

Financial Report

City of Port Colborne

2013

# Contents

|  | <b>Page</b> |
|--|-------------|
| <b>City of Port Colborne</b>                           |             |
| Independent Auditor's Report                           | 1-2         |
| Consolidated Statement of Financial Position           | 3           |
| Consolidated Statement of Operations                   | 4           |
| Consolidated Statement of Changes in Net Debt          | 5           |
| Consolidated Statement of Cash Flows                   | 6           |
| Notes to the Consolidated Financial Statements         | 7-27        |
| Consolidated Schedule of Tangible Capital Assets       | 28-29       |
| Consolidated Schedule of Segment Disclosure            | 30          |
| Schedule of Segment Disclosure with Budget Information | 31-32       |
| <b>Trust Funds</b>                                     |             |
| Independent Auditor's Report                           | 33-34       |
| Consolidated Statement of Financial Position           | 35          |
| Consolidated Statement of Operations                   | 35          |
| Notes to the Consolidated Financial Statements         | 36          |



# Grant Thornton

## Independent auditor's report

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To the Members of Council, Inhabitants and Taxpayers of the  
**Corporation of the City of Port Colborne**

We have audited the accompanying consolidated financial statements of the Corporation of the City of Port Colborne, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 consolidated financial position of the Corporation of the City of Port Colborne as at December 31, 2013, and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Port Colborne, Canada  
December 15, 2014

Chartered Accountants  
Licensed Public Accountants

# City of Port Colborne

## Consolidated Statement of Financial Position

As at December 31

2013

2012

### Financial assets

|                                    |                   |                   |
|------------------------------------|-------------------|-------------------|
| Cash and cash equivalents (Note 3) | \$ 3,730,914      | \$ 740,660        |
| Portfolio investments (Note 4)     | 1,573,661         | 1,569,261         |
| Taxes receivable                   | 1,771,880         | 1,767,431         |
| User charges receivable            | 1,594,257         | 1,495,039         |
| Other receivables                  | <u>2,251,097</u>  | <u>5,160,495</u>  |
|                                    | <u>10,921,809</u> | <u>10,732,886</u> |

### Liabilities

|   |                   |                   |
|---|-------------------|-------------------|
| Payables and accruals                         | 3,729,995         | 7,493,174         |
| Other liabilities                             | 345,202           | 418,030           |
| Deferred revenue (Note 6)                     | 606,221           | 1,809,285         |
| Long term debt (Note 7)                       | 10,477,427        | 5,896,743         |
| Employee benefit obligations (Notes 8 and 17) | <u>6,299,689</u>  | <u>6,197,412</u>  |
|   | <u>21,458,534</u> | <u>21,814,644</u> |

### Net debt

(10,536,725)      (11,081,758)

### Non-financial assets

|  |                    |                    |
|--|--------------------|--------------------|
| Tangible capital assets (Note 9 and Pages 28 and 29) | 115,271,829        | 114,731,854        |
| Prepaid expenses                                     | <u>649,165</u>     | <u>460,121</u>     |
|  | <u>115,920,994</u> | <u>115,191,975</u> |

### Accumulated surplus (Note 10)

\$ 105,384,269      \$ 104,110,217

Contingencies (Note 20)

Approved by

\_\_\_\_\_  
Treasurer

\_\_\_\_\_  
Chief Administrative Officer

See accompanying notes to the consolidated financial statements.

# City of Port Colborne

## Consolidated Statement of Operations

For the Year Ended December 31, 2013

|   | Budget<br><u>2013</u> | Actual<br><u>2013</u> | Actual<br><u>2012</u> |
|---|-----------------------|-----------------------|-----------------------|
| <b>Revenue</b>  |                       |                       |                       |
| Taxation (Note 12)                                    | \$ 13,733,060         | \$ 13,883,103         | \$ 13,157,533         |
| User charges (Note 14)                                | 11,279,937            | 10,980,587            | 10,895,076            |
| Grants (Note 15)                                      | 2,882,614             | 2,944,551             | 2,895,480             |
| Other (Note 16)                                       | <u>633,322</u>        | <u>790,460</u>        | <u>996,296</u>        |
|   | <u>28,528,933</u>     | <u>28,598,701</u>     | <u>27,944,385</u>     |
| <b>Expenses</b>                                       |                       |                       |                       |
| General government                                    | 3,348,389             | 3,411,607             | 2,999,875             |
| Protection to persons and property                    | 3,540,844             | 3,306,481             | 3,360,945             |
| Transportation services                               | 4,906,535             | 4,961,123             | 4,815,974             |
| Environmental services                                | 9,061,218             | 9,021,450             | 9,134,931             |
| Health services                                       | 169,924               | 195,991               | 193,756               |
| Social and family services                            | 20,000                | 20,000                | 20,000                |
| Recreation and culture services                       | 6,457,338             | 6,771,702             | 5,520,838             |
| Planning and development                              | <u>2,142,461</u>      | <u>2,170,993</u>      | <u>2,296,793</u>      |
|   | <u>29,646,709</u>     | <u>29,859,347</u>     | <u>28,343,112</u>     |
| <b>Net expenses</b>                                   | <u>(1,117,776)</u>    | <u>(1,260,646)</u>    | <u>(398,727)</u>      |
| <b>Other</b>  |                       |                       |                       |
| Increase in investment<br>in subsidiary (Note 4)      | -                     | -                     | 2,497,897             |
| Revenue related to tangible capital assets            |                       |                       |                       |
| Grants (Note 15)                                      | -                     | 1,500,000             | 5,879,397             |
| Other (Note 16)                                       | -                     | 912,021               | 941,174               |
| Gain (loss) on disposal of<br>tangible capital assets | <u>-</u>              | <u>122,677</u>        | <u>(1,586)</u>        |
|   | <u>-</u>              | <u>2,534,698</u>      | <u>9,316,882</u>      |
| <b>Annual (deficit) surplus</b>                       | (1,117,776)           | 1,274,052             | 8,918,155             |
| <b>Accumulated surplus (Note 10)</b>                  |                       |                       |                       |
| Beginning of year                                     | <u>104,110,217</u>    | <u>104,110,217</u>    | <u>95,192,062</u>     |
| End of year   | <u>\$ 102,992,441</u> | <u>\$ 105,384,269</u> | <u>\$ 104,110,217</u> |

See accompanying notes to the consolidated financial statements.

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## City of Port Colborne

### Consolidated Statement of Changes in Net Debt

For the Year Ended December 31, 2013

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|  | Budget<br><u>2013</u>  | Actual<br><u>2013</u>         | Actual<br><u>2012</u>  |
|--|------------------------|-------------------------------|------------------------|
| Annual (deficit) surplus                       | \$ (1,117,776)         | \$ <b>1,274,052</b>           | \$ 8,918,155           |
| Amortization of tangible capital assets        | 4,326,762              | <b>4,326,762</b>              | 3,922,059              |
| Write-down of tangible capital assets          | -                      | <b>1,200</b>                  | 1,963                  |
| Acquisition of tangible capital assets         | (4,284,474)            | <b>(5,645,138)</b>            | (21,433,531)           |
| Proceeds from sale of tangible capital assets  | -                      | <b>899,879</b>                | 159,452                |
| Loss (gain) on sale of tangible capital assets | -                      | <b>(122,677)</b>              | 1,586                  |
|  | (1,075,488)            | <b>734,078</b>                | (8,430,316)            |
| Acquisition of prepaid expenses                | -                      | <b>(189,045)</b>              | (228,919)              |
| <b>(Decrease) increase in net debt</b>         | (1,075,488)            | <b>545,033</b>                | (8,659,235)            |
| <b>Net debt</b>                                |                        |                               |                        |
| Beginning of year                              | <u>(11,081,758)</u>    | <u><b>(11,081,758)</b></u>    | <u>(2,422,523)</u>     |
| End of year                                    | <u>\$ (12,157,246)</u> | <u><b>\$ (10,536,725)</b></u> | <u>\$ (11,081,758)</u> |

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See accompanying notes to the consolidated financial statements.

