

Financial Report

City of Port Colborne

December 31, 2019

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of the Corporation of the City of Port Colborne ("the Municipality"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the financial position of the Corporation of the City of Port Colborne as at December 31, 2019, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Port Colborne, Canada
November 9, 2020

Chartered Professional Accountants
Licensed Public Accountants

City of Port Colborne Consolidated Statement of Financial Position

As at December 31, 2019

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents (Note 2)	\$ 1,204,986	\$ 1,875,920
Portfolio investments (Note 3)	11,078,101	10,862,711
Taxes receivable	3,513,508	2,892,409
User charges receivable	2,024,256	2,051,944
Other receivables	<u>3,568,442</u>	<u>2,275,109</u>
	<u>21,389,293</u>	<u>19,958,093</u>
Liabilities		
Payables and accruals	6,535,178	5,663,370
Other liabilities	1,492,806	1,241,039
Deferred revenue (Note 5)	1,998,845	868,226
Long term debt (Note 6)	27,385,177	28,878,592
Employee benefit obligations (Notes 7 and 16)	<u>9,125,300</u>	<u>8,514,300</u>
	<u>46,537,306</u>	<u>45,165,527</u>
Net debt	<u>(25,148,013)</u>	<u>(25,207,434)</u>
Non-financial assets		
Tangible capital assets (Note 8 and Pages 28 and 29)	138,865,725	138,935,792
Prepaid expenses	<u>1,100,795</u>	<u>783,510</u>
	<u>139,966,520</u>	<u>139,719,302</u>
Accumulated surplus (Note 9)	<u>\$ 114,818,507</u>	<u>\$ 114,511,868</u>

Contingencies (Notes 20 and 21)
Commitments (Note 22)
Impacts of COVID-19 and subsequent events (Note 25)

Approved by



Chief Administrative Officer



Director, Corporate Services/Treasurer

See accompanying notes to the consolidated financial statements

City of Port Colborne

Consolidated Statement of Operations

For the Year Ended December 31, 2019

	Budget <u>2019</u> (Note 24)	<u>Actual</u> <u>2019</u>	<u>Actual</u> <u>2018</u>
Revenues other than revenues related to tangible capital assets			
Taxation (Note 11)	\$ 18,630,708	\$ 18,668,245	\$ 17,736,188
User charges (Note 13)	14,109,670	13,534,165	12,245,372
Government transfers (Note 14)	3,140,405	4,074,813	3,389,742
Other (Note 15)	959,980	1,717,620	2,434,486
	<u>36,840,763</u>	<u>37,994,843</u>	<u>35,805,788</u>
Expenses			
General government	4,432,927	5,363,511	4,398,985
Protection to persons and property	4,091,364	4,329,125	4,153,194
Transportation services	6,930,266	7,641,446	7,172,562
Environmental services	10,947,419	10,775,507	9,944,881
Health services	159,877	187,866	196,944
Social and family services	50,000	47,635	40,970
Recreation and culture services	8,392,520	8,919,261	8,829,563
Planning and development	2,080,921	2,143,544	2,085,060
	<u>37,085,294</u>	<u>39,407,895</u>	<u>36,822,159</u>
Annual deficit before revenues related to tangible capital assets	<u>(244,531)</u>	<u>(1,413,052)</u>	<u>(1,016,371)</u>
Revenues related to tangible capital assets			
Government transfers (Note 14)	2,289,435	1,201,388	1,919,773
Other (Note 15)	302,900	402,509	252,571
Gain on disposal of tangible capital assets	-	115,794	39,943
	<u>2,592,335</u>	<u>1,719,691</u>	<u>2,212,287</u>
Annual surplus	2,347,804	306,639	1,195,916
Accumulated surplus (Note 9)			
Beginning of year	<u>114,511,868</u>	<u>114,511,868</u>	<u>113,315,952</u>
End of year	<u>\$ 116,859,672</u>	<u>\$ 114,818,507</u>	<u>\$ 114,511,868</u>

See accompanying notes to the consolidated financial statements.

City of Port Colborne
Consolidated Statement of Changes in Net Debt

For the Year Ended December 31, 2019

	Budget <u>2019</u> (Note 24)	Actual <u>2019</u>	Actual <u>2018</u>
Annual surplus	\$ 2,347,804	\$ 306,639	\$ 1,195,916
Amortization of tangible capital assets	5,509,074	5,510,987	5,380,357
Write-down of tangible capital assets	-	-	14,598
Acquisition of tangible capital assets	(7,146,232)	(5,597,476)	(4,971,439)
Proceeds on sale of tangible capital assets	-	272,350	75,842
Gain on disposal of tangible capital assets	-	(115,794)	(39,943)
	<u>710,646</u>	<u>376,706</u>	<u>1,655,331</u>
Acquisition of prepaid expenses	<u>-</u>	<u>(317,285)</u>	<u>(167,778)</u>
Decrease in net debt	710,646	59,421	1,487,553
Net debt			
Beginning of year	<u>(25,207,434)</u>	<u>(25,207,434)</u>	<u>(26,694,987)</u>
End of year	<u>\$ (24,496,788)</u>	<u>\$ (25,148,013)</u>	<u>\$ (25,207,434)</u>

See accompanying notes to the consolidated financial statements.

