

Financial Report

City of Port Colborne

December 31, 2018

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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, 2018, 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, 2018, 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Port Colborne, Canada  
November 12, 2019

Chartered Professional Accountants  
Licensed Public Accountants

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# City of Port Colborne

## Consolidated Statement of Financial Position

As at December 31, 2018

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	<u>2018</u>	<u>2017</u>
<b>Financial assets</b>		
Cash and cash equivalents (Note 2)	\$ 1,875,920	\$ 1,824,458
Portfolio investments (Note 3)	10,862,711	12,232,721
Taxes receivable	2,892,409	2,511,093
User charges receivable	2,051,944	1,857,162
Other receivables	<u>2,275,109</u>	<u>3,385,866</u>
	<u>19,958,093</u>	<u>21,811,300</u>
<b>Liabilities</b>		
Payables and accruals	5,663,370	9,089,647
Other liabilities	1,241,039	1,041,576
Deferred revenue (Note 5)	868,226	423,919
Construction loan (Note 6)	-	5,245,000
Long term debt (Note 7)	28,878,592	24,441,445
Employee benefit obligations (Notes 8 and 17)	<u>8,514,300</u>	<u>8,264,700</u>
	<u>45,165,527</u>	<u>48,506,287</u>
<b>Net debt</b>	<u>(25,207,434)</u>	<u>(26,694,987)</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 9 and Pages 28 and 29)	138,935,792	139,395,207
Prepaid expenses	<u>783,510</u>	<u>615,732</u>
	<u>139,719,302</u>	<u>140,010,939</u>
<b>Accumulated surplus</b> (Note 10)	<u>\$ 114,511,868</u>	<u>\$ 113,315,952</u>

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Contingencies (Note 21) and Commitments (Note 23)

Approved by

\_\_\_\_\_  
Director of Corporate Services

\_\_\_\_\_  
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, 2018

	Budget <u>2018</u> (Note 24)	<b>Actual <u>2018</u></b>	Actual <u>2017</u>
<b>Revenues other than revenues related to tangible capital assets</b>			
Taxation (Note 12)	\$ 17,588,028	\$ <b>17,736,188</b>	\$ 16,642,657
User charges (Note 14)	12,920,748	<b>12,245,372</b>	11,428,741
Government transfers (Note 15)	3,495,516	<b>3,389,742</b>	3,226,423
Other (Note 16)	985,190	<b>2,434,486</b>	1,451,194
	<u>34,989,482</u>	<u><b>35,805,788</b></u>	<u>32,749,015</u>
<b>Expenses</b>			
General government	4,298,551	<b>4,478,820</b>	4,171,476
Protection to persons and property	4,098,198	<b>4,442,598</b>	4,047,240
Transportation services	6,352,068	<b>6,849,152</b>	5,620,793
Environmental services	10,412,537	<b>9,973,533</b>	9,522,505
Health services	175,325	<b>196,944</b>	248,962
Social and family services	37,900	<b>40,970</b>	50,000
Recreation and culture services	8,385,305	<b>8,842,724</b>	8,248,298
Planning and development	2,174,591	<b>1,997,418</b>	1,952,906
	<u>35,934,475</u>	<u><b>36,822,159</b></u>	<u>33,862,180</u>
<b>Annual deficit before revenues related to tangible capital assets</b>	<u>(944,993)</u>	<u><b>(1,016,371)</b></u>	<u>(1,113,165)</u>
<b>Revenues related to tangible capital assets</b>			
Government transfers (Note 15)	824,500	<b>1,919,773</b>	1,144,520
Other (Note 16)	10,000	<b>252,571</b>	229,725
Gain (loss) on disposal of tangible capital assets	-	<b>39,943</b>	(260,715)
	<u>834,500</u>	<u><b>2,212,287</b></u>	<u>1,113,530</u>
<b>Annual surplus (deficit)</b>	(110,493)	<b>1,195,916</b>	365
<b>Accumulated surplus (Note 10)</b>			
Beginning of year	<u>113,315,952</u>	<u><b>113,315,952</b></u>	<u>113,315,587</u>
End of year	<u>\$ 113,205,459</u>	<u><b>\$ 114,511,868</b></u>	<u>\$ 113,315,952</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, 2018

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	Budget <u>2018</u> (Note 24)	<b>Actual <u>2018</u></b>	Actual <u>2017</u>
Annual surplus (deficit)	\$ (110,493)	\$ <b>1,195,916</b>	\$ 365
Amortization of tangible capital assets	5,374,592	<b>5,380,357</b>	5,232,058
Write-down of tangible capital assets	-	<b>14,598</b>	-
Acquisition of tangible capital assets	(4,980,947)	<b>(4,971,439)</b>	(19,331,407)
Proceeds on sale of tangible capital assets	-	<b>75,842</b>	381,075
(Gain) loss on disposal of tangible capital assets	-	<b>(39,943)</b>	260,715
	283,152	<b>1,655,331</b>	(13,457,194)
(Acquisition) usage of prepaid expenses	-	<b>(167,778)</b>	333,994
<b>Decrease (increase) in net debt</b>	283,152	<b>1,487,553</b>	(13,123,200)
<b>Net debt</b>			
Beginning of year	<u>(26,694,987)</u>	<u><b>(26,694,987)</b></u>	<u>(13,571,787)</u>
End of year	<u>\$ (26,411,835)</u>	<u><b>\$ (25,207,434)</b></u>	<u>\$ (26,694,987)</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, 2018

