

Consolidated Financial Statements

**THE CORPORATION OF THE
CITY OF NORTH BAY**

Year ended December 31, 2016

THE CORPORATION OF THE CITY OF NORTH BAY

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Year ended December 31, 2016

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Corporation of the City of North Bay (the "City") are the responsibility of the City's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the City. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.



Chief Administrative Officer
A. Keith Robicheau



Chief Financial Officer
Margaret Karpenko



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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of North Bay

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

Other Matters

The financial statements of The Corporation of the City of North Bay for the year ended December 31, 2015 were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on June 13, 2016.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
June 13, 2017

THE CORPORATION OF THE CITY OF NORTH BAY

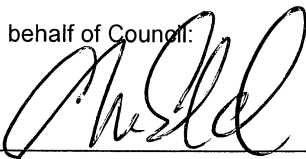
Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
FINANCIAL ASSETS:		
Cash and cash equivalents (note 7)	\$ 26,051,176	23,526,006
Investments (note 3)	38,437,642	20,133,861
Taxes receivable	3,960,086	4,225,947
Accounts receivable (note 4)	8,629,654	9,081,884
Other assets	756,434	361,889
Loans receivable from government business enterprises (note 5(a)(viii) and (x))	5,445,477	6,648,292
Notes receivable from government business enterprises (note 5(a)(vii))	1,332,950	20,844,551
Investment in government business enterprises (note 5(b))	39,298,927	35,316,374
	<u>123,912,346</u>	<u>120,138,804</u>
FINANCIAL LIABILITIES:		
Accounts payable and accrued liabilities (note 6)	18,300,445	16,922,506
Deferred revenue - general	373,511	771,796
Deferred revenue - obligatory reserve funds (note 7)	5,980,732	3,868,744
Post-employment benefits and compensated absences payable (note 8)	16,213,400	15,019,400
Solid waste landfill closure and post-closure care liability (note 9)	2,356,525	2,344,308
Net long-term liabilities (note 10)	64,025,896	74,524,587
	<u>107,250,509</u>	<u>113,451,341</u>
NET FINANCIAL ASSETS	16,661,837	6,687,463
NON-FINANCIAL ASSETS:		
Tangible capital assets (note 22)	528,629,396	525,442,578
Other non-financial assets	2,064,335	2,127,870
Commitments (note 14)		
Contingent liabilities (note 15)		
Environmental indemnities (note 16)		
Liability for contaminated sites (note 17)		
Accumulated surplus (note 12)	\$ 547,355,568	534,257,911

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

On behalf of Council:



Mayor



Chief Financial Officer

THE CORPORATION OF THE CITY OF NORTH BAY

Consolidated Statement of Operations

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

	2016 Budget (note 20)	2016 Total	2015 Total
Revenues:			
Property taxation	\$ 77,724,621	78,286,517	75,949,031
Taxation from other governments	3,807,277	3,772,266	3,861,646
User charges	33,026,605	33,310,418	31,842,183
Government transfers and grants	20,927,504	15,415,731	15,057,301
Licenses, permit fees and rents	1,900,836	2,137,867	2,011,490
Investment income	2,027,278	2,127,224	2,311,279
Provincial Offences Act (note 19)	1,670,000	1,741,008	1,607,285
Other	5,496,168	10,260,067	5,850,912
Equity earnings of government business enterprises (note 5(a))	625,000	4,663,278	2,337,694
	147,205,289	151,714,376	140,828,821
Expenses:			
General government	5,070,322	6,551,242	5,646,076
Protection services	38,351,297	39,454,760	37,669,364
Transportation services	34,341,950	34,087,137	34,443,670
Engineering and environmental services	29,763,606	26,458,414	26,232,921
Community services	15,675,261	15,603,267	15,907,002
Recreation and cultural services	16,923,733	14,805,728	14,892,521
Planning and development	2,117,618	1,656,171	2,320,608
	142,243,787	138,616,719	137,112,162
Annual surplus before undernoted item	4,961,502	13,097,657	3,716,659
Change in present value of hospital commitment (note 10(a)(iii))	-	-	(1,462,405)
Annual surplus	4,961,502	13,097,657	2,254,254
Accumulated surplus, beginning of year	534,257,911	534,257,911	532,003,657
Accumulated surplus, end of year	\$ 539,219,413	\$ 547,355,568	\$ 534,257,911

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

THE CORPORATION OF THE CITY OF NORTH BAY

Consolidated Statement of Changes in Net Financial Assets

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

	2016 Budget (note 20)	2016 Total	2015 Total
Annual surplus	\$ 4,961,502	13,097,657	2,254,254
Acquisition of tangible capital assets	(30,528,216)	(27,991,375)	(30,877,139)
Amortization of tangible capital assets	22,826,161	24,409,298	23,674,069
Loss on disposal of tangible capital assets and surplus land	-	218,072	1,587,660
Disposal proceeds	-	177,187	168,545
	(7,702,055)	(3,186,818)	(5,446,865)
Decrease in other non-financial assets	-	63,535	254,773
Change in net financial assets	(2,740,553)	9,974,374	(2,937,838)
Net financial assets, beginning of year	6,687,463	6,687,463	9,625,301
Net financial assets, end of year	\$ 3,946,910	16,661,837	6,687,463