City of Port Colborne

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 306,639	\$ 1,195,916
Non-cash items:		
Amortization of tangible capital assets	5,510,987	5,380,357
Write-down of tangible capital assets	-	14,598
Gain on disposal of tangible capital assets	(115,794)	(39,943)
Increase in taxes receivable	(621,099)	(381,316)
Decrease (increase) in user charges receivable	27,688	(194,782)
(Increase) decrease in other receivables	(1,293,333)	1,110,757
Increase (decrease) in payables and accruals	871,808	(3,426,277)
Increase in other liabilities	251,767	199,463
Increase in deferred revenue	1,130,619	444,307
Increase in prepaid expenses	(317,285)	(167,778)
	<u>5,751,997</u>	<u>4,135,302</u>
Capital activities		
Proceeds from disposal of tangible capital assets	272,350	75,842
Acquisition of tangible capital assets	(5,597,476)	(4,971,439)
	<u>(5,325,126)</u>	<u>(4,895,597)</u>
Financing activities		
Repayment of construction loan	-	(5,245,000)
Issue of long term debt	-	6,145,000
Repayment of long term debt	(1,503,637)	(1,821,667)
Issue of capital lease obligation	94,443	140,657
Repayment of capital lease obligation	(84,221)	(26,843)
Increase in employee benefit obligation	611,000	249,600
	<u>(882,415)</u>	<u>(558,253)</u>
Investing activities		
(Purchase) disposal of portfolio investments, net	(215,390)	1,370,010
Net (decrease) increase in cash and cash equivalents	(670,934)	51,462
Cash and cash equivalents (Note 2)		
Beginning of year	<u>1,875,920</u>	<u>1,824,458</u>
End of year	<u>\$ 1,204,986</u>	<u>\$ 1,875,920</u>

See accompanying notes to the consolidated financial statements.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

1. Significant accounting policies

Management responsibility

The consolidated financial statements of the City of Port Colborne ("Municipality") are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used 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 Main Street Business Improvement Area

Interdepartmental and organizational transactions and balances are eliminated.

The following joint local board is proportionally consolidated:

Niagara Central Airport Commission (Joint Board)

Related party transactions are eliminated (Note 17).

The statements exclude trust assets that are administered for the benefit of external parties (Note 18).

(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.

(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.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

1. Significant accounting policies (continued)

(e) Deferred revenue

Resources restricted by agreement with an external party are recognized as revenue in the entity's financial statements in the period in which the resources are used for the purpose or purposes specified. An externally restricted inflow received before this criterion has been met is recorded as a liability until the resources are used for the purpose or purposes specified.

(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) Contaminated sites liability

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

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Municipality:
 - is directly responsible; or
 - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

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

(h) 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.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

1. Significant accounting policies (continued)

(h) Tangible capital assets (continued)

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.

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

(i) 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.

(j) 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.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

1. Significant accounting policies (continued)

(j) Revenue recognition (continued)

i) Taxation (continued)

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.

iii) Government transfers

Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met. Government transfers to individuals and other entities are recognized as an expense when the transfers are authorized and all eligibility criteria have been met.

iv) Other

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

(k) 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.

(l) 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.

(m) 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.

(n) Use of estimates

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.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

2. Cash and cash equivalents	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 3,950	\$ 3,950
Bank balances	<u>1,201,036</u>	<u>1,871,970</u>
	<u>\$ 1,204,986</u>	<u>\$ 1,875,920</u>

3. Portfolio investments

Guaranteed investment certificates carry an effective interest rate from 1.90% to 3.15% and maturity dates ranging from June, 2020 to June, 2021. Interest is receivable on maturity. Carrying value approximates market value.

4. Bank indebtedness

An operating line of credit of \$ 4,000,000 has been established with the CIBC, of which \$ Nil (2018 - \$ Nil) was used at December 31, 2019. 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 0.50%. Overdrafts outstanding under the line of credit are converted to a promissory note at the CIBC's request which has not been enacted.

5. Deferred revenue	<u>2019</u>	<u>2018</u>
Development Charges Act	\$ 171,705	\$ 214,962
Parkland	259,104	159,078
Federal gas tax	1,192,893	430,871
Ontario Community Infrastructure Fund	<u>375,143</u>	<u>63,315</u>
	<u>\$ 1,998,845</u>	<u>\$ 868,226</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

5. Deferred revenue (continued)

The continuity of deferred revenue is made up of the following:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ <u>868,226</u>	\$ 423,919
Contributions from		
Parkland	169,046	60,345
Interest earned	25,244	8,650
Government transfers received		
Federal	1,153,086	586,822
Provincial	<u>404,300</u>	<u>61,600</u>
	<u>1,751,676</u>	<u>717,417</u>
Utilized for		
Tangible capital asset acquisitions	(476,944)	(265,000)
Operations	<u>(144,113)</u>	<u>(8,110)</u>
	<u>(621,057)</u>	<u>(273,110)</u>
Balance, end of year	\$ <u>1,998,845</u>	\$ <u>868,226</u>

6. Long term debt

2019

2018

- (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

	\$ <u>27,245,627</u>	\$ 28,749,264
Capital lease obligations	<u>139,550</u>	<u>129,328</u>
Net long term debt	<u>\$ 27,385,177</u>	<u>\$ 28,878,592</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

6. Long term debt (continued)

(b) The net long term debt is made up of the following:

<u>Debenture Number</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>2019</u>	<u>2018</u>
67-2009	Vehicles and Equipment	1.15 to 4.80%	2019	\$ -	\$ 54,000
73-2010	City Hall, Marina, Main St. CIP and Fire Vehicle	1.60 to 4.65%	2020	690,040	888,794
46-2013	Health & Wellness Centre	2.67%	2023	1,141,588	1,448,760
47-2013	Roads and Fire Dept.	3.37%	2033	596,290	630,665
48-2013	Skatepark, Fuel Tanks and Op. Centre Design	3.70%	2043	1,639,212	1,682,383
75-2015	LED Street Lights and Water Meters	1.15 to 2.80%	2025	1,711,000	1,977,000
94-2015	Fire Tanker and Watermains	3.46%	2035	1,794,876	1,877,645
35-2016	Fire Truck				
64-2017	Operations Centre East Side	1.20 to 1.60%	2021	120,651	179,730
65-2017	Employment Lands	3.22%	2037	416,805	433,668
11-2018	Operations Centre Nickel St Storm Sewer	3.43%	2047	13,233,254	13,511,275
12-2018	Marina Lift and Water Meters	3.56%	2048	5,341,178	5,447,991
	Leased Vehicles and Equipment	3.18%	2028	560,733	617,353
		Various	2020-2023	139,550	129,328
				\$ 27,385,177	\$ 28,878,592

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

2020	\$ 2,049,292
2021	1,353,380
2022	1,323,744
2023	1,166,372
2024	1,028,794

(d) The Municipality paid \$ 961,298 (2018 - \$ 919,299) interest on long term debt during the year.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

7. Employee benefit obligations	<u>2019</u>	<u>2018</u>
Workplace Safety and Insurance Board future benefits	\$ 2,272,200	\$ 1,899,500
Vested sick leave benefits	306,200	264,400
Retirement benefits	<u>6,546,900</u>	<u>6,350,400</u>
	9,125,300	8,514,300
Less: Sick leave funded by reserve	<u>(20,439)</u>	<u>(20,225)</u>
	<u>\$ 9,104,861</u>	<u>\$ 8,494,075</u>

(a) Workplace Safety and Insurance Board future benefits

The City of Port Colborne is a Workplace Safety and Insurance Board ("WSIB") Schedule 2 employer.

In 2019, an actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. During the year \$ 35,459 (2018 - \$ 35,916) was paid by the City to the WSIB in relation to these benefits.

The accrued benefit obligation at December 31, 2019 of \$ 2,272,200 (2018 - \$ 1,899,500) was determined by an actuarial valuation using a discount rate of 2.90% (2018 - 3.30%).

The most recent actuarial valuation was prepared at December 31, 2019.

The main actuarial assumptions employed above are as follows (where applicable):

(i) Interest (discount) rate

The obligations as at December 31, 2019 of the present value of future liabilities were determined using a discount rate of 2.90% (2018 - 3.30%).

(ii) Future benefit indexing rate

The rates used for loss of earnings benefits and pension and survivors benefits are assumed to be 2.00% per annum. The rate for health benefits is assumed to be 4.00% per annum.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

7. Employee benefit obligations (continued)

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

	<u>2019</u>	<u>2018</u>
Accrued benefit obligation		
Beginning of year	\$ 1,899,500	\$ 1,874,000
Benefit payments	(378,200)	(88,900)
Current service cost	706,500	87,500
Interest cost	72,400	54,900
Amortization of actuarial gain	<u>(28,000)</u>	<u>(28,000)</u>
	<u>\$ 2,272,200</u>	<u>\$ 1,899,500</u>
Funded status		
Deficit	\$ 2,363,900	\$ 1,675,100
Unamortized actuarial (loss) gain	<u>(91,700)</u>	<u>224,400</u>
	<u>\$ 2,272,200</u>	<u>\$ 1,899,500</u>
The net benefit expense is as follows:		
Current service cost	\$ 706,500	\$ 87,500
Interest cost	72,400	54,900
Amortization of actuarial gain	<u>(28,000)</u>	<u>(28,000)</u>
	<u>\$ 750,900</u>	<u>\$ 114,400</u>

(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, 2019 of \$ 306,200 (2018 - \$ 264,400) was determined by an actuarial valuation using a discount rate of 2.90% (2018 - 3.40%).

The most recent actuarial valuation for the vested sick leave was prepared at December 31, 2019.

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

- (i) Interest (discount) rate

The obligations as at December 31, 2019 of the present value of future liabilities were determined using a discount rate of 2.90% (2018 - 3.40%).

- (ii) Salary increase rate

The rate used to increase salaries is assumed to be 3.00% per annum. This rate reflects management's best estimate of future salary increases.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

7. Employee benefit obligations (continued)

(b) Vested sick leave benefits (continued)

	<u>2019</u>	<u>2018</u>
Accrued benefit obligation		
Beginning of year	\$ 264,400	\$ 253,500
Benefit payments	(18,300)	(22,700)
Current service cost	28,700	26,400
Interest cost	10,800	8,800
Plan amendment	18,300	-
Amortization of actuarial loss (gain)	2,300	(1,600)
	<u>\$ 306,200</u>	<u>\$ 264,400</u>
Funded status		
Deficit	\$ 342,900	\$ 255,300
Unamortized actuarial (loss) gain	(36,700)	9,100
	<u>\$ 306,200</u>	<u>\$ 264,400</u>
The net benefit expense is as follows:		
Current service cost	\$ 28,700	\$ 26,400
Interest cost	10,800	8,800
Plan amendment	18,300	-
Amortization of actuarial loss (gain)	2,300	(1,600)
	<u>\$ 60,100</u>	<u>\$ 33,600</u>

During the year \$ Nil (2018 - \$ Nil) was paid to employees who left the Municipality's employment. The Municipality has set aside \$ 20,439 (2018 - \$ 20,225) 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, 2019 of \$ 6,546,900 (2018 - \$ 6,350,400) was determined by an actuarial valuation using a discount rate of 2.90% (2018 - 3.40%).

