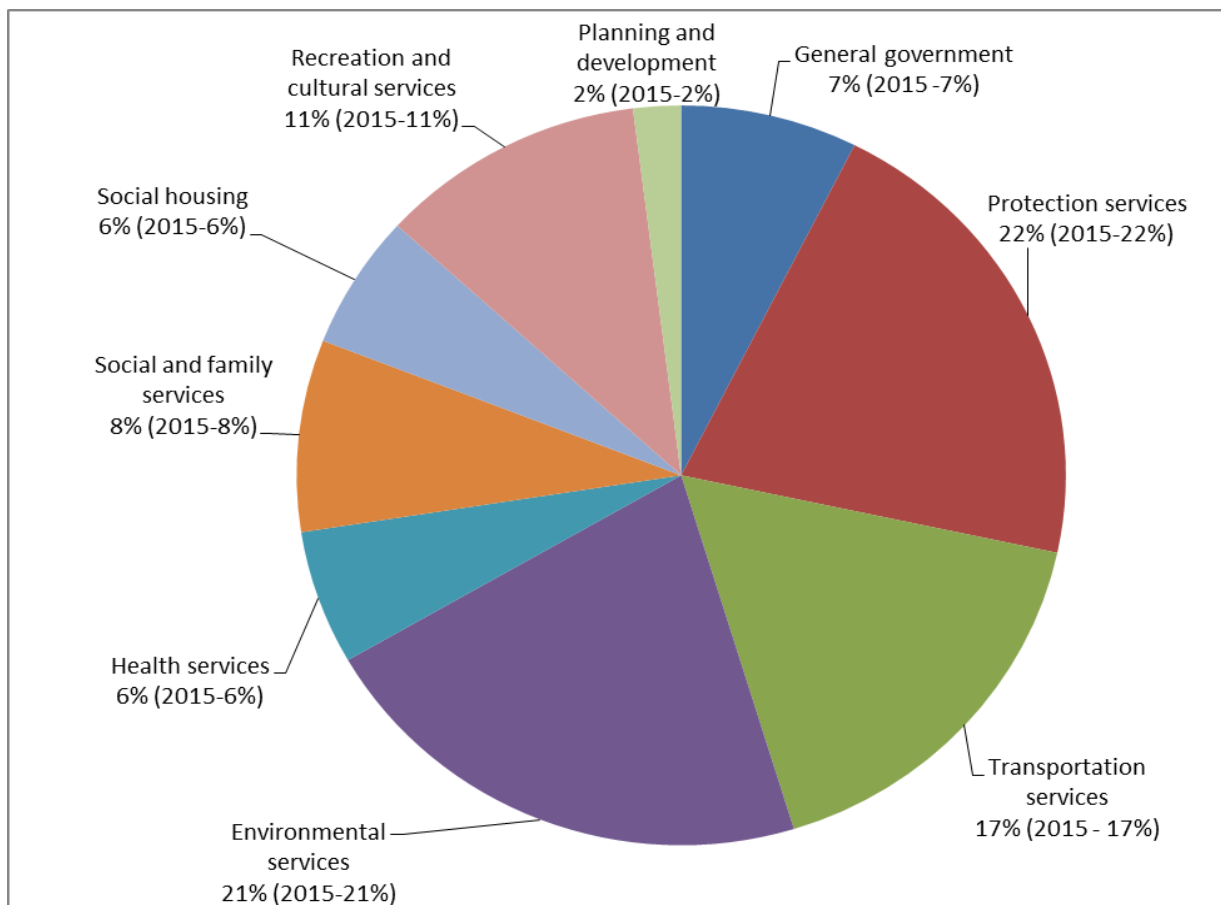
Purchase services increased by \$3.7 million over 2015, which was mainly attributed to non-tangible capital expenses that did not meet the definition of an asset under the regulations. Part of the increase relates to a more detailed classification of non-tangible capital expenditures which is offset against the decrease in rents and financial services as discussed below. The balance of the increase relates to costs such as studies and secondary plans.

Rents and financial expenses decreased by \$1.2 million over 2015 which was mainly attributed to reclassification of non-tangible capital assets (see above).

External transfers increased by \$1.4 million primarily due to transfers to the County of Wellington for the City's shared services costs.

Expenditures by functional area are shown in Chart 4 below. Compared to 2015 the City has been consistent in the amount of resources directed to each of the identified service areas.

Chart 5: Expenditures by Function



Accumulated Surplus

Accumulated surplus is the excess of the City's total assets over its total liabilities. A full break down of the accumulated surplus can be found in Note 14 of the Financial Statements included in ATT-1.

The most significant component of the accumulated surplus is the City's reserves and reserve funds.

A complete breakdown of these reserves and reserve funds can be found in Schedule 4 of the Financial Statements.

On June 2, 2017, Council received the Information Report CS-2017-14 Reserve and Reserve Fund Statement that reviewed current reserve balances, activity throughout the year, outstanding commitments and certain target reserve levels. For this reason, no further analysis has been included in this report. When comparing the opening balances of these two reports, please note that the reserve and reserve fund schedule included in the Financial Statements adjusts for the internal debt borrow.

Statement of Cash Flow

This statement provides a condensed summary of how cash was generated during 2016, and where it was subsequently spent. The purpose of this statement is to reconcile the ending surplus as shown on the Statement of Operations and Accumulated Surplus to cash on hand at the end of the fiscal year (as shown on the Statement of Financial Position).

The first section of the Statement of Cash Flows highlights the cash earned from normal operations and begins with the net surplus of \$50.8 million and adds/subtracts items that were non-cash in nature. During 2016 the City generated \$99.4 million in cash from operations (compared to \$85.6 million in 2015).

In the next two sections, capital and investing activities, and financing activities show how the City used its cash (or generated cash) during the year. From a capital and investing perspective, the City spent \$77.4 million on capital acquisitions, and received \$1.3 million from the sale of capital property. From a financing perspective, the City had proceeds from the debt issuance of \$62.5 million and repaid debt of \$7.5 million.

Overall the City's cash position increased by \$27.8 million from 2015 and investment holdings increased by \$45.3 million. Given the lower than expected capital spending, the City had excess cash and investment reserves on hand at year-end that are committed to future expenses.

Financial Implications

These Financial Statements are unaudited and for internal purposes only. There are no financial implications resulting from this report.

Consultations

Finance staff met with the Corporate Communications Department, and determined that a communication plan was not required.

Corporate Administrative Plan

Overarching Goals

Financial Stability

Service Area Operational Work Plans

Our Resources - A solid foundation for a growing city

Attachments

ATT-1 2016 Unconsolidated Financial Statements

Departmental Approval

N/A

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Unconsolidated financial statements of

City of Guelph

December 31, 2016

City of Guelph

December 31, 2016

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City of Guelph

Unconsolidated statement of financial position as at December 31, 2016 ('000's)

	2016	2015
	\$	\$
Financial assets		
Cash	44,284	16,531
Investments (Note 3)	272,632	227,313
Taxes receivable	7,220	6,048
Accounts receivable	22,958	23,390
Loans and notes receivable (Note 10 & 4)	26,184	27,043
Investment in Guelph Junction Railway Ltd. (Note 4)	7,811	7,305
Investment in Guelph Municipal Holdings Inc. (Note 5)	67,122	69,939
	448,211	377,569
Liabilities		
Accounts payable and accrued liabilities	51,926	43,629
Accrued interest payable	1,069	653
Vacation and other employee benefits payable	5,791	5,650
Developer agreement deferred revenue	5,214	6,128
Other deferred revenue	16,445	15,765
Deferred contributions (Note 6)	53,951	61,556
Employee future benefits (Note 8)	33,772	31,740
Debt (Note 9)	133,513	78,531
Landfill post-closure liability (Note 11)	4,540	4,564
Liability for contaminated sites (Note 17)	26,860	24,396
Other long-term liabilities (Note 12)	2,191	2,751
	335,272	275,363
Net financial assets	112,939	102,206
Non-financial assets		
Tangible capital assets (Note 13)	1,006,091	966,226
Inventory	1,732	1,742
Prepaid expenses	2,168	1,876
	1,009,991	969,844
Contingencies (Note 18)		
Commitments and guarantees (Note 19)		
Accumulated surplus (Note 14)	1,122,930	1,072,050

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

City of Guelph

Unconsolidated statement of operations and accumulated surplus year ended December 31, 2016 ('000's)