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

THE CORPORATION OF THE CITY OF NORTH BAY

Consolidated Statement of Cash Flows

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

	2016	2015
Operating transactions:		
Annual surplus	\$ 13,097,657	2,254,254
Items not involving cash:		
Amortization of tangible capital assets	24,409,298	23,674,069
Contributed tangible capital assets	(4,744,680)	-
Equity earnings of government business enterprises	(4,663,278)	(2,337,694)
Increase in post-employment benefits and compensated absences payable	1,194,000	910,334
Increase in solid waste landfill closure and post-closure care liability	12,217	52,650
Loss on disposal of tangible capital assets and surplus land	218,072	1,587,660
Change in present value of hospital commitment	-	1,462,405
	<u>29,523,286</u>	<u>27,603,678</u>
Changes in non-cash operating balances (note 24)	3,478,723	(493,179)
	<u>33,002,009</u>	<u>27,110,499</u>
Capital transactions:		
Disposal proceeds	177,187	168,545
Acquisition of tangible capital assets	(23,246,695)	(30,877,139)
	<u>(23,069,508)</u>	<u>(30,708,594)</u>
Investing transactions:		
Change in portfolio investments	(18,303,781)	(1,224,393)
Loan receivable receipts	1,202,815	135,998
Loan receivable advances	-	(2,060,000)
Notes receivable receipts	19,511,601	-
Cash dividend received from government business enterprises	680,725	834,460
	<u>3,091,360</u>	<u>(2,313,935)</u>
Financing transactions:		
Proceeds from debt issues	8,665,000	19,451,075
Debt repayments (note 10(a)(v))	(19,163,691)	(9,315,957)
	<u>(10,498,691)</u>	<u>10,135,118</u>
Net change in cash and cash equivalents	2,525,170	4,223,088
Cash and cash equivalents, beginning of year	23,526,006	19,302,918
Cash and cash equivalents, end of year	<u>\$ 26,051,176</u>	<u>23,526,006</u>

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

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

The Corporation of the City of North Bay is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act 2001, Provincial Offences Act and other related legislation.

1. Significant accounting policies:

The consolidated financial statements of The Corporation of the City of North Bay (the "City") are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting entity:

i) Consolidated entities:

These consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. These boards and entities include:

- North Bay Public Library Board
- North Bay Police Services Board
- Invest North Bay Development Corporation
- Board of Management For The Downtown Improvement Area ("DIA")
- North Bay Hydro Holdings Limited ("Holdco")
- North Bay Jack Garland Airport Corporation ("Airport")

All interfund assets and liabilities and sources of financing and expenses have been eliminated.

ii) Investment in Government Business Enterprises:

Government business enterprises are accounted for by the modified equity method. Under this method the business enterprises' accounting principles are not adjusted to conform with those of the City and inter-organizational transactions and balances are not eliminated. The government business enterprises included during the year and summarized in note 5 are:

- North Bay Hydro Distribution Limited
- North Bay Hydro Services Inc.

iii) Related entities:

The following joint local boards are not consolidated:

- East Nipissing District Home For The Aged ("Cassellholme")
- North Bay Parry Sound District Health Unit
- District of Nipissing Social Services Administration Board ("DNSSAB")

iv) Accounting for school board transactions:

The taxation, other revenues, expenses, assets and liabilities of Near North District School Board, Nipissing-Parry Sound Catholic District School Board, Conseil scolaire public du Nord-Est de L'Ontario, and Conseil scolaire catholique Franco-Nord are not reflected in these consolidated financial statements.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

b) Basis of accounting:

Sources of financing and expenses are reported on the accrual basis of accounting. This method recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

c) Cash and cash equivalents:

Cash consists of balances held at financial institutions and all cash equivalents consist of highly liquid financial instruments with maturity of three months or less at acquisition.

d) Investments:

Investments are recorded at cost. Temporary declines in the market value of the long-term investments are not adjusted.

e) Inventories:

Inventories of goods and supplies are priced at average cost on the same basis as the preceding year.

f) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs attributable to acquisition or construction, development or betterment of the tangible capital asset including but not limited to transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue, when fair value can be reasonably estimated. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing in the year the asset is available for productive use as follows:

Land improvements	7 to 40 Years
Buildings	10 to 100 Years
Vehicles	2 to 30 Years
Machinery and equipment	3 to 40 Years
Computer hardware and software	4 to 12 Years
Roads infrastructure	5 to 40 Years
Water and sewer infrastructure	75 Years
Bridges and structures	75 Years
Leasehold improvements	40 Years
Work-in-process	No Amortization Prior to Project Completion

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

g) Non-pension post retirement benefits and post employment sick leave benefits:

The City accrues its obligations under employee benefit plans as the employees render the services necessary to earn employee future benefits. The City has adopted the following valuation methods and assumptions:

i) Actuarial cost method:

Accrued benefit obligations are computed using the projected benefit method pro rated on service, as defined in PSAB 3250 and PSAB 3255. The objective under this method is to expense each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement. Under this method an equal portion of total estimated future benefit is attributed to each year of service.

ii) Funding policy:

The non-pension post retirement and post employment benefits are funded on a pay-as-you-go basis. The City funds on a cash basis as benefits are paid. No assets have been formally segregated and restricted to provide the non-pension retirement and post employment benefits.

iii) Accounting policies:

Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life ("EARSL") of members expected to receive benefits under the plan, with amortization commencing in the period following the determination of the gain or loss. Obligations are attributed to the period beginning on the member's date of hire and ending on the expected date of termination, death or retirement, depending on the benefit value. The City's fiscal year-end is December 31 and the measurement date of the City's obligation is such.

h) Taxation 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 by 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 issue of supplementary 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 tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known or the amount can be reasonably estimated. The City is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

i) Government grants:

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

j) Liability for contaminated sites:

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

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the City:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

k) Transfer payments:

Transfer payments, which include legislative grants, are recognized in the consolidated financial statements in the period in which the events giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be determined.

l) Investment income:

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as development charges and parkland allowances is added to the associated funds and forms part of the respective deferred revenue balances.

m) User fees and other revenues:

User fees and other revenues are reported on an accrual basis.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

n) Use of estimates:

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles established by PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant items subject to such estimates and assumptions include: solid waste landfill closure and post closure liabilities, employee future benefits, liability for contaminated sites, Provincial Offences Act receivables, allowances for doubtful accounts, assessment at risk and other accrued liabilities and/or obligations. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Future Accounting Standards

a) Foreign Currency Translation:

PSAB released a standard related to Foreign Currency Translation (PS 2601). The standard applies to all local governments for fiscal years beginning on or after April 1, 2019. The standard requires exchange rates to be adjusted on the rate in effect at the financial statement date for monetary assets and liabilities denominated in foreign currency and non-monetary items included in the fair value category. Gains and losses yet to be settled are presented in the statement of re-measurement gains and losses. Gains and losses on long-term monetary assets and liabilities are amortized over the remaining term of the item. The City has not yet determined what, if any, financial reporting implications may arise from this standard.