	<u>2018</u>	<u>2017</u>
<b>Increase (decrease) in cash and cash equivalents</b>		
<b>Operating activities</b>		
Annual surplus	\$ 1,195,916	\$ 365
Non-cash items:		
Amortization of tangible capital assets	5,380,357	5,232,058
Write-down of tangible capital assets	14,598	-
(Gain) loss on disposal of tangible capital assets	(39,943)	260,715
Increase in taxes receivable	(381,316)	(244,291)
Increase in user charges receivable	(194,782)	(55,988)
Decrease (increase) in other receivables	1,110,757	(492,196)
(Decrease) increase in payables and accruals	(3,426,277)	3,636,458
Increase (decrease) in other liabilities	199,463	(68,498)
Increase in deferred revenue	444,307	102,682
(Increase) decrease in prepaid expenses	(167,778)	333,994
	<u>4,135,302</u>	<u>8,705,299</u>
<b>Capital activities</b>		
Proceeds from disposal of tangible capital assets	75,842	381,075
Acquisition of tangible capital assets	(4,971,439)	(19,331,407)
	<u>(4,895,597)</u>	<u>(18,950,332)</u>
<b>Financing activities</b>		
Issue of construction loan	-	5,245,000
Repayment of construction loan	(5,245,000)	(7,437,000)
Issue of long term debt	6,145,000	14,230,000
Repayment of long term debt	(1,821,667)	(1,512,671)
Issue of capital lease obligation	140,657	-
Repayment of capital lease obligation	(26,843)	(17,957)
Increase in employee benefit obligation	249,600	222,700
	<u>(558,253)</u>	<u>10,730,072</u>
<b>Investing activities</b>		
Disposal (purchase) of portfolio investments, net	<u>1,370,010</u>	<u>(99,807)</u>
<b>Net increase in cash and cash equivalents</b>	<b>51,462</b>	<b>385,232</b>
<b>Cash and cash equivalents (Note 2)</b>		
Beginning of year	<u>1,824,458</u>	<u>1,439,226</u>
End of year	<u>\$ 1,875,920</u>	<u>\$ 1,824,458</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, 2018

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### 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 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.

#### (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.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 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.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 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.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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**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.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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<b>2. Cash and cash equivalents</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash on hand	\$ 3,950	\$ 3,950
Bank balances	<u>1,871,970</u>	<u>1,820,508</u>
	<b><u>\$ 1,875,920</u></b>	<b><u>\$ 1,824,458</u></b>

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### **3. Portfolio investments**

Guaranteed investment certificates carry an effective interest rate from 1.50% to 2.76% and maturity dates ranging from January, 2019 to December, 2020. Interest is receivable on maturity. Carrying value approximates market value.

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### **4. Bank indebtedness**

An operating line of credit of \$ 4,000,000 has been established with the CIBC, of which \$ Nil (2017 - \$ Nil) was used at December 31, 2018. 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.

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<b>5. Deferred revenue</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Development Charges Act	\$ 214,962	\$ 221,219
Parkland	159,078	97,362
Federal gas tax	430,871	105,338
Ontario Community Infrastructure Fund	<u>63,315</u>	<u>-</u>
	<b><u>\$ 868,226</u></b>	<b><u>\$ 423,919</u></b>

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

### 5. Deferred revenue (continued)

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

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ <u>423,919</u>	\$ <u>321,237</u>
Contributions from		
Parkland	60,345	79,705
Interest earned	8,650	9,349
Government transfers received		
Federal	586,822	570,065
Provincial	<u>61,600</u>	<u>-</u>
	<u>717,417</u>	<u>659,119</u>
Utilized for		
Tangible capital asset acquisitions	(265,000)	(556,437)
Operations	<u>(8,110)</u>	<u>-</u>
	<u>(273,110)</u>	<u>(556,437)</u>
Balance, end of year	\$ <u>868,226</u>	\$ <u>423,919</u>

### 6. Construction loan

In 2017, the City entered into an agreement with the Ontario Infrastructure and Lands Corporation ("OILC") to temporarily borrow money to finance capital expenditures relating to the Nickel Street area storm sewers for \$ 4,600,000, the water meter replacement project for \$ 300,000 and the marine mobile lift for \$ 345,000, to a maximum of \$ 6,145,000, pending the issue of debentures which were issued in 2018. The City paid interest on the loan monthly at the OILC floating interest rate until the loan was replaced by debentures. Principal payments began once the debentures were issued.

