



The Corporation of the Town of Pelham

**Forensic Review of Town Finances (Note)
August 2008 to May 2017**

Private and Confidential

KPMG Forensic

December 18, 2017

This report contains 33 pages

Note: KPMG findings of a report commissioned by Daniel & Partners LLP (on behalf of the Town of Pelham) in contemplation of litigation with an identifiable individual was presented to Council in a closed meeting on September 5, 2017. This report outlines those findings excluding personal information.



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1 Introduction

KPMG Forensic Inc. ("KPMG") was retained by the Corporation of the Town of Pelham (the "Town") to provide forensic investigation services with respect to concerns over the Town's finances.

Our services in respect of this matter were initially requested under an engagement letter with Daniel & Partners LLP (on behalf of the Town) in contemplation of litigation with an identifiable individual. Specific financial concerns of the Town included, but were not limited to, low cash balances, the buyback of municipal credits ("credits") in respect of the East Fonthill Development Project ("EFDP") and approved debentures not taken for capital projects initiated.

In view of the above noted concerns, we were requested to undertake a review which included the following:

- Review policies, by-laws or other legislation that may be applicable in respect of the above noted financial concerns
- Review communications/emails in respect of the above noted financial concerns
- Review and analyze cash balances and uses thereof
- Review and analyze documentation in respect of the EFDP, including minutes, approvals, resolutions, appraisals, purchase and sale agreements, etc.
- Review and analyze documentation in respect of the debentures

As a result of solicitor-client privilege, findings (outlined in our report dated August 31, 2017) with respect to that engagement were presented in a closed Town Council ("Council") meeting on September 5, 2017 (the "KPMG September 5th Report").

Subsequent that presentation, the fact of the KPMG September 5th Report became public and members in the community and some Regional Councillors called for its release. In response, the Town asked us to provide our findings in a presentation to Town Council on November 29, 2017 excluding the personal information.

This request was made under a motion by Mayor David Augustyn on November 20, 2017 which noted the following:

- The Town maintains its rights to privilege over the (KPMG September 5th) Report
- The release of the (KPMG September 5th) Report could be a violation of the *Municipal Freedom of Information Act* as it contains personal information of an identifiable individual
- It was resolved that, "*the Town hereby directs the CAO to request that KPMG include in the forensic audit to be presented to Town Council on November 29, 2017, as permitted by its professional standards and reporting requirements, all of its financial findings and conclusions as set out in the (KPMG September 5th) Report, together with pertinent updates, with all personal information about an identifiable individual, information relating to employee negotiations, and advice that is subject to solicitor-client privilege removed*"

In addition to presenting our findings on November 29, 2017, we were requested to reissue the KPMG September 5th Report with financial updates removing personal information. In order to maintain the substance and integrity of the KPMG September 5th Report, outside of providing updates we have not made any changes except to remove all personal information about an identifiable individual, information relating to employee negotiations, and advice that is subject to solicitor-client privilege.



2 Summary of Findings

Based on the scope of review and subject to the restrictions and assumptions outlined in this report, we provide the following comments:

2.1 Financial Health

As at December 31, 2016, the financial statements of the Town indicate a cash balance of approximately \$9.3 million. However, we understand \$9.06 million of that cash represented a debenture received for the purpose of financing the community centre in respect of the EFDP. Therefore the actual available cash on hand was nominal causing concern over the ability for the Town to finance ongoing operations.

Although deferred revenues and reserves totalled approximately \$11.1 million (including obligatory reserves of \$3.4 million) as at December 31, 2016, there was nominal cash on hand to support any cash requirements.

Since 2008, the financial position of the Town has deteriorated from net financial assets of approximately \$4.1 million to a net debt position of approximately \$13.7 million in 2016. Financial ratios indicate specifically that cash balances in comparison to operating expenses are in a poor position as well as in comparison to its peers as a result of the Town's large ongoing capital projects.

The following factors (among others) appear to have contributed to the low cash balances:

- Approximately \$3 million of municipal credits in respect of the parkland dedication in the EFDP were paid out in cash (unbudgeted) rather than have the credits be utilized over time. In addition, the short-term financing recommended to Council to make this payment was not obtained.
- As at July 21, 2017, there were debentures approved but not applied for of approximately \$32 million. However, we note that if all of the approved debentures were issued, the Town would exceed its borrowing capacity by approximately \$21 million (this included \$14.8 million we now understand will be short term debt). As at November 29, 2017 the amount of debentures approved but not applied for was approximately \$9.9 million as outlined in the financial update below.

2.2 Financial Update

As requested we are providing an update to the KPMG September 5th Report on the Town's finances and note the following:

- Financial ratios for 2016 over 2015 have improved. However, we note that \$9.06 million of cash included in those ratios represents a debenture for financing the community centre in respect of the EFDP. As these ratios are provided by the Ministry of Municipal Affairs, ratios excluding the \$9.06 million are not available
- The payout of the municipal credits of approximately \$3.0 million in respect of the parkland dedication in the EFDP, was initially recommended to Council in August 2016 suggesting the Town obtain short-term financing of \$3,500,000. At that time Council instructed the Chief Administrative Officer (CAO) to negotiate a potential discount on the balance of municipal credits with Fonthill Gardens. In September 2016 the cash payout (financed internally) was approved by Council.
- The balance of approximately \$32 million of debentures approved but not applied for referenced in our September 5th Report as at July 21, 2017 is now updated to approximately \$9.9 million related to various projects. It is now understood that \$14.8 million previously included as



debentures approved but not issued will be short-term debt and therefore will not impact the Town's borrowing capacity. In addition, a further \$7.3 million has been reclassified as detailed under section 8.2 of this report.

- An update on the reserves and debt balances are not yet available as the year end of the Town is December 31, 2017



3 Scope of Report, Limitations and Restrictions

3.1 Scope of Review

Our comments and calculations are based on our review of the information listed in Appendix A. In addition, we have discussed this matter with, and received correspondence from the following representatives of the Town:

- Andrea Clemencio, Director of Public Works
- Barbara Wiens, Director of Planning & Development
- Charlotte Tunikaitis, Deputy Treasurer
- Darren Ottaway, Chief Administrative Officer
- Diane Ploss, Municipal Advisor, Municipal Services Office – Central Ontario, Ministry of Municipal Affairs, Ministry of Housing
- Michael Wendt, Senior Municipal Advisor, Municipal Services Office – Central Ontario, Ministry of Municipal Affairs, Ministry of Housing
- Nancy Bozzato, Clerk
- Paula Gilbert, Human Resources Director
- Teresa Quinlin, Director of Corporate Services and Town Treasurer (Acting Role at the date of the KPMG September 5th Report)

3.2 Limitations

Our report and analysis were limited for the following reasons:

- A review of Email communications was limited to copies provided by Ms. Teresa Quinlin and other representatives of the Town based on our specific requests. Other Emails could exist that we are not aware.
- We held no discussions with current or former elected officials or former employees of the Town.

Our comments in this report are subject to any modifications or alteration that may be caused by information received from any sources in the future.

3.3 Restrictions

We understand that this report is intended to assist in examining, understanding and resolving concerns over the Town's finances. Our report is confidential and is not intended for general use, circulation or publication. However, we understand that Town Council will provide our report to members of the general public. We consent to such uses of our report, however it is not to be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance, except as noted above.