b) Financial Instruments:

PSAB released a standard related to Financial Instruments (PS 3450). The standard applies to all local governments for fiscal years beginning on or after April 1, 2019. The standard applies to all types of financial instruments (primary and derivatives). In the year that the standard is adopted, Foreign Currency Translation (PS 2601) must also be adopted. The new standard requires equity and derivative instruments be measured at fair value, with changes in value being recorded in a statement of re-measurement gains and losses. The standard gives the option of cost/amortized cost vs. fair value for remaining instruments, which is elected upon by the government organization. The City has not yet determined what, if any, financial reporting implication may arise from this standard.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

3. Investments:

	2016	2015
Investments - bonds and GICs	\$ 38,437,442	\$ 20,133,661
Other	200	200
Total investments, end of year	\$ 38,437,642	\$ 20,133,861

The City's investments totalling \$38,437,442 (2015 - \$20,133,661) are reported at cost and mature between 2017 to 2021, with yields ranging from 1.45% to 2.70% (2015 - 1.25% to 3.75%). The current short-term portion equals \$12,760,282 (2015 - \$5,266,789).

4. Accounts receivable:

	2016	2015
Government of Canada	\$ 2,175,341	\$ 2,123,365
Province of Ontario	2,041,571	707,726
Other municipalities	601,012	30,569
North Bay Hydro Distribution Limited (note 5(a)(xi))	133,997	158,834
North Bay Hydro Services Inc. (note 5(a)(xii))	43,649	88,989
Other	3,634,084	5,972,401
Total accounts receivable	\$ 8,629,654	\$ 9,081,884

5. Government business enterprises:

a) North Bay Hydro:

The City holds 100% of the shares of North Bay Hydro Holding Limited ("Holdco"). Holdco holds 100% of the shares of North Bay Hydro Distribution Limited ("Distribution") and North Bay Hydro Services Inc. ("Services"). The following provides condensed combined financial information for Distribution and Services.

	2016	2015
Combined Statement of Financial Position		
Total Assets	\$ 105,701,316	\$ 102,371,031
Total Liabilities	\$ 66,402,389	\$ 67,054,657
Net Assets	39,298,927	35,316,374
Total Liabilities and Net Assets	\$ 105,701,316	\$ 102,371,031
Combined Statement of Operations		
Total Revenues	\$ 81,478,990	\$ 75,011,096
Total Expenses	76,815,712	72,673,402
Net income	\$ 4,663,278	\$ 2,337,694

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

5. Government business enterprises (continued):

Related party transactions between Hydro and the City are summarized as follows:

- i) The City purchased electricity and services from Distribution including electrical energy in the amount of \$2,807,064 (2015 - \$2,701,032), street light energy in the amount of \$788,699 (2015 - \$731,661), construction activity in the amount of \$95,776 (2015 - \$89,451) and street light maintenance in the amount of \$903 (2015 - \$10,921).
- ii) The City purchased street light maintenance from Services in the amount of \$15,382 (2015 - \$24,287).
- iii) The City received municipal taxes from Distribution in the amount of \$79,817 (2015 - \$76,896).
- iv) Distribution purchased goods and services from the City totalling \$223,949 (2015 - \$273,002).
- v) Services purchased methane gas from the City totalling \$292,887 (2015 - \$325,633).
- vi) The City received Conservation and Demand Management incentives from Distribution totalling \$nil (2015 - \$135).
- vii) The City holds a promissory note of \$1,332,950 payable from Services. The note bears interest at 5% per annum and is due no later than November 1, 2017. During 2016, Distribution paid in full the promissory note owing to the City in the amount of \$19,511,601.
- viii) The City holds a loan receivable from Distribution related to the Merrick Landfill project. The loan bears interest at 4.90% and is receivable in monthly principal and interest instalments. Under the original terms of the agreement the loan was repayable over 20 years. In 2015, the City called the loan and the remaining principal balance is due no later than November 1, 2018. The balance at December 31, 2016 is \$3,445,477 (2015 - \$3,588,292).
- ix) The City received interest in the amount of \$814,543 (2015 - \$975,580) from promissory note with Distribution and \$66,648 (2015 - \$66,648) from promissory note with Services.
- x) The City holds a term loan receivable from Services for the development of a co-generation plant at the North Bay Regional Health Centre. The maximum principal amount of the loan is \$4,100,000 with interest at the Infrastructure Ontario Construction Rate for Power Generation Providers, to be advanced on the basis of progress payments. Interest incurred on the interim advances totalling \$93,873 (2015 - \$41,716) was paid in full as at December 31, 2016. At project completion the loan will bear interest at 3.60% and is receivable in monthly principal and interest instalments and payable in full no later than November 2, 2018. Interim advances at December 31, 2016 total \$2,000,000 (2015 - \$3,060,000).
- xi) At December 31, 2016, the City balances include accounts receivable of \$133,997 (2015 - \$158,834) and accounts payable and accrued liabilities of \$396,551 (2015 - \$307,851) due to/from Distribution.
- xii) At December 31, 2016, the City balances include accounts receivable of \$43,649 (2015 - \$88,989) and accounts payable and accrued liabilities of \$10,773 (2015 - \$18,372) due to/from Services.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

5. Government business enterprises (continued):

b) Investment in government business enterprises:

	2016	2015
Investment in government business enterprises, beginning of year	\$ 35,316,374	\$ 33,813,140
Equity in earnings	4,663,278	2,337,694
Cash dividend received	(680,725)	(834,460)
Investment in government business enterprises, end of year	\$ 39,298,927	\$ 35,316,374

6. Accounts payable and accrued liabilities:

	2016	2015
Government of Canada	\$ 119,472	\$ 180,558
Other municipalities	121,485	105,305
Interest on debt	97,489	113,894
Trade accounts payable	10,025,724	9,648,226
North Bay Hydro Distribution Limited (note 5(a)(xi))	396,551	307,851
North Bay Hydro Services Inc. (note 5(a)(xii))	10,773	18,372
Accrued liabilities	7,528,951	6,548,300
Total accounts payable and accrued liabilities	\$ 18,300,445	\$ 16,922,506