The City's obligation under the retirement provision of employment agreements will be funded out of current revenue. During the year benefit payments of \$ 362,000 (2018 - \$ 344,900) 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 December 31, 2019.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

7. Employee benefit obligations (continued)

(c) Retirement benefits (continued)

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

(i) Interest (discount) rate

The obligations as at December 31, 2019 of the present value of future liabilities were determined using a discount rate of 2.90% (2018 - 3.40%).

(ii) Medical costs

Drug costs were assumed to be 7.48% in 2019 and decrease 0.175% per year until 2036 when the rate will be 4.50% and continue thereafter.

Vision costs were assumed to be 1.75% in 2019 and decrease 0.25% per year until 2026 when the rate will be 0% and continue thereafter.

Other health costs were assumed to be 4.50% in 2019 and continue thereafter.

(iii) Dental costs

Dental costs were assumed to be 5.44% in 2019 and decrease 0.1875% per year until 2024 when the rate will be 4.50% and continue thereafter.

	<u>2019</u>	<u>2018</u>
Accrued benefit obligation		
Beginning of year	\$ 6,350,400	\$ 6,137,200
Benefit payments	(362,000)	(344,900)
Current service cost	329,100	319,600
Interest cost	216,800	217,800
Amortization of actuarial loss	<u>12,600</u>	<u>20,700</u>
	<u>\$ 6,546,900</u>	<u>\$ 6,350,400</u>
Funded status		
Deficit	\$ 6,915,600	\$ 6,450,800
Unamortized actuarial loss	<u>(368,700)</u>	<u>(100,400)</u>
	<u>\$ 6,546,900</u>	<u>\$ 6,350,400</u>

The net benefit expense is as follows:

Current service cost	\$ 329,100	\$ 319,600
Interest cost	216,800	217,800
Amortization of actuarial loss	<u>12,600</u>	<u>20,700</u>
	<u>\$ 558,500</u>	<u>\$ 558,100</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

8. Tangible capital assets	<u>2019</u>	<u>2018</u>
Net book value		
Land	\$ 5,617,498	\$ 5,628,931
Land improvements	9,775,740	10,001,091
Buildings	43,367,263	44,815,132
Leasehold improvements	321,492	297,708
Vehicles	2,255,872	2,484,188
Office equipment and furniture and fixtures	1,128,314	1,158,646
Machinery and equipment	2,809,474	2,828,723
Infrastructure	<u>72,347,407</u>	<u>58,850,553</u>
	137,623,060	126,064,972
Assets under construction	<u>1,242,665</u>	<u>12,870,820</u>
	<u>\$ 138,865,725</u>	<u>\$ 138,935,792</u>

9. Accumulated surplus	<u>2019</u>	<u>2018</u>
Consists of:		
Surpluses (deficits)		
Operating	\$ (5,342,748)	\$ (4,248,793)
Port Colborne Public Library Board	40,872	35,440
Port Colborne Downtown Development Board	44,708	35,324
Port Colborne Main Street Business Improvement Area	29,777	23,927
Niagara Central Airport Commission (Note 17)	<u>(33,273)</u>	<u>(59,786)</u>
	<u>(5,260,664)</u>	<u>(4,213,888)</u>
Investment in tangible capital assets	<u>138,865,725</u>	<u>138,935,792</u>
Unfunded liabilities		
Long term debt	(27,385,177)	(28,878,592)
Employee benefit obligations	<u>(9,125,300)</u>	<u>(8,514,300)</u>
	<u>(36,510,477)</u>	<u>(37,392,892)</u>
Reserves and reserves funds (Note 10)	<u>17,723,923</u>	<u>17,182,856</u>
	<u>\$ 114,818,507</u>	<u>\$ 114,511,868</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

10. Reserves and reserve funds	<u>2019</u>	<u>2018</u>
Reserves set aside for specific purposes by Council		
Working capital	\$ 692,322	\$ 703,010
Recreation programs and facilities	393,363	529,682
Acquisition of capital assets	2,299,087	2,559,310
Library	27,497	15,298
Museum	27,149	25,220
Transit	29,578	53,504
Election expense	37,582	31,235
Administration costs	2,609,873	1,431,747
Airport	48,661	48,499
Cemetery	40,579	16,978
Wastewater operations	685,796	873,527
Water operations	<u>611,981</u>	<u>824,571</u>
Total reserves	<u>7,503,468</u>	<u>7,112,581</u>
Reserve funds set aside for specific purposes by Council or agreement		
Acquisition of fixed assets	7,920,321	7,665,122
Accumulated sick leave and disability	20,439	20,225
Administration costs	885,700	1,147,059
Grain elevator property	1,090,289	990,513
Community centre	170,330	139,423
Library	113,288	88,055
Transit	<u>20,088</u>	<u>19,878</u>
Total reserve funds	<u>10,220,455</u>	<u>10,070,275</u>
Total reserves and reserve funds	<u>\$ 17,723,923</u>	<u>\$ 17,182,856</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

11. Taxation	Budget <u>2019</u>	Actual <u>2019</u>	Actual <u>2018</u>
Real property		\$ 37,582,759	\$ 36,082,522
From other governments			
Payments in lieu of taxes		<u>447,461</u>	<u>539,556</u>
		<u>38,030,220</u>	<u>36,622,078</u>
Less: taxation collected on behalf of (Note 12):			
Region of Niagara		14,107,998	13,654,742
School boards		<u>5,253,977</u>	<u>5,231,148</u>
		<u>19,361,975</u>	<u>18,885,890</u>
Net taxes available for municipal purposes		<u>\$ 18,668,245</u>	<u>\$ 17,736,188</u>
Residential, multi-residential and farm	\$ 14,346,539	\$ 14,396,190	\$ 13,631,446
Commercial and industrial	<u>4,284,169</u>	<u>4,272,055</u>	<u>4,104,742</u>
Net taxes available for municipal purposes	<u>\$ 18,630,708</u>	<u>\$ 18,668,245</u>	<u>\$ 17,736,188</u>