	2016 Budget (Note 21)	2016 Actual	2015 Actual
	\$	\$	\$
Revenues			
Taxation			
Property taxation (Note 2)	219,377	222,218	211,172
Property taxation - Downtown Guelph Business Association	471	471	457
Penalties and interest on taxes	1,212	1,399	1,345
	221,060	224,088	212,974
User charges	86,942	86,848	84,560
Contributed subdivision assets	9,470	9,470	5,430
Contributions			
Government of Canada	8,467	10,024	10,514
Province of Ontario	44,535	47,124	43,952
Municipal	3,407	3,704	3,860
Developers	26,135	22,542	20,648
Other	744	759	927
	179,700	180,471	169,891
Other			
Investment income	6,859	5,677	6,458
Donations	591	473	515
Sales of equipment, publications	6,917	5,280	6,321
Recoveries	2,959	3,752	4,645
Licences and permits	3,668	3,877	3,416
Provincial Offences Act revenues	2,727	3,292	2,588
Other fines	995	1,206	1,221
(Loss) gain on disposal of tangible capital assets	5	(1,156)	(777)
(Loss) earnings from Government Business Enterprises	-	(811)	3,435
	24,721	21,590	27,822
Total revenues	425,481	426,149	410,687
Expenses			
General government	30,795	28,089	27,154
Protection services	79,865	78,661	76,293
Transportation services	64,628	64,103	61,672
Environmental services	76,301	77,105	78,115
Health services	21,755	22,420	21,390
Social and family services	32,256	30,785	30,600
Social housing	24,304	23,760	21,372
Recreation and cultural services	41,675	42,328	40,882
Planning and development	8,954	8,018	7,314
Total expenses	380,533	375,269	364,792
Excess of revenues over expenses for the year	44,948	50,880	45,895
Accumulated surplus, beginning of year as restated	1,072,050	1,072,050	1,026,155
Accumulated surplus, end of year	1,116,998	1,122,930	1,072,050

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

City of Guelph

Unconsolidated statement of change in net financial assets year ended December 31, 2016 ('000's)

	2016 Budget (Note 21)	2016 Actual	2015 Actual
		\$	\$
Excess of revenue over expense for the year	44,948	50,880	45,895
Amortization of tangible capital assets	44,300	44,547	44,274
Acquisition of tangible capital assets	(88,900)	(77,393)	(57,874)
Loss on disposal of tangible capital assets	(5)	1,156	777
Proceeds on disposal of tangible capital assets	-	1,295	2,503
Contributed subdivision assets	(9,470)	(9,470)	(5,430)
Acquisition of inventory	-	1,732	1,742
Consumption of inventory	-	(1,722)	(1,556)
Acquisition of prepaid expenses	-	2,168	1,876
Use of prepaid expenses	-	(2,460)	(1,770)
Increase in net financial assets for the year	(9,127)	10,733	30,437
Net financial assets, beginning of year	102,206	102,206	71,769
Net financial assets, end of year	93,079	112,939	102,206

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

City of Guelph

Unconsolidated statement of cash flows year ended December 31, 2016 ('000's)

	2016	2015
	\$	\$
Operating activities		
Excess of revenues over expenses for the year	50,880	45,895
Items not affecting cash:		
Amortization of tangible capital assets	44,547	44,274
Loss on disposal of tangible capital assets	1,156	777
Contributed subdivision assets	(9,470)	(5,430)
Allowance on asset backed investment	-	(63)
(Loss) gain on interest rate swap contracts	(336)	167
Loss (earnings) from Government Business Enterprises	811	(3,435)
Employee future benefit expenses	2,032	1,402
Landfill post-closure (recovery) cost	(24)	400
Contaminated sites cost	2,464	354
Changes in non-cash working capital:		
Taxes receivable	(1,172)	(986)
Accounts receivable	432	(1,193)
Developer agreement deferred revenue	(914)	2,047
Inventory	10	186
Prepaid expenses	(292)	106
Accounts payable and accrued liabilities	8,633	(507)
Accrued interest payable	416	(62)
Vacation and other employee benefits payable	141	109
Other deferred revenue	680	294
Other long-term liabilities	(560)	1,296
Cash provided by operating activities	99,434	85,631
Capital and investing activities		
Acquisition of tangible capital assets	(77,393)	(57,874)
Proceeds from disposal of tangible capital assets	1,295	2,503
Change in loans and notes receivable	859	(93)
Dividend from Guelph Municipal Holdings Inc.	1,500	1,500
Net investment acquisitions	(45,319)	(60,532)
Cash used by capital and investing activities	(119,058)	(114,496)
Financing activities		
Proceeds from debt issuance	62,500	-
Repayment of debt principal	(7,518)	(9,951)
Net change in deferred contributions	(7,605)	40
Cash provided by financing activities	47,377	(9,911)
Increase (decrease) in cash for the year	27,753	(38,776)
Cash, beginning of year	16,531	55,307
Cash, end of year	44,284	16,531

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

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

1. Significant accounting policies

The unconsolidated financial statements of the Corporation of the City of Guelph (the "City") have been prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the City are as follows:

Reporting entity

The unconsolidated financial statements reflect the assets, liabilities, operating revenues and expenses of the reporting entity. The reporting entity is comprised of those City functions or entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City, except for the City's government businesses which are accounted for on the modified equity basis of accounting.

Modified equity basis entities

The investments in Guelph Municipal Holdings Inc. and Guelph Junction Railway Limited are accounted for on a modified equity basis, consistent with the public sector accounting standards for the treatment of government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. Under the modified equity basis of accounting, the carrying value of the investment in subsidiaries is adjusted to reflect the City's share of the net asset change of the investee.

Basis of accounting

Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting, except for revenues generated under the Provincial Offences Act which are accounted for on the cash basis. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that gave rise to the revenues; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services or the creation of an obligation to pay.

Taxes receivable and related revenues

Property tax billings are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by the City Council, incorporating amounts to be raised for local services and amounts the City is required to collect on behalf of the Province of Ontario in respect of education taxes. A normal part of the assessment process is the issuance of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the City determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time the tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded as a reduction of tax revenue when the result of the appeal process is reasonably certain. The City is entitled to collect interest and penalties on overdue taxes and these revenues are recorded in the period the interest and penalties are levied. Tax revenue is recorded net of reductions including rebates. Taxes receivable are reported net of any expense or allowance for doubtful accounts.

Reserves and reserve funds

Certain amounts, as approved by City Council, are set aside in reserves and reserves funds for future operating and capital purposes. Reserve Funds are interest bearing and the current year earned interest is accounted for as an adjustment within accumulated surplus.

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

1. Significant accounting policies (continued)

Basis of accounting (continued)

Deferred revenue and deferred contributions

Deferred revenues and deferred contributions represent property taxes, user charges, fees, developer contributions and other grant revenues, which have been collected but for which the related services yet to be performed, or expenses have yet to be incurred. These revenues have certain restrictions and will be recognized in the fiscal year the services are performed, or expenses incurred.

Tangible capital assets

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

Land improvements	- 20 to 75 years
Buildings	- 10 to 75 years
Machinery and equipment	- 3 to 25 years
Vehicles	- 5 to 15 years
Sanitary sewers infrastructure	- 50 to 80 years
Storm sewer infrastructure	- 15 to 80 years
Transportation infrastructure	- 20 to 80 years
Waterworks infrastructure	- 5 to 80 years

The City has various capitalization thresholds, so that individual tangible capital assets of lesser value are expensed, unless the assets have significant value collectively (pooled assets). Examples of pools are desktop and laptop computers, police equipment, traffic signals, streetlights, and fire equipment.

- (ii) Land purchased for service delivery purposes is recorded as a tangible capital asset at cost. Any land cost premium incurred or discount received related to expropriation will be included as part of the asset to be constructed and amortized over its' useful life.
- (iii) Tangible capital assets received as contributions are recognized at their fair value at the date of receipt, and correspondingly recognized as contributed revenue in that period. Similarly, contributions of assets to a third party are recorded as an expense equal to the net book value of the tangible capital asset as of the date of transfer.
- (iv) Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of the asset 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.

Employee future benefit obligations

The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions of mortality and termination rates, retirement age and expected inflation rates.

Past service costs from plan amendments, if any, are deferred and amortized on a straight-line basis over the average remaining service life of active employees at the date of the amendment. Actuarial gains and losses on the accrued benefit obligation arise from differences between the actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service life of active employees.

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

1. Significant accounting policies (continued)

Basis of accounting (continued)

Government transfers

Government transfers are recognized as revenues by the City 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.

Investment income

Investment income earned on available funds and loans receivable are reported as revenue in the period earned. Investment income earned on deferred contributions is recorded as an increase to deferred contributions.

Contaminated sites

Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the unconsolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation allowance for asset backed investments, valuation allowances for receivables, certain accrued liabilities and obligations related to employee future benefits, landfill post closure liability and the estimated future lives of tangible capital assets. Actual results could differ from these estimates.

Future accounting changes

Effective for fiscal periods beginning on or after April 1, 2016, all governments will be required to adopt PSAS Section 2601, Foreign Currency Translation, PSAS Section 3450 Financial Instruments and PSAS Section 1201 Financial Statement Presentation. This standard provides guidance on how to account for and report on financial instruments and related revenue and expenditures and also provides guidance on financial statement presentation and disclosure.

The City is currently in the process of evaluating the potential impact of adopting these standards.