### 7. Long term debt

- (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>28,749,264</u>	\$ <u>24,425,931</u>
Capital lease obligations	<u>129,328</u>	<u>15,514</u>
Net long term debt	\$ <u>28,878,592</u>	\$ <u>24,441,445</u>

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

### 7. 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>2018</u>	<u>2017</u>
74-2003	Marina Pavilion/ Restaurant and Fire Dept. HQ	2.95 to 5.65%	2018	\$	-	\$ 356,000
61-2008	Watermains	3.70 to 4.90%	2018		-	84,000
67-2009	Vehicles and Equipment	1.15 to 4.80%	2019		<b>54,000</b>	106,000
73-2010	City Hall, Marina, Main St. CIP and Fire Vehicle	1.60 to 4.65%	2020		<b>888,794</b>	1,079,368
46-2013	Health & Wellness Centre	2.67%	2023		<b>1,448,760</b>	1,747,891
47-2013	Roads and Fire Dept.	3.37%	2033		<b>630,665</b>	663,911
48-2013	Skatepark, Fuel Tanks and Op. Centre Design	3.70%	2043		<b>1,682,383</b>	1,724,000
75-2015	LED Street Lights and Water Meters	1.15 to 2.80%	2025		<b>1,977,000</b>	2,239,000
94-2015	Fire Tanker and Watermains	3.46%	2035		<b>1,877,645</b>	1,957,622
35-2016	Fire Truck Operations Centre	1.20 to 1.60%	2021		<b>179,730</b>	238,139
64-2017	East Side Employment Lands	3.22%	2037		<b>433,668</b>	450,000
65-2017	Operations Centre	3.43%	2047		<b>13,511,275</b>	13,780,000
11-2018	Nickel St Storm Sewer	3.56%	2048		<b>5,447,991</b>	-
12-2018	Marina Lift and Water Meters	3.18%	2028		<b>617,353</b>	-
	Leased Vehicles and Equipment	Various	2019-2022		<b>129,328</b>	15,514
					<b>\$ 28,878,592</b>	<b>\$ 24,441,445</b>

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

2019	\$ 1,546,281
2020	2,010,861
2021	1,344,039
2022	1,317,374
2023	1,166,371

(d) The Municipality paid \$ 919,299 (2017 - \$ 379,739) interest on long term debt during the year.

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

<b>8. Employee benefit obligations</b>	<u><b>2018</b></u>	<u><b>2017</b></u>
Workplace Safety and Insurance Board future benefits	\$ 1,899,500	\$ 1,874,000
Vested sick leave benefits	264,400	253,500
Retirement benefits	<u>6,350,400</u>	<u>6,137,200</u>
	<b>8,514,300</b>	8,264,700
Less: Sick leave funded by reserve	<u>(20,225)</u>	<u>(37,009)</u>
	<u><b>\$ 8,494,075</b></u>	<u><b>\$ 8,227,691</b></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 2016, 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 \$ 35,916 (2017 - \$ 37,477) was paid by the City to the WSIB in relation to these benefits.

The accrued benefit obligation at December 31, 2018 of \$ 1,899,500 (2017 - \$ 1,874,000) was determined by an actuarial valuation using a discount rate of 3.30%.

The most recent actuarial valuation was prepared at December 31, 2016.

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

(i) Interest (discount) rate

The obligations as at December 31, 2018 of the present value of future liabilities were determined using a discount rate of 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, 2018

### 8. Employee benefit obligations (continued)

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

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation		
Beginning of year	\$ 1,874,000	\$ 1,851,400
Benefit payments	(88,900)	(87,000)
Current service cost	87,500	84,400
Interest cost	54,900	53,200
Amortization of actuarial gain	<u>(28,000)</u>	<u>(28,000)</u>
	<u>\$ 1,899,500</u>	<u>\$ 1,874,000</u>
Funded status		
Deficit	\$ 1,675,100	\$ 1,621,600
Unamortized actuarial gain	<u>224,400</u>	<u>252,400</u>
	<u>\$ 1,899,500</u>	<u>\$ 1,874,000</u>
The net benefit expense is as follows:		
Current service cost	\$ 87,500	\$ 84,400
Interest cost	54,900	53,200
Amortization of actuarial gain	<u>(28,000)</u>	<u>(28,000)</u>
	<u>\$ 114,400</u>	<u>\$ 109,600</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, 2018 of \$ 264,400 (2017 - \$ 253,500) was determined by an actuarial valuation using a discount rate of 3.40%.

The most recent actuarial valuation for the vested sick leave was prepared at December 31, 2015.