# City of Port Colborne

## Consolidated Statement of Cash Flows

For the Year Ended December 31

2013

2012

### Increase (decrease) in cash and cash equivalents

|   |                     |                     |
|---|---------------------|---------------------|
| <b>Operating activities</b>                                     |                     |                     |
| Annual surplus  | \$ 1,274,052        | \$ 8,918,155        |
| Non-cash items  |                     |                     |
| Amortization of tangible capital assets                         | 4,326,762           | 3,922,059           |
| Write-down of tangible capital assets                           | 1,200               | 1,963               |
| (Loss) gain on sale of tangible capital assets                  | (122,677)           | 1,586               |
| (Increase) decrease in taxes receivable                         | (4,449)             | 31,983              |
| (Increase) decrease in user charges receivable                  | (99,218)            | 37,001              |
| Decrease in accounts receivable                                 | 2,909,398           | 5,811,828           |
| (Decrease) increase in accounts payable and accrued liabilities | (3,763,179)         | 1,625,677           |
| (Decrease) increase in other liabilities                        | (72,828)            | 103,103             |
| (Decrease) increase in deferred revenue                         | (1,203,064)         | 445,994             |
| Increase in prepaid expenses                                    | <u>(189,045)</u>    | <u>(228,919)</u>    |
|   | <u>3,056,952</u>    | <u>20,670,430</u>   |
| <b>Capital activities</b>                                       |                     |                     |
| Proceeds from sale of tangible capital assets                   | 899,879             | 159,452             |
| Acquisition of tangible capital assets                          | <u>(5,645,138)</u>  | <u>(21,433,531)</u> |
|   | <u>(4,745,259)</u>  | <u>(21,274,079)</u> |
| <b>Financing activities</b>                                     |                     |                     |
| Increase (decrease) in bank indebtedness                        | -                   | (1,662,506)         |
| Issue of long term debt   | 5,694,000           | -                   |
| Issue of capital lease obligations                              | 22,749              | -                   |
| Repayment of long term debt                                     | (1,092,722)         | (885,761)           |
| Repayment of capital lease obligation                           | (43,343)            | (71,886)            |
| Increase (decrease) in employee benefit obligations             | <u>102,277</u>      | <u>(172,536)</u>    |
|   | <u>4,682,961</u>    | <u>(2,792,689)</u>  |
| <b>Investing activities</b>                                     |                     |                     |
| Purchase of portfolio investments (net)                         | (4,400)             | (784,261)           |
| (Increase) decrease in investment in subsidiary                 | <u>-</u>            | <u>4,832,136</u>    |
|   | <u>(4,400)</u>      | <u>4,047,875</u>    |
| <b>Net increase in cash and cash equivalents</b>                | <b>2,990,254</b>    | <b>651,537</b>      |
| <b>Cash and cash equivalents</b>                                |                     |                     |
| Beginning of year   | <u>740,660</u>      | <u>89,123</u>       |
| End of year   | <u>\$ 3,730,914</u> | <u>\$ 740,660</u>   |

See accompanying notes to the consolidated financial statements.



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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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### 1. Significant accounting policies

The consolidated financial statements of the Corporation of the City of Port Colborne (“the Municipality”) are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Municipality are as follows:

#### (a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include the following:

Port Colborne Public Library Board  
Port Colborne Downtown Development Board  
Port Colborne Gateway Business Improvement Area  
Port Colborne Energy Inc.

Interdepartmental and organizational transactions and balances are eliminated.

The following joint local board is proportionality consolidated:

Niagara Central Airport Commission (Joint Board)

Related party transactions are eliminated (Note 18).

The statements exclude trust assets that are administered for the benefit of external parties (Note 19).

#### (b) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

#### (c) Cash and cash equivalents

Cash and temporary investments include cash on hand, balances with banks and guaranteed investment certificates that mature within one year.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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### 1. Significant accounting policies (continued)

#### (d) Portfolio investments

Portfolio investments are valued at the lower of cost and market value. Interest income is reported as revenue in the period earned.

#### (e) Deferred revenue

Receipts that 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 that will be incurred in a later period are deferred until they are earned by being matched against those expenses.

#### (f) Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service.

#### (g) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition.

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

Works of art for display in municipal property are not included as capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The cost of art is not determinable or relevant to their significance. No valuation of the collection has been conducted or disclosed in the consolidated financial statements.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Consolidated Statement of Operations as "other revenue". Half-year amortization is charged in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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**1. Significant accounting policies** (continued)

**(g) Tangible capital assets** (continued)

Amortization is based on the following classifications and useful lives:

| <u>Classification</u>                       | <u>Useful Life</u> |
|---|--------------------|
| Land improvements                           | 10-100 years       |
| Buildings                                   | 20-50 years        |
| Leasehold improvements                      | 20-50 years        |
| Vehicles                                    | 10-20 years        |
| Office equipment and furniture and fixtures | 5-10 years         |
| Machinery and equipment                     | 3-30 years         |
| Infrastructure                              | 10-100 years       |

**(h) Subdivision infrastructure**

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the Municipality and recorded as tangible capital assets. The Municipality is not involved in the construction.

**(i) Revenue recognition**

**i) Taxation**

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment.

Once a supplementary roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Assessments of the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the school boards, as appropriate.

**ii) User charges**

User charges are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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**1. Significant accounting policies** (continued)

**(i) Revenue recognition** (continued)

**iii) Government transfers**

Government transfers include entitlements, transfers under shared cost agreements, and grants. Revenue is recognized for entitlements and grants in the period received. Revenue is recognized for transfers under shared cost agreements in the period the costs are incurred.

**iv) Other**

Other revenue is recorded when it is earned and collection is reasonably assured.

**(j) Reserves for future expenses**

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

**(k) Local improvements**

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

**(l) Region and school board transactions**

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

**(m) Use of estimates and measurement uncertainty**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Two areas in which management make estimates are with regards to an allowance for uncollectible taxes receivable and obligations for employee benefits.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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### 2. Prior period adjustments

In prior years, the City was reporting its investment in Port Colborne Energy Inc. (Energy) using the modified equity method, when it should have applied full consolidation. In addition, dividends received by the City from Port Colborne Hydro Inc. (Hydro) through Energy had been recorded as other income and included in the increase/decrease in the investment in Energy, respectively, on the Consolidated Statement of Operations. Only the City's share of Hydro's net income should have been reported on the Consolidated Statement of Operations and the dividends should have been netted against the investment in Energy.

The 2012 comparatives have been restated to present the consolidated financial position of Energy as at December 31, 2012 and the consolidated operations of Energy for the year ended December 31, 2012 and to correct the reporting of dividend income from Energy. This restatement has had no effect to the annual surplus nor the opening or closing accumulated surplus. The effects of the restatements on the Consolidated Statements of Financial Position and Operations of the City were as follows:

|                                   | <u>As previously stated</u> | <u>Adjustment</u> | <u>As restated</u> |
|-----------------------------------|-----------------------------|-------------------|--------------------|
| Cash                              | \$ 532,071                  | \$ 208,589        | \$ 740,660         |
| Portfolio investments             | 794,261                     | 775,000           | 1,569,261          |
| Other receivables                 | 5,160,872                   | (377)             | 5,160,495          |
| Investment in subsidiary          | 926,806                     | (926,806)         | -                  |
| Payables and accruals             | 7,426,671                   | 66,503            | 7,493,174          |
| Prepaid expenses                  | 450,023                     | 10,097            | 460,120            |
| Revenue                           |                             |                   |                    |
| Other                             | 7,306,756                   | (6,310,460)       | 996,296            |
| Expenses                          |                             |                   |                    |
| General government                | 2,926,724                   | 92,767            | 3,019,491          |
| (Income) expenses from subsidiary | (3,905,330)                 | 6,403,227         | 2,497,897          |
| Annual surplus                    | 8,918,155                   | -                 | 8,918,155          |
| Accumulated surplus               |                             |                   |                    |
| Opening                           | 95,192,062                  | -                 | 95,192,062         |
| Closing                           | 104,110,216                 | -                 | 104,110,216        |