7. Deferred revenue - obligatory reserve funds:

	2016	2015
Balance, beginning of the year	\$ 3,868,744	\$ 3,784,702
Federal gas tax contributions	3,262,323	3,106,974
Provincial gas tax contributions	962,181	930,098
Ontario community infrastructure fund contributions	605,557	605,557
Connecting links program contributions	1,458,864	-
Development contributions	547,243	307,754
Investment income	88,804	83,480
Utilization of funds	(4,812,984)	(4,949,821)
Deferred revenue - obligatory reserve funds, end of year	\$ 5,980,732	\$ 3,868,744

Analyzed as follows:

Development charges	\$2,764,304	\$ 2,272,158
Federal gas tax contributions	65,131	52,466
Provincial gas tax contributions	627,897	555,208
Connecting links program contributions	1,458,864	-
Cash in lieu of parkland	635,261	626,096
Building Code Act	429,275	362,816
Deferred revenue - obligatory reserve funds, end of year	\$ 5,980,732	\$ 3,868,744

Included in cash and cash equivalents is restricted amounts of \$5,980,732 (2015 - \$3,868,744) with respect to the above obligatory reserve funds.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

8. Post employment benefits and compensated absences payable:

	2016	2015
Sick leave benefits	\$ 8,177,300	\$ 7,782,300
Supplementary health benefits	8,036,100	7,237,100
Total post employment benefits and compensated absences payable	\$ 16,213,400	\$ 15,019,400

The sick leave benefit provides certain eligible employees with vested and non-vested sick leave days that accumulated beyond the 12 month period. The above sick leave benefit liability estimate includes compensated absences equal to the use of accumulated sick leave prior to retirement as well as any lump-sum payments upon retirement.

The City maintains a vested sick leave plan covering all Fire Association employees hired before December 31, 1997, Police Services Board and Police Association employees hired before September 1, 1977, all Library employees hired prior to August 31, 1987, and all other employees with at least five years of service hired prior to September 30, 1980.

In addition, the City has a defined supplementary health benefit plan that provides medical, dental and life insurance to certain eligible City employees, Fire Association employees, Police Association employees and Library employees who retire from current employment. The above supplementary health benefit liability estimates the expense of each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement up to the age of 65.

Information about the City's defined supplementary health benefit and sick leave plan is as follows:

	2016	2015
Sick leave benefits:		
Accrued benefit, beginning of year	\$ 7,782,300	\$ 7,404,732
Amortization of unamortized actuarial gains/losses and other	199,600	199,568
Service cost for the year	713,300	692,500
Interest expense for the year	296,200	290,100
Benefits paid during the year	(814,100)	(804,600)
Accrued benefit liability and projected obligation, end of year	\$ 8,177,300	\$ 7,782,300
Supplementary health benefits:		
Accrued benefit, beginning of year	\$ 7,237,100	\$ 6,704,334
Amortization of unamortized actuarial gains/losses and other	43,900	43,766
Service cost for the year	413,700	374,900
Plan amendments incurred in year	487,000	239,600
Interest expense for the year	291,800	258,100
Benefits paid during the year	(437,400)	(383,600)
Accrued benefit liability and projected obligation, end of year	\$ 8,036,100	\$ 7,237,100

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

8. Post employment benefits and compensated absences payable (continued):

A comprehensive actuarial valuation was completed as at December 31, 2015 by an actuarial firm. The next valuation date will be as at January 1, 2019. The main actuarial assumptions employed for the valuations are as follows:

- i) The discount rate for supplemental health benefits was assumed at 3.40% per annum for Accrued Benefit Obligation ("ABO") (2015 - 3.40%) and 3.40% per annum for the 2016 expense (2015 - 3.40%).
- ii) The discount rate for sick leave benefits was assumed at 3.10% per annum for Accrued Benefit Obligation ("ABO") (2015 - 3.10%) and 3.10% per annum for the 2016 expense (2015 - 3.10%).
- iii) Future general salary and wage levels were assumed to increase 3% per annum.
- iv) Health costs were assumed at 6.48% per annum for 2016, reducing by 0.13% annually to 4.00% in 2036.
- v) Dental costs were assumed to increase at 4% per annum.
- vi) The expected average remaining service life is 14 years for the supplemental health benefits and 11 years for the sick leave benefits.

9. Solid waste landfill closure and post-closure care liability:

The City owns two solid waste landfill sites. The Merrick Landfill site ("Merrick") has been accepting waste since 1994. The Marsh Drive Landfill site ("Marsh") has been closed since the opening of Merrick. Environmental approvals for the operation of landfill sites require that the City accept responsibility for certain obligations regarding closure and post-closure care of each site.

Closure activities include all activities related to closing the landfill site. Through a proactive closure plan, many closure costs are incurred on an on-going basis and are included in the yearly fiscal operating budget. Taking this into consideration, it is assumed that this will result in minimal closure costs at the actual closure date with expenses being absorbed in the annual operating budget.

Post-closure activities include all activities related to monitoring the site once it can no longer accept waste. These costs are expected to last for an indeterminate time period, but at a minimum, would exceed 20 years.

There are currently no reserves set aside for either closure or post-closure activities. The Merrick site has remaining capacity of 1,265,850 cubic metres of waste and is estimated to have a remaining landfill life of approximately 19.8 years. The City recognizes a future liability for closure and post-closure care costs. Based on historical post closure costs for Marsh and an estimated annual inflation rate of 2%, an amount is estimated at December 31, 2016 for the current year post-closure liability of both sites in the amount of \$2,356,525 (2015 - \$2,344,308) and has been accrued in the consolidated financial statements. Based on a 35 year liability assumption, the total estimated future expenditures for post-closure of both Merrick and Marsh landfill is \$5,979,934 (2015 - \$5,823,668) of which \$3,623,409 (2015 - \$3,479,360) represents the amount of Merrick site future post-closure liability yet to be accrued.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

10. Net long-term liabilities:

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

	2016	2015
Debentures (i)	\$ 53,169,391	\$ 52,507,321
Term loans (ii)	6,500,000	8,000,000
Hospital commitment (iii)	-	9,519,733
Interest free loan (iv)	4,356,505	4,497,533
Total net long-term liabilities (v)	\$ 64,025,896	\$ 74,524,587