12. 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>2019</u>	<u>2018</u>
Region of Niagara	\$ 14,107,998	\$ 13,654,742
School boards	<u>5,253,977</u>	<u>5,231,148</u>
	<u>\$ 19,361,975</u>	<u>\$ 18,885,890</u>

The Municipality is required to levy and collect taxes on behalf of the Region of Niagara and the school boards. 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, 2019

13. User charges	Budget 2019	Actual 2019	Actual 2018
Operating			
Fees and service charges	\$ 3,593,957	\$ 3,921,157	\$ 3,068,685
Direct water billings	5,028,220	4,636,417	4,625,607
Wastewater surcharges	<u>5,487,493</u>	<u>4,976,591</u>	<u>4,551,080</u>
	<u>\$ 14,109,670</u>	<u>\$ 13,534,165</u>	<u>\$ 12,245,372</u>

14. Government transfers	Budget 2019	Actual 2019	Actual 2018
Operating			
Government of Canada	\$ 90,684	\$ 112,275	\$ 14,351
Province of Ontario	3,049,721	3,957,538	3,375,391
Municipal	<u>-</u>	<u>5,000</u>	<u>-</u>
	<u>3,140,405</u>	<u>4,074,813</u>	<u>3,389,742</u>
Capital			
Government of Canada	714,595	951,671	265,000
Province of Ontario	1,574,840	249,717	766,614
Municipal	<u>-</u>	<u>-</u>	<u>888,159</u>
	<u>2,289,435</u>	<u>1,201,388</u>	<u>1,919,773</u>
	<u>\$ 5,429,840</u>	<u>\$ 5,276,201</u>	<u>\$ 5,309,515</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

15. Other revenue	Budget 2019	Actual 2019	Actual 2018
Operating			
Penalties and interest on taxes	\$ 410,000	\$ 506,320	\$ 456,253
Fines	18,000	46,685	17,870
Interest income	26,000	47,437	36,598
Licences and permits	267,570	346,632	296,227
Rental income	96,110	98,549	92,229
Investment income – reserves and reserve funds	-	259,919	215,757
Contributions from developers	-	47,833	8,110
Transfer from trust funds	4,000	5,443	3,928
Donations	105,600	126,890	119,089
Proceeds from sale of road allowances	-	-	564,023
Other	32,700	231,912	624,402
	<u>959,980</u>	<u>1,717,620</u>	<u>2,434,486</u>
Capital			
Donations	10,000	183,901	212,801
Other	292,900	218,608	39,770
	<u>302,900</u>	<u>402,509</u>	<u>252,571</u>
	<u>\$ 1,262,880</u>	<u>\$ 2,120,129</u>	<u>\$ 2,687,057</u>

16. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan surplus of \$ 1.5 billion (2018 - \$ 2.8 billion deficit) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2019 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the consolidated statement of operations. Employer contributions to OMERS for 2019 current and past service was \$ 933,094 (2018 - \$ 862,723) and were matched by employee contributions in a similar amount.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

17. 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 19% (2018 - 19%) based on population.

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

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents	\$ 228,562	\$ 284,481
Receivables	43,073	46,129
	<u>271,635</u>	<u>330,610</u>
Liabilities		
Accounts payable and accrued liabilities	44,734	223,722
Loans payable	365,423	399,790
Capital lease obligation	47,473	54,222
	<u>457,630</u>	<u>677,734</u>
Net debt	<u>(185,995)</u>	<u>(347,124)</u>
Non-financial assets		
Prepaid expenses	1,354	1,354
Fuel inventory	25,685	47,272
Tangible capital assets	1,492,862	1,636,642
	<u>1,519,901</u>	<u>1,685,268</u>
Accumulated surplus	<u>\$ 1,333,906</u>	<u>\$ 1,338,144</u>
Accumulated surplus consists of:		
Operating deficit	\$ (175,120)	\$ (314,662)
Reserves	16,164	16,164
Investment in tangible capital assets	1,492,862	1,636,642
	<u>\$ 1,333,906</u>	<u>\$ 1,338,144</u>
Revenues		
Grants	\$ 167,510	\$ 115,761
Fuel, rentals and other	120,047	91,981
Interest	571	1,138
Expenses	<u>(292,366)</u>	<u>(220,757)</u>
Annual deficit	<u>\$ (4,238)</u>	<u>\$ (11,877)</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

17. Niagara Central Airport Commission (continued)

The financial position information is as reported by the Niagara Central Airport Commission as at December 31, 2019 and the results of operations are as reported for the year ended December 31, 2019. The comparative financial position and results of operations figures are as reported by the Niagara Central Airport Commission at December 31, 2018.

The Municipality has recorded in the financial statements its 19% (2018 - 19%) 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>2019</u>	<u>2018</u>
Government transfers	\$ 31,827	\$ 21,995
Interest	3,014	1,750
Loan, bearing interest of 3.5% per annum repayable in annual instalments of \$ 6,012, commencing June 15, 2018	\$ 41,327	\$ 45,738
Loan, bearing interest of 4.3% per annum repayable in annual instalments of \$ 4,113, commencing August 24, 2019	<u>30,170</u>	<u>32,870</u>
	<u>\$ 71,497</u>	<u>\$ 78,608</u>

18. Trust funds

Trust funds administered by the Municipality amounting to \$ 447,832 (2018 - \$ 430,858) have not been included in the consolidated statement of financial position nor have these operations been included in the consolidated statement of operations.