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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### 3. Cash and cash equivalents 2013 2012

Cash and temporary investments are comprised of:

|               |                     |                   |
|---------------|---------------------|-------------------|
| Cash on hand  | \$ 3,550            | \$ 3,600          |
| Bank balances | <u>3,727,364</u>    | <u>737,060</u>    |
|               | <u>\$ 3,730,914</u> | <u>\$ 740,660</u> |

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### 4. Portfolio investments 2013 2012

|   |                     |                     |
|---|---------------------|---------------------|
| 25% investment in Niagara Regional<br>Broadband Network Limited | \$ 775,000          | \$ 775,000          |
| Guaranteed investment certificates                              | <u>798,661</u>      | <u>794,261</u>      |
|   | <u>\$ 1,573,661</u> | <u>\$ 1,569,261</u> |

Guaranteed investment certificates carry an effective interest rate of 1.56% and mature in January, 2014. Interest is receivable on maturity. Carrying value approximates market value.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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### 5. Bank indebtedness

An operating line of credit of \$ 4,000,000 has been established with the CIBC, of which \$ Nil (2012 - \$ 1,865,212) was used at December 31, 2013. An executed borrowing by-law in form and content satisfactory to CIBC is in effect to a limit of \$ 4,000,000. Interest is calculated at prime minus 0.5%. Overdrafts outstanding under the line of credit are converted to a promissory note at the CIBC's request which has not been enacted.

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### 6. Deferred revenue

|                         | <u>2013</u>       | <u>2012</u>         |
|-------------------------|-------------------|---------------------|
| Development Charges Act | \$ 373,836        | \$ 559,212          |
| Parkland                | 10,811            | 5,418               |
| Federal gas tax         | <u>221,574</u>    | <u>1,244,655</u>    |
|                         | <u>\$ 606,221</u> | <u>\$ 1,809,285</u> |

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

### 7. Long term debt 2013 2012

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

|   |                             |                            |
|---|-----------------------------|----------------------------|
| The Municipality has assumed responsibility for the payment of principal and interest charges on certain long term debt issued by the Region of Niagara. At the end of the year, the outstanding principal amount of this debt is | <b>\$ 10,439,536</b>        | \$ 5,838,258               |
| Capital lease obligations   | <u>37,891</u>               | <u>58,485</u>              |
| Net long term debt  | <u><b>\$ 10,477,427</b></u> | <u><b>\$ 5,896,743</b></u> |

- (b) The net long term debt:

| <u>Debenture Number</u> | <u>Purpose</u>                | <u>Interest Rates</u> | <u>Maturity Dates</u> | <u>2013</u>                 | <u>2012</u>                |
|-------------------------|-------------------------------|-----------------------|-----------------------|-----------------------------|----------------------------|
| 74-2003                 | Various                       | 2.95 to 5.65%         | 2013<br>2018          | \$ -<br><b>1,605,000</b>    | \$ 257,000<br>1,878,000    |
| 89-2004                 | Marina                        | 2.65 to 5.30%         | 2014                  | <b>29,600</b>               | 33,600                     |
| 57-2006                 | Fire truck                    | 4.70 to 5.15%         | 2016                  | <b>440,000</b>              | 484,000                    |
| 72-2007                 | Various                       | 4.90 to 5.10%         | 2017                  | <b>388,049</b>              | 473,785                    |
| 61-2008                 | Various                       | 3.70 to 4.90%         | 2018                  | <b>387,000</b>              | 455,000                    |
| 67-2009                 | Various                       | 1.15 to 4.80%         | 2019                  | <b>293,000</b>              | 336,000                    |
| 73-2010                 | Various                       | 1.60 to 4.65%         | 2020                  | <b>1,766,409</b>            | 1,920,873                  |
| 46-2013                 | Health & Wellness Centre      | 2.67%                 | 2020                  | <b>2,868,142</b>            | -                          |
| 47-2013                 | Various                       | 3.37%                 | 2033                  | <b>786,318</b>              | -                          |
| 48-2013                 | Various                       | 3.70%                 | 2043                  | <b>1,876,018</b>            | -                          |
|                         | Leased vehicles and equipment | Various               | 2014-18               | <u><b>37,891</b></u>        | <u>58,485</u>              |
|                         |                               |                       |                       | <u><b>\$ 10,477,427</b></u> | <u><b>\$ 5,896,743</b></u> |



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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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### 7. Long term debt (continued)

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

|      |              |
|------|--------------|
| 2014 | \$ 1,086,623 |
| 2015 | 1,083,519    |
| 2016 | 1,441,497    |
| 2017 | 1,121,167    |
| 2018 | 1,058,547    |

(d) The Municipality paid \$ 371,410 (2012 - \$ 332,212) interest on long term debt during the year.

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### 8. Employee benefit obligations

|   | <u>2013</u>                | <u>2012</u>                |
|---|----------------------------|----------------------------|
| Workplace Safety and Insurance Board<br>future benefits | \$ 597,822                 | \$ 577,853                 |
| Vested sick leave benefits                              | 266,474                    | 298,386                    |
| Retirement benefits                                     | <u>5,435,393</u>           | <u>5,321,173</u>           |
|   | <b>6,299,689</b>           | 6,197,412                  |
| Less: sick leave funded by reserve                      | <u>15,147</u>              | <u>1,523</u>               |
|   | <b><u>\$ 6,284,542</u></b> | <b><u>\$ 6,195,889</u></b> |

#### (a) Workplace Safety and Insurance Board future benefits

The City of Port Colborne is a Workplace Safety and Insurance Board (WSIB) Schedule 2 employer. The City has recorded an accrual for the estimate of future benefit costs and administrative loading as calculated by the WSIB. During the year \$ 37,096 (2012 - \$ 34,413) was paid by the City to the WSIB in relation to these benefits.

#### (b) Vested sick leave benefits

Under the sick leave benefit plan for employees of the Port Colborne Firefighters' Association, sick leave can accumulate and employees may become entitled to a cash payment upon leaving the Municipality's employment.

The accrued benefit obligation at December 31, 2013 of \$ 266,474 (2012 - \$ 298,386) was determined by an actuarial valuation using a discount rate of 4%.

The most recent actuarial valuation for the vested sick leave was prepared at January 1, 2013.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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### 8. Employee benefit obligations (continued)

#### (b) Vested sick leave benefits (continued)

The main actuarial assumptions employed for the vested sick leave and retirement benefits valuations above are as follows (where applicable):

##### (i) General inflation

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.25%.

##### (ii) Interest (discount) rate

The obligations as at January 1, 2013 of the present value of future liabilities were determined using a discount rate of 4%.