We will not assume any responsibility or liability for any costs, damages, losses, liabilities or expenses suffered by the Town or anyone as a result of circulation, publication, reproduction, use of or reliance upon our report contrary to the provisions of this section. We will not assume any responsibility or liability for any costs, damages, losses, liabilities, or expenses incurred by anyone else as a result of



circulation, publication, reproduction, use of or reliance upon our report. Comments in our report are not intended, nor should they be interpreted to be, legal advice or opinion.

We have relied upon the completeness, accuracy and fair presentation of all the information obtained (the "Information"). Our calculations and analysis are conditional upon the completeness, accuracy and fair presentation of such Information. KPMG has not audited or otherwise independently verified the accuracy or fair presentation of any of the Information. Should additional information be provided to us after the date of this report, we reserve the right, but will be under no obligation, to review this information and adjust our report and calculations.



4 Background

We understand the following from our review of the information received and discussions with representatives of the Town:

The Town

- The Town is a municipality in the Niagara Region. The Niagara Region is located in Southern Ontario, Canada, between Lake Ontario and Lake Erie

East Fonthill Development Project

- In 2014, the Town officially began planning for development of an area named East Fonthill
- As part of the development of the area, the Town entered into agreements with several companies, including Fonthill Gardens Inc., Fonthill Gardens (2015) Inc. and River Realty
- The development project included planned construction of the Pelham Community Centre with a budget of approximately \$36 million

Town Finances

- Every year certain amounts as approved by Pelham's Town Council ("Council"), were set aside in reserves and reserve funds for future, current and capital expenses
- The Town applied to Council or Niagara Regional Council for debentures that were approved in respect of certain capital projects. A debenture would normally be applied for (and funds received) at the completion of the project.

In July 2017, KPMG was engaged to investigate certain concerns over the financial health of the Town.



5 Methodology

The methodology used in the preparation of our analysis is summarized below.

5.1 East Fonthill Development

In order to identify the actions of the Town regarding the EFDP, and the related impact on the finances of the Town we:

- Reviewed copies of emails regarding the EFDP
- Reviewed copies of agreements between the Town and other parties regarding the EFDP
- Held discussions with representatives of the Town regarding the EFDP
- Reviewed copies of By-Laws of the Town related to the EFDP

Our findings are outlined in subsection 8.1.

5.2 Debentures and annual repayment limit

In order to determine current levels of long-term debt, changes in long-term debt, and alternative sources of financing used for capital projects for the Town we:

- Reviewed the audited financial statements of the Town for the years ended December 31, 2012 to December 31, 2016
- Held discussions with representatives of the Town regarding the process to obtain additional long-term debt including debentures
- Reviewed copies of By-Laws of the Town related to the issue of new debentures for the period of 2004 to 2016
- Reviewed an analysis of the cash position and long-term debt (including issued debentures and debentures approved for future issue) as at December 31, 2016
- Considered current long-term debt of the Town, relative to annual debt repayment limits according to the Ministry of Municipal Affairs, Ministry of Housing ("the Ministry")

Our findings are outlined in subsection 8.2.

5.3 Reserves and Reserve Funds

In order to determine reserve and reserve fund levels, including liquid assets available to the Town to support the reserves we:

- Reviewed the audited financial statements of the Town for the years ended December 31, 2012 to December 31, 2016
- Reviewed an internally prepared financial analysis of the Town for the years ended December 31, 2007 to December 31, 2015
- Held discussions with representatives of the Town regarding reserves and reserve funds
- Reviewed an analysis of the cash position and long-term debt of the Town as at July 21, 2017

Our findings are outlined in subsection 8.4.

6 Policies and applicable legislation

We have summarized below certain accounting policies of the Town, as well as sections of the Municipal Act (2001) that relate to aspects of our review.

6.1 Accounting Policies

The following descriptions were outlined under significant accounting policies in the audited financial statements of the Town for fiscal year ended December 31, 2016.

Deferred revenue – obligatory reserve funds

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

Deposits and deferred revenue

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

Reserves for future expenses

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

Development charges

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

6.2 Debt and Financial Obligation Limits

The following excerpts are from Ontario regulation 403/02 of the Municipal Act (2001) – Debt and Financial Obligation Limits.



Debt and financial obligation limit

1. (1) The annual debt and financial obligation limit for municipalities shall be determined under this Regulation. O. Reg. 403/02, s. 1(1).

(2) The Ministry shall annually determine the limit using the formula described in section 3 based on the financial information to be supplied to the Ministry by each municipality under the Act and under the Municipal Affairs Act. O. Reg. 403/02, s. 1 (2).

(3) The Ministry shall inform the treasurer of the municipality in writing of the limit. O. Reg. 403/02, s. 1 (3).

Determination as to whether OMB approval required

2. A municipality shall use the most recent limit provided to it by the Ministry to determine whether Ontario Municipal Board approval is required in respect of the following categories of debt or financial obligation:

1. Long-term debt assumed by a municipality for which repayment will be required beyond the term for which the council was elected.
2. Other financial commitments, liabilities and contractual obligations, for which payment may or will be required beyond the term for which the council was elected, including, without being limited to,
 - i. lease agreements,
 - ii. financial commitments to hospitals and universities. O. Reg. 403/02, s.2.

Updated limit

4. (1) Before authorizing any specific work or class of work or any increase in expenditure for a previously authorized specific work or class of work that would require a long-term debt or financial obligation described in section 2, the council of the municipality shall have its treasurer calculate an updated limit using the most recent debt and financial obligation limit determined by the Ministry. O. Reg. 403/02, s. 4 (1).



7 Assumptions

In preparing our analysis, we assumed, in addition to assumptions noted elsewhere in this report, that:

- All relevant email communications of representatives of the Town regarding the EFDP were provided to KPMG for review
- For the purpose of analyzing debentures approved and issued relative to the 2017 Annual Repayment Limit, the municipality could borrow at 5% annually with an amortization period of 20 years
- Financial analysis provided by representatives of the Town was based on the use of complete and accurate information, including information from the audited financial statements, and underlying financial records



8 KPMG Findings

Our findings are detailed below.

8.1 East Fonthill Development Project

In 2014, the Town began official plans for the development of an area named East Fonthill. We understand as part of the development project, the Town entered into agreements with several companies, summarized below:

- Parkland Dedication Agreement with Fonthill Gardens Inc. and Fonthill Gardens (2015) Inc. (together "Fonthill Gardens") dated September 8, 2015
- Subdivision agreement with Fonthill Gardens Inc. dated September 19, 2016 for the purpose of developing the East Fonthill commercial area
- Agreement with River Realty for oversizing of a stormwater management pond and the related infrastructure within the EFDP

We understand some concerns have been raised regarding the Parkland Dedication Agreement. The agreement and actions which occurred subsequent to the agreement are described below.