19. Subdividers' deposits

The Municipality holds bank letters of credit as security to ensure the provision of subdivision services and the completion of contracts.

	<u>2019</u>	<u>2018</u>
Letters of credit, beginning of year	\$ 1,448,750	\$ 1,637,354
Net deletions	<u>(290,654)</u>	<u>(188,604)</u>
Letters of credit, end of year	<u>\$ 1,158,096</u>	<u>\$ 1,448,750</u>

These letters of credit are not reflected in the accounts.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

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.

21. Liabilities for contaminated sites

The Municipality reports environmental liabilities related to the management and remediation of any contaminated sites where the Municipality is obligated or likely obligated to incur such costs. The Municipality has identified one property where environmental assessments have indicated soil contamination exceeds environmental standards. A reasonable estimate of any liability cannot be made as the Municipality has not determined how the property will be used, therefore, no liability has been recognized.

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

22. Commitments

Tax increment based grants

The Municipality has commitments for tax increment based grants with various expiry dates up to 2024. There are currently five signed agreements with a term spanning ten years each. At December 31, 2019, the total amount remaining to be paid from these agreements is \$ 103,571 with the total commitment for each of the next five years as follows:

2020	\$	33,722
2021		33,722
2022		32,520
2023		2,405
2024		1,202

23. Comparative figures

Certain of the comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

24. Budget

The budget bylaw adopted by Council January 21, 2019 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 surplus	\$	7,515
Add:		
Acquisition of tangible capital assets		7,146,232
Repayment of long term debt		1,422,546
Less:		
Transfers (to) from reserves, net		(719,415)
Amortization of tangible capital assets		<u>(5,509,074)</u>
Budgeted surplus per consolidated statement of operations	\$	<u>2,347,804</u>

25. Impacts of COVID-19 and subsequent events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The Municipality's management is anticipating that the pandemic will not have a significant impact on its operations.

The Municipality has not identified any events related to the COVID-19 pandemic which were determined to be subsequent events, and therefore there has been no impact on the financial position and results of operations as of and for the year ended December 31, 2019.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Municipality for future periods.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

26. Segmented reporting

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.

City of Port Colborne

Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2019

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Leaseholds</u>	<u>Vehicles</u>	<u>Furniture and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Process</u>	<u>2019</u>
Cost								
Beginning of year	\$ 5,628,931	\$ 18,282,161	\$ 59,644,455	\$ 5,115,983	\$ 8,687,275	\$ 111,837,553	\$ 12,870,820	\$ 222,067,178
Additions	-	350,749	267,621	91,484	654,810	15,860,967	1,249,103	18,474,734
Disposals	<u>(11,433)</u>	<u>(7,747)</u>	<u>(9,465)</u>	<u>(162,309)</u>	<u>(228,975)</u>	<u>(626,993)</u>	<u>(12,877,258)</u>	<u>(13,924,180)</u>
End of year	<u>5,617,498</u>	<u>18,625,163</u>	<u>59,902,611</u>	<u>5,045,158</u>	<u>9,113,110</u>	<u>127,071,527</u>	<u>1,242,665</u>	<u>226,617,732</u>
Accumulated amortization								
Beginning of year	-	8,281,070	14,531,615	2,631,795	4,699,906	52,987,000	-	83,131,386
Amortization	-	576,100	1,691,637	319,801	673,516	2,249,933	-	5,510,987
Amortization on disposals	<u>-</u>	<u>(7,747)</u>	<u>(9,396)</u>	<u>(162,310)</u>	<u>(198,100)</u>	<u>(512,813)</u>	<u>-</u>	<u>(890,366)</u>
End of year	<u>-</u>	<u>8,849,423</u>	<u>16,213,856</u>	<u>2,789,286</u>	<u>5,175,322</u>	<u>54,724,120</u>	<u>-</u>	<u>87,752,007</u>
Net book value	<u>\$ 5,617,498</u>	<u>\$ 9,775,740</u>	<u>\$ 43,688,755</u>	<u>\$ 2,255,872</u>	<u>\$ 3,937,788</u>	<u>\$ 72,347,407</u>	<u>\$ 1,242,665</u>	<u>\$ 138,865,725</u>

City of Port Colborne

Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2018

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Leaseholds</u>	<u>Vehicles</u>	<u>Furniture and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Process</u>	<u>2018</u>
Cost								
Beginning of year	\$ 5,639,417	\$ 17,906,419	\$ 58,853,654	\$ 4,992,958	\$ 8,105,080	\$ 111,084,592	\$ 11,240,742	\$ 217,822,862
Additions	-	375,742	796,279	290,648	1,055,823	822,869	1,880,168	5,221,529
Disposals	<u>(10,486)</u>	<u>-</u>	<u>(5,478)</u>	<u>(167,623)</u>	<u>(473,628)</u>	<u>(69,908)</u>	<u>(250,090)</u>	<u>(977,213)</u>
End of year	<u>5,628,931</u>	<u>18,282,161</u>	<u>59,644,455</u>	<u>5,115,983</u>	<u>8,687,275</u>	<u>111,837,553</u>	<u>12,870,820</u>	<u>222,067,178</u>
Accumulated amortization								
Beginning of year	-	7,724,020	12,814,381	2,480,601	4,505,703	50,902,950	-	78,427,655
Amortization	-	557,050	1,721,248	318,817	635,859	2,147,383	-	5,380,357
Amortization on disposals	<u>-</u>	<u>-</u>	<u>(4,014)</u>	<u>(167,623)</u>	<u>(441,656)</u>	<u>(63,333)</u>	<u>-</u>	<u>(676,626)</u>
End of year	<u>-</u>	<u>8,281,070</u>	<u>14,531,615</u>	<u>2,631,795</u>	<u>4,699,906</u>	<u>52,987,000</u>	<u>-</u>	<u>83,131,386</u>
Net book value	<u>\$ 5,628,931</u>	<u>\$ 10,001,091</u>	<u>\$ 45,112,840</u>	<u>\$ 2,484,188</u>	<u>\$ 3,987,369</u>	<u>\$ 58,850,553</u>	<u>\$ 12,870,820</u>	<u>\$ 138,935,792</u>