##### (iii) Salary increase rate

The rate used to increase salaries is assumed to be 1.25% per annum for 2013 and 2014 and 3% per annum thereafter. This rate reflects management's best estimate of future salary increases.

|                            | <u>2013</u>       | <u>2012</u>       |
|----------------------------|-------------------|-------------------|
| Accrued benefit obligation |                   |                   |
| Balance, beginning of year | \$ 298,386        | \$ 277,339        |
| Benefit payments           | (53,595)          | -                 |
| Current service cost       | 17,144            | 16,485            |
| Interest cost              | 9,033             | 9,056             |
| Actuarial gain             | <u>(4,494)</u>    | <u>(4,494)</u>    |
| Balance, end of year       | <u>\$ 266,474</u> | <u>\$ 298,386</u> |
| Funded status              |                   |                   |
| Deficit                    | \$ 208,048        | \$ 235,466        |
| Unamortized gain           | <u>58,426</u>     | <u>62,920</u>     |
|                            | <u>\$ 266,474</u> | <u>\$ 298,386</u> |

The net benefit expense for the employee benefit plan is as follows:

|                      |                  |                  |
|----------------------|------------------|------------------|
| Current service cost | \$ 17,144        | \$ 16,485        |
| Interest cost        | 9,033            | 9,056            |
| Actuarial gain       | <u>(4,494)</u>   | <u>(4,494)</u>   |
| Net benefit expense  | <u>\$ 21,683</u> | <u>\$ 21,047</u> |

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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**8. Employee benefit obligations** (continued)

**(b) Vested sick leave benefits** (continued)

During the year \$ 33,455 (2012 - \$ Nil) was paid to employees who left the Municipality's employment. The Municipality has set aside \$ 15,147 (2012 - \$ 1,523) in a reserve.

**(c) Retirement benefits**

The City of Port Colborne pays certain retirement benefits on behalf of its retired employees. The City of Port Colborne recognizes these retirement costs in the period in which the employees rendered the services. The plan is substantially unfunded and requires no contributions from employees.

The accrued benefit obligation at December 31, 2013 of \$ 5,435,391 (2012 - \$ 5,321,173) was determined by an actuarial valuation using a discount rate of 4%.

The City's obligation under the retirement provision of employment agreements will be funded out of current revenue. During the year benefit payments of \$ 344,919 (2012 - \$ 289,928) were paid to retirees.

Actuarial valuations for accounting purposes are performed every three years using the projected benefit method, pro-rated on service. Under this method, the projected retirement benefits are deemed to be earned on a pro-rata basis over the employee's years of service.

The most recent actuarial valuation for the retirement benefits was prepared at January 1, 2013.

The main actuarial assumptions employed for retirement benefits valuation above are as follows (where applicable):

**(i) General inflation**

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.50%.

**(ii) Interest (discount) rate**

The obligations as at January 1, 2013 of the present value of future liabilities were determined using a discount rate of 4%.

**(iii) Medical costs**

Medical costs were assumed to be 6.75% in 2013 and decrease 0.25% per year until 2020 when the rate will be 5% and continue thereafter.

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

### 8. Employee benefit obligations (continued)

#### (c) Retirement benefits (continued)

##### (iv) Dental costs

Dental costs were assumed to increase 5% in 2013 and thereafter.

|                            | <u>2013</u>         | <u>2012</u>         |
|----------------------------|---------------------|---------------------|
| Accrued benefit obligation |                     |                     |
| Balance, beginning of year | \$ 5,321,173        | \$ 5,164,312        |
| Benefit payments           | (344,917)           | (289,928)           |
| Current service cost       | 205,796             | 197,881             |
| Interest cost              | 226,881             | 222,448             |
| Actuarial loss             | <u>26,460</u>       | <u>26,460</u>       |
| Balance, end of year       | <u>\$ 5,435,393</u> | <u>\$ 5,321,173</u> |
| Funded status              |                     |                     |
| Deficit                    | \$ 5,726,453        | \$ 5,638,693        |
| Unamortized loss           | <u>(291,060)</u>    | <u>(317,520)</u>    |
|                            | <u>\$ 5,435,393</u> | <u>\$ 5,321,173</u> |

The net benefit expense for the employee benefit plan is as follows:

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Current service cost | \$ 205,796        | \$ 197,881        |
| Interest cost        | 226,881           | 222,448           |
| Actuarial loss       | <u>26,460</u>     | <u>26,460</u>     |
| Net benefit expense  | <u>\$ 459,137</u> | <u>\$ 446,789</u> |

### 9. Tangible capital assets

|   | <u>2013</u>           | <u>2012</u>           |
|---|-----------------------|-----------------------|
| Net book value                              |                       |                       |
| Land  | \$ 6,519,865          | \$ 6,368,862          |
| Land improvements                           | 10,292,838            | 8,346,622             |
| Buildings                                   | 38,896,303            | 9,348,997             |
| Leasehold improvements                      | 168,445               | 134,484               |
| Vehicles                                    | 2,309,906             | 2,255,041             |
| Office equipment and furniture and fixtures | 709,324               | 676,362               |
| Machinery and equipment                     | 2,404,677             | 2,292,796             |
| Infrastructure                              | <u>52,929,060</u>     | <u>53,067,399</u>     |
|   | <u>114,230,418</u>    | 82,490,563            |
| Assets under construction                   | <u>1,041,411</u>      | <u>32,241,291</u>     |
|   | <u>\$ 115,271,829</u> | <u>\$ 114,731,854</u> |

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

| <b>10. Accumulated surplus</b>                  | <u><b>2013</b></u>    | <u><b>2012</b></u>    |
|---|-----------------------|-----------------------|
| Consists of:                                    |                       |                       |
| Surpluses (deficits)                            |                       |                       |
| Operating                                       | \$ (2,665,270)        | \$ (6,658,811)        |
| Port Colborne Public Library Board              | 2,515                 | (1,385)               |
| Port Colborne Downtown Development Board        | 33,825                | 37,213                |
| Port Colborne Gateway Business Improvement Area | 17,968                | 12,069                |
| Port Colborne Energy Inc.                       | 856,842               | 926,805               |
| Niagara Central Airport Commission (Note 18)    | <u>10,743</u>         | <u>14,860</u>         |
|   | <u>(1,743,377)</u>    | <u>(5,669,249)</u>    |
| Investment in tangible capital assets           | <u>115,271,829</u>    | <u>114,731,854</u>    |
| Unfunded  |                       |                       |
| Long term debt                                  | (10,135,301)          | (5,479,028)           |
| Employee benefit obligations                    | <u>(6,299,689)</u>    | <u>(6,197,412)</u>    |
|   | <u>(16,434,990)</u>   | <u>(11,676,440)</u>   |
| Reserves and reserve funds (Note 11)            | <u>8,290,807</u>      | <u>6,724,052</u>      |
|   | <u>\$ 105,384,269</u> | <u>\$ 104,110,217</u> |

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

| <b>11. Reserves and reserve funds</b>                                    | <u><b>2013</b></u>         | <u><b>2012</b></u>         |
|--|----------------------------|----------------------------|
| Reserves set aside for specific purposes by Council                      |                            |                            |
| Working capital  | \$ 702,957                 | \$ 1,043,744               |
| Recreation programs and facilities                                       | 270,415                    | 257,354                    |
| Acquisition of capital assets  | 1,370,510                  | 404,983                    |
| Library  | 8,103                      | 8,103                      |
| Museum   | 26,056                     | 13,657                     |
| Transit  | 67,000                     | 12,000                     |
| Election expense   | 52,854                     | 37,854                     |
| Administration costs   | 602,058                    | 355,624                    |
| Airport  | 3,232                      | 3,232                      |
| Cemetery   | 16,978                     | 16,978                     |
| Wastewater operations  | 1,486,126                  | 1,102,211                  |
| Water operations   | <u>1,202,371</u>           | <u>1,632,803</u>           |
| <b>Total reserves</b>  | <u><b>5,808,660</b></u>    | <u><b>4,888,543</b></u>    |
| Reserve funds set aside for specific purposes<br>by Council or agreement |                            |                            |
| Acquisition of fixed assets  | 155,880                    | 170,878                    |
| Accumulated sick leave and disability                                    | 15,147                     | 1,523                      |
| Administration costs   | 218,728                    | 296,840                    |
| Grain elevator property  | 800,075                    | 789,433                    |
| Community Centre   | 1,090,463                  | 363,673                    |
| Library  | 183,387                    | 193,140                    |
| Transit  | <u>18,467</u>              | <u>20,022</u>              |
| <b>Total reserve funds</b>   | <u><b>2,482,147</b></u>    | <u><b>1,835,509</b></u>    |
| <b>Total reserves and reserve funds</b>                                  | <u><b>\$ 8,290,807</b></u> | <u><b>\$ 6,724,052</b></u> |