8.1.1 Parkland Dedication Agreement

Under By-Law 3650, enacted on September 8, 2015, the Town entered into a Parkland Dedication Agreement with Fonthill Gardens. As part of the agreement, the Town agreed to purchase from Fonthill Gardens certain property to be used as parkland in the EFDP. As such, the Town issued credits equal to the appraised value of the land (the "Credits"), approximately \$3.5 million. Fonthill Gardens also received Credits of approximately \$138,000 for land purchased for the purpose of a road extension. The Credits could be used by Fonthill Gardens in lieu of the payment of fees, costs, and other amounts that may otherwise be payable to the Town for future development projects. We understand the Credits held by Fonthill Gardens were reduced by approximately \$585,000 for building permit security deposits, development charges and planning fees owed to the Town. After these items were applied, Credits outstanding to Fonthill Gardens totalled approximately \$3.1 million.

Certain relevant terms of the Parkland Dedication Agreement have been included below:

- C. The Purchase Option and Cost Sharing Agreement contemplates the development of certain lands described therein by Fonthill Gardens.
- D. The development by Fonthill Gardens will trigger a parkland dedication or cash-in-lieu payment pursuant to the Planning Act.
- E. Fonthill Gardens has agreed to grant parkland to the Town in an amount that will exceed the requirements of the Planning Act.
- F. The Town has agreed to credit Fonthill Gardens for a dollar amount equal to the Excess Dedications (the "Credits") which may be used to satisfy the payment of any fees, costs and other amounts that may be payable to the Town as part of any development or construction in the Town, including without limiting the generality of the foregoing, any parkland dedication fees, development charges and application fees (collectively, the "Municipal Payments"), subject to the terms of this Agreement.



- 1. The Town hereby agrees that Fonthill Gardens will, from time to time, be entitled to satisfy any Municipal Payments using the Credits on a dollar for dollar basis until such time as the total Credits used to satisfy the Municipal Payments are equal to the Excess Dedications.
- 2. Fonthill Gardens has the right, from time to time, to assign, all or any portion of, the Credits and its rights under this Agreement to any one or more developer or builder (the "Assignees") according to its sole, absolute, unfettered discretion. The Assignees will be entitled to use the Credits to satisfy any Municipal Payments in the same manner as Fonthill Gardens under this Agreement. Fonthill Gardens agrees to provide the particulars of the amount of the Credits that have been assigned.
- 4. In order to meet the Town's need to acquire the parklands early in the process, for purposes of calculating the "Excess Dedications", the Town confirms that, notwithstanding the provisions of By-Law #2682 (2005), the Town will determine the value of dedications to the Town contained in the Development Agreement by using an appraisal that values those lands as of the day before the issuance of building permits. Fonthill Gardens will: (i) prepare a draft plan depicting the Municipal Lands for purposes of the appraisal; and (ii) pay for the appraisal and will select an appraiser subject to the approval of the Town, not to be unreasonably withheld.

Appraisal

We understand when the Town purchases property, it is standard practice under Town by-law to have the seller of the land obtain an appraisal for the property. We understand the appraisal performed for the parkland sold by Fonthill Gardens to the Town was based on an extraordinary assumption as follows:

"This report is based on the Extraordinary Assumption that the Subject has been severed and comprises 148 fully serviced lots as set out in Option B of The Planning Partnership's document, on the day before the issuance of the Building Permit..."

This extraordinary assumption means that the land was valued as if there were 148 full serviced lots ready for building when in reality it was undeveloped vacant land. Based on this extraordinary assumption, the parkland was valued at approximately \$3.5 million. Fonthill Gardens was therefore compensated for property which was undeveloped at the rate of property that is fully developed.

We understand the intent of 4. of the Parkland Dedication Agreement and the Town by-law is to compensate developers for the opportunity cost of giving up property that it otherwise could have developed. The Parkland dedication by-law requires the collection of funds at the value the day before a building permit is issued. To be consistent, the Town pays funds in the same manner - the value the day before the building permit is issued. We understand the reason for this is that when land is over-dedicated and the Town purchases the land, the Town will receive the equivalent funds from developers with their cash in-lieu of park land they are required to contribute. In the end, once all the land is developed, the funds that the Town paid for the over-dedication is equal to the funds the developers paid in-lieu of the park land they are obligated to contribute.¹ We understand the Town

¹ Subsequent the KPMG September 5th Report we now understand and would like to clarify that the Town does not necessarily receive equivalent funds from developers with their cash-in-lieu of park land dedication. Rather, when an excess park land dedication is valued (as if the land is fully developed), the land has likely been appraised similarly to nearby lands subject to dedications of cash-in-lieu (at the time of applying for a building permit). As a result, even though the Town may be compensating the developer for excess park land dedication of undeveloped land (at the rate of fully developed land), the Town expects to receive cash-in-lieu of park land dedication from other nearby developments, calculated using similar appraised values. This assumes that land values remain stable and there is no material change in the market.



up-fronted the cash in order to get the right piece of land for the park as outlined in the secondary plan.

Sale of Credits

As described above, according to the Parkland Dedication Agreement, Fonthill Gardens had the right to assign all or a portion of its Credits with the Town to other developers or builders.

We understand that:

- Fonthill Gardens solicited other developers to purchase its Credits at a discount of 5%.
- On several occasions Fonthill Gardens contacted the Town via email, to provide particulars of the credits assigned to other developers or builders, which included Policella Homes and Forestgreen Creations Inc.
- On July 18, 2016 Mr. Stephen Kaiser contacted the Treasurer with concerns about the Town's application of credits sold by Fonthill Gardens to two builders. Per Mr. Kaiser, regarding five building permits granted to date, credits were only applied on the Town Development Charge portion. Per Mr. Kaiser, *"our agreement with Town was that they would be used for almost every other Town charge (including park dedication, deposits, etc.) with the exception of the actual Building Permit Fees."*
- Fonthill Gardens continued to assign credits to other developers or builders, and contacted the Town with the particulars of the amount of credits assigned.
- On July 26, 2016 a letter was sent to Callum Shedden, Daniel & Partners (acting on behalf of the Town of Pellam) by Thomas Richardson, Sullivan, Mahoney LLP (on behalf of Fonthill Gardens). The letter indicated *"there may be a misunderstanding arising over the application of the Parkland Dedication Agreement dated September 8, 2015."* The letter included an attached copy of the Parkland Dedication Agreement, and highlighted terms supporting the position of Fonthill Gardens regarding the application of fees, and the right to assign credits, to any one or more developer or builder.
- On July 29, 2016 Mr. Shedden sent an email to the Town to address some questions asked regarding the Parkland Dedication Agreement. Per Mr. Shedden's email:
 - *"1. The assignment is specifically permitted by paragraph 2 of page 2 of the Agreement;"*
 - *"2. The purpose of the Agreement was to allow the Town to pay for the over dedication of park land by Fonthill Gardens through granting credits, which will be applied as development progresses, rather than by paying for the parkland in full at the time of dedication to the Town. Absent this Agreement, the Town would have to pay the \$3 million over dedication amount when the subdivision is registered. There is no net effect on cash flow to the Town by having the credits assigned to other developers."*
 - *"3. There has been no dedication of parkland by Fonthill Gardens to date. As such in my opinion there are no credits for Fonthill Gardens to sell to other developers. The Town should not give any credit to the developers who have purchased credits from Fonthill Gardens until such time as the East Fonthill Commercial Subdivision is registered and the parklands transferred to the Town."*



Recommendation to Payout the Development Credits

On August 22, 2016 a report went to Council which recommended that, "Council approve staff to proceed with a short term loan in an amount no higher than \$3,500,000 for payment to Fonthill Gardens for the value of Parkland over dedication within the East Fonthill Lands." The report noted that at the time of the Parkland Dedication Agreement, it was understood that:

- Fonthill Gardens would draw down the credit amounts with amounts owing for development costs specifically within the EFDP
- Fonthill Gardens understood they would be able to use the credits throughout the whole Town, and could assign the credits to any developer within the Town

The report noted that:

- *"this causes hardships for the Town of Pelham due to the fact that the Town will not be collecting any cashflow from those developers that Fonthill Gardens sells to. This will significantly impact on the amounts of funds the Town has to provide for other projects including our own development within the East Fonthill lands."*
- *"Town staff are impacted enormously with administrative requirements. This includes building department, planning department, and finance. There is no recovery from Fonthill Gardens of the extra work required to track the process of applying the over dedication to other areas within the Town."*
- *"if the Town were to short term finance the amount owing to Fonthill Gardens then essentially no cash would have to leave the Town and the Town would then be able to collect all revenues from other developers."*

Payout

On September 19, 2016 the payout of approximately \$3 million to Fonthill Gardens was approved by Council and the payment (financed internally) was made on September 20, 2016. We note the following:

- The purchase of the credits from Fonthill Gardens for approximately \$3 million represented a discount of 2% of the balance outstanding.
- It was indicated in the August 22, 2016 report to Council that the Town's intention was to obtain financing for this payment. However, no short-term financing was applied for or issued related to the buyback of the credits. As a result, the buyback reduced the cash balance of the Town by approximately \$3 million.

8.1.2 Storm Water Management Pond

We understand as part of the EFDP, River Realty performed an oversizing of the storm water management pond and contributed land to the Town. In lieu of cash, and similar to the arrangement with Fonthill Gardens, River Realty was provided with credits of approximately \$1.5 million for future use and/or sale to other developers as desired. These credits were offset by approximately \$449,000 which River Realty owed to the Town. No arrangement was made for the payout of these credits. We understand River Realty requested that the credit remaining of approximately \$1 million be passed on to residents taking out building permits in their development area in the form of reduced payment for their development charges.



8.2 Debentures and the Annual Repayment Limit

We have summarized the debentures issued by the Town from 2008 to 2016 in Schedule 1. As at December 31, 2016, the balance of debentures issued and outstanding by the Town was approximately \$21.3 million in comparison to its outstanding debt of approximately \$5 million in 2008.

As at the KPMG September 5th Report our understanding of the Town's issued debentures as well as those approved (but not yet issued) as at July 21, 2017 was that the Town would exceed its borrowing capacity by approximately \$21.4 million over the allowable additional long-term debt, per the Ministry's repayment limit if all debentures were issued. We have now updated this amount which indicates the Town would be below its borrowing capacity by approximately \$680,000 as at November 29, 2017.

We understand debentures outside of the indicated borrowing limit would not receive final approval to be issued. Our calculations as per the KPMG September 5th Report and financial update are summarized below.

Table 1		
Issued and outstanding long-term debt compared to additional long-term borrowing capacity		
	5-Sep-17 Report	Financial Update
Additional long-term borrowing capacity (20 years @ 5% p.a.)	\$ 37,557,145	37,557,145
Debentures Issued		
Debenture 72-2016 Pelham Community Centre, issued 2016	9,066,166	9,066,166
Debenture 35-2016 Fenwick & Pt Robinson, issued 2016	5,750,000	5,750,000
Debenture 2017 Pelham Community Centre, issued 2017 (by-law #37-2016)	12,138,592	12,138,592
	26,954,758	26,954,758
Debentures Approved (not issued)		
Debentures approved by Council, but not issued as at July 21, 2017 [Table 2]	17,254,997	9,920,142
Debenture approved by Niagara Regional Council, but not issued as at July 21, 2017 [Note]	14,795,257	-
	32,050,254	9,920,142
Total debentures issued and approved (not issued)	59,005,012	36,874,900
Debentures approved or issued exceeding (below) borrowing capacity	\$ 21,447,867	(682,245)

Note: To fund timing difference of land sales of approximately \$12 million and donations of \$3 million. We now understand this loan will be short-term and will therefore not impact the annual repayment limit.

Annual Repayment Limit

As summarized in Section 6 above, S. 403/02, s. 4 (1) of the Municipal Act is applicable to the issued and approved long-term debt of the Town. Specifically per the Act, "before authorizing any specific work or class of work or any increase in expenditure for a previously authorized specific work or class of work that would require a long-term debt or financial obligation described in section 2, the council of the municipality shall have its treasurer calculate an updated limit using the most recent debt and financial obligation limit determined by the Ministry."

On an annual basis, the Annual Repayment Limit of each municipality is calculated by the Ministry of Municipal Affairs ("the Ministry") based on data contained in the most recent Financial Information Return ("FIR") of the municipality. The 2017 Annual Repayment Limit of the Town ("repayment limit") was calculated based on data contained in the 2015 FIR, as submitted to the Ministry by the Treasurer. Per the repayment limit report provided to the Treasurer by the Ministry, the Town's estimated annual repayment effective January 1, 2017 was approximately \$3 million. Per the report, "... this limit represents the maximum amount which the municipality has available as of December 31, 2015 to commit to payments relating to debt and financial obligation."



Additional long term borrowing capacity

According to the 2017 Annual Repayment Limit calculations provided by the Ministry, assuming the Town could borrow at 5% annually, with an amortization period of 20 years, the maximum additional long-term borrowing the Town could undertake was approximately \$37.6 million as at December 31, 2015.

Debentures Issued

Since December 31, 2015, approximately \$27 million in debentures were issued as follows:

- \$9,066,166 in respect of the Pelham Community Centre (2016)
- \$5,750,000 related to Fenwick & Pt Robinson (2016)
- \$12,138,592 in respect of the Pelham Community Centre (2017)

Debentures Approved (but not issued)

In addition, we understood at the time of the KPMG September 5th Report approximately \$32 million of debentures had been approved by Council but were not issued as at July 21, 2017. This has now been updated as at November 29, 2017 to approximately \$9.9 million as indicated in Table 1 above. We note the following:

- \$14,795,257 related to the Pelham Community Centre which is to be issued in July 2018 on a short-term basis, only if needed to fund the project prior to other project revenues being received. As this will be a short term loan it will not impact the annual repayment limit or borrowing capacity
- The remaining \$17.2 million as understood at the time of the KPMG September 5th Report and updated to \$9.9 million as at November 29, 2017 is outlined under Table 2 below:

Table 2		
Total Council approved debentures (through resolutions) but not issued:		
Project Description	5-Sep-17 Report	Financial Update
a. Maple Acres	\$ 900,000	463,425
b. 2015 Welland Rd Deerpark Sewer replacement	820,000	-
c. RD 01-17 Summersides: Station to Wellspring	417,754	417,754
d. RD 14-17 East Fonthill Block 2 secondary servicing	978,280	-
e. RD 02-16 Summersides East to Rice Rd	2,473,963	2,473,963
f. RD 01-16 Pelham St/Hurricane Storm Water Mgmt	165,000	165,000
g. Wellspring Way/Shaw Ave Construction	5,400,000	5,400,000
h. REC 12-13 Predevelopment Costs for PCC	1,000,000	1,000,000
i. Loan short term for Parkland dedication	3,500,000	-
j. Bridge Loan	1,600,000	-
	\$ 17,254,997	9,920,142

Further details on the financial update are outlined below.