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, 2018 of the present value of future liabilities were determined using a discount rate of 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, 2018

### 8. Employee benefit obligations (continued)

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

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation		
Beginning of year	\$ 253,500	\$ 249,300
Benefit payments	(22,700)	(28,100)
Current service cost	26,400	25,500
Interest cost	8,800	8,400
Amortization of actuarial gain	<u>(1,600)</u>	<u>(1,600)</u>
	<u>\$ 264,400</u>	<u>\$ 253,500</u>
Funded status		
Deficit	\$ 255,300	\$ 242,800
Unamortized actuarial gain	<u>9,100</u>	<u>10,700</u>
	<u>\$ 264,400</u>	<u>\$ 253,500</u>

The net benefit expense is as follows:

Current service cost	\$ 26,400	\$ 25,500
Interest cost	8,800	8,400
Amortization of actuarial gain	<u>(1,600)</u>	<u>(1,600)</u>
	<u>\$ 33,600</u>	<u>\$ 32,300</u>

During the year \$ Nil (2017 - \$ Nil) was paid to employees who left the Municipality's employment. The Municipality has set aside \$ 20,225 (2017 - \$ 37,009) 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, 2018 of \$ 6,350,400 (2017 - \$ 6,137,200) was determined by an actuarial valuation using a discount rate of 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 \$ 344,900 (2017 - \$ 345,400) 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, 2015.

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

### 8. 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, 2018 of the present value of future liabilities were determined using a discount rate of 3.40%.

(ii) Medical costs

Drug costs were assumed to be 7.65% in 2018 and decrease 0.175% per year until 2036 when the rate will be 4.5% and continue thereafter.

Vision costs were assumed to be 2.00% in 2018 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 2018 and continue thereafter.

(iii) Dental costs

Dental costs were assumed to be 5.625% in 2018 and decrease 0.1875% per year until 2024 when the rate will be 4.5% and continue thereafter.

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation		
Beginning of year	\$ 6,137,200	\$ 5,941,300
Benefit payments	(344,900)	(345,400)
Current service cost	319,600	309,100
Interest cost	217,800	211,500
Amortization of actuarial loss	<u>20,700</u>	<u>20,700</u>
	<u>\$ 6,350,400</u>	<u>\$ 6,137,200</u>
Funded status		
Deficit	\$ 6,450,800	\$ 6,258,300
Unamortized actuarial loss	<u>(100,400)</u>	<u>(121,100)</u>
	<u>\$ 6,350,400</u>	<u>\$ 6,137,200</u>

The net benefit expense is as follows:

Current service cost	\$ 319,600	\$ 309,100
Interest cost	217,800	211,500
Amortization of actuarial gain	<u>20,700</u>	<u>20,700</u>
	<u>\$ 558,100</u>	<u>\$ 541,300</u>

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

<b>9. Tangible capital assets</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Net book value		
Land	\$ 5,628,931	\$ 5,639,417
Land improvements	10,001,091	10,182,399
Buildings	44,815,132	45,781,041
Leasehold improvements	297,708	258,232
Vehicles	2,484,188	2,512,357
Office equipment and furniture and fixtures	1,158,646	779,728
Machinery and equipment	2,828,723	2,819,649
Infrastructure	<u>58,850,553</u>	<u>60,181,642</u>
	<b>126,064,972</b>	128,154,465
Assets under construction	<u>12,870,820</u>	<u>11,240,742</u>
	<b><u>\$ 138,935,792</u></b>	<b><u>\$ 139,395,207</u></b>

<b>10. Accumulated surplus</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Consists of:		
Surpluses (deficits)		
Operating	\$ (4,248,793)	\$ (5,987,379)
Port Colborne Public Library Board	35,440	1,306
Port Colborne Downtown Development Board	35,324	40,709
Port Colborne Main Street Business Improvement Area	23,927	19,927
Niagara Central Airport Commission (Note 18)	<u>(59,786)</u>	<u>(25,285)</u>
	<b><u>(4,213,888)</u></b>	<b><u>(5,950,722)</u></b>
Investment in tangible capital assets	<u>138,935,792</u>	<u>139,395,207</u>
Unfunded liabilities		
Construction loan	-	(5,245,000)
Long term debt	(28,878,592)	(24,441,445)
Employee benefit obligations	<u>(8,514,300)</u>	<u>(8,264,700)</u>
	<b><u>(37,392,892)</u></b>	<b><u>(37,951,145)</u></b>
Reserves and reserves funds (Note 11)	<u>17,182,856</u>	<u>17,822,612</u>
	<b><u>\$ 114,511,868</u></b>	<b><u>\$ 113,315,952</u></b>

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

<b>11. Reserves and reserve funds</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Reserves set aside for specific purposes by Council		
Working capital	\$ 703,010	\$ 703,010
Recreation programs and facilities	419,799	428,475
Acquisition of capital assets	2,576,107	3,115,579
Library	15,298	14,322
Museum	25,220	17,793
Transit	53,504	75,100
Election expense	31,235	95,956
Administration costs	1,524,833	1,389,353
Airport	48,499	48,661
Cemetery	16,978	16,978
Wastewater operations	873,527	912,510
Water operations	<u>824,571</u>	<u>582,234</u>
Total reserves	<u>7,112,581</u>	<u>7,399,971</u>
Reserve funds set aside for specific purposes by Council or agreement		
Acquisition of fixed assets	7,665,122	7,697,830
Accumulated sick leave and disability	20,225	37,009
Administration costs	1,147,059	1,246,569
Grain elevator property	990,513	932,231
Community centre	139,423	236,016
Library	88,055	234,845
Transit	<u>19,878</u>	<u>38,141</u>
Total reserve funds	<u>10,070,275</u>	<u>10,422,641</u>
Total reserves and reserve funds	<u>\$ 17,182,856</u>	<u>\$ 17,822,612</u>