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

| 12. Taxation                                    | Budget<br><u>2013</u> | Actual<br><u>2013</u> | Actual<br><u>2012</u> |
|---|-----------------------|-----------------------|-----------------------|
| Real property                                   |                       | \$ 32,334,038         | \$ 30,967,154         |
| From other governments                          |                       |                       |                       |
| Payments in lieu of taxes                       |                       | <u>375,858</u>        | <u>379,584</u>        |
|   |                       | <u>32,709,896</u>     | <u>31,346,738</u>     |
| Less: taxation collected on behalf of (Note 13) |                       |                       |                       |
| Region of Niagara                               |                       | 13,191,603            | 12,635,812            |
| School boards                                   |                       | <u>5,635,190</u>      | <u>5,553,393</u>      |
|   |                       | <u>18,826,793</u>     | <u>18,189,205</u>     |
| Net taxes available for municipal purposes      |                       | <u>\$ 13,883,103</u>  | <u>\$ 13,157,533</u>  |
| Residential, multi-residential and farm         | \$ 10,651,359         | \$ 10,821,622         | \$ 10,264,641         |
| Commercial and industrial                       | <u>3,081,701</u>      | <u>3,061,481</u>      | <u>2,892,892</u>      |
| Net taxes available for municipal purposes      | <u>\$ 13,733,060</u>  | <u>\$ 13,883,103</u>  | <u>\$ 13,157,533</u>  |

### 13. Collections for the Region of Niagara and school boards

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

|                   | <u>2013</u>          | <u>2012</u>          |
|-------------------|----------------------|----------------------|
| Region of Niagara | \$ 13,191,603        | \$ 12,635,812        |
| School boards     | <u>5,635,190</u>     | <u>5,553,393</u>     |
|                   | <u>\$ 18,826,793</u> | <u>\$ 18,189,205</u> |

The Municipality is required to levy and collect taxes on behalf of the Region of Niagara and the school boards. These taxes are recorded as revenue at the amounts levied. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

| 14. User charges         | Budget<br><u>2013</u> | Actual<br><u>2013</u> | Actual<br><u>2012</u> |
|--------------------------|-----------------------|-----------------------|-----------------------|
| <b>Operating</b>         |                       |                       |                       |
| Fees and service charges | \$ 2,180,809          | \$ 2,265,461          | \$ 2,126,991          |
| Direct water billings    | 4,094,627             | 3,894,597             | 3,979,309             |
| Wastewater surcharges    | 4,826,371             | 4,647,026             | 4,592,608             |
| Licences and permits     | <u>178,130</u>        | <u>173,503</u>        | <u>196,168</u>        |
|                          | <u>\$ 11,279,937</u>  | <u>\$ 10,980,587</u>  | <u>\$ 10,895,076</u>  |

| 15. Grants           | Budget<br><u>2013</u> | Actual<br><u>2013</u> | Actual<br><u>2012</u> |
|----------------------|-----------------------|-----------------------|-----------------------|
| <b>Operating</b>     |                       |                       |                       |
| Government of Canada | \$ 20,000             | \$ 132,675            | \$ 23,633             |
| Province of Ontario  | 2,595,614             | 2,669,752             | 2,666,103             |
| Municipal            | <u>267,000</u>        | <u>142,124</u>        | <u>205,744</u>        |
|                      | <u>2,882,614</u>      | <u>2,944,551</u>      | <u>2,895,480</u>      |
| <b>Capital</b>       |                       |                       |                       |
| Government of Canada | -                     | 1,500,000             | 3,132,832             |
| Province of Ontario  | -                     | -                     | 2,746,565             |
| Municipal            | <u>-</u>              | <u>-</u>              | <u>-</u>              |
|                      | <u>-</u>              | <u>1,500,000</u>      | <u>5,879,397</u>      |
|                      | <u>\$ 2,882,614</u>   | <u>\$ 4,444,551</u>   | <u>\$ 8,774,877</u>   |



# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

| 16. Other revenue                                 | Budget<br><u>2013</u> | Actual<br><u>2013</u> | Actual<br><u>2012</u> |
|---|-----------------------|-----------------------|-----------------------|
| <b>Operating</b>                                  |                       |                       |                       |
| Penalties and interest on taxes                   | \$ 340,000            | \$ 358,272            | \$ 354,738            |
| Fines   | 37,000                | 38,511                | 41,535                |
| Interest income                                   | 15,000                | 34,768                | 72,446                |
| Rental income                                     | 24,500                | 42,365                | 50,185                |
| Investment income – reserves<br>and reserve funds | -                     | 19,477                | 49,562                |
| Contributions from developers                     | 5,000                 | -                     | 5,000                 |
| Transfer from trust funds                         | -                     | 5,232                 | 2,397                 |
| Donations   | 160,111               | 159,127               | 212,362               |
| Other   | <u>51,711</u>         | <u>132,708</u>        | <u>208,071</u>        |
|   | <u>633,322</u>        | <u>790,460</u>        | <u>996,296</u>        |
| <b>Capital</b>                                    |                       |                       |                       |
| Contributions from developers                     | -                     | 242,029               | -                     |
| Donations   | -                     | 590,587               | 872,825               |
| Transfer from trust funds                         | -                     | 13,417                | -                     |
| Other   | <u>-</u>              | <u>65,988</u>         | <u>68,349</u>         |
|   | <u>-</u>              | <u>912,021</u>        | <u>941,174</u>        |
|   | <u>\$ 633,322</u>     | <u>\$ 1,702,481</u>   | <u>\$ 1,937,470</u>   |

### 17. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 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.

Contributions to OMERS are made at rates ranging from 9.0% to 15.9% depending on the proposed retirement age and the level of earnings. As a result \$ 1,434,747 (2012 - \$ 1,318,254) was contributed to OMERS for current service, of which \$ 717,373 (2012 - \$ 659,127) represents the employees' portion.

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

### 18. Niagara Central Airport Commission

The Niagara Central Airport Commission operates a two runway airport offering a year round fixed base operation. The Commission is funded by the four nearby municipalities, City of Welland, City of Port Colborne, Town of Pelham and the Township of Wainfleet. The City of Port Colborne has a non-controlling interest in the airport of 20%.

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

|  | <u>2013</u>                | <u>2012</u>                |
|--|----------------------------|----------------------------|
| <b>Financial assets</b>                  |                            |                            |
| Cash and temporary investments           | \$ 62,900                  | \$ 62,860                  |
| Receivables                              | <u>8,192</u>               | <u>9,897</u>               |
|  | <b>71,092</b>              | <b>72,757</b>              |
| <b>Liabilities</b>                       |                            |                            |
| Accounts payable and accrued liabilities | <u>27,056</u>              | <u>5,302</u>               |
| <b>Net financial assets</b>              | <u><b>44,036</b></u>       | <u><b>67,455</b></u>       |
| <b>Non-financial assets</b>              |                            |                            |
| Prepaid expenses                         | 1,354                      | 1,378                      |
| Fuel inventory                           | 24,491                     | 21,630                     |
| Tangible capital assets                  | <u>1,152,797</u>           | <u>1,168,219</u>           |
|  | <u><b>1,178,642</b></u>    | <u><b>1,191,227</b></u>    |
| <b>Accumulated surplus</b>               | <u><b>\$ 1,222,678</b></u> | <u><b>\$ 1,258,682</b></u> |
| <b>Accumulated surplus consists of:</b>  |                            |                            |
| Operating surplus                        | \$ 53,717                  | \$ 74,299                  |
| Reserves                                 | 16,164                     | 16,164                     |
| Investment in tangible capital assets    | <u>1,152,797</u>           | <u>1,168,219</u>           |
|  | <u><b>\$ 1,222,678</b></u> | <u><b>\$ 1,258,682</b></u> |
| <b>Revenues</b>                          |                            |                            |
| Grants                                   | \$ 78,530                  | \$ 75,810                  |
| Fuel and rentals                         | 108,076                    | 55,919                     |
| Interest                                 | 506                        | 432                        |
| <b>Expenses</b>                          | <u>(223,116)</u>           | <u>(137,534)</u>           |
| <b>Annual deficit</b>                    | <u><b>\$ (36,004)</b></u>  | <u><b>\$ (5,373)</b></u>   |

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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### 18. Niagara Central Airport Commission (continued)

The financial position information is as reported by the Niagara Central Airport Commission as at December 31, 2013 and the results of operations are as reported for the year ended December 31, 2013. The comparative financial position and results of operations figures are as reported by the Niagara Central Airport Commission at December 31, 2012.