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

2. Taxation revenue

a) Taxation collected on behalf of school boards

The net taxation levies collected on behalf of the school boards are comprised of the following:

	2016	2015
	\$	\$
Taxation	64,628	63,273
Payments in lieu	1	3
	64,629	63,276
Requisitions	(64,629)	(63,276)
Net levy for the year	-	-

b) Taxation revenue by major tax class:

2016	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2016 Total
	\$	\$	\$	\$	\$
Residential	141,611	27	4,146	(226)	145,558
Mult-Residential	16,182	-	31	(49)	16,164
Commercial	38,148	3,337	913	(489)	41,909
Industrial	16,541	-	385	(722)	16,204
Pipelines	573	-	11	-	584
Farmlands	11	-	1	-	12
Managed Forests	2	-	-	-	2
Other	-	2,697	-	(912)	1,785
Total tax revenue	213,068	6,061	5,487	(2,398)	222,218

b) Taxation revenue by major tax class:

2015	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2015 Total
	\$	\$	\$	\$	\$
Residential	134,307	26	2,206	(248)	136,291
Mult-Residential	15,376	-	(13)	(58)	15,305
Commercial	36,690	3,232	520	(625)	39,817
Industrial	17,085	-	124	(206)	17,003
Pipelines	558	-	7	-	565
Farmlands	11	-	-	-	11
Managed Forests	2	-	-	-	2
Other	-	2,651	118	(591)	2,178
Total tax revenue	204,029	5,909	2,962	(1,728)	211,172

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

3. Investments

Investments are recorded at cost. The cost and market values are as follows:

	2016		2015	
	Market	Cost	Market	Cost
	\$	\$	\$	\$
Short-term investments	56,198	56,116	70,011	68,255
Long-term investments	218,348	216,516	160,522	159,058
	274,546	272,632	230,533	227,313

In 2009, a restructuring plan was implemented to convert frozen short-term asset-backed commercial paper to long-term notes of various classes with terms matching the maturity of the underlying assets. As a result of the exchange, the City recorded the carrying value but recognized the highly speculative nature of any ultimate payment of principal at maturity by recording a provision for impairment. The impairment is recorded net of the cost of the long-term investments and is estimated to be 7.6% of the original investment cost or \$158 (2015 – 7.6% or \$158). Subsequent to yearend, the City received \$1,856 of the \$1,875 carrying value recorded within the investment balance at December 31, 2016.

4. Investment in Guelph Junction Railway Limited

The City of Guelph owns 100% of Guelph Junction Railway Limited (the "Railway"). The following table provides condensed supplementary financial information for the year ended December 31:

	2016	2015
	\$	\$
Financial position		
Current assets	829	1,018
Property, plant and equipment	10,723	10,365
Total assets	11,552	11,383
Current liabilities	825	1,149
Long-term debt	1,947	1,998
Deferred capital contributions	969	931
Total liabilities	3,741	4,078
Net assets	7,811	7,305
Results of operations		
Revenues	3,279	2,951
Operating expenses	2,773	2,306
Net income	506	645
Retained earnings, beginning of year	7,305	6,660
Retained earnings, end of year	7,811	7,305

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

4. Investment in Guelph Junction Railway Limited (continued)

Related party transactions

The City pays certain expenses and receives certain revenues on behalf of the Railway for which the Railway reimburses the City periodically through the year. During the year, these net expenses reimbursed to the City amounted to \$971 (2015 - \$1,382). Included in loans and notes receivable is an amount owing from the Railway of \$393 (2015 - (\$125)) related to the reimbursement of these current year net expenses.

The Railway paid the City \$56 (2015- \$23) in office rent and administration fees. These transactions were made in the normal course of business and have been recorded at the exchange amounts.

In 2015, the City entered into a long-term loan agreement with Guelph Junction Railway Limited for the purpose of reconstructing a bridge within City limits. The total amount of the loan was \$1,710 repayable monthly through blended principal and interest payments which started January 2016 at 3.395%. At year end \$1,661 (2015 - \$1,710) was outstanding and included in loans and notes receivable. In 2016 principal and interest payments were \$49 and \$52 respectively (2015 - \$nil, \$nil).

5. Investment in Guelph Municipal Holding Inc.

The City of Guelph owns 100% of Guelph Municipal Holdings Inc. ("GMHI") which owns 100% of Guelph Hydro Electric Systems Inc., 100% of Envida Community Energy Inc. and 100% of GMHI Development Corporation. The following table provides condensed supplementary financial information for GMHI for the year ended December 31:

	2016	2015
	\$	\$
Financial position		
Current assets	67,943	72,615
Property, plant and equipment	160,445	155,713
Intangible assets	665	832
Deferred income taxes	1,543	5,327
Total assets	230,596	234,487
Current liabilities	30,736	35,285
Customer deposits and deferred revenue	27,668	24,544
Long-term debt	94,773	94,245
Employee future benefits	10,297	10,474
Total liabilities	163,474	164,548
Shareholder's equity	67,122	69,939
Results of operations		
Revenues	250,761	247,404
Cost of sales	214,539	201,234
Operating expenses	32,644	39,274
Income taxes	5,273	4,106
Total expenses	252,456	244,614
Net income (loss)	(1,695)	2,790
Retained earnings, beginning of year	3,342	2,052
Dividends	(1,500)	(1,500)
Retained earnings, end of year	147	3,342

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

5. Investment in Guelph Municipal Holding Inc. (continued)

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts and balances with GMHI for the year ended December 31:

	2016	2015
	\$	\$
Revenue:		
Property taxes	355	327
Rent, percentage, land lease	50	53
Subcontracting	5	7
Expenses:		
Energy sales (at commercial rates)	9,097	8,245
Waterworks expense	1,518	1,395
Street light maintenance	380	353
Balances:		
Accounts receivable	9,640	8,126
Accounts payable and accrued liabilities	1,943	1,894

6. Deferred contributions

The following funds have statutory restrictions and as such are classified as deferred contributions:

	Beginning balance 2016	2016 Inflows	2016 Outflows	Ending balance 2016
	\$	\$	\$	\$
Development charges	44,870	17,377	22,542	39,705
Grants	10,710	7,934	10,868	7,776
Other	5,976	890	396	6,470
	61,556	26,201	33,806	53,951

The development charges are restricted for use to fund growth related capital expenditures in accordance with the Development Charges Act. The deferred grants include federal gas tax funds, and provincial gas tax funds. Each of the grants has a specified set of restrictions that outlines how the funds can be utilized. The other deferred contributions include funds received for parkland dedication as restricted under the Planning Act and funds received in relation to the Ontario Building Code Act.

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

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7. Pension agreement

The City makes contributions to the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer plan, on behalf of the 1,791 (2015 – 1,765) 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 multi-employer plan is valued on a current market basis for all plan assets.

The amount contributed to OMERS for 2016 is \$13,478 (2015 - \$13,175) for current service and is reported as an expense on the unconsolidated statement of operations and accumulated surplus.

The latest available report for the OMERS plan was as at December 31, 2016. At that time the plan reported a \$5.7 billion actuarial deficit, based on actuarial liabilities of \$87 billion and actuarial assets of \$81.2 billion. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements. As at December 31, 2016, the City has no obligation under the past service provisions of the OMERS agreement.

8. Employee future benefits

Employee future benefits are current costs of the City to its employees and retirees for benefits earned but not taken as at December 31 and consist of the following:

	2016	2015
	\$	\$
Workplace Safety and Insurance ("WSIB")	6,844	5,399
Sick leave	9,339	9,491
Post retirement benefits	17,589	16,850
	33,772	31,740

City of Guelph

Notes to the unconsolidated financial statements

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8. Employee future benefits and other liabilities (continued)

a) Liability for Workplace Safety & Insurance ("WSIB")

The City is a Schedule II employer under the Workplace Safety and Insurance Act. As a Schedule II employer, the City assumes the liability for any award made under the Act. A comprehensive actuarial valuation of the future liability for WSIB benefits was conducted as at December 31, 2015 and has been extrapolated to estimate the liability for the 2016 period. The next required valuation will be performed in 2019 using information as of December 31, 2018.

The significant actuarial assumptions adopted in estimating the City's WSIB liabilities are as follows:

- Discount rate 4.25% (2012 - 4%)
- Expected future WSIB payments per lost time injury 69% (2012 - 49%)
- Health care inflation CPI plus 4% (2012 - CPI plus 4%)
- WSIB administration rate 36% (2012 - 36%)
- Lost time injury count 50 (2012 - 51)

Information about the City's WSIB liability is as follows:

	2016	2015
	\$	\$
Accrued benefit obligation, beginning of year	5,822	5,617
Plan amendment	1,039	-
Current service cost	820	824
Interest	290	224
Benefits paid	(853)	(843)
Accrued benefit obligation, end of year	7,118	5,822
Unamortized net actuarial loss	(274)	(423)
	6,844	5,399

Information about the City's WSIB expenses recognized in the period is as follows:

	2016	2015
	\$	\$
Plan amendment	1,039	-
Current period benefit cost	820	824
Amortization of losses	149	150
Interest expense	290	224
	2,298	1,198

A reserve in the amount of \$1,452 (2015 - \$1,799) has been accumulated to fund this liability.

b) Liability for sick leave

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

A comprehensive actuarial valuation was completed as of December 31, 2013 and extrapolated for the 2016 year end. The next required valuation will be performed in 2017 using information as of December 31, 2016.