Financial Update

As requested and indicated in the tables above we have provided an update to the KPMG September 5th Report on the debentures that have been approved but not issued as at November 29, 2017.



The balance of approximately \$17.2 million (of the \$32 million) of debentures approved but not applied for as at July 21, 2017 has declined by approximately \$7.3 million to \$9.9 million as at November 29, 2017.

In referring to Table 1 and 2 (compiled based on the Town's analysis of debentures approved by Town Council but not issued), the following amounts were removed based on additional information as follows:

- "a. Maple Acres" of \$900,000 - This project had in fact been approved to be partially financed using development charges, per the "Town Facilities 2015 Proposed Capital Budget Summary" \$436,575 of Development Charges were to be used to finance a project, "FAC 09-15 Maple Acre: Design & Build".
- "b. 2015 Welland Rd Deerpark Sewer Replacement" of \$820,000 - This project had in fact been approved to be financed using development charges, per the "Wastewater 2015 Proposed Capital Budget Summary". We understand this project has been deferred.
- "d. RD 14-17 East Fonthill Block 2 secondary servicing" - \$978,820 - This project had in fact been approved to be financed using development charges, per the "Roads 2017 Proposed Capital Budget Summary"
- "i. Loan short term for Parkland dedication" - \$3.5 million - At a meeting of Town Council on August 22, 2016 the Treasurer recommended to Council to pay out the outstanding credits using a short-term loan of no more than \$3,500,000. At that time Council instructed the CAO to negotiate a discount on the outstanding credits, but did not approve the recommended debenture. At a subsequent meeting of Town Council on September 19, 2016 the Town Treasurer recommended the payout be financed internally and no debenture was approved.
- "j. Bridge loan" - \$1.6 million. This amount represented bridge financing of the Town's bank indebtedness at December 31, 2016. However, this amount had already been included in the liabilities of the Town as at December 31, 2016 per Note 3 of the audited financial statements.

8.3 Ministry of Municipal Affairs: Financial Indicator Reviews

Purpose

We understand one role of the Ministry is to provide advice and deliver programs and educational services to municipalities on municipal management, finance, administration and land use planning. Based on discussions with Ms. Ploss and Mr. Wendt, we understand that:

- On an annual basis, the Town completed a Financial Information Return (FIR) for submission to the Ministry. The FIR is the main data collection tool used by the Ministry to collect financial and statistical information of each municipality
- The Treasurer approved the FIRs of the Town for the years ended December 31, 2009 to December 31, 2016
- In her role with the Ministry, Ms. Ploss acted as the Municipal Advisor responsible for the Town
- On an annual basis, the Ministry prepares and provides to the Treasurer of the Town a Financial Indicator Review ("review"), using the information included in the FIR. The reviews for the years ended December 31, 2009 to December 31, 2015 included seven indicators of the Municipalities' financial health. Per information included in the most recent review (December 31, 2015), the seven indicators are intended to illustrate levels of financial challenge of the municipalities as follows:



- Net Financial Assets or Net Debt as a % of Own Purpose Taxation Plus User Fees – How much tax and fee revenue is servicing debt?
- Reserves and Reserve Funds as a % of Operating Expenses – How much money is set aside for future needs / contingencies?
- Debt Charges as a % of Total Operating Revenue – How much of each dollar raised is spent on debt?
- Total Taxes Receivable Less Allowance for Uncollectables as a % of Total Taxes Levied – How much of the taxes billed are not collected?
- Total Cash and Cash Equivalents as a % of Operating Expenses – How much cash and liquid investments could be available to cover expenses?
- Net Working Capital as a % of Total Municipal Operating Expenses – How much cash, receivables and inventory less short-term debt could be available to cover operating expenses?
- Asset Consumption Ratio – (expressed as a percentage) measures the age of a municipality's physical assets. It measures the extent to which depreciable assets have been consumed by comparing the amount of the assets that have been used up and their cost.

Town Results

The level of challenge determined by the Ministry for each financial indicator in the fiscal years December 31, 2009 to December 31, 2015 has been detailed in Schedule 2. In the table below, we have summarized the indicators with a moderate to high level of challenge in comparison to its peers.

Table 3 Summary of Pelham Financial Indicator Reviews			
Indicator	Year	Level of Challenge	
		Town of Pelham	South - LT Regions - Non-Rural
Net Financial Assets or Net Debt as a % of Own Purpose Taxation Plus User Fees	2014 & 2015	Moderate	Low
Total Reserves and Discretionary Reserve Funds as a % of Operating Expenses	2014	Moderate	Low
Debt Servicing Cost as a % of Total Operating Revenue	2011 to 2015	Moderate	Low
Total Cash and Cash Equivalents as a % of Operating Expenses	2011 to 2015	High	Low
Net Working Capital as a % of Total Municipal Operating Expenses	2010, 2012 & 2013	Moderate	Low
	2011, 2014 & 2015	High	Low
Asset Consumption Ratio	2009 to 2015	Moderate	Moderate

We note the following:

- The Town showed a financial level of challenge of moderate on only one indicator in fiscal 2008.
- In fiscal 2009, the Town showed no financial levels of challenge greater than low.



- The Town showed a financial level of challenge of moderate or high on at least two financial indicators for the fiscal years December 31, 2010 to December 31, 2015.
- Per Ms. Ploss, two or more indicators showing a financial level of challenge of moderate or high would typically prompt follow-up contact of a municipality by their Ministry Advisor to discuss the results of the review, and to offer guidance to remediate the financial challenges.
- In 2017 Ms. Ploss and Ms. Quinlin discussed the level of financial challenge faced by the Town.

We understand there is no enforcement mechanism available to the Ministry for non-compliance or failure to cooperate with the Ministry to address financial challenges faced by the municipalities. The reporting is a tool to provide information, leading practices and guidance to the municipalities. However, per Mr. Wendt and Ms. Ploss, municipalities are typically transparent and cooperative, as they work with the Ministry to discuss and address any identified financial challenges.

Financial Update

At the date of the KPMG September 5th Report, the most recent Financial Indicator Review provided to the Town by the Ministry was for the year ended December 31, 2015. The Ministry has now provided the Town with the Financial Indicator Review for the year ended December 31, 2016. We have summarized the 2016 indicators below:

Table 3 (Financial Update)		
Summary of Pelham Financial Indicator Review for year ended December 31, 2016		
Indicator	Level of Challenge	
	Town of Pelham	South - LT Regions - Non-Rural (Average)
Total Taxes Receivable less Allowance for Uncollectibles as a % of Total Taxes Levied	Low	Low
Net Financial Assets or Net Debt as a % of Own Purpose Taxation Plus User Fees	Moderate	Low
Total Reserves and Discretionary Reserve Funds as a % of Operating Expenses	Low	Low
Total Cash Equivalents as a % of Current Liabilities	Low	Low
Debt Servicing Cost as a % of Total Operating Revenue	Moderate	Low
Asset Consumption Ratio	Low	Low
Operating Surplus Ratio	Low	Low

We note the following:

- The Town showed a financial level of challenge of moderate on two indicators in fiscal 2016
- Per our previous discussion with Ms. Ploss, two or more indicators showing a financial level of challenge of moderate or high would typically prompt follow-up contact of a municipality by their



Ministry Advisor to discuss the results of the review, and to offer guidance to remediate the financial challenges.