The Municipality has recorded in the financial statements its 20% share of the Niagara Central Airport Commissions' assets, liabilities, accumulated surplus, revenues, expenses, and annual surplus.

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

|        | <u>2013</u>      | <u>2012</u>      |
|--------|------------------|------------------|
| Grants | <u>\$ 15,706</u> | <u>\$ 15,160</u> |

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### 19. Trust funds

Trust funds administered by the Municipality amounting to \$ 320,333 (2012 - \$ 315,303) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

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### 20. Contingencies

The Municipality is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in the accompanying financial statements.

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### 21. Financial instruments

The Municipality's financial instruments consist of cash and cash equivalents, taxes receivable, accounts receivable, portfolio investments, accounts payable and long term debt. It is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

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### 22. Comparative figures

Certain prior year amounts have been reclassified to conform with current year consolidated financial statement presentation.

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# **City of Port Colborne**

## **Notes to the Consolidated Financial Statements**

For the Year Ended December 31, 2013

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### **23. Segmented information**

The Municipality is a diverse municipal government that provides a wide range of services to its citizens. Segmented information has been identified for the service lines that reflect the way in which the operations are managed and resource needs are identified and budgeted. Municipal activities are reported by function in the body of the financial statements.

Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

#### **General**

The general provision of municipal services includes general government, fire services, transportation services, storm sewer services, planning and development, facilities, parks and cemeteries.

#### **Water**

The water operations install and maintain water capital infrastructure to ensure the safe supply, metering and cost recovery for all treated water to serviced areas within all urban and settlement areas of the Municipality.

#### **Wastewater**

The wastewater operations install and maintain wastewater capital infrastructure and recover costs of providing this service within all urban and settlement areas of the Municipality.

#### **Port Colborne Public Library Board**

The Port Colborne Public Library Board provides library services, materials and facilities. The Municipality controls the board and consolidates the financial activities.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The consolidated schedule of segment disclosure and the schedules of segment disclosure with budget information follow the notes.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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### 24. Budget

The budget bylaw adopted by Council March 25, 2013 was not prepared on a basis consistent with that used to report actual results in accordance with Canadian public sector accounting standards. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. As a result, the budget figures presented in the Consolidated Statement of Operations and Consolidated Statement of Changes in Net Debt represent the budget adopted by Council with the following adjustments:

|   |                       |
|---|-----------------------|
| Budgeted annual deficit                                   | \$ (30,484)           |
| Add:  |                       |
| Acquisition of tangible capital assets                    | 5,384,474             |
| Repayment of long term debt                               | 1,017,132             |
| Less:   |                       |
| Transfers to (from) reserves, net                         | (2,062,136)           |
| Amortization of tangible capital assets                   | (4,326,762)           |
| Debenture proceeds  | <u>(1,100,000)</u>    |
| Budgeted deficit per Consolidated Statement of Operations | <u>\$ (1,117,776)</u> |

# City of Port Colborne

## Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2013

|                                 | <u>Land</u>         | <u>Land<br/>Improvements</u> | <u>Buildings and<br/>Leaseholds</u> | <u>Vehicles</u>     | <u>Furniture and<br/>Equipment</u> | <u>Infrastructure</u> | <u>Construction<br/>in Process</u> | <u>2013</u>           |
|---------------------------------|---------------------|------------------------------|-------------------------------------|---------------------|------------------------------------|-----------------------|------------------------------------|-----------------------|
| <b>Cost</b>                     |                     |                              |                                     |                     |                                    |                       |                                    |                       |
| Beginning of year               | \$ 6,368,862        | \$ 14,287,323                | \$ 16,680,801                       | \$ 4,440,136        | \$ 6,226,960                       | \$ 95,467,800         | \$ 32,241,291                      | \$ 175,713,173        |
| Add additions                   | 624,576             | 2,516,460                    | 30,673,902                          | 311,625             | 704,031                            | 2,014,424             | 1,988,162                          | 38,833,180            |
| Less disposals                  | (473,573)           | (228,886)                    | (1,432,884)                         | (341,877)           | (376,765)                          | (520,714)             | (33,188,042)                       | (36,562,741)          |
| Write-downs                     | -                   | -                            | -                                   | -                   | (1,200)                            | -                     | -                                  | (1,200)               |
| End of year                     | <u>6,519,865</u>    | <u>16,574,897</u>            | <u>45,921,819</u>                   | <u>4,409,884</u>    | <u>6,553,026</u>                   | <u>96,961,510</u>     | <u>1,041,411</u>                   | <u>177,982,412</u>    |
| <b>Accumulated amortization</b> |                     |                              |                                     |                     |                                    |                       |                                    |                       |
| Beginning of year               | -                   | 5,940,701                    | 7,197,320                           | 2,185,095           | 3,257,802                          | 42,400,401            | -                                  | 60,981,319            |
| Add amortization                | -                   | 521,707                      | 1,033,703                           | 256,760             | 521,293                            | 1,993,299             | -                                  | 4,326,762             |
| Less amortization on disposals  | -                   | (180,349)                    | (1,373,952)                         | (341,877)           | (340,070)                          | (361,250)             | -                                  | (2,597,498)           |
| End of year                     | -                   | <u>6,282,059</u>             | <u>6,857,071</u>                    | <u>2,099,978</u>    | <u>3,439,025</u>                   | <u>44,032,450</u>     | -                                  | <u>62,710,583</u>     |
| <b>Net book value</b>           | <u>\$ 6,519,865</u> | <u>\$ 10,292,838</u>         | <u>\$ 39,064,748</u>                | <u>\$ 2,309,906</u> | <u>\$ 3,114,001</u>                | <u>\$ 52,929,060</u>  | <u>\$ 1,041,411</u>                | <u>\$ 115,271,829</u> |