- (i) The debentures bear interest at rates of 2.02% to 5.60%, repayable in annual principal payments of \$2,649,000 (2015 - \$3,181,000) and semi-annual principal payments of \$275,000 (2015 - \$275,000) and monthly principal payments of \$428,203 (2015 - \$355,994) plus interest, maturing in December 2017 to December 2027.
- (ii) The term loans bear interest at rates of 2.85% to 4.61%, repayable in semi-annual principal payments of \$200,000 (2015 - \$200,000) and quarterly principal payments of \$275,000 (2015 - \$275,000) plus interest, maturing in December 2018 to December 2021.
- (iii) During 2003, the City passed a resolution committing to pay \$1,000,000 per year for 20 years to the North Bay Regional Health Centre capital project. As at December 31, 2006, a formal agreement was executed which became effective when the construction tender for the new hospital was awarded. In 2007, the City made the first of 20 annual payments. Subsequently, the City and the North Bay Regional Health Centre renegotiated the terms of the remaining commitment. Under the new terms, the outstanding balance was due no later than November 2016 and a discount rate of 3% was used to determine the present value of the outstanding payments. The outstanding balance was paid in full in August 2016.
- (iv) During 2013, the City signed an agreement with the North Bay Battalion Hockey Club Ltd. The agreement included a non-interest bearing loan granted to the City in the amount of \$5,000,000 to be applied to the construction and installation of the capital improvements to Memorial Gardens arena. The loan payments are equal to 50% of the capital reserve fund fees collected on ticket sales until \$1,100,000 is repaid to the Battalion. Thereafter, the repayments shall be based on 100% of the capital reserve fund fees collected on ticket sales. The minimum annual repayment is equal to \$135,000. In 2016, repayments totalling \$141,028 (2015 - \$181,068) were made. The loan shall be repaid in full not later than July 30, 2028.
- (v) Total 2016 principal payments for long-term liabilities totalled \$19,163,691 (2015 - \$9,315,957).

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

10. Net long-term liabilities (continued):

b) The aggregate maturities of the net long-term liabilities are as follows:

	2016
2017	\$ 9,972,430
2018	9,457,430
2019	8,645,430
2020	7,737,430
2021	6,823,430
2022 thereafter	21,389,746
Total net long-term liabilities	\$ 64,025,896

The repayments are summarized as follows:

From municipal revenues	\$ 39,936,016
From user fees	24,089,880
Total net long-term liabilities	\$ 64,025,896

The repayments to be funded through user fees includes a \$5,150,000 debenture for the water filtration plant that will be recovered from a water filtration plant surcharge over the next 11 years. The water filtration surcharge will equal up to a maximum of principal debenture plus interest. The requirement to be funded through user fees also includes the \$4,356,505 interest free loan for capital improvements to Memorial Gardens noted in part 10a) that will be recovered from capital reserve fund fees collected on ticket sales.

c) The long-term liabilities reported in 10a), issued in the name of the City, have been approved by municipal by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

11. Interest on long-term liabilities:

Total interest charges for the year on long-term liabilities reported in the Consolidated Statement of Operations are as follows:

	2016	2015
General government	\$ 15,359	\$ 19,638
Protection services	35,542	40,868
Transportation services	708,912	718,299
Engineering and environmental services	688,577	630,072
Community services	-	498,484
Recreation and cultural services	243,084	286,365
Total interest payments	\$ 1,691,474	\$ 2,193,726

Interest includes accruals on long-term liabilities outstanding in the amount of \$97,489 (2015 - \$113,894).

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

12. Accumulated surplus:

	2016	2015
Investment in tangible capital assets	\$ 528,629,396	\$ 525,442,578
General surplus	19,616,743	12,204,939
Reserve funds	41,073,373	32,337,764
Equity in government business enterprises	40,631,877	56,160,925
Amounts to be recovered:		
Post employment benefits and compensated absences	(16,213,400)	(15,019,400)
Landfill closure and post-closure liabilities	(2,356,525)	(2,344,308)
Hospital commitment	-	(9,519,733)
Debt for tangible capital assets	(64,025,896)	(65,004,854)
Accumulated surplus, end of year	\$ 547,355,568	\$ 534,257,911

13. Pension agreements:

The City makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of all permanent, full-time and qualifying part-time 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 Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 470,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2016, the estimated accrued pension obligation for all members of the Plan was \$87.0 billion (2015 - \$81.9 billion). The Plan had an actuarial value of net assets at that date of \$85.2 billion (2015 - \$77 billion) indicating an actuarial deficit of \$5.7 billion (2015 - \$7.0 billion). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the City does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the City to OMERS for 2016 were \$4,836,960 (2015 - \$5,092,519).

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

14. Commitments:

- a) In June 2010, the City entered into a new 10 year agreement in principle (including two five year optional extensions by mutual consent) with Miller Waste to operate the waste collection and recycling collection/processing programs. The agreement includes residential, ICI curb side and multi-residential services. The agreement also contains a performance bond for 100% of the annual value of the work should Miller be unable to fulfill the requirements of the contract.

In 2016 costs totalled \$1,002,820 (2015 - \$1,022,618) for waste collection and \$644,022 (2015 - \$679,230) for recycling.

- b) In September 2008, the City entered into a 10 year contract for the lease of property and building located at 112 Patton Street. Operating from this location is a recycling center processing recyclables collected from a provincially mandated blue box program.

In 2016 lease costs totalled \$97,162 (2015 - \$96,841).

- c) In the fall of 2015, the City tendered the operation of the City's Landfill operation. The City entered into a 5 year contract with Bruman Construction & Leasing on February 8, 2016.

In 2016 the contract costs to operate the landfill totalled \$1,109,703 (2015 - \$893,954).

- d) In 1990, the City entered into an agreement with the Physically Handicapped Adults Rehabilitation Association ("PHARA") to provide drivers for Para bus services. The agreement renews on a yearly basis unless one of the parties notifies the other of its intention not to renew the contract.