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

8. Employee future benefits and other liabilities (continued)

b) Liability for sick leave (continued)

The significant actuarial assumptions adopted in estimating the City's sick leave liabilities are as follows:

- Discount rate 4.75% (2012 – 4.75%)
- Inflation rate 2% (2012 - 2%)
- Future salaries 3% per year (2012 – 3.5%)

Information about the City's sick leave liability is as follows:

	2016	2015
	\$	\$
Accrued benefit obligation, beginning of year	11,114	10,903
Current service cost	698	654
Interest	508	511
Benefits paid	(1,534)	(954)
Accrued benefit obligation, end of year	10,786	11,114
Unamortized net actuarial loss	(1,447)	(1,623)
	9,339	9,491

Information about the City's sick leave expenditures recognized in the period is as follows:

	2016	2015
	\$	\$
Current period benefit cost	698	654
Amortization of net actuarial loss	175	175
Interest expense	508	511
	1,381	1,340

There are currently reserves totaling \$9,589 (2015 - \$9,069) available to fund this liability.

c) Post retirement benefits

The City provides dental and health care benefits between the time an employee retires under OMERS, or retires at a normal retirement age, up to the age of 65.

The significant actuarial assumptions adopted in estimating the City's liabilities are as follows:

- Discount rate 4.75% (2012 – 4.75%)
- Consumer price index 2.0% (2012 - 2.0%)
- Prescription drugs trend rate 5.67% reducing 4.0% per year to reach 4.0% per year starting in 2019 (2012 – no change)
- Dental and other medical trend rates 4.0% (2012 – 4.0%)

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

8. Employee future benefits and other liabilities (continued)

c) Post retirement benefits

Information about the City's employee post retirement benefits are as follows:

	2016	2015
	\$	\$
Accrued benefit obligation, beginning of year	19,944	19,396
Current service cost	948	890
Interest	940	913
Benefits paid	(1,263)	(1,255)
Accrued benefit obligation, end of year	20,569	19,944
Unamortized net actuarial loss	(2,980)	(3,094)
	17,589	16,850

Information about the City's employee future benefit expenses recognized in the period is as follows:

	2016	2015
	\$	\$
Current period benefit cost	948	890
Amortization of net actuarial loss	114	113
Interest expense	940	913
	2,002	1,916

A comprehensive actuarial valuation was completed as of December 31, 2013 and extrapolated for the 2016 year end. The next required valuation will be performed in 2017 using information as of December 31, 2016.

9. Debt

a) The debt is comprised of the following components:

	2016	2015
	\$	\$
Debentures - repayable at rates ranging from 0.95% to 5.237% and maturing from 2018 through 2031	118,988	62,818
Long-term loans - repayable at rates ranging from 2.105% to 6.38% and maturing in 2017 and 2025	14,525	15,713
	133,513	78,531

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

9. Debt (continued)

Included in accounts payable and accrued liabilities is \$1,056 (2015 - \$1,392) representing the fair market value of the interest rate swap facilities.

All debt is payable in Canadian dollars. Refer to schedule 3 for further details.

b) The debt is repayable in the following periods and will be funded through the following revenue sources:

	General taxation	User pay and other	Total
	\$	\$	\$
2017	24,210	185	24,395
2018	14,311	195	14,506
2019	13,505	205	13,710
2020	10,931	216	11,147
2021	11,063	228	11,291
Thereafter	55,403	3,061	58,464
	129,423	4,090	133,513

c) Total charges during the year for debt are as follows:

	2016	2015
	\$	\$
Principal repayments	7,518	9,951
Interest	3,526	3,313
	11,044	13,264

10. Financing Agreement

On December 19, 2012, the City, the County of Wellington and the County of Dufferin (the "obligated municipalities") entered into a Financing Agreement with the Wellington-Dufferin-Guelph Public Health ("Public Health") to finance the cost of building two new Public Health facilities at Chancellors Way, Guelph, and Broadway, Orangeville.

The Financing Agreement allows for quarterly advances of capital by the obligated municipalities to Public Health beginning in January 2013, until the completion of the new facilities. The total amount of the advances will not exceed \$24,400. Interest will be calculated annually, commencing on the 1st day of the month following the date of substantial completion of both facilities. The interest rate will be 3.34% per annum, and the term and amortization of the loan will be twenty years. Repayment to the obligated municipalities will commence thirty days following certification by the project's architect of substantial completion of both facilities. The whole or any part of the capital financing under this agreement may be prepaid at any time or times without penalty or bonus. As of December 31, 2016, \$6,973 (2015 - \$7,266) related to this agreement is included in loans and notes receivable on the statement of financial position.

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

11. Landfill post-closure liability

The City owns one landfill site. This landfill site was closed in 2003. The liability for post-closure costs has been reported on the unconsolidated statement of financial position. The liability was calculated based upon the present value of estimated post-closure costs discounted to December 31, 2016 at a factor of 3.5% (2015 – 3.5%) per annum. Post-closure care is estimated to be required for 35 years from the date of site closure.

The estimated expenditures for post-closure care as at December 31, 2016 are \$4,540 (2015 - \$4,564).

No reserve funds have been established to fund this liability as at December 31, 2016, as the City is funding this cost annually through the budget process.

12. Other long-term liabilities

The City offers three tax-increment based grant ("TIBG") programs in the areas of Heritage Redevelopment, Brownfield Redevelopment and Downtown Development.

The tax-increment based grants are approved individually by Council and require annual reporting and property tax payment by the applicant into order for the City to pay a grant installment. The agreements have two identifiable phases: i) grant pre-approval and construction phase; ii) grant approval and payment phase.

In 2016, the City has four TIBG agreements that are in the grant payment phase:

a) TIBG Agreements

	2016	2015
	\$	\$
Heritage Redevelopment	8	1,606
Downtown Development	1,892	854
Brownfield Strategy	291	291
	2,191	2,751

b) The TIBG's are repayable in the following periods:

	2016	2015
	\$	\$
2016	-	1,743
2017	280	148
2018	280	148
2019	280	148
2020	280	145
2021	273	142
Thereafter	798	277
	2,191	2,751

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

13. Tangible capital assets

				2016
Cost	Balance, beginning of year	Additions	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	77,827	5,028	(751)	82,104
Buildings	260,642	5,355	-	265,997
Machinery and equipment	146,718	11,808	(3,360)	155,166
Vehicles	70,183	6,089	(5,263)	71,009
Infrastructure				
Sanitary sewers & waste water	272,214	14,072	-	286,286
Storm water	195,224	9,342	-	204,566
Transportation	401,418	14,589	-	416,007
Waterworks	239,104	15,878	-	254,982
Assets under construction	24,281	4,702	-	28,983
	1,687,611	86,863	(9,374)	1,765,100
Accumulated amortization	Balance, beginning of year	Amortization	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	6,327	850	(34)	7,143
Buildings	79,336	8,260	-	87,596
Machinery and equipment	93,994	8,784	(2,689)	100,089
Vehicles	40,144	5,595	(4,200)	41,539
Infrastructure				
Sanitary sewers & waste water	138,972	4,808	-	143,780
Storm water	53,478	2,932	-	56,410
Transportation	210,358	8,542	-	218,900
Waterworks	98,776	4,776	-	103,552
	721,385	44,547	(6,923)	759,009
Net book value	Balance, beginning of year			Balance, end of year
	\$			\$
Land and land improvements	71,500			74,961
Buildings	181,306			178,401
Machinery and equipment	52,724			55,077
Vehicles	30,039			29,470
Infrastructure				
Sanitary sewers & waste water	133,242			142,506
Storm water	141,746			148,156
Transportation	191,060			197,107
Waterworks	140,328			151,430
Assets under construction	24,281			28,983
	966,226			1,006,091

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

13. Tangible capital assets (continued)

Cost				2015
	Balance, beginning of year	Additions	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	77,730	2,204	(2,107)	77,827
Buildings	252,587	8,055		260,642
Machinery and equipment	142,195	7,631	(3,108)	146,718
Vehicles	65,775	7,574	(3,166)	70,183
Infrastructure				
Sanitary sewers & waste water	269,747	2,467	-	272,214
Storm water	191,394	3,895	(65)	195,224
Transportation	392,540	8,920	(42)	401,418
Waterworks	230,103	9,001	-	239,104
Assets under construction	10,724	13,557	-	24,281
	1,632,795	63,304	(8,488)	1,687,611
Accumulated amortization				2015
	Balance, beginning of year	Amortization	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	5,633	776	(82)	6,327
Buildings	71,321	8,015		79,336
Machinery and equipment	88,389	8,446	(2,841)	93,994
Vehicles	36,382	6,032	(2,270)	40,144
Infrastructure				
Sanitary sewers & waste water	134,067	4,905	-	138,972
Storm water	50,651	2,832	(5)	53,478
Transportation	202,093	8,275	(10)	210,358
Waterworks	93,783	4,993	-	98,776
	682,319	44,274	(5,208)	721,385
Net book value				2015
	Balance, beginning of year (restated)			Balance, end of year
	\$			\$
Land and land improvements	72,097			71,500
Buildings	181,266			181,306
Machinery and equipment	53,806			52,724
Vehicles	29,393			30,039
Infrastructure				
Sanitary sewers & waste water	135,680			133,242
Storm water	140,743			141,746
Transportation	190,447			191,060
Waterworks	136,320			140,328
Assets under construction	10,724			24,281
	950,476			966,226