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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12. Taxation	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
Real property		\$ 36,082,522	\$ 35,163,946
From other governments			
Payments in lieu of taxes		<u>539,556</u>	<u>389,316</u>
		<u>36,622,078</u>	<u>35,553,262</u>
Less: taxation collected on behalf of (Note 13):			
Region of Niagara		13,654,742	13,583,724
School boards		<u>5,231,148</u>	<u>5,326,881</u>
		<u>18,885,890</u>	<u>18,910,605</u>
Net taxes available for municipal purposes		<u>\$ 17,736,188</u>	<u>\$ 16,642,657</u>
Residential, multi-residential and farm	\$ 13,587,987	\$ 13,631,446	\$ 12,870,451
Commercial and industrial	<u>4,000,041</u>	<u>4,104,742</u>	<u>3,772,206</u>
Net taxes available for municipal purposes	<u>\$ 17,588,028</u>	<u>\$ 17,736,188</u>	<u>\$ 16,642,657</u>

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### 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>2018</u>	<u>2017</u>
Region of Niagara	\$ 13,654,742	\$ 13,583,724
School boards	<u>5,231,148</u>	<u>5,326,881</u>
	<u>\$ 18,885,890</u>	<u>\$ 18,910,605</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).

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

14. User charges	Budget 2018	Actual 2018	Actual 2017
<b>Operating</b>			
Fees and service charges	\$ 2,801,847	\$ 3,068,685	\$ 2,800,900
Direct water billings	4,903,513	4,625,607	4,277,180
Wastewater surcharges	<u>5,215,388</u>	<u>4,551,080</u>	<u>4,350,661</u>
	<u>\$ 12,920,748</u>	<u>\$ 12,245,372</u>	<u>\$ 11,428,741</u>
<b>15. Government transfers</b>			
	Budget 2018	Actual 2018	Actual 2017
<b>Operating</b>			
Government of Canada	\$ 22,800	\$ 14,351	\$ 58,046
Province of Ontario	3,472,716	3,375,391	3,164,721
Municipal	<u>-</u>	<u>-</u>	<u>3,656</u>
	<u>3,495,516</u>	<u>3,389,742</u>	<u>3,226,423</u>
<b>Capital</b>			
Government of Canada	622,000	265,000	556,437
Province of Ontario	187,500	766,614	582,945
Municipal	<u>15,000</u>	<u>888,159</u>	<u>5,138</u>
	<u>824,500</u>	<u>1,919,773</u>	<u>1,144,520</u>
	<u>\$ 4,320,016</u>	<u>\$ 5,309,515</u>	<u>\$ 4,370,943</u>

# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

16. Other revenue	Budget <u>2018</u>	Actual <u>2018</u>	Actual <u>2017</u>
<b>Operating</b>			
Penalties and interest on taxes	\$ 395,000	\$ 456,253	\$ 406,270
Fines	17,000	17,870	15,004
Interest income	31,000	36,598	48,801
Licences and permits	277,470	296,227	301,576
Rental income	49,810	61,054	57,391
Investment income – reserves and reserve funds	-	215,757	160,834
Contributions from developers	8,110	8,110	-
Transfer from trust funds	4,000	3,928	4,024
Donations	145,200	117,789	112,711
Proceeds from sale of road allowances	-	564,023	-
Other	57,600	656,877	344,583
	<u>985,190</u>	<u>2,434,486</u>	<u>1,451,194</u>
<b>Capital</b>			
Donations	10,000	212,801	156,773
Other	-	39,770	72,952
	<u>10,000</u>	<u>252,571</u>	<u>229,725</u>
	<u>\$ 995,190</u>	<u>\$ 2,687,057</u>	<u>\$ 1,680,919</u>

### 17. 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 deficit of \$ 2.8 billion (2017 - \$ 0.6 billion surplus) 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 2018 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 2018 current and past service was \$ 862,723 (2017 - \$ 790,501) 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, 2018