- As discussed in 8.4, "Cash available to support reserves, deposits and deferred revenues" of this report above, approximately \$9.1 million of the cash balance at December 31, 2016 was related to a debenture from Infrastructure Ontario specifically for construction of the new Pelham Community Centre. Since these funds were held in a separate account and were only to be used for the Community Centre they were not available to support ongoing operating cash requirements of the Town. We do not know what the ratios for 2016 would indicate if this cash had been excluded from the Ministry's calculations.

8.4 Reserves, reserve funds and deferred revenue

Purpose

A Reserve Fund Strategy Report presented to Council on February 6, 2017 ("the Reserve Fund Report"), indicated that *"reserves are the cornerstone to financial flexibility and they help to reduce risk for unexpected issues that could arise. Although it can be at times a sensitive issue in retaining constituents tax revenues in reserves, reserve funds actually level out tax increases and reduce volatility"*

The Reserve Fund Report also states that the Town did not have a Reserve Fund Policy at the date of the report. As a result, a recommendation of the report was, *"that staff bring forward a Reserve Fund Policy at the next Priorities and Policies Meeting."*

Cash available to support reserves, deposits and deferred revenues

We understand representatives of the Town are concerned about the Town's cash balance and believe it should be at least equal the balance of deposits, deferred revenue and reserves. As at December 31, 2015 and 2016, these account balances totalled approximately \$6.8 million and \$11.1 million, respectively, as reported on the audited financial statements as follows:

Table 4		
Deferred revenue, reserves and cash balances		
As at December 31		
	2015	2016
Deposits and deferred revenue	\$ 157,698	1,864,319
Deferred revenue - obligatory reserve funds	1,932,489	3,398,984
Reserve and reserve funds	4,695,956	5,828,384
Total	\$ 6,786,143	11,091,687
Cash and temporary investments	554,430	9,324,711
Less: Pelham Community Centre Debenture	-	(9,066,166)
Adjusted cash and temporary investments	554,430	258,545
Bank indebtedness	\$ (3,350,000)	(1,800,000)

We note the following:



- According to the audited 2015 financial statements, the cash balance at December 31, 2015 was approximately \$550,000 and the Town had a bank indebtedness of \$3.35 million
- Per the audited 2016 financial statements, the cash balance at December 31, 2016 was approximately \$9.3 million. However, we understand approximately \$9.1 million of that figure related to a recent debenture received from Infrastructure Ontario specifically for construction of the new Pelham Community Centre in relation to the EFDP. We understand these funds are held in a separate account at Meridian Credit Union and are only to be used for that purpose. We also note that the financial statements indicate that as at December 31, 2016, the Town had bank indebtedness of \$1.8 million. Barring any other Town assets that are easily convertible to cash, the Town did not appear to have cash available to cover its deposits, deferred revenue, nor its reserves in 2015 or 2016.
- We understand there is currently no requirement under the Municipal Act, Town policy or the applicable accounting framework, Canadian Public Sector Accounting Standards ("PSAB"), for the Town to maintain cash or liquid assets equal to the balance of deposits and deferred revenue (\$157,000 in 2015 \$1.9 million in 2016) or the reserves and reserve funds (\$4.7 million in 2015 \$5.8 million in 2016). However, without maintaining balances of cash and liquid assets equal to reserves, the intended mechanism of the reserves may be impaired. As a result we understand many municipalities have made it a best practice to ensure cash balances are on hand.
- We understand the account "deferred revenue – obligatory reserve funds" of approximately \$1.9 million in 2015 and \$3.4 million in 2016 did need to be supported by a cash balance (although it did not need to be in a separate bank account). At both of those year ends, the cash balance was below the obligatory reserve limit. We understand that although no formal agreement was in place to borrow the funds internally, the Town did account for mandatory interest in the reserve.

Reserves as reported to Council

We understand reserve balances were reported to Council by the Treasurer as detailed in Schedule 3 and summarized in the table below:

Table 5					
Summary of reserves as reported to Council					
Date Reported	Report Name	Year ended December 31,	Reserve Balance	Difference from prior year	
2-Jun-14	2013 Final Reserve and Development Charges Balances	2013	\$ 6,215,150	272,146	
8-Sep-15	2014 Final Reserve and Development Charges Balances	2014	5,207,602	(1,007,548)	
20-Jun-16	2015 Audited Reserve Year End Balances	2015	7,306,254	2,098,652	

We note that the figures above do not tie to the figures indicated in the audited financial statements of the Town for the following reasons:

- An "Airport" reserve is included in the financial statements upon consolidation which is not included in the above noted figures reported to Council
- A "Cementary Perpetual Care Trust" is included in reserves presented to Council but in the financial statements it is included in "Trust Funds" as opposed to in the reserves

In each report to Council noted above, it was stated that, "*year end reserve balances remain healthy and capable of supporting the Town's ongoing commitments.*" This statement appears misleading as the Town does not appear to have the cash balances on hand to support the year end reserve balances, as discussed above.



8.5 Financial condition of the Town

In Schedule 4 we have summarized the statement of financial position of the Town as at December 31, 2008 to 2016. The Town went from a net financial assets position of approximately \$4.1 million in 2008 to a net debt of approximately \$13.7 million in 2016. This represents a significant drop in the financial health of the Town.

In Schedule 5, we have summarized information from the Financial Information Returns of the municipalities within the Niagara Region. Schedule 5 indicates the net financial assets/(net debt) of each municipality. We note that the majority of the municipalities have a net financial assets balance while the Town has a net debt balance in each of 2010 to 2016. The only other municipalities with net debt balances are Port Colborne and St Catharines. It appears the Town's financial condition is low compared to its peers because of its large current capital expenditures.



9 Standards and Independence

This report was prepared by Tyler Reavell and Karen Grogan, CPA, CA•IFA, CBV, CFF in accordance with the practice standards of the Canadian Institute of Chartered Business Valuators.

We believe that we are independent of Daniel & Partners and the Town and that we have prepared our report in an independent and objective manner. Moreover, our fees for this engagement are not contingent upon our findings or any other action or event resulting from the use of this report.

A handwritten signature in black ink, appearing to read 'Karen Grogan'.