# City of Port Colborne

## Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2012

|                                 | <u>Land</u>         | <u>Land<br/>Improvements</u> | <u>Buildings and<br/>Leaseholds</u> | <u>Vehicles</u>     | <u>Furniture and<br/>Equipment</u> | <u>Infrastructure</u> | <u>Construction<br/>in Process</u> | <u>2012</u>           |
|---------------------------------|---------------------|------------------------------|-------------------------------------|---------------------|------------------------------------|-----------------------|------------------------------------|-----------------------|
| <b>Cost</b>                     |                     |                              |                                     |                     |                                    |                       |                                    |                       |
| Beginning of year               | \$ 5,896,957        | \$ 14,107,016                | \$ 16,317,978                       | \$ 4,132,443        | \$ 5,744,702                       | \$ 94,476,327         | \$ 14,421,123                      | \$ 155,096,546        |
| Add additions                   | 500,431             | 201,740                      | 378,293                             | 329,253             | 739,671                            | 1,463,975             | 17,820,168                         | 21,433,531            |
| Less disposals                  | (28,526)            | (21,433)                     | (15,470)                            | (21,560)            | (257,058)                          | (470,894)             | -                                  | (814,941)             |
| Write-downs                     | -                   | -                            | -                                   | -                   | (355)                              | (1,608)               | -                                  | (1,963)               |
| End of year                     | <u>6,368,862</u>    | <u>14,287,323</u>            | <u>16,680,801</u>                   | <u>4,440,136</u>    | <u>6,226,960</u>                   | <u>95,467,800</u>     | <u>32,241,291</u>                  | <u>175,713,173</u>    |
| <b>Accumulated amortization</b> |                     |                              |                                     |                     |                                    |                       |                                    |                       |
| Beginning of year               | -                   | 5,466,117                    | 6,650,121                           | 1,958,537           | 3,006,414                          | 40,631,974            | -                                  | 57,713,163            |
| Add amortization                | -                   | 485,935                      | 554,294                             | 248,121             | 500,130                            | 2,133,579             | -                                  | 3,922,059             |
| Less amortization on disposals  | -                   | (11,351)                     | (7,095)                             | (21,563)            | (248,742)                          | (365,152)             | -                                  | (653,903)             |
| End of year                     | -                   | <u>5,940,701</u>             | <u>7,197,320</u>                    | <u>2,185,095</u>    | <u>3,257,802</u>                   | <u>42,400,401</u>     | -                                  | <u>60,981,319</u>     |
| <b>Net book value</b>           | <u>\$ 6,368,862</u> | <u>\$ 8,346,622</u>          | <u>\$ 9,483,481</u>                 | <u>\$ 2,255,041</u> | <u>\$ 2,969,158</u>                | <u>\$ 53,067,399</u>  | <u>\$ 32,241,291</u>               | <u>\$ 114,731,854</u> |

# City of Port Colborne

## Consolidated Schedule of Segment Disclosure

For the Year Ended December 31, 2013

|   | General       | Water     | Wastewater  | Library   | Eliminations | Consolidated  |
|---|---------------|-----------|-------------|-----------|--------------|---------------|
| <b>Revenue</b>  |               |           |             |           |              |               |
| Taxation  | \$ 13,883,103 | \$ -      | \$ -        | \$ -      | \$ -         | \$ 13,883,103 |
| User charges  | 2,385,024     | 3,915,863 | 4,651,654   | 28,046    | -            | 10,980,587    |
| Grants  | 4,405,143     | -         | -           | 692,051   | (652,643)    | 4,444,551     |
| Other revenue   | 1,695,919     | 3,789     | -           | 2,773     | -            | 1,702,481     |
| Gain (loss) on disposal of<br>tangible capital assets | 247,940       | (35,063)  | (89,566)    | (634)     | -            | 122,677       |
|   | 22,617,129    | 3,884,589 | 4,562,088   | 722,236   | (652,643)    | 31,133,399    |
| <b>Expenses</b>                                       |               |           |             |           |              |               |
| Salaries and benefits                                 | 10,153,033    | 577,334   | 234,555     | 481,153   | -            | 11,446,075    |
| Materials   | 5,443,713     | 402,786   | 144,402     | 117,663   | -            | 6,108,564     |
| Contracted services                                   | 1,330,481     | 2,177,670 | 3,731,343   | 22,550    | -            | 7,262,044     |
| Rents and financial expenses                          | 142,630       | 5,644     | 467         | 97        | -            | 148,838       |
| External transfers to others                          | 85,440        | -         | -           | -         | -            | 85,440        |
| Long term debt interest                               | 320,559       | 19,734    | -           | -         | -            | 340,293       |
| Tax write-offs  | 141,331       | -         | -           | -         | -            | 141,331       |
| Amortization  | 3,520,030     | 382,056   | 352,450     | 72,226    | -            | 4,326,762     |
| Inter-functional transfers                            | 228,691       | 232,878   | 191,074     | -         | (652,643)    | -             |
|   | 21,365,908    | 3,798,102 | 4,654,291   | 693,689   | (652,643)    | 29,859,347    |
| <b>Annual surplus (deficit)</b>                       | \$ 1,251,221  | \$ 86,487 | \$ (92,203) | \$ 28,547 | \$ -         | \$ 1,274,052  |



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## City of Port Colborne

### Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2013

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|   | Budget<br><u>2013</u> | Actual<br><u>2013</u> |
|---|-----------------------|-----------------------|
| <b>General government</b>                   |                       |                       |
| <b>Revenue</b>                              |                       |                       |
| Taxation                                    | \$ 13,733,060         | \$ 13,883,103         |
| User charges                                | 2,308,189             | 2,385,024             |
| Grants                                      | 2,843,286             | 4,405,143             |
| Other                                       | 624,822               | 1,695,919             |
| Gain on disposal of tangible capital assets | <u>-</u>              | <u>247,940</u>        |
|   | <u>19,509,357</u>     | <u>22,617,129</u>     |
| <b>Expenses</b>                             |                       |                       |
| Salaries and wages                          | 9,932,427             | 10,153,033            |
| Materials                                   | 5,133,993             | 5,443,713             |
| Contracted services                         | 1,544,388             | 1,330,481             |
| Rents and financial expenses                | 122,905               | 142,630               |
| External transfers to others                | 47,890                | 85,440                |
| Long term debt interest                     | 304,577               | 320,559               |
| Tax write-offs                              | 254,000               | 141,331               |
| Amortization                                | 3,520,030             | 3,520,030             |
| Inter-functional transfers                  | <u>228,691</u>        | <u>228,691</u>        |
|   | <u>21,088,901</u>     | <u>21,365,908</u>     |
| <b>Annual (deficit) surplus</b>             | <u>\$ (1,579,544)</u> | <u>\$ 1,251,221</u>   |
| <hr/>                                       |                       |                       |
| <b>Water</b>                                |                       |                       |
| <b>Revenue</b>                              |                       |                       |
| User charges                                | \$ 4,113,827          | \$ 3,915,863          |
| Other                                       | 3,500                 | 3,789                 |
| Loss on disposal of tangible capital assets | <u>-</u>              | <u>(35,063)</u>       |
|   | <u>4,117,327</u>      | <u>3,884,589</u>      |
| <b>Expenses</b>                             |                       |                       |
| Salaries and wages                          | 571,346               | 577,334               |
| Materials                                   | 395,400               | 402,786               |
| Contracted services                         | 2,208,199             | 2,177,670             |
| Rents and financial expenses                | 7,400                 | 5,644                 |
| Long term debt interest                     | 21,104                | 19,734                |
| Amortization                                | 382,056               | 382,056               |
| Inter-functional transfers                  | <u>232,878</u>        | <u>232,878</u>        |
|   | <u>3,818,383</u>      | <u>3,798,102</u>      |
| <b>Annual surplus</b>                       | <u>\$ 298,944</u>     | <u>\$ 86,487</u>      |

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**City of Port Colborne**  
**Schedule of Segment Disclosure with Budget Information**  
For the Year Ended December 31, 2013