City of Port Colborne

Consolidated Schedule of Segment Disclosure

For the Year Ended December 31, 2019

	<u>General</u>	<u>Water</u>	<u>Wastewater</u>	<u>Library</u>	<u>Eliminations</u>	<u>2019</u>
Revenues						
Taxation	\$ 18,668,245	\$ -	\$ -	\$ -	\$ -	\$ 18,668,245
User charges	3,870,308	4,660,259	4,981,948	21,650	-	13,534,165
Government transfers	5,206,095	-	-	836,538	(766,432)	5,276,201
Other revenue	2,074,452	38,808	-	6,869	-	2,120,129
Gain (loss) on disposal of tangible capital assets	<u>136,465</u>	<u>(15,445)</u>	<u>(4,633)</u>	<u>(593)</u>	<u>-</u>	<u>115,794</u>
	<u>29,955,565</u>	<u>4,683,622</u>	<u>4,977,315</u>	<u>864,464</u>	<u>(766,432)</u>	<u>39,714,534</u>
Expenses						
Salaries and benefits	13,954,038	735,049	49,809	574,489	-	15,313,385
Materials	7,179,499	257,609	89,634	111,996	-	7,638,738
Contract services	2,246,944	2,472,044	4,616,384	32,674	-	9,368,046
Rents and financial expenses	327,163	1,179	102	115	-	328,559
External transfers to others	86,488	-	-	-	-	86,488
Long term debt interest	848,417	91,502	-	-	-	939,919
Tax write-offs	221,773	-	-	-	-	221,773
Amortization	4,446,672	620,272	367,226	76,817	-	5,510,987
Inter-functional transfers	<u>416,554</u>	<u>241,549</u>	<u>108,329</u>	<u>-</u>	<u>(766,432)</u>	<u>-</u>
	<u>29,727,548</u>	<u>4,419,204</u>	<u>5,231,484</u>	<u>796,091</u>	<u>(766,432)</u>	<u>39,407,895</u>
Annual surplus (deficit)	<u>\$ 228,017</u>	<u>\$ 264,418</u>	<u>\$ (254,169)</u>	<u>\$ 68,373</u>	<u>\$ -</u>	<u>\$ 306,639</u>

City of Port Colborne
Consolidated Schedule of Segment Disclosure
with Budget Information

For the Year Ended December 31, 2019

	Budget <u>2019</u>	Actual <u>2019</u>
General		
Revenue		
Taxation	\$ 18,630,708	\$ 18,668,245
User charges	3,541,807	3,870,308
Government transfers	5,391,507	5,206,095
Other	1,256,880	2,074,452
Gain on disposal of tangible capital assets	-	136,465
	<u>28,820,902</u>	<u>29,955,565</u>
Expenses		
Salaries and wages	12,499,783	13,954,038
Materials	6,472,774	7,179,499
Contracted services	2,112,233	2,246,944
Rents and financial expenses	145,099	327,163
External transfers to others	103,574	86,488
Long term debt interest	859,174	848,417
Tax write-offs	253,500	221,773
Amortization	4,444,759	4,446,672
Inter-functional transfers	286,186	416,554
	<u>27,177,082</u>	<u>29,727,548</u>
Annual surplus	<u>\$ 1,643,820</u>	<u>\$ 228,017</u>

City of Port Colborne
Consolidated Schedule of Segment Disclosure
with Budget Information

For the Year Ended December 31, 2019

	Budget <u>2019</u>	Actual <u>2019</u>
Water		
Revenue		
User charges	\$ 5,052,820	\$ 4,660,259
Other	6,000	38,808
Loss on disposal of tangible capital assets	<u>-</u>	<u>(15,445)</u>
	<u>5,058,820</u>	<u>4,683,622</u>
Expenses		
Salaries and wages	746,829	735,049
Materials	294,746	257,609
Contracted services	2,529,069	2,472,044
Rents and financial expenses	6,486	1,179
Long term debt interest	93,311	91,502
Amortization	620,272	620,272
Inter-functional transfers	<u>264,060</u>	<u>241,549</u>
	<u>4,554,773</u>	<u>4,419,204</u>
Annual surplus	<u>\$ 504,047</u>	<u>\$ 264,418</u>

City of Port Colborne
Consolidated Schedule of Segment Disclosure
with Budget Information

For the Year Ended December 31, 2019

	Budget <u>2019</u>	Actual <u>2019</u>
Wastewater		
Revenue		
User charges	\$ 5,491,493	\$ 4,981,948
Loss on disposal of tangible capital assets	<u>-</u>	<u>(4,633)</u>
	<u>5,491,493</u>	<u>4,977,315</u>
Expenses		
Salaries and wages	326,369	49,809
Materials	152,022	89,634
Contracted services	4,242,405	4,616,384
Rents and financial expenses	2,109	102
Amortization	367,226	367,226
Inter-functional transfers	<u>216,658</u>	<u>108,329</u>
	<u>5,306,789</u>	<u>5,231,484</u>
Annual (deficit) surplus	<u>\$ 184,704</u>	<u>\$ (254,169)</u>