### 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 19% (2017 - 20%) based on population.

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

	<u>2018</u>	<u>2017</u>
<b>Financial assets</b>		
Cash and cash equivalents	\$ 284,481	\$ 163,027
Receivables	46,129	19,902
	<u>330,610</u>	<u>182,929</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	223,722	27,447
Deferred grant revenue	-	33,716
Loans payable	399,790	250,000
Capital lease obligation	54,222	-
	<u>677,734</u>	<u>311,163</u>
<b>Net debt</b>	<u>(347,124)</u>	<u>(128,234)</u>
<b>Non-financial assets</b>		
Prepaid expenses	1,354	1,354
Fuel inventory	47,272	16,621
Tangible capital assets	1,636,642	1,460,280
	<u>1,685,268</u>	<u>1,478,255</u>
<b>Accumulated surplus</b>	<u>\$ 1,338,144</u>	<u>\$ 1,350,021</u>
<b>Accumulated surplus consists of:</b>		
Operating deficit	\$ (314,662)	\$ (126,423)
Reserves	16,164	16,164
Investment in tangible capital assets	1,636,642	1,460,280
	<u>\$ 1,338,144</u>	<u>\$ 1,350,021</u>
<b>Revenues</b>		
Grants	\$ 115,761	\$ 121,556
Fuel, rentals and other	91,981	137,001
Interest	1,138	390
<b>Expenses</b>	<u>(220,757)</u>	<u>(256,620)</u>
<b>Annual (deficit) surplus</b>	<u>\$ (11,877)</u>	<u>\$ 2,327</u>

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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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, 2018 and the results of operations are as reported for the year ended December 31, 2018. The comparative financial position and results of operations figures are as reported by the Niagara Central Airport Commission at December 31, 2017.

The Municipality has recorded in the financial statements its 19% (2017 - 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>2018</u>	<u>2017</u>
Government transfers	\$ 21,995	\$ 24,311
Interest	1,750	-
Loan, bearing interest of 3.5% per annum repayable in annual instalments of \$ 6,012, commencing June 15, 2018	\$ 45,738	\$ 50,000
Loan, bearing interest of 4.3% per annum repayable in annual instalments of \$ 4,113, commencing August 24, 2019	<u>32,870</u>	<u>-</u>
	<u>\$ 78,608</u>	<u>\$ 50,000</u>

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### 19. Trust funds

Trust funds administered by the Municipality amounting to \$ 430,858 (2017 - \$ 405,881) 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. Subdividers' deposits

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

	<u>2018</u>	<u>2017</u>
Letters of credit, beginning of year	\$ 1,637,354	\$ 1,098,723
Net (deletions) additions	<u>(188,604)</u>	<u>538,631</u>
Letters of credit, end of year	<u>\$ 1,448,750</u>	<u>\$ 1,637,354</u>

These letters of credit are not reflected in the accounts.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 21. 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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### 22. 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. Currently no such contaminated sites have been identified and therefore no liability has been recorded.

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.

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### 23. 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, 2018, the total amount remaining to be paid from these agreements is \$ 137,292 with the total commitment for each of the next five years as follows:

2019	\$	33,722
2020		33,722
2021		33,722
2022		32,520
2023		2,405

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 24. Budget

The budget bylaw adopted by Council March 5, 2018 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	\$	91,344
Add:		
Acquisition of tangible capital assets		4,980,947
Repayment of long term debt		1,821,666
Less:		
Transfers (to) from reserves, net		(1,629,858)
Amortization of tangible capital assets		<u>(5,374,592)</u>
Budgeted deficit per consolidated statement of operations	\$	<u>(110,493)</u>

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### 25. 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.

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# City of Port Colborne

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018

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### 26. Segmented information (continued)

#### 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

## 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>
<b>Cost</b>								
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>
<b>Accumulated amortization</b>								
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>
<b>Net book value</b>	<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 Tangible Capital Assets

For the Year Ended December 31, 2017

	<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>2017</u>
<b>Cost</b>								
Beginning of year	\$ 6,203,049	\$ 17,038,857	\$ 46,624,840	\$ 5,054,070	\$ 7,211,079	\$ 107,717,557	\$ 10,715,159	\$ 200,564,611
Additions	-	1,377,127	12,488,954	76,766	1,224,083	3,638,894	9,812,592	28,618,416
Disposals	<u>(563,632)</u>	<u>(509,565)</u>	<u>(260,140)</u>	<u>(137,878)</u>	<u>(330,082)</u>	<u>(271,859)</u>	<u>(9,287,009)</u>	<u>(11,360,165)</u>
End of year	<u>5,639,417</u>	<u>17,906,419</u>	<u>58,853,654</u>	<u>4,992,958</u>	<u>8,105,080</u>	<u>111,084,592</u>	<u>11,240,742</u>	<u>217,822,862</u>
<b>Accumulated amortization</b>								
Beginning of year	-	7,687,051	11,383,658	2,314,603	4,246,605	48,995,046	-	74,626,963
Amortization	-	528,944	1,669,334	303,876	589,178	2,140,726	-	5,232,058
Amortization on disposals	<u>-</u>	<u>(491,975)</u>	<u>(238,611)</u>	<u>(137,878)</u>	<u>(330,080)</u>	<u>(232,822)</u>	<u>-</u>	<u>(1,431,366)</u>
End of year	<u>-</u>	<u>7,724,020</u>	<u>12,814,381</u>	<u>2,480,601</u>	<u>4,505,703</u>	<u>50,902,950</u>	<u>-</u>	<u>78,427,655</u>
<b>Net book value</b>	<u>\$ 5,639,417</u>	<u>\$ 10,182,399</u>	<u>\$ 46,039,273</u>	<u>\$ 2,512,357</u>	<u>\$ 3,599,377</u>	<u>\$ 60,181,642</u>	<u>\$ 11,240,742</u>	<u>\$ 139,395,207</u>