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

14. Accumulated surplus

The accumulated surplus is comprised of the following components:

	2016	2015
	\$	\$
Reserves set aside for specific purpose by Council:		
for employee future benefits	11,696	12,015
for stabilization and contingency	21,606	13,996
for program related purposes	11,884	11,488
Total reserves - Schedule 4	45,186	37,499
Reserve funds set aside for specific purpose by Council:		
for capital financing purposes - Schedule 4	148,310	138,392
Total reserves and reserve funds	193,496	175,891
Invested in tangible capital assets	1,006,091	966,226
Investment in Guelph Municipal Holdings Inc.	67,122	69,939
Investment in Guelph Junction Railway Company	7,811	7,305
Operating fund	52,886	(2,430)
Unfunded liabilities		
Debt	(133,513)	(78,531)
Contaminated sites liability	(26,860)	(24,396)
Employee future benefits and related liabilities	(39,563)	(37,390)
Landfill post closure liability	(4,540)	(4,564)
Total	929,434	896,159
Accumulated surplus	1,122,930	1,072,050

In accordance with the City's policy for reserve funds, interest is earned on the average reserve fund balance for the year at the average internal rate of return earned during the year. In 2016, \$2,751 (2015 - \$2,999) of interest was earned by the reserve funds and is an increase in reserve and reserve funds.

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

15. Expenditures by object

The following is a summary of the current expenses reported on the unconsolidated statement of operations and accumulated surplus by the type of expenses:

	2016	2015
	\$	\$
Salaries, wages and employee benefits	181,786	174,924
Interest on debt	3,526	3,313
Materials	36,518	37,322
Purchased services	34,854	31,138
Rents and financial expenses	9,472	10,656
External transfers	64,566	63,165
Amortization of tangible capital assets	44,547	44,274
	375,269	364,792

16. Shared service agreements

Certain programs as mandated by provincial legislation are managed by neighboring municipalities on behalf of the City and certain programs are also managed by the City on behalf of other municipalities.

The City's share of revenues and expenses from social service programs managed by Wellington County are as follows:

	2016	2015
	\$	\$
Revenues		
Social housing	6,251	5,568
Child care	9,364	8,776
Social services	13,530	13,280
	29,145	27,624
Expenses		
Social housing	20,080	20,830
Child care	11,421	10,958
Social services	16,701	16,705
	48,202	48,493
Net expenses	(19,057)	(20,869)

The City's share of net expenses for social housing is 83% (2015 - 82%), child care 75% (2015 - 74%) and social services 67% (2015 - 68%).

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

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16. Shared service agreements (continued)

The City's share of revenues and expenses from programs managed by the City are as follows:

	2016	2015
	\$	\$
Revenues		
Land Ambulance	5,749	5,033
Provincial Offences Act	1,738	1,369
	<u>7,487</u>	<u>6,402</u>
Expenses		
Land Ambulance	11,145	10,466
Provincial Offences Act	1,186	1,027
	<u>12,331</u>	<u>11,493</u>
Net expenses	<u>(4,844)</u>	<u>(5,091)</u>

The City's share of net expenses for land ambulance is 62% (2015 – 62%) and Provincial Offences Act is 59% (2015 – 55%).

The Provincial Offences Act revenues are recorded on a cash basis due to regulatory restrictions. As at December 31, 2016 there are \$16,484 (2015 - \$14,337) of over-due fines receivable and of this amount \$92 (2015 - \$8,022) is considered uncollectable, and \$3,164 (2015 - \$nil) is a collection agency cost and fully recoverable upon receipt of payment.

The City's share of the net expenses for all the above programs, are included in the consolidated statement of operations and accumulated surplus.

17. Liability for contaminated sites

The City reports environmental liabilities related to the management and remediation of contaminated sites where the City is obligated or likely obligated to incur such costs. A contaminated sites liability of \$26,860 (2015 - \$24,396) has been recorded based on environmental assessments or estimates for those sites where an assessment has not been conducted.

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

18. Contingencies

From time to time, the City may be involved in other claims in the normal course of business. Management assesses such claims and where considered likely to be material exposure and, where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of the likely outcome. The City does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of loss cannot be reasonably estimated. Any settlements or awards under such claims are provided when reasonably determinable.

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

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19. Commitments and guarantees

- a) The City has guaranteed a non-revolving facility for Guelph Community Sports which is supported by Council resolution authorizing provision of such guarantee in favour of Guelph Community Sports. The balance of the guaranteed facility is estimated to be \$379 as at August 31, 2016.
- b) The City has commitments under a variety of leases and agreements of which the longest expires on June 18, 2088. The minimum lease payments over the next five years are as follows:

	\$
2017	952
2018	945
2019	825
2020	761
2021	578
Thereafter	1,351
	<u>5,412</u>

- c) The City has commitments totaling \$91 (2015 - \$nil) resulting from agreements entered into as part of the Heritage Redevelopment Grant Program. Grant expenses will be recognized upon the applicant meeting all the eligibility criteria.
- d) The City has commitments totaling \$10,161 (2015 - \$10,161) resulting from agreements entered into as part of the Brownfield Tax Increment Based Grant Program. Grant expenses will be recognized in the year of reassessment by MPAC and when all eligibility criteria have been met by the applicant.
- e) The City has commitments totaling \$16,295 (2015 - \$18,248) resulting from agreements entered into as part of the Major Downtown Activation Grant Program. Grant expenses will be recognized in the year of reassessment by MPAC and when all eligibility criteria have been met by the applicant.
- f) Other obligations include:

Other community grants

The City has committed to providing various grants to organizations in the community totalling \$505 (2015 - \$435).

20. Local Immigration Partnership

Included in the consolidated statement of operations and accumulated surplus are the activities of the Local Immigration Partnership Program (LIPP) which is a federally funded program for the purpose of creating a more welcoming community for immigrants by focusing efforts on employment services, English language training, community integration/inclusion and community services/programs. During 2016, the City of Guelph received \$223 (2015 - \$234) of funding from Citizenship and Immigration Canada related to the operation this program.

21. Budget figures

Budgets are established to set tax rates or to finance projects which may be carried out over one or more years. Budget figures have been translated to reflect changes in PSAB standards on the unconsolidated statement of operations and accumulated surplus by adjusting for amortization of tangible capital assets, including the consolidated entities and excluding budgeted amounts for the debt principal repayment and reserve transfers.

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

22. Segmented information

The City of Guelph is a diversified municipal government institution that provides a wide range of services to its citizens. For management reporting purposes, the City's operations and activities are organized and reported on in two groups: Operating Fund and Capital Fund. These funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Within the operating fund, the City's operations are further defined into the Tax Supported and Non Tax Supported categories and then segregated into four service area pillars: Office of the Chief Administrative Officer, Corporate Services, Infrastructure, Development & Enterprise Services, and Public Services.

Although City services are provided internally by these defined service areas, for financial reporting, the City has chosen to remain consistent with the Ontario Financial Information Return (FIR) and the nine functional areas that it prescribes. This will allow comparability between our Schedule of Segment Disclosure (Schedules 1 and 2 attached) and several schedules on the FIR that require full segment disclosure of operating expenses and limited disclosure of operating revenues.

The services that have been separately disclosed in the segmented information are defined by the compositional requirements of the FIR as follows:

General Government

Governance (election management, Council, Council support, Office of the Mayor)

Corporate management (Office of the CAO, finance, corporate communications, legal, corporate properties and real estate and information technology)

Protection services

Police services, fire services, 911 service, court operations, building and structural inspection, parking enforcement, by-law enforcement and animal control

Transportation services

Roadways – including asphalt resurfacing and crack sealing, line painting, sweeping, traffic operations and maintenance of roadside areas, culverts and bridges

Winter control, street lighting, parking and public transit

Environmental services

Water, wastewater, storm sewers, and solid waste collection, disposal and recycling

Health services

Land ambulance operations and City's proportionate share of Public Health

Social housing

Social housing program costs

Social and family services

General assistance (Ontario Works) and childcare programs, contributions to The Elliott operations

Recreation and cultural services

Parks, recreational facilities, recreational programs, libraries, museums, River Run Centre, Sleeman Centre and other cultural services

Planning and development services

Planning and zoning, Committee of Adjustment, tourism, economic development, and Downtown Guelph Business Association operations

City of Guelph

Notes to the unconsolidated financial statements

December 31, 2016

(\$000's)

23. Comparative figures

Certain 2015 comparative figures have been reclassified in order to present them in a form comparable to those for 2016.