City of Port Colborne Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2019

	Budget <u>2019</u>	Actual <u>2019</u>
Library		
Revenue		
User charges	\$ 23,550	\$ 21,650
Government transfers	804,765	836,538
Other	-	6,869
Loss on disposal of tangible capital assets	-	<u>(593)</u>
	<u>828,315</u>	<u>864,464</u>
Expenses		
Salaries and wages	579,708	574,489
Materials	135,061	111,996
Contracted services	21,496	32,674
Rents and financial expenses	-	115
Amortization	<u>76,817</u>	<u>76,817</u>
	<u>813,082</u>	<u>796,091</u>
Annual surplus	<u>\$ 15,233</u>	<u>\$ 68,373</u>

Independent auditor's report

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

Opinion

We have audited the financial statements of the Trust Funds of the Corporation of the City of Port Colborne ("the Funds"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Port Colborne, Canada
November 9, 2020

Chartered Professional Accountants
Licensed Public Accountants

City of Port Colborne Trust Funds Statement of Financial Position

As at December 31, 2019

	<u>Local Improvements</u>	<u>Julia Yager Trust</u>	<u>Fulton Trust</u>	<u>Sherkston Trust</u>	<u>Overholt Cemetery</u>	<u>Roselawn Centre</u>	<u>2019</u>	<u>2018</u>
Assets								
Cash and cash equivalents	\$ 23,267	\$ 7,399	\$ 1,047	\$ 5,910	\$ -	\$ 52,724	\$ 90,347	\$ 88,816
Due from City of Port Colborne	-	-	-	-	3,849	-	3,849	6,996
Investments	-	-	-	5,728	347,779	-	353,507	334,919
Accrued interest	<u>39</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90</u>	<u>129</u>	<u>127</u>
Net assets	\$ 23,306	\$ 7,399	\$ 1,047	\$ 11,638	\$ 351,628	\$ 52,814	\$ 447,832	\$ 430,858

Impacts of COVID-19 and subsequent events (Note 3)

See accompanying notes to the financial statements

City of Port Colborne
Trust Funds
Statement of Operations and Changes in Net Assets

For the Year Ended December 31, 2019

	Local Improvements	Julia Yager Trust	Fulton Trust	Sherkston Trust	Overholt Cemetery	Roselawn Centre	2019	2018
Revenues								
Interest	\$ 467	\$ 3	\$ 1	\$ 37	\$ 5,443	\$ 1,059	\$ 7,010	\$ 6,873
Perpetual trust contributions	-	-	-	-	15,407	-	15,407	9,342
Donations	-	-	-	-	-	-	-	12,690
	467	3	1	37	20,850	1,059	22,417	28,905
Expenses								
Transfers to revenue fund	-	-	-	-	5,443	-	5,443	3,928
Excess of revenue over expenses	467	3	1	37	15,407	1,059	16,974	24,977
Net assets								
Beginning of year	22,839	7,396	1,046	11,601	336,221	51,755	430,858	405,881
End of year	\$ 23,306	\$ 7,399	\$ 1,047	\$ 11,638	\$ 351,628	\$ 52,814	\$ 447,832	\$ 430,858

See accompanying notes to the financial statements

**City of Port Colborne
Trust Funds
Statement of Cash Flows**

For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Net increase (decrease) in cash and cash equivalents		
Operating activities		
Excess of revenues over expenses	\$ 16,974	\$ 24,977
Decrease (increase) in due from City of Port Colborne	3,147	(6,996)
Increase in accrued interest	<u>(2)</u>	<u>(64)</u>
	<u>20,119</u>	<u>17,917</u>
Investing activities		
(Increase) decrease in investments - net	<u>(18,588)</u>	<u>7,285</u>
Net increase in cash and cash equivalents	1,531	25,202
Cash and cash equivalents		
Beginning of year	<u>88,816</u>	<u>63,614</u>
End of year	<u>\$ 90,347</u>	<u>\$ 88,816</u>

See accompanying notes to the financial statements

City of Port Colborne

Trust Funds

Notes to the Financial Statements

For the Year Ended December 31, 2019

1. Summary of significant accounting policies

Management responsibility

The financial statements are the responsibility of and prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

The significant accounting policies used are as follows:

(a) 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.

(b) Cash and cash equivalents

Cash and cash equivalents are represented by cash on hand, cash on deposit in chartered banks and investments that mature within three months.

(c) Portfolio investments

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

(d) Financial instruments

Initial measurement

The Trust Funds financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Trust Funds measure their financial assets and liabilities at cost. The financial instruments measured at cost are cash investments, interest receivable and due from revenue fund.

For financial assets measured at cost, the Trust Funds regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Trust Funds determine that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

City of Port Colborne

Trust Funds

Notes to the Financial Statements

For the Year Ended December 31, 2019

2. Portfolio investments

Portfolio investments consist of money market, bond and equity funds with annual interest rates ranging from 1.60% to 3.40% and a guaranteed investment certificate with an annual interest rate of 1.30% maturing December, 2020. Portfolio investments have an estimated market value of \$ 409,715 (2018 - \$ 362,507).

3. Impacts of COVID-19 and subsequent events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The Trust Funds' management is anticipating that the pandemic will not have a significant impact on its operations.

The Trust Funds have not identified any events related to the COVID-19 pandemic which were determined to be subsequent events, and therefore there has been no impact on the financial position and results of operations as of and for the year ended December 31, 2019.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Trust Funds for future periods.