# City of Port Colborne

## Consolidated Schedule of Segment Disclosure

For the Year Ended December 31, 2018

	<u>General</u>	<u>Water</u>	<u>Wastewater</u>	<u>Library</u>	<u>Eliminations</u>	<u>2018</u>
<b>Revenues</b>						
Taxation	\$ 17,736,188	\$ -	\$ -	\$ -	\$ -	\$ 17,736,188
User charges	3,005,548	4,654,264	4,557,590	27,970	-	12,245,372
Government transfers	5,263,249	-	-	781,100	(734,834)	5,309,515
Other revenue	2,650,037	26,640	-	10,380	-	2,687,057
Gain (loss) on disposal of tangible capital assets	<u>37,592</u>	<u>1,950</u>	<u>985</u>	<u>(584)</u>	<u>-</u>	<u>39,943</u>
	<u>28,692,614</u>	<u>4,682,854</u>	<u>4,558,575</u>	<u>818,866</u>	<u>(734,834)</u>	<u>38,018,075</u>
<b>Expenses</b>						
Salaries and benefits	12,778,460	580,239	90,313	558,544	-	14,007,556
Materials	6,566,216	301,541	97,728	138,418	-	7,103,903
Contract services	2,194,318	2,593,982	4,138,318	26,408	-	8,953,026
Rents and financial expenses	197,098	9,132	1,331	138	-	207,699
External transfers to others	81,072	-	-	-	-	81,072
Long term debt interest	871,502	97,892	-	-	-	969,394
Tax write-offs	119,152	-	-	-	-	119,152
Amortization	4,339,074	602,645	365,935	72,703	-	5,380,357
Inter-functional transfers	<u>265,840</u>	<u>257,620</u>	<u>211,374</u>	<u>-</u>	<u>(734,834)</u>	<u>-</u>
	<u>27,412,732</u>	<u>4,443,051</u>	<u>4,904,999</u>	<u>796,211</u>	<u>(734,834)</u>	<u>36,822,159</u>
<b>Annual surplus (deficit)</b>	<u>\$ 1,279,882</u>	<u>\$ 239,803</u>	<u>\$ (346,424)</u>	<u>\$ 22,655</u>	<u>\$ -</u>	<u>\$ 1,195,916</u>



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

For the Year Ended December 31, 2018

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	Budget <u>2018</u>	Actual <u>2018</u>
<b>General</b>		
<b>Revenue</b>		
Taxation	\$ 17,588,028	\$ 17,736,188
User charges	2,755,097	3,005,548
Government transfers	4,278,685	5,263,249
Other	981,080	2,650,037
Gain on disposal of tangible capital assets	-	37,592
	<u>25,602,890</u>	<u>28,692,614</u>
<b>Expenses</b>		
Salaries and wages	11,743,137	12,778,460
Materials	6,410,510	6,566,216
Contracted services	2,233,377	2,194,318
Rents and financial expenses	200,304	197,098
External transfers to others	87,162	81,072
Long term debt interest	809,018	871,502
Tax write-offs	253,500	119,152
Amortization	4,333,309	4,339,074
Inter-functional transfers	266,301	265,840
	<u>26,336,618</u>	<u>27,412,732</u>
<b>Annual surplus (deficit)</b>	<u>\$ (733,728)</u>	<u>\$ 1,279,882</u>

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

For the Year Ended December 31, 2018

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	Budget <u>2018</u>	Actual <u>2018</u>
<b>Water</b>		
<b>Revenue</b>		
User charges	\$ 4,923,113	\$ 4,654,264
Government transfers	-	-
Other	6,000	26,640
Gain on disposal of tangible capital assets	-	1,950
	<u>4,929,113</u>	<u>4,682,854</u>
<b>Expenses</b>		
Salaries and wages	688,565	580,239
Materials	307,316	301,541
Contracted services	2,450,357	2,593,982
Rents and financial expenses	7,525	9,132
Long term debt interest	97,892	97,892
Amortization	602,645	602,645
Inter-functional transfers	257,620	257,620
	<u>4,411,920</u>	<u>4,443,051</u>
<b>Annual surplus</b>	<u>\$ 517,193</u>	<u>\$ 239,803</u>

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

For the Year Ended December 31, 2018

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	Budget <u>2018</u>	Actual <u>2018</u>
<b>Wastewater</b>		
<b>Revenue</b>		
User charges	\$ 5,217,888	\$ 4,557,590
Gain on disposal of tangible capital assets	<u>-</u>	<u>985</u>
	<u>5,217,888</u>	<u>4,558,575</u>
<b>Expenses</b>		
Salaries and wages	327,285	90,313
Materials	153,126	97,728
Contracted services	4,072,067	4,138,318
Rents and financial expenses	2,106	1,331
Amortization	365,935	365,935
Inter-functional transfers	<u>211,374</u>	<u>211,374</u>
	<u>5,131,893</u>	<u>4,904,999</u>
<b>Annual (deficit) surplus</b>	<u>\$ 85,995</u>	<u>\$ (346,424)</u>