City of Guelph

Unconsolidated schedule of segment disclosure - Schedule 1

year ended December 31, 2016

('000's)

(Unaudited)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Recreation & Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Taxation	224,088	-	-	-	-	-	-	-	-	224,088
User charges	982	1,142	13,937	63,932	25	195	-	5,987	648	86,848
Contributed subdivision assets	9,470	-	-	-	-	-	-	-	-	9,470
Contributions	1,207	9,773	17,126	11,394	8,821	23,194	6,251	6,163	224	84,153
Other										
Investment income	5,091	-	-	60	-	526	-	-	-	5,677
Donations	-	16	-	-	-	-	-	457	-	473
Sales of equipment, publications	3	4	5	3,699	-	92	-	1,475	2	5,280
Recoveries	414	96	1,400	969	-	6	-	686	181	3,752
Licences and permits	76	3,740	-	40	-	-	-	21	-	3,877
Provincial offences act	-	3,292	-	-	-	-	-	-	-	3,292
Other fines	-	1,206	-	-	-	-	-	-	-	1,206
Gain (loss) on disposal of tangible capital assets	5	(290)	(887)	(62)	16	-	-	(9)	71	(1,156)
Gain from Government Business Enterprises	(811)	-	-	-	-	-	-	-	-	(811)
	240,525	18,979	31,581	80,032	8,862	24,013	6,251	14,780	1,126	426,149
Expenses										
Salaries, wages and employee benefits	18,298	67,806	33,259	20,404	14,839	641	-	22,477	4,062	181,786
Interest on debt	845	487	361	774	58	249	-	532	220	3,526
Materials	993	1,826	12,601	15,446	825	138	-	4,563	126	36,518
Purchased services	5,994	3,891	4,892	14,052	437	52	418	3,789	1,329	34,854
Rents and financial expenses	3,101	176	1,309	3,497	190	-	-	1,187	12	9,472
External transfers	1,693	1,009	165	1,810	3,683	29,502	23,322	1,397	1,985	64,566
Internal charges	(6,811)	402	(4,808)	6,977	1,744	74	-	2,438	(16)	-
Amortization of tangible capital assets	3,976	3,064	16,324	14,145	644	129	20	5,945	300	44,547
	28,089	78,661	64,103	77,105	22,420	30,785	23,760	42,328	8,018	375,269
Excess of revenues over expenses										
(expenses over revenues)	212,436	(59,682)	(32,522)	2,927	(13,558)	(6,772)	(17,509)	(27,548)	(6,892)	50,880

City of Guelph

Unconsolidated schedule of segment disclosure - Schedule 2

year ended December 31, 2015

('000's)

(Unaudited)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Recreation & Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues										
Taxation	212,974	-	-	-	-	-	-	-	-	212,974
User charges	1,001	1,125	13,081	61,562	34	202	-	6,839	716	84,560
Contributed subdivision assets	5,430	-	-	-	-	-	-	-	-	5,430
Contributions	3,346	6,080	16,830	14,183	8,023	22,400	5,568	3,229	242	79,901
Other										
Investment income	7,344	-	-	69	-	545	-	-	-	7,958
Donations	-	14	-	-	-	13	-	488	-	515
Sales of equipment, publications	2	8	2	4,563	-	86	-	1,655	5	6,321
Recoveries	394	109	1,789	1,052	-	255	-	880	166	4,645
Licences and permits	67	3,273	-	52	-	-	-	24	-	3,416
Provincial offences act	-	2,588	-	-	-	-	-	-	-	2,588
Other fines	-	1,221	-	-	-	-	-	-	-	1,221
Gain (loss) on disposal of tangible capital assets	(46)	(130)	415	(712)	-	-	-	(171)	(133)	(777)
Gain from Government Business Enterprises	1,935	-	-	-	-	-	-	-	-	1,935
	232,447	14,288	32,117	80,769	8,057	23,501	5,568	12,944	996	410,687
Expenses										
Salaries, wages and employee benefits	17,308	66,219	30,697	20,616	14,109	733	-	21,567	3,675	174,924
Interest on debt	903	406	163	867	4	275	-	484	211	3,313
Materials	918	1,804	14,013	14,805	784	169	-	4,696	133	37,322
Purchased services	5,303	3,375	5,447	12,316	351	65	461	3,130	690	31,138
Rents and financial expenses	3,852	161	1,102	3,701	198	2	-	1,617	23	10,656
External transfers	1,708	885	1,782	1,568	3,610	29,134	20,890	1,269	2,319	63,165
Internal charges	(6,714)	359	(5,112)	7,197	1,662	98	1	2,529	(20)	-
Amortization of tangible capital assets	3,876	3,084	13,580	17,045	672	124	20	5,590	283	44,274
	27,154	76,293	61,672	78,115	21,390	30,600	21,372	40,882	7,314	364,792
Excess of revenues over expenses (expenses over revenues)	205,293	(62,005)	(29,555)	2,654	(13,333)	(7,099)	(15,804)	(27,938)	(6,318)	45,895

City of Guelph

Unconsolidated schedule of debt - Schedule 3

December 31, 2016

('000's)

Bylaw	Project description	Term	Maturity date	Interest rates	2016	2015
					\$	\$
Debentures:						
18105	New City Hall	25	28-Aug-31	5.237%	14,503	15,127
18105	New POA Court	25	28-Aug-31	5.237%	4,091	4,266
18622	Social Services Building Renovation	10	25-Sep-18	3.25% to 4.70%	632	931
18622	Police HQ Renovations	10	25-Sep-18	3.25% to 4.70%	293	432
18622	Road Projects - Gordon, Victoria, Cardigan, Clair	10	25-Sep-18	3.25% to 4.70%	1,262	1,829
18622	Bus Storage Area Expansion	10	25-Sep-18	3.25% to 4.70%	43	63
18622	Organic Waste Facility - Roof Repairs	10	25-Sep-18	3.25% to 4.70%	115	170
18898	Road Projects - Gordon, Victoria, Eramosa	10	25-Nov-19	.95 % to 4.60%	252	330
18898	South End Station	10	25-Nov-19	.95 % to 4.60%	2,211	2,895
18898	New City Hall	10	25-Nov-19	.95 % to 4.60%	763	999
18898	Land Purchase	10	25-Nov-19	.95 % to 4.60%	282	369
18898	Public Drop Off Facility	10	25-Nov-19	.95 % to 4.60%	72	94
18898	Transit Terminal Road Upgrades	10	25-Nov-19	.95 % to 4.60%	620	810
18898	Watermain Projects - Laird, Arkell, Scout Camp	10	25-Nov-19	.95 % to 4.60%	2,111	2,763
18898	Waste Water Treatment Plant Facility Upgrade	10	25-Nov-19	.95 % to 4.60%	1,940	2,539
19294	Organic Waste Facility Composter Rebuild	10	9-Nov-21	1.25% to 3.70%	14,734	17,490
19294	Civic Museum Renovations	10	9-Nov-21	1.25% to 3.70%	2,999	3,560
19294	On behalf of the Elliott	10	9-Nov-21	1.25% to 3.70%	6,867	8,151
20084	Public Health Facilities	7	20-Jul-23	1.20% to 2.25%	6,703	-
20084	Roads Projects - Carden & Downtown	7	20-Jul-23	1.20% to 2.25%	5,535	-
20084	Land Purchase - Baker Street	7	20-Jul-23	1.20% to 2.25%	1,137	-
20084	Waste Management Carts	7	20-Jul-23	1.20% to 2.25%	4,346	-
20084	Roads Projects - Clair & Laird Road	7	20-Jul-23	1.20% to 2.25%	5,248	-
20084	Roads Projects - Clair & Laird Road - DC	10	20-Jul-26	1.20% to 2.25%	13,309	-
20084	Police HQ Renovations	7	20-Jul-23	1.20% to 2.25%	8,200	-
20084	Police HQ Renovations - DC	10	20-Jul-26	1.20% to 2.25%	7,800	-
20084	Victoria Road Recreation Facility Renovation	10	20-Jul-26	1.20% to 2.25%	12,922	-
					118,990	62,818
Other loans:						
	Mortgage RBC - Sleeman Centre	10	01-May-17	3.04%	283	1,120
	CIBC Loan - Sleeman Centre - SWAP	18.8	01-Sep-25	6.38%	4,242	4,593
	TD Interest only loan	5	31-Dec-17	2.105%	10,000	10,000
					14,525	15,713
Debt					133,515	78,531

City of Guelph

Unconsolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2016

('000's)