Karen Grogan, CPA, CA•IFA, CBV, CFF
Senior Vice President

Direct Dial (519) 747-8223



A Scope of Review

Our comments, calculations and analysis as contained in this report are based on our review of the following information as well as other information referenced throughout:

- Consolidated Financial Statements of Corporation of the Town of Pelham for the years ended December 31, 2008 to December 31, 2010, audited by Grant Thornton, Chartered Accountants
- Consolidated Financial Statements of Corporation of the Town of Pelham for the years ended December 31, 2010 to December 31, 2016, audited by Deloitte LLP, Chartered Accountants
- Cash Flow Analysis and Projection for the year ended December 31, 2016
- Copies of emails of Town administration from July 2016 to May 2017, as provided by Teresa Quinlin
- Copy of 2017 Annual Repayment Limit Under Ontario Regulation 403/02 from Ontario Ministry of Municipal Affairs
- Copy of Amendment to Purchase Option and Cost Sharing Agreement dated June 4, 2015
- Copy of brochure for planned Community Centre
- Copy of By-law 3479, passed by Council March 17, 2014
- Copy of By-law 3650, approved by Council September 8, 2015
- Copy of By-law 3696, approved by Council January 11, 2016
- Copy of Fonthill Gardens Overdedication Amount Internal Working Paper
- Copy of 2013 Final Reserve and Development Charges Balances Report
- Copy of Issue Summary Report titled 2014 Final Reserve and Development Charges Balances from meeting date September 8, 2015
- Copy of 2015 Audited Reserve Year End Balances Report
- Financial Indicator Reviews for the years ended December 31, 2004 and December 31, 2008 to December 31, 2015
- Copy of pg. 4 of Schedule 54 from FIR2016
- Copy of Town Council Report – In-Camera from meeting date August 22, 2016 on subject of Parkland Over Dedication from Fonthill Gardens
- General Ledger Detail of account 1-2-02000-1653, period 1-13, fiscal year 2017
- Mid-Year Reviews & Cash Position of the Town dated July 21, 2017
- Plan survey of Part of Thorold Township Lots 166 & 167, Town of Pelham, Regional Municipality of Niagara
- Summary of Consolidated Statements of Change in Net Debt and Accumulated Surplus for the years ended December 31, 2009 to December 31, 2016
- Summary of Consolidated Statements of Financial Position, Consolidated Statements of Operations, Consolidated Statements of Cash Flow and Reserves and Reserve Funds for the years ended December 31, 2007 to December 31, 2016



- Summary of Overdedication by River Realty and Fonthill Gardens
- Trial Balance of Corporation of the Town for the year ended December 31, 2016
- Information from the Town's website
- Information from the Ministry of Municipal Affairs' website re Financial Information Returns
- Development Charges Act, Ontario, 1997

Town of Pelham												
Net long-term debt												
As at December 31												
Debenture	Purpose	Interest rate	Maturity dates	2008	2009	2010	2011	2012	2013	2014	2015	2016
100-2001	Fire truck	3.25% to 6%	2011	\$ 444,598	304,270	156,199	-	-	-	-	-	-
114-2004	Canboro Road	2.46%	2014	1,500,000	1,250,000	1,000,000	750,000	500,000	250,000	-	-	-
73-2010	Fire truck	2.95% to 4.65%	2015	-	-	419,229	340,580	259,415	175,652	89,209	-	-
67-2009	Centennial Park	3.5% to 4.8%	2019	-	207,066	189,000	170,000	151,000	132,000	112,000	91,000	69,000
83-2011	Haist & Pelham St	1.55% to 4.05%	2021	-	-	-	1,729,750	1,573,985	1,415,997	1,255,062	1,090,853	922,551
73-2012	Haist St & Rice Rd	1.35% to 3.10%	2022	-	-	-	-	808,600	735,000	660,000	584,000	506,000
72-2013	Effingham & Hwy 20	1.40% to 3.75%	2023	-	-	-	-	-	714,913	650,355	584,367	516,869
78-2014	Pelham St & Fire Stn #2	1.20% to 3.30%	2024	-	-	-	-	-	-	1,785,633	1,621,578	1,455,653
75-2015	Fire Station #3 & Pt Robinson Rd	1.94%	2025	-	-	-	-	-	-	-	3,335,130	3,024,000
72-2016	Pelham Community Centre	3.34%	2046	-	-	-	-	-	-	-	-	9,066,166
35-2016	Fenwick & Pt Robinson	1.20% to 2.40%	2026	-	-	-	-	-	-	-	-	5,750,000
Bank loan	Land purchase	Prime		3,045,776	2,748,710	2,456,574	2,116,988	1,859,852	1,602,717	1,345,580	1,088,444	-
				\$ 4,990,374	4,510,046	4,221,002	5,107,318	5,152,852	5,026,279	5,897,839	8,395,372	21,310,239

Town of Pelham						
Summary of Financial Indicator Reviews						
Indicator	Ranges	Year	Pelham Actuals	Peers Median	Peers Average	Pelham Level of Challenge
Net Financial Assets or Net Debt as a % of Own Purpose Taxation Plus User Fees	Low: > -50% Mod: -50% to -100% High: < -100%	2009	20.4%	111.3%	100.2%	LOW
		2010	-25.5%	91.2%	85.7%	LOW
		2011	-21.9%	94.2%	81.8%	LOW
		2012	-11.2%	97.1%	83.2%	LOW
		2013	-16.6%	99.8%	82.7%	LOW
		2014	-52.5%	91.2%	81.3%	MODERATE
		2015	-63.2%	94.8%	82.8%	MODERATE
Total Reserves and Discretionary Reserve Funds as a % of Operating Expenses	Low: > 20% Mod: 10% to 20% High: < 10%	2009	44.0%	59.5%	69.0%	LOW
		2010	30.6%	55.3%	62.4%	LOW
		2011	24.0%	44.8%	49.9%	LOW
		2012	23.3%	46.2%	51.6%	LOW
		2013	22.7%	47.3%	52.5%	LOW
		2014	18.7%	46.3%	52.6%	MODERATE
		2015	26.9%	51.0%	55.2%	LOW
Debt Servicing Cost as a % of Total Operating Revenue	Low: < 5% Mod: 5% to 10% High: > 10%	2009	6.0%	5.2%	4.9%	LOW
		2010	4.6%	2.8%	3.2%	LOW
		2011	6.6%	3.5%	3.9%	MODERATE
		2012	6.0%	3.6%	3.8%	MODERATE
		2013	6.1%	3.7%	3.7%	MODERATE
		2014	6.2%	3.5%	3.7%	MODERATE
		2015	6.2%	3.6%	3.4%	MODERATE
Total Taxes Receivable less Allowance for Uncollectables as a % of Total Taxes Levied	Low: < 10% Mod: 10% to 15% High: > 15%	2009	7.1%	7.7%	7.7%	LOW
		2010	7.3%	7.3%	7.2%	LOW
		2011	8.4%	7.2%	7.3%	LOW
		2012	8.6%	6.7%	6.8%	LOW
		2013	8.1%	6.7%	6.8%	LOW
		2014	7.2%	6.0%	6.3%	LOW
		2015	7.7%	5.3%	6.0%	LOW
		2009	37.7%	106.7%	120.4%	LOW