In 2016, contract costs totalled \$493,535 (2015 - \$490,205).

15. Contingent liabilities:

The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts. Any amendments to amounts accrued will be recorded once new information becomes available.

16. Environmental indemnities:

- a) During 2002, the City acquired 26 acres of former rail yards from the Canadian Pacific Railway ("Railway") on an "as is" basis, whereby both the City and the Railway will be responsible for any claims arising from the condition of the soils, until such time as the City leases or transfers the lands to a third party.

Five of these acres were transferred to a third party on February 17, 2006 and the City has given an indemnity for any soils claims arising there from. Payment in the amount of \$1,060,000 was received and a Certificate of Property Status and Record of Site Condition was filed with the Ministry of the Environment by the City's agent.

As for the balance of these lands, the City has remedied the lands according to the Risk Management Plan approved by the Ministry of Environment using Site Specific Risk Assessment criteria.

The Risk Management Plan includes a monitoring program to ensure that the site develops in compliance with clean up and/or proposed barriers from soil exposure risks and to determine how groundwater contamination may be evolving and migrating across the site over time. The clean up of diesel contaminated soils also has associated short-term monitoring requirements. Monitoring is also carried out on down gradient lands owned by the City including sediment sampling in Lake Nipissing.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

16. Environmental indemnities (continued):

Monitoring costs in 2016 were \$18,578 (2015 - \$27,357) and data is summarized in annual reports provided to the Ministry of Environment.

- b) In 2003, the City sold land (Part of Parcel 2133 Widdifield and Ferris, Part of the Southern Half of Lot 18, Concession D, Being Part 12, Plan 36R City of North Bay) for use as a paved parking area and agreed to indemnify the purchaser from any claim or demand resulting from the presence of existing hydrocarbon materials identified by WESA dated October 2003 on the associated land. The agreement also commits the City to future costs of removing contaminants (if still present) due to sale of the land. The lands are below hydrocarbon levels specified by the Ministry of Environment's Table B Guidelines for Industrial/Commercial Lands on a stratified basis, understanding the intended use of the land as being paved parking. An environment liability could result if there is a change in land use.

An estimate of contingent liability is undeterminable and accordingly provisions have not been made for liabilities, if any, in these consolidated financial statements.

17. Liability for contaminated sites:

As at December 31, 2016 there is no liability recorded in the financial statements. The City has identified a potential future liability for a former industrial parcel on Memorial Drive known as the Kenroc Site. The parcel is currently vacant and the contamination does not exceed the environmental standard at this time. Environmental standards vary depending upon the use of the property; therefore, a change in use of the property could result in the contamination to exceed the environmental standard and require remediation. The City will continue to review contaminated sites on an annual basis and a liability will be recorded whenever the recognition criteria has been met.

18. Public liability insurance:

For the period of 2004 to 2007, the City was insured with the Ontario Municipal Insurance Exchange ("OMEX"), an insurance reciprocal whose members pool their insurance coverage. As a member of a reciprocal, the City agreed to assume a certain percentage of the entire group's liabilities and losses for the period of time that the City was a member. In the event that an annual premium funding becomes insufficient to cover claims and claim reserves, the reciprocal has the ability to re-assess each member to appropriately fund the difference. As the claims for the above-noted period are settled, the City may either incur new liabilities or receive refunds. As at December 31, 2015, the City's portion of the claim reserve was \$755,677 and 30 claims are open for the above-noted period.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

19. Provincial Offences Act:

The Ministry of the Attorney General requires all municipal partners administering Provincial Offences Act to disclose in the year-end audited consolidated financial statements a note on the gross and net provincial offences revenues earned. The table below is presented on an accrual basis of accounting whereas distributions to participating partners are done on a cash basis. The following table provides condensed financial information required by the terms in the Memorandum of Understanding (MOU) for its 2016 fiscal year with comparative 2015 figures:

	2016	2015
Revenues (net of refunds)	\$ 1,623,287	\$ 1,576,441
Year end accrual	117,721	30,844
	1,741,008	1,607,285
Expenses: Provincial charges	215,468	157,243
City operating	1,069,359	1,122,443
	1,284,827	1,279,686
Net revenue	456,181	327,599
Participating partners share	149,641	141,392
City of North Bay share	\$ 306,540	\$ 186,207

The City's consolidated statement of operations includes an accrual for POA receivables in the amount of \$310,322 (2015 - \$291,491). The calculation for collectible accounts receivables was estimated based on a five-year trend.

20. Budget:

Budget data presented in these consolidated financial statements is based on the 2016 operating, water and sewer operating and capital budgets approved by Council. The chart below reconciles the approved net budget figure prepared on a cash basis with the budget figures presented in these consolidated financial statements. Budget figures have been reclassified for purposes of these consolidated financial statements to comply with PSAB reporting requirements.

	2016
Budget By-law for the year	\$ 139,209
Add: Debt principal repayments	9,977,822
Investment in tangible capital assets	30,528,216
Less: Other transfers and adjustments	(4,445,557)
Amortization of tangible capital assets	(22,826,161)
Post employment benefits and compensated absences payable	(386,812)
Landfill closure and post-closure liabilities	(25,215)
Debt proceeds	(8,000,000)
Budget surplus per statement of operations	\$ 4,961,502

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

21. Credit facility agreement:

The City has a credit facility agreement with a Canadian Financial Institution bearing interest at the bank's prime rate less 0.50%. The maximum draw under the terms of the operating line is \$12 million. At year-end the City has not utilized any amount under this credit facility.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