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

For the Year Ended December 31, 2018

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	Budget <u>2018</u>	Actual <u>2018</u>
<b>Library</b>		
<b>Revenue</b>		
User charges	\$ 24,650	\$ 27,970
Government transfers	776,165	781,100
Other	8,110	10,380
Loss on disposal of tangible capital assets	-	(584)
	<u>808,925</u>	<u>818,866</u>
<b>Expenses</b>		
Salaries and wages	554,812	558,544
Materials	135,863	138,418
Contracted services	25,500	26,408
Rents and financial expenses	-	138
Amortization	72,703	72,703
	<u>788,878</u>	<u>796,211</u>
<b>Annual surplus</b>	<u>\$ 20,047</u>	<u>\$ 22,655</u>

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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 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, 2018, 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, 2018, 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Port Colborne, Canada  
November 12, 2019

Chartered Professional Accountants  
Licensed Public Accountants

# City of Port Colborne Trust Funds Statement of Financial Position

As at December 31, 2018

	<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>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Assets</b>								
Cash and cash equivalents	\$ 22,800	\$ 7,396	\$ 1,046	\$ 5,907	\$ -	\$ 51,667	\$ <b>88,816</b>	\$ 63,614
Due from City of Port Colborne	-	-	-	-	6,996	-	<b>6,996</b>	-
Investments	-	-	-	5,694	329,225	-	<b>334,919</b>	342,204
Accrued interest	<u>39</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88</u>	<b><u>127</u></b>	<u>63</u>
<b>Net assets</b>	<b><u>\$ 22,839</u></b>	<b><u>\$ 7,396</u></b>	<b><u>\$ 1,046</u></b>	<b><u>\$ 11,601</u></b>	<b><u>\$ 336,221</u></b>	<b><u>\$ 51,755</u></b>	<b><u>\$ 430,858</u></b>	<b><u>\$ 405,881</u></b>

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, 2018

	Local Improvements	Julia Yager Trust	Fulton Trust	Sherkston Trust	Overholt Cemetery	Roselawn Centre	<b>2018</b>	<b>2017</b>
<b>Revenues</b>								
Interest	\$ 377	\$ 84	\$ -	\$ 94	\$ 5,523	\$ 795	\$ <b>6,873</b>	\$ 5,274
Perpetual trust contributions	-	-	-	-	9,342	-	<b>9,342</b>	13,060
Donations	-	-	-	-	-	12,690	<b>12,690</b>	5,383
	377	84	-	94	14,865	13,485	<b>28,905</b>	23,717
<b>Expenses</b>								
Transfers to revenue fund	-	-	-	-	3,928	-	<b>3,928</b>	4,024
<b>Excess of revenue over expenses</b>	377	84	-	94	10,937	13,485	<b>24,977</b>	19,693
<b>Net assets</b>								
Beginning of year	<u>22,462</u>	<u>7,312</u>	<u>1,046</u>	<u>11,507</u>	<u>325,284</u>	<u>38,270</u>	<b><u>405,881</u></b>	<u>386,188</u>
End of year	<u>\$ 22,839</u>	<u>\$ 7,396</u>	<u>\$ 1,046</u>	<u>\$ 11,601</u>	<u>\$ 336,221</u>	<u>\$ 51,755</u>	<b><u>\$ 430,858</u></b>	<u>\$ 405,881</u>

See accompanying notes to the financial statements



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

For the Year Ended December 31, 2018

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	<u>2018</u>	<u>2017</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		
<b>Operating activities</b>		
Excess of revenues over expenses	\$ 24,977	\$ 19,693
Increase in due from City of Port Colborne	(6,996)	-
Increase in accrued interest	<u>(64)</u>	<u>(28)</u>
	<u>17,917</u>	<u>19,665</u>
<b>Investing activities</b>		
Decrease (increase) in investments - net	<u>7,285</u>	<u>(13,605)</u>
<b>Net increase in cash and cash equivalents</b>	<b>25,202</b>	<b>6,060</b>
<b>Cash and cash equivalents</b>		
Beginning of year	<u>63,614</u>	<u>57,554</u>
End of year	<u>\$ 88,816</u>	<u>\$ 63,614</u>

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See accompanying notes to the financial statements

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# City of Port Colborne

## Trust Funds

### Notes to the Financial Statements

For the Year Ended December 31, 2018

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#### 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.

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**City of Port Colborne**  
**Trust Funds**  
**Notes to the Financial Statements**

For the Year Ended December 31, 2018

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**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 0.60% maturing December, 2019. Portfolio investments have an estimated market value of \$ 362,507 (2017 - \$ 386,140).

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