Code	Description	2016	2015
		\$	\$
Reserves:			
For Employee Future Benefits:			
100	Sick Leave - Fire	5,475	5,207
101	Sick Leave - Police	4,114	3,862
330	WSIB	1,452	1,799
338	Land Ambulance Retirement	655	722
212	Early Retiree Benefits	-	425
		11,696	12,015
For Stabilization and Contingency:			
131	Compensation Contingency	5,414	1,838
180	Tax Rate Stabilization	6,810	3,206
181	Water Rate Stabilization	3,040	2,521
182	Waste Water Rate Stabilization	3,844	3,297
105	Wastewater Contingency	890	890
106	Water Contingency	858	418
198	Operating Contingency	750	750
191	Human Resource Contingency	-	1,125
		21,606	14,045
For Program Related:			
184	Insurance	2,145	2,145
119	Affordable Housing	794	650
122	Brownfield Strategy	3,131	2,329
206	Building Operating Maintenance	82	77
192	Heritage Redevelopment	3	1,159
193	Ontario Municipal Board	1,555	1,555
194	Downtown Improvements	332	349
195	Election Costs	400	275
196	Joint Job Evaluation Committee	-	276
345	Westminster Woods	35	35
197	Human Resource Negotiations	-	173
210	Information Technology Licences	849	760
211	POA Contingency	468	213
205	Community Investment Strategy	89	89
179	Strategic Priorities	663	689
358	Downtown TIBG Reserve	1,338	665
		11,884	11,439
Total Reserves		45,186	37,499

City of Guelph

Unconsolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2016

('000's)

Code	Description	2016	2015
		\$	\$
Reserve Funds:			
111	Fire	-	614
113	Transit	-	1,035
115	Police	2,927	1,053
116	Waste Management	-	576
118	Computers	-	755
121	Play Equipment	-	407
124	Operations Fleet	-	5,251
120	POA Relocation	1,132	963
135	Museum Development	93	132
136	McCrae House Development	24	33
137	Moon-McKeigan	15	15
138	Library Bequests	370	325
150	Infrastructure Renewal	22,488	5,146
151	Capital Parking	-	1,141
152	Capital Waterworks	46,870	45,169
153	Capital Wastewater	59,270	53,846
154	Capital Strategic Plan	16	16
155	Capital Landfill Compensation	80	102
156	Growth Capital	4,526	3,387
157	Capital Library	899	854
158	Capital Police	3,216	2,161
159	City Building Capital	1,815	198
160	Road Infrastructure	-	2,263
162	Capital Sleeman Centre	34	-
164	Capital Roads	(24)	573
165	Capital Stormwater	10	358
166	Capital Park Planning	-	482
167	Capital Policy Planning	-	659
169	Capital Operations	-	1,550
171	Capital Culture	-	136
172	Capital Transit	-	1,704
176	Capital Info Services	-	940
186	Capital Waste Management	-	45
189	Capital GSEC	51	43
190	Building Life Cycle	-	1,166
331	Road Widening	895	877
332	Industrial Land	(6,846)	(6,829)
Carried forward to next page		137,861	127,146

City of Guelph

Unconsolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2016

('000's)

Code	Description	2016	2015
		\$	\$
	Carried forward from previous page	137,861	127,146
340	Capital River Run	108	68
350	Transportation Demand Management	23	23
351	Capital Asset Renewal	8,690	8,494
352	Greenhouse Gas	148	327
353	Waterworks DC Exempt	524	647
354	Wastewater DC Exempt	713	1,576
355	Greening	-	(15)
356	Public Art	151	83
357	Brownfield Capital	92	43
Total Reserve Funds		148,310	138,392
Total Reserves and Reserve Funds		193,496	175,891

City of Guelph

Guelph Public Library Board - Schedule 5

Statement of revenue and expense

year ended December 31, 2016

('000's)

	2016 Budget	2016 Actual	2015 Actual
	\$	\$	\$
OPERATING FUND			
Revenue			
Grant - Province of Ontario	168	168	168
Donations	69	102	89
Fees and service charges	290	257	275
Sundry revenue	23	40	20
	550	567	552
Expenses			
Administrative and office	8	6	12
Operating supplies	439	581	246
Repairs and maintenance	526	460	424
Interest on long-term debt	-	-	19
Consulting and professional fees	43	121	87
Communications	178	195	170
Amortization	-	1,098	944
Training	40	44	32
Salaries and benefits	5,666	5,842	5,686
Rental and leases	949	788	862
Furniture and equipment	29	1	5
Utilities and taxes	139	159	143
	8,017	9,295	8,630
Net operating deficit	(7,467)	(8,728)	(8,078)
CAPITAL FUND			
Developer contribution revenues	-	256	397
Tangible capital asset acquisitions	(1,695)	(1,155)	(1,627)
Net capital deficit	(1,695)	(899)	(1,230)
Total combined net deficit	(9,162)	(9,627)	(9,308)
Less: net contributions (to)/from reserves	194	198	127
Less: debt principal repayments	-	-	(84)
	(8,968)	(9,429)	(9,265)
City of Guelph share of net deficit	8,968	9,429	9,265
Fund balance, end of year	-	-	-

City of Guelph

Guelph Police Services Board - Schedule 6

Statement of revenue and expense

year ended December 31, 2016

('000's)

	2016 Budget	2016 Actual	2015 Actual
	\$	\$	\$
OPERATING FUND			
Revenue			
Grants	1,750	1,955	1,824
Other fees and recoveries	914	955	1,036
	<u>2,664</u>	<u>2,910</u>	<u>2,860</u>
Expenses			
Amortization	-	1,361	1,431
Personnel supplies	157	111	125
Professional services	1,178	1,351	1,263
Fleet	698	482	500
Repairs and maintenance	215	191	209
Corporate development and travel	485	484	425
Rental and lease	107	111	70
Communication	357	372	169
Utilities, taxes and insurance	498	403	427
Banking and other fees	15	8	9
Software	230	222	243
Operating, admin and office supplies	264	236	232
Interest on long-term debt	-	199	91
Salaries and benefits	36,604	35,969	35,092
	<u>40,808</u>	<u>41,500</u>	<u>40,286</u>
Net operating deficit	<u>(38,144)</u>	<u>(38,590)</u>	<u>(37,426)</u>
CAPITAL FUND			
Revenue			
Province of Ontario grants	-	44	93
Other revenues	-	3,639	27
	<u>-</u>	<u>3,683</u>	<u>120</u>
Expenses			
Loss (gain) on disposal of tangible capital assets	(5)	287	50
Tangible capital asset acquisitions	2,626	9,357	2,948
Net capital deficit	<u>(2,621)</u>	<u>(5,961)</u>	<u>(2,878)</u>
Total combined net deficit	<u>(40,765)</u>	<u>(44,551)</u>	<u>(40,304)</u>
Add: net contributions from reserves	2,618	7,673	3,463
Less: debt principal repayments	(139)	(139)	(440)
	<u>(38,286)</u>	<u>(37,017)</u>	<u>(37,281)</u>
City of Guelph share of net deficit	<u>(38,286)</u>	<u>(37,017)</u>	<u>(37,281)</u>
Fund balance, end of year	<u>-</u>	<u>-</u>	<u>-</u>

The recommendation contained within the City PS 17 10 report which will be presented to CoW on June 6, 2017 regarding new splash pads should be rejected by both the CoW and Council for the following reasons:

1) Based on the stats in table 2 of PS 17 10, (Benchmark of similar municipalities) Guelph's ratio for the 10 water facilities for kids under 14 is 1:2,470. If you closed one of the ones that staff wants to replace with a splash pad we would have 9 water facilities which would bring the service ratio to 1:2,753 which is still within the City's stated target of 1:3,000. If you closed both the ones that staff want to replace, the ratio would be 1:3,098 which to all intents and purposes would meet the service target of 1:3,000. In any case if Guelph only had 8 pads, its ratio of 1:3,098 would fall from being the second most serviced municipality in the comparators to the 4th which is still an acceptable ratio. When you consider that the City is opening 2 new splash pads in 2017 (Jubilee Park and Northview Park) we will be over-serviced with 12 facilities as the ratio will be 1:2,065 and if we did no replacement the current ratio of 1:2,470 remains unchanged.

2) The BMA report for 2015 (page 220 – most current report available), reports the parks cost per person in Guelph is \$62 compared with the average in Ontario of \$42, or \$20 per person more than the average municipality (when extrapolated over the population of Guelph this means we spend \$2,620,000 more than the average Ontario municipality on parks). If we reduced spending in this area to the Ontario average, the \$2.6 million saved annually would go a long way to help fund the infrastructure gap about which we are all concerned. To spend more in an area in which we are over-serviced is financially irresponsible. If this reduction had been done for the 2017 budget, there would not have been the necessity to have the infrastructure levy that Council approved in December 2016.

3) The same BMA report says Guelph spends \$49 per \$100,000 of CVA compared with the Ontario average of \$35, yet another indicator that clearly indicates we should not spend more in this area.