22. Tangible capital assets:

	Land & Land Improvements	Buildings	Vehicles	Machinery & Equipment	Computer Hardware & Software	Roads infrastructure	Water & Sewer	Bridges & Structures	Leasehold Improvements	Work in Process	2016 Total
Cost, beginning of year	\$ 110,168,307	131,185,932	29,284,453	89,481,500	4,888,820	250,139,450	217,917,798	39,230,365	1,851,577	14,048,196	888,196,398
Additions during the year	1,828,943	8,625,123	3,339,319	3,037,581	421,298	6,916,782	4,699,434	72,241	-	7,614,985	36,555,706 (i)
Disposals during the year	-	(3,673)	(797,869)	(162,603)	(2,125)	(1,217,698)	(7,504)	(16,176)	-	(8,564,331)	(10,771,979)
Cost, end of year	111,997,250	139,807,382	31,825,903	92,356,478	5,307,993	255,838,534	222,609,728	39,286,430	1,851,577	13,098,850	913,980,125
Accumulated amortization, beginning of year	52,972,774	37,299,082	17,160,428	44,776,952	4,422,063	121,993,105	72,333,909	11,564,062	231,445	-	362,753,820
Amortization expense	3,600,947	3,023,514	2,141,644	4,529,783	253,222	7,279,273	3,012,948	521,678	46,289	-	24,409,298
Disposals during the year	-	(3,673)	(666,520)	(138,163)	(2,125)	(984,349)	(4,401)	(13,158)	-	-	(1,812,389)
Accumulated amortization, end of year	56,573,721	40,318,923	18,635,552	49,168,572	4,673,160	128,288,029	75,342,456	12,072,582	277,734	-	385,350,729
Net book value, beginning of year	57,195,533	93,886,850	12,124,025	44,704,548	466,757	128,146,345	145,583,889	27,666,303	1,620,132	14,048,196	525,442,578
Net book value, end of year	\$ 55,423,529	99,488,459	13,190,351	43,187,906	634,833	127,550,505	147,267,272	27,213,848	1,573,843	13,098,850	528,629,396

	Land & Land Improvements	Buildings	Vehicles	Machinery & Equipment	Computer Hardware & Software	Roads infrastructure	Water & Sewer	Bridges & Structures	Leasehold Improvements	Work in Process	2015 Total
Cost, beginning of year	\$ 108,086,446	130,639,823	29,715,904	79,147,396	4,613,590	242,396,759	201,975,703	37,002,061	1,851,577	29,795,673	865,224,932
Additions during the year	2,679,698	711,252	1,806,773	10,803,482	275,230	11,315,358	16,527,952	2,504,871	-	8,570,523	55,195,139
Disposals during the year	(597,837)	(165,143)	(2,238,224)	(469,378)	-	(3,572,667)	(585,857)	(276,567)	-	(24,318,000)	(32,223,673)
Cost, end of year	110,168,307	131,185,932	29,284,453	89,481,500	4,888,820	250,139,450	217,917,798	39,230,365	1,851,577	14,048,196	888,196,398
Accumulated amortization, beginning of year	49,905,971	34,518,630	17,261,519	40,772,314	4,109,799	117,585,034	69,668,188	11,222,608	185,156	-	345,229,219
Amortization expense	3,568,628	2,891,458	2,077,505	4,413,108	312,264	6,893,197	2,950,694	520,926	46,289	-	23,674,069
Disposals during the year	(501,825)	(111,006)	(2,178,596)	(408,470)	-	(2,485,126)	(284,973)	(179,472)	-	-	(6,149,468)
Accumulated amortization, end of year	52,972,774	37,299,082	17,160,428	44,776,952	4,422,063	121,993,105	72,333,909	11,564,062	231,445	-	362,753,820
Net book value, beginning of year	58,180,475	96,121,193	12,454,385	38,375,082	503,791	124,811,725	132,307,515	25,779,453	1,666,421	29,795,673	519,995,713
Net book value, end of year	\$ 57,195,533	93,886,850	12,124,025	44,704,548	466,757	128,146,345	145,583,889	27,666,303	1,620,132	14,048,196	525,442,578

(i) Additions during the year include \$4,744,680 in contributed tangible capital assets.

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Notes to Financial Statements

Year ended December 31, 2016

23. Segmented information:

For each reported segment, revenues and expenditures represent both amounts that are directly attributed to the segment, as well as amounts that are allocated to the segments on a reasonable basis. The accounting policies followed in the segments are consistent with the accounting policies followed in the preparation of these consolidated financial statements as disclosed in note 1. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

a) General Government:

General Government consists of the Office of the Mayor, Council expenses, Administrative Services (including Clerks, Elections, Communications, Legal and Information Technology Services), Human Resources and Financial Services Departments. Areas within the General Government respond to the needs of external and internal clients by providing high quality, supportive and responsive services. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues, relating to governance, strategic planning and service delivery.

b) Protection Services:

Protection Services is comprised of Fire, Police, contributions to the North Bay Mattawa Conservation Authority, contributions to the North Bay Humane Society, Building Services, Emergency measures and management of Provincial Offences Act. Police services provides adequate and effective policing that meets the needs of the community in areas of: crime prevention, law enforcement, assistance to victims of crime, public order and emergency response. Fire Protection includes fire suppression services, fire prevention programs, fire safety education, rescue and emergency services and the training of persons involved in the provision of these activities. The Building Services Department processes permit applications and ensures compliance with the Ontario Building Code and with By-Laws enacted by Council.

c) Transportation Services:

Transportation Services consists of year-round road maintenance, parking, traffic signals, street lighting, transit services and air transportation. Activities include the maintenance of roadsides defined as sidewalks and walkways. This service is responsible for the operational integrity of the roadway system through year-round surface maintenance and winter maintenance. The parking department provides and manages public parking both on and off street and ensures that available parking spaces are shared between both long and short-term parkers to allow the greatest possible access for visitors to the central business district. Traffic signal services provide the planning, design, operation and maintenance of the City's street lights and traffic signal networks. Public transit is responsible for the operation of a public transportation system including the maintenance and repairs of the fleet of transit buses. This section also provides for the revenues and expenses of the North Bay Jack Garland Airport Corporation.

d) Engineering and Environmental Services:

Environmental services consists of water supply and distribution, wastewater treatment, storm sewer systems, waste collection, waste disposal and recycling. This division ensures the supply and quality of the City's drinking water, processes and cleans wastewater to meet all provincial standards and provides waste disposal and recycling services.

e) Community Services:

The City provides transfer payments to public health services to improve the overall health of the population by providing various services to individuals and the community. Social and family services provides services that are meant to help the less fortunate in society. Social housing is provided to help shelter families and elderly in need. Childcare funding is provided to subsidize daycares and to provide early learning programs. The ambulance service transports the injured to the hospital and provides emergency medical care to those in need.