Town of Pelham						
Summary of Financial Indicator Reviews						
Indicator	Ranges	Year	Pelham Actuals	Peers Median	Peers Average	Pelham Level of Challenge
Total Cash and Cash Equivalents as a % of Operating Expenses	Low: > 10% Mod: 5% to 10% High: < 5%	2010	14.8%	92.1%	99.8%	LOW
		2011	3.1%	44.9%	41.3%	HIGH
		2012	2.3%	48.2%	48.7%	HIGH
		2013	2.5%	38.1%	42.0%	HIGH
		2014	2.6%	43.9%	44.1%	HIGH
		2015	3.2%	50.3%	49.2%	HIGH
Net Working Capital as a % of Total Municipal Operating Expenses	Low: > 10% Mod: 10% to -10% High: < -10%	2009	41.4%	67.4%	77.9%	LOW
		2010	-6.9%	54.9%	60.4%	MODERATE
		2011	-10.1%	45.0%	51.5%	HIGH
		2012	6.6%	57.5%	55.4%	MODERATE
		2013	1.1%	50.5%	48.5%	MODERATE
		2014	-28.1%	48.1%	49.4%	HIGH
Asset Consumption Ratio	Low: < 25% Mod: 26% to 75% High: > 75%	2015	-19.9%	57.5%	53.4%	HIGH
		2009	58.1%	62.8%	62.3%	MODERATE
		2010	65.8%	69.4%	70.1%	MODERATE
		2011	37.4%	33.6%	31.9%	MODERATE
		2012	38.9%	33.8%	32.7%	MODERATE
		2013	39.8%	35.1%	33.3%	MODERATE
		2014	40.8%	35.9%	34.0%	MODERATE
		2015	41.3%	36.9%	34.7%	MODERATE

Schedule 3

Town of Pelham				
Summary of reserve balances presented to Council				
As at December 31				
		2013	2014	2015
Discretionary				
General Government	\$	467,238	(33,922)	187,976
Protection Services		(8,705)	178,929	(105,563)
Transportation Services		843,231	361,728	1,401,376
Health Services		650,070	(120,633)	(112,490)
Parks and Recreation		19,994	176,696	246,841
Planning and Development Services		(68,963)	(60,109)	(44,640)
Water and Wastewater		-	-	-
		1,902,865	502,689	1,573,500
Non-Discretionary				
General Government		797,110	312,696	974,928
Protection Services		-	-	-
Transportation Services		362,613	362,613	362,613
Health Services		(123,607)	676,908	704,331
Parks and Recreation		1,029,490	812,263	933,991
Planning and Development Services		-	-	-
Water and Wastewater		2,246,679	2,540,433	2,756,891
		4,312,285	4,704,913	5,732,754
Total reserve balances		6,215,150	5,207,602	7,306,254
Development charges		797,110	312,695	563,556
Total	\$	7,012,260	5,520,297	7,869,810

Source: 2015 Audited Reserve Year End Balances Report, and the 2013 and 2014 Final Reserve and Development Charges Balances Report

Town of Pelham									
Consolidated Statement of Financial Position									
As at December 31									
Actuals	2008	2009	2010	2011	2012	2013	2014	2015	2016
Financial Assets									
Cash and temporary investments	\$ 6,776,554	4,350,501	1,575,714	1,977,526	374,162	403,745	473,272	554,430	9,324,711
Taxes Receivable	1,226,574	1,820,589	1,924,504	2,234,689	2,368,904	2,314,360	2,112,912	2,306,587	2,210,469
User Charges Receivable	805,189	1,021,208	670,764	587,790	584,882	605,476	576,572	579,200	592,086
Accounts Receivable	539,520	817,509	938,983	686,062	610,607	867,767	932,496	942,057	6,753,703
Inventory held for resale	-	-	191,421	191,421	-	-	-	-	-
Investment in Subsidiary	4,760,856	4,944,491	5,028,200	5,035,646	5,222,438	5,082,730	5,137,164	5,253,882	5,293,453
	14,108,693	12,954,298	10,329,586	10,713,134	9,160,993	9,274,078	9,232,416	9,636,156	24,174,422
Liabilities									
Bank Indebtedness	-	-	3,012,125	2,990,431	-	1,000,000	3,200,000	3,350,000	1,800,000
Accounts Payable and Accrued Liabilities	1,878,022	2,673,049	3,036,556	2,110,761	2,546,069	2,667,442	4,618,505	3,738,556	7,712,420
Other Liabilities	611,057	711,127	805,088	822,294	699,085	655,576	844,959	971,712	1,429,957
Due to Perpetual Care Trust Fund	-	-	-	-	-	-	638,843	-	-
Deferred Revenue	2,257,114	2,328,617	2,207,199	2,246,683	2,227,775	1,896,167	1,214,840	2,090,187	5,263,303
Long-term Debt	4,990,374	4,510,046	4,221,002	5,107,318	5,152,852	5,026,279	5,897,839	8,395,372	21,310,239
Employee Benefit Obligations	269,751	276,721	283,945	248,717	281,262	322,491	280,509	316,528	399,342
	10,006,318	10,499,560	13,565,915	13,526,204	10,907,043	11,567,955	16,695,495	18,862,355	37,915,261
Net Financial Assets / (Net Debt)	4,102,375	2,454,738	(3,236,329)	(2,813,070)	(1,746,050)	(2,293,877)	(7,463,079)	(9,226,200)	(13,740,839)
Non-financial Assets									
Tangible Capital Assets	71,957,319	73,687,264	83,314,803	87,406,000	86,814,694	86,992,659	91,854,375	93,326,714	104,132,637
Other Assets	98,989	11,057	7,072	29,074	160,458	308,251	75,139	199,213	373,244
	72,056,308	73,698,321	83,321,875	87,435,074	86,975,152	87,300,910	91,929,514	93,525,927	104,505,881
Accumulated Surplus	\$ 76,158,683	76,153,059	80,085,546	84,622,004	85,229,102	85,007,033	84,466,435	84,299,727	90,765,042

Schedule 5

Niagara Region										
Net Financial Assets / Net Debt (Total Financial Assets less Total Liabilities)										
As at December 31										
Municipality	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Niagara Falls C	\$ 104,066,093	75,479,638	46,719,913	58,731,148	73,166,822	80,410,930	73,951,965	103,123,951		N/A
Port Colborne C	213,512	1,721,899	1,430,466	(2,422,523)	(11,071,659)	(10,520,328)	(9,354,278)	(6,439,145)		N/A
St Catharines C	76,675,007	72,316,883	59,077,463	30,332,503	46,881,187	24,000,119	(4,646,753)	(11,732,877)		N/A
Welland C	21,413,337	18,000,576	16,317,763	15,747,415	(317,016)	1,473,706	1,321,759	3,552,270		N/A
Thorold C	24,687,786	25,885,330	17,105,788	17,157,255	15,537,559	15,198,528	17,510,090	19,129,135	22,478,033	
Fort Erie T	10,711,720	9,846,601	7,932,196	10,208,711	9,960,253	16,285,152	20,102,553	23,352,352	25,450,667	
Grimsby T	31,399,192	32,023,347	30,629,088	29,484,252	31,347,407	36,159,236	34,835,455	34,606,287		N/A
Lincoln T	27,640,127	25,594,547	29,167,352	29,674,940	31,355,603	28,330,051	27,149,058	30,296,440		N/A
Niagara-on-the-Lake T	17,833,243	19,879,318	18,876,972	21,778,055	21,597,178	23,567,970	26,176,992	23,401,661	26,987,679	
Pelham T	4,993,768	2,454,738	(3,236,329)	2,813,070	(1,548,687)	(2,293,877)	(7,463,079)	(9,226,200)	(13,740,839)	
Wainfleet Tp	1,701,287	698,750	1,017,241	1,021,635	1,128,136	2,051,524	3,267,867	3,419,377		N/A
West Lincoln Tp	14,844,343	14,440,647	13,719,500	14,960,454	16,985,574	17,704,273	16,109,882	15,566,611		N/A

Source: Financial Information Returns

N/A: not available