4) The PS 17 10 report talks about water efficiency and compares the cubic meters per day used by splash pads and wading pools. The report indicates wading pools use 85 cubic metres per day versus 32 cubic metres per day for splash pads. Spending \$1,200,000 to save 53 cubic metres of water a day (or 3,180 cubic meters a year – outdoor aquatics are open for 60 days in the summer) is also irresponsible. How much water does the city consume in a year compared to this 3,180 cubic metre saving? According to the April 6, 2016 Gauley and Associates water consumption report commissioned by the City of Guelph, the average consumption per day is 45,000 cubic metres per day. On page 2 of 13 of PS 17 10 it says there would be significant water savings by changing to splash pads. The water savings for this project on an annualized basis is 0.04% of total usage, hardly a significant saving.

5) The report says it costs \$19,000 per year to operate a wading pool and \$15,000 a year to operate a splash pad. Spending \$1,200,000 to save \$8,000 per year is financially irresponsible.

My recommendation to you is to close the ones you were planning to renovate since they are effectively being replaced by Jubilee Park and Northview Park and your current servicing ratio of 1:2,470 remains unchanged and exceeds your current service level target. Additionally you would save the entire water usage of the two wading pools at no cost.

Sincerely,

Pat Fung, B. Comm., CPA, CA (Ward 6)

I think that Council has been put into a difficult situation with the request to move forward with this trial project because there are currently no measurements contained in the proposal that have success or failure criteria. To make a decision on a pilot project without a clear method of evaluation is fraught with danger. I have set out below some information that Council should be presented with in order to make a wise decision for the taxpayers of Guelph.

The reports says “full financial impact is unknown due to limited ridership data on special events”. The report says “This one year pilot project would collect the necessary data and staff would provide council with the full financial impact after one year of running the program to assess its viability”

Surely, the City must know of some of the ridership data from Sleeman Centre events such as the Guelph Storm games when ridership was free versus when it wasn't free. Attendance at the Storm games is known, some kind of sensitivity or correlation could be created from that. Attendance at River Run for various events is a known thus a sensitivity analysis could be run against known past attendance and extrapolated for projected transit ridership outcomes in a model. Council must be provided with some measurements to allow it to make an informed decision.

It is only reasonable to Council and the taxpayers if the administration is up front with how it would consider the trial a success.

- Is increased ridership a target? If so, what is the minimum increase in ridership on those days to make this a success?
- How much time/effort and cost is going into promoting and planning this program?
- Are the actual costs for promoting and planning the program being measured?
- Are the actual costs for promoting and planning the program auditable by an independent party?
- The report mentions reducing congested parking downtown. How is this measured? Do you know what it is now? How will you decide if the congestion problem is solved? What is the criteria? What measurement will be used to measure reduced parking congestion downtown?
- What is current ridership during Sleeman Centre and River Run events?
- What would you expect the ridership to be to consider this a worthwhile venture going forward?

As a MINIMUM the above MUST be provided to Council before it can make an informed decision on whether to proceed otherwise our tax dollars are not being wisely spent. If no up-front success criteria is going to be provided at this time, you will be endlessly debating when the trial is over, whether the trial provides you with actionable measurements. At least if it is provided now, you can have an informed discussion. As the report is currently written you have no criteria on whether to go ahead or not. You will be making a faith based, instead of a knowledge based decision which is clearly fraught with danger.

Failure to provide this information makes it impossible for council to establish evaluation criteria. Administration must identify specific benefits that can be achieved by this project. The council must insist that a clear method of evaluation be in place before approval is given so it can know if project actually delivers those benefits.

Sincerely,

Pat Fung, B. Comm, CPA, CA

Ward 6

June 2nd, 2017

My name is Steven Petric and I am here this afternoon to speak on behalf the members of the Transit Advisory Committee regarding the Guelph Transit Route Realignment proposed for this fall.

The Transit Advisory Committee is cautiously optimistic that the proposed route and frequency changes will improve our transit system.

We believe that this is a decent first step towards a better transit system that places more buses where they are needed most now, along the Gordon, Norfolk, and Woolwich corridor. It also sets in place the foundation for other needed improvements that we hope will follow in the not-too-distant future.

We would like to applaud the hard work of Transit Staff for bringing forward a plan that won't cost the city any more than the present service does, yet improves it so much. While it is not by any means perfect, it sets the system up for great potential going forward.

Based on what we saw and heard at the public information sessions and read online, there appears to be strong support from the community for most of these changes, however, we also heard about many weaknesses.

For example, residents in the Grange/Metcalf area are concerned about the loss of their bus. In transit speak, this is considered in "a convenience route" because of relatively low ridership. Local residents, of whom many are seniors, will become cut off from the rest of the city with the loss of this service.

Concerns were also raised, but not included in this report, regarding the routing of some outbound buses through St. Georges Square. Most of Council will remember what happened in 2012 when this service was omitted. After almost nine months of pressure from the community and downtown businesses, the Council of the day voted to reinstate these stops.

There are also other concerns such as bus stop removals and placement of new ones, making connections to other bus routes and how transit will keep buses on-time along the 99 Mainline and other high demand routes.

Additionally, the Transit Advisory Committee felt that the Community Engagement Process for these changes was rushed. Members of TAC would have liked to have seen more Public Information Sessions over a longer period of time. As well, the online component had incomplete information, such as no downtown/campus maps, or clear schedules. Also an online comment card was only up for a few days. Going forward, TAC encourages that the city hold more frequent and longer consultation periods both online and in person.

Although this realignment doesn't address everyone's concerns and issues right now, it does set the system up for success as we move forward. To achieve that

success will require a commitment from Council to invest more into transit operations. The recent capital investments from all levels of Government are great starting points to bring more frequent and predictable service to all parts of Guelph. This is exactly what will make Guelph Transit a better service now and place it in a better position to handle population growth and increase transit modal share.

Committee members are generally pleased with the proposed route and frequency changes but are disappointed and concerned with the insufficient frequencies on other corridors, the loss of service to Grange/Metcalf area and inadequate service to and through St. Georges Square.

Transit has tremendous potential to contribute to more economically vibrant, livable and sustainable communities. The need to realize this potential in Guelph is increasingly important due to factors such as climate change, population growth, an aging demographic and availability of affordable transportation choices for individuals who do not have access to a private automobile.

Projected future growth in Guelph will place increasing pressure on existing transportation systems. We encourage Council to continue to invest in transit through both the capital and operating budgets.

Thank you.

Steven Petric

Report
Number

Guelp Transit Route Realignmen

JUNE AND
2017

PS-17-12

Removal of #13 Grange St-Metcalf St

- Do Transit plans fit into Age Friendly Guelp? Here are some facts to the proposed route.

① Distance from Cassino Avenue Bus stop and 130 Grange St. 600 M - 0.6 KM

DISTANCE from Elizabeth St. To 130 Grange St.

450 M - 0.45 KM

Cassino Avenue up Stevenson, especially has a steady incline for a good portion as well as Elizabeth having a steady incline before getting to Grange St. which is very steep.

② People cannot rely on the Community Bus for appointments, at times resulting in taxi fare.

③ Loss of freedom, independence, spontaneity. Opens doors for isolation - stress, anxiety.

④ Safety Issues - Venturing out after dark, falls, extreme heat - cold, personal safety.

⑤ personal support workers who travel by bus. Early morning or late evenings may have difficulty attending client.

⑥ Fears of losing community by some people.

Age Friendly Guelp - ON Dec. 19, 2014 became a member of the Global Age Friendly cities and communities for its promise to make Guelp a great place to age well.

- Transportation: Reliable, frequent, including week-ends and holidays. Removing #13 will take this away.

Outdoor Safety: Walking at night from either Cassino or Elizabeth St. is a safety issue especially for Sr's.

- City of Guelph Older Adult Community profile.

Anderson M; Oman F; Robson J; Harrison B, 2014 states
Do older Adults have ample opportunity to travel safely and conveniently whenever they want to go.
Self determination and choice.

I look at this statement and realize on a local level Self determination and choice will be removed. This is Not acceptable.

Some of us work, as I do in evenings and others have commitments in the evenings as well.

- Transportation: Respect and Social Inclusion.

- Community Bus: Many at 130 Grange switched for convenience from taking the #13 which is about 6-8 people. If we had known that a head count was going to be taken we would continued with the #13 to downtown. Removing the number 13 is Not a convenience but a necessity.

We understand the #13 decision was known some time ago but many had not realized that.

The Community Bus is a work in progress and do appreciate that we have it, although it falls short as mentioned in this letter. We need regular hours seven days a week as our buildings needs are very complex. We cannot except any thing less than dependable service to remain free, spontaneous and healthy mentally and physically and socially engaged. We need to be able to rely on that. We remain open and very hopeful.

Brenda Barmier
130 Grange Street

Petition Regarding the Guelph Transit Route Realignment

Submitted by Brenda Cormier

'Help Keep our Grange Street Bus Stop'

Guelph Transit is planning to eliminate the Grange Street bus stop in September, moving the bus stops, one to Cassino at William Street, and one to Elizabeth Street at Stevenson. To keep our bus stop on Grange, we plan to present this petition to City Hall and Guelph Transit. Your support is much appreciated.

180 Signatures Received

Original Available in the Clerk's Office