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Financial Statements

Year ended December 31, 2016

23. Segmented information (continued):

f) Recreation and Cultural Services:

Recreation and Cultural Services includes parks services, recreational programs, recreation facilities, the library, and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide library services to the citizens. Recreational and cultural programs include festivals and various community events.

g) Planning and Development:

Planning and development includes: planning, economic development departments, Invest North Bay Development Corporation and the Board of Management For The Downtown Improvement Area ("DIA"). The planning department is responsible for the planning and review of property development plans and the City's future direction. Economic development generates opportunities in the community to strengthen the economic base of the City.

CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

23. Segmented information:

	General Government	Protection	Transportation	Engineering & Environmental	Community Services	Recreation & Cultural	Planning & Development	2016 Total
Revenues:								
Property taxation	\$ -	-	-	-	-	-	-	78,286,517
Taxation from other governments	-	-	-	-	-	-	-	3,772,266
User charges	379,101	432,340	6,388,577	24,458,266	-	1,549,723	102,411	33,310,418
Government transfers and grants	5,993	1,530,090	5,912,136	209,445	7,307,700	371,192	79,175	15,415,731
License, permits fees and rents	1,229,311	-	-	-	-	908,556	-	2,137,867
Investment income	2,119,289	-	6,238	-	-	1,050	647	2,127,224
Provincial Offences Act	-	1,741,008	-	-	-	-	-	1,741,008
Other	1,857,431	458,408	1,994,184	4,508,670	-	1,084,871	356,503	10,260,067
Equity in earnings of government business enterprises	-	-	-	-	-	-	-	4,663,278
	5,591,125	4,161,846	14,301,135	29,176,381	7,307,700	3,915,392	538,736	151,714,376
Expenses:								
Salary and benefits	2,707,197	33,676,298	11,334,503	8,170,863	-	7,115,381	1,368,201	64,372,443
Materials	204,671	2,692,222	6,755,974	6,129,638	-	3,492,610	188,350	19,463,465
Contracted services	790,992	1,636,251	1,961,178	4,511,797	-	1,198,840	83,710	10,182,768
Rents, financial and loss on disposal of tangible capital assets	767,670	72,343	574,027	277,728	-	163,782	9,248	1,864,798
External transfers	175,000	486,816	-	-	15,603,267	367,390	-	16,632,473
Interest	15,359	35,542	708,912	688,577	-	243,084	-	1,691,474
Amortization of tangible capital assets	1,890,353	855,288	12,752,543	6,679,811	-	2,224,641	6,662	24,409,298
	6,551,242	39,454,760	34,087,137	26,458,414	15,603,267	14,805,728	1,656,171	138,616,719
Annual surplus (deficit)	\$ (960,117)	(35,292,914)	(19,786,002)	2,717,967	(8,295,567)	(10,890,336)	(1,117,435)	13,097,657

	General Government	Protection	Transportation	Engineering & Environmental	Community Services	Recreation & Cultural	Planning & Development	2015 Total
Revenue:								
Property taxation	\$ -	-	-	-	-	-	-	75,949,031
Taxation from other governments	-	-	-	-	-	-	-	3,861,646
User charges	286,438	365,321	6,540,362	23,098,652	-	1,455,877	95,533	31,842,183
Government transfers and grants	21,000	1,505,346	4,364,929	740,164	7,357,700	903,007	165,155	15,057,301
License, permits fees and rents	1,136,457	-	-	-	-	875,033	-	2,011,490
Investment income	2,303,930	-	7,349	-	-	-	-	2,311,279
Provincial Offences Act	-	1,607,285	-	-	-	-	-	1,607,285
Other	2,090,996	294,325	851,584	1,629,465	-	816,408	168,134	5,850,912
Equity in earnings of government business enterprises	-	-	-	-	-	-	-	2,337,694
	5,838,821	3,772,277	11,764,224	25,468,281	7,357,700	4,050,325	428,822	140,828,821
Expenses:								
Salary and benefits	2,484,598	31,848,051	10,621,170	8,058,764	-	7,137,548	1,274,543	61,424,674
Materials	346,799	2,769,340	7,727,455	6,145,049	-	3,563,397	973,419	21,525,459
Contracted services	789,211	1,576,316	1,812,772	4,372,149	-	1,064,126	57,189	9,671,763
Rents, financial and loss on disposal of tangible capital assets	60,189	88,775	1,427,298	562,142	-	234,044	9,475	2,381,923
External transfers	-	472,192	-	-	15,408,518	359,838	-	16,240,548
Interest	19,638	40,868	718,299	630,072	498,484	286,365	-	2,193,726
Amortization of tangible capital assets	1,945,641	873,822	12,136,676	6,464,745	-	2,247,203	5,982	23,674,069
	5,646,076	37,669,364	34,443,670	26,232,921	15,907,002	14,892,521	2,320,608	137,112,162
Annual surplus (deficit) before undernoted item	192,745	(33,897,087)	(22,679,446)	(764,640)	(8,549,302)	(10,842,196)	(1,891,786)	3,716,659
Change in present value of hospital commitment								(1,462,405)
Annual surplus (deficit)	\$ 192,745	(33,897,087)	(22,679,446)	(764,640)	(8,549,302)	(10,842,196)	(1,891,786)	2,254,254

THE CORPORATION OF THE CITY OF NORTH BAY

Notes to Consolidated Financial Statements

Year ended December 31, 2016

24. Change in non-cash working capital:

	2016	2015
Decrease (increase) in taxes receivable	\$ 265,861	\$ 196,481
Decrease (increase) in accounts receivable	452,230	(587,564)
Decrease (increase) in other financial assets	(394,545)	(185,811)
Increase (decrease) in accounts payable and accrued liabilities	1,377,939	21,277
Increase (decrease) in deferred revenue	(398,285)	(276,377)
Increase (decrease) in obligatory reserve fund	2,111,988	84,042
Decrease (increase) in other non-financial assets	63,535	254,773
	<u>\$ 3,478,723</u>	<u>\$ (493,179)</u>

25. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year. The changes do not affect prior annual surplus.