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|   | Budget<br><u>2013</u> | Actual<br><u>2013</u> |
|---|-----------------------|-----------------------|
| <b>Wastewater</b>                           |                       |                       |
| <b>Revenue</b>                              |                       |                       |
| User charges                                | \$ 4,830,371          | \$ 4,651,654          |
| Loss on disposal of tangible capital assets | <u>-</u>              | <u>(89,566)</u>       |
|   | <u>4,830,371</u>      | <u>4,562,088</u>      |
| <b>Expenses</b>                             |                       |                       |
| Salaries and wages                          | 279,749               | 234,555               |
| Materials                                   | 166,200               | 144,402               |
| Contracted services                         | 3,683,748             | 3,731,343             |
| Rents and financial expenses                | 100                   | 467                   |
| Amortization                                | 352,450               | 352,450               |
| Inter-functional adjustments                | <u>191,074</u>        | <u>191,074</u>        |
|   | <u>4,673,321</u>      | <u>4,654,291</u>      |
| <b>Annual surplus (deficit)</b>             | <u>\$ 157,050</u>     | <u>\$ (92,203)</u>    |
| <hr/>                                       |                       |                       |
| <b>Library</b>                              |                       |                       |
| <b>Revenue</b>                              |                       |                       |
| User charges                                | \$ 27,550             | \$ 28,046             |
| Grants                                      | 691,971               | 692,051               |
| Other                                       | 5,000                 | 2,773                 |
| Loss on disposal of tangible capital assets | <u>-</u>              | <u>(634)</u>          |
|   | <u>724,521</u>        | <u>722,236</u>        |
| <b>Expenses</b>                             |                       |                       |
| Salaries and wages                          | 501,741               | 481,153               |
| Materials                                   | 120,280               | 117,663               |
| Contracted services                         | 24,500                | 22,550                |
| Rents and financial expenses                | -                     | 97                    |
| Amortization                                | <u>72,226</u>         | <u>72,226</u>         |
|   | <u>718,747</u>        | <u>693,689</u>        |
| <b>Annual surplus</b>                       | <u>\$ 5,774</u>       | <u>\$ 28,547</u>      |



Grant Thornton

## Independent auditor's report

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To the Members of Council, Inhabitants and Taxpayers of the  
**Corporation of the City of Port Colborne**

We have audited the accompanying consolidated financial statements of the trust funds of the Corporation of the City of Port Colborne, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of operations for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management based on the financial reporting provisions prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 trust funds of the Corporation of the City of Port Colborne as at December 31, 2013, and the results of its operations for the year then ended in accordance with the financial reporting provisions of the Ministry of Municipal Affairs and Housing.

**Basis of accounting**

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to assist the trust funds of the Corporation of the City of Port Colborne to comply with the reporting provisions of the Ministry of Municipal Affairs and Housing. As a result, the consolidated financial statements may not be suitable for another purpose.

*Grant Thornton LLP*

Port Colborne, Canada  
December 15, 2014

Chartered Accountants  
Licensed Public Accountants

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## City of Port Colborne Trust Funds

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### Consolidated Statement of Financial Position

As at December 31, 2013

|                            | <u>Cameron<br/>Minor Trust</u> | <u>Local<br/>Improvements</u> | <u>Julia Yager<br/>Trust</u> | <u>Fulton<br/>Trust</u> |
|----------------------------|--------------------------------|-------------------------------|------------------------------|-------------------------|
| <b>Assets</b>              |                                |                               |                              |                         |
| Cash                       | \$ -                           | \$ 21,642                     | \$ 771                       | \$ 1,043                |
| Investments                | -                              | -                             | 9,000                        | -                       |
| Accrued interest           | <u>-</u>                       | <u>20</u>                     | <u>-</u>                     | <u>-</u>                |
| <b>Accumulated surplus</b> | <b><u>\$ -</u></b>             | <b><u>\$ 21,662</u></b>       | <b><u>\$ 9,771</u></b>       | <b><u>\$ 1,043</u></b>  |

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### Consolidated Statement of Operations

For the Year Ended December 31, 2013

|                                 | <u>Cameron<br/>Minor Trust</u> | <u>Local<br/>Improvements</u> | <u>Julia Yager<br/>Trust</u> | <u>Fulton<br/>Trust</u> |
|---------------------------------|--------------------------------|-------------------------------|------------------------------|-------------------------|
| <b>Revenue</b>                  |                                |                               |                              |                         |
| Interest earned                 | \$ 58                          | \$ 229                        | \$ 81                        | \$ -                    |
| Perpetual trust contributions   | -                              | -                             | -                            | -                       |
| Investment income               | -                              | -                             | -                            | -                       |
| Transfer in of funds            | <u>-</u>                       | <u>-</u>                      | <u>-</u>                     | <u>-</u>                |
|                                 | <u>58</u>                      | <u>229</u>                    | <u>81</u>                    | <u>-</u>                |
| <b>Expenses</b>                 |                                |                               |                              |                         |
| Transfer to capital fund        | 13,417                         | -                             | -                            | -                       |
| Transfer to revenue fund        | <u>-</u>                       | <u>-</u>                      | <u>-</u>                     | <u>-</u>                |
|                                 | <u>13,417</u>                  | <u>-</u>                      | <u>-</u>                     | <u>-</u>                |
| <b>Annual (deficit) surplus</b> | (13,359)                       | 229                           | 81                           | -                       |
| <b>Accumulated surplus</b>      |                                |                               |                              |                         |
| Beginning of year               | <u>13,359</u>                  | <u>21,433</u>                 | <u>9,690</u>                 | <u>1,043</u>            |
| End of year                     | <b><u>\$ -</u></b>             | <b><u>\$ 21,662</u></b>       | <b><u>\$ 9,771</u></b>       | <b><u>\$ 1,043</u></b>  |

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| <u>Municipal<br/>Elections</u> | <u>Sherkston<br/>Trust</u> | <u>Overholt<br/>Cemetery</u> | <u>Total<br/>2013</u> | <u>Total<br/>2012</u> |
|--------------------------------|----------------------------|------------------------------|-----------------------|-----------------------|
| \$ 16                          | \$ 648                     | \$ -                         | \$ 24,120             | \$ 37,113             |
| -                              | 10,493                     | 276,700                      | 296,193               | 278,160               |
| -                              | -                          | -                            | 20                    | 30                    |
| <u>\$ 16</u>                   | <u>\$ 11,141</u>           | <u>\$ 276,700</u>            | <u>\$ 320,333</u>     | <u>\$ 315,303</u>     |

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| <u>Municipal<br/>Elections</u> | <u>Sherkston<br/>Trust</u> | <u>Overholt<br/>Cemetery</u> | <u>Total<br/>2013</u> | <u>Total<br/>2012</u> |
|--------------------------------|----------------------------|------------------------------|-----------------------|-----------------------|
| \$ -                           | \$ 90                      | \$ 5,232                     | \$ 5,690              | \$ 2,961              |
| -                              | -                          | 7,050                        | 7,050                 | 3,500                 |
| -                              | -                          | 10,939                       | 10,939                | -                     |
| -                              | -                          | -                            | -                     | 255,211               |
| -                              | 90                         | 23,221                       | 23,679                | 261,672               |
| -                              | -                          | -                            | 13,417                | -                     |
| -                              | -                          | 5,232                        | 5,232                 | 2,397                 |
| -                              | -                          | 5,232                        | 18,649                | 2,397                 |
| -                              | -                          | 17,989                       | 5,030                 | 259,275               |
| <u>16</u>                      | <u>11,051</u>              | <u>258,711</u>               | <u>315,303</u>        | <u>56,028</u>         |
| <u>\$ 16</u>                   | <u>\$ 11,141</u>           | <u>\$ 276,700</u>            | <u>\$ 320,333</u>     | <u>\$ 315,303</u>     |

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See accompanying notes to the consolidated financial statements

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# City of Port Colborne

## Trust Funds

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2013

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#### 1. Accounting policies

The consolidated financial statements of the trust funds of the City of Port Colborne are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

Significant aspects of the accounting policies adopted are as follows:

##### (a) Basis of accounting

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

##### (b) Investments

Investments are recorded at cost.

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#### 2. Subdividers' deposits

In addition to the cash accounts held by the Municipality and shown as trust funds, bank letters of credit are also held as security to ensure the provision of subdivision services and the completion of contracts.

|                                      | <u>2013</u>       | <u>2012</u>       |
|--------------------------------------|-------------------|-------------------|
| Letters of credit, beginning of year | \$ 368,087        | \$ 368,087        |
| Net additions                        | <u>173,131</u>    | <u>-</u>          |
| Letters of credit, end of year       | <u>\$ 541,218</u> | <u>\$ 368,087</u> |

These letters of credit are not reflected in the accounts.