

Consolidated financial statements of

**Corporation of the City of Welland**

December 31, 2018

# Corporation of the City of Welland

December 31, 2018

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## Independent Auditor's Report

To the Members of Council, Inhabitants and Taxpayers of  
Corporation of the City of Welland

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Corporation of the City of Welland (the "City"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2018, and the results of its operations, change in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 City 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 the consolidated financial statements in accordance with PSAS, 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 City's 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 City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City'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 GAAS 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 GAAS, 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 City'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 City'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 City 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 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 City to express an opinion on the 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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
September 19, 2019

# Corporation of the City of Welland

## Consolidated statement of financial position as at December 31, 2018

	2018	2017
	\$	\$
<b>Financial assets</b>		
Cash	12,603,339	6,248,292
Taxes and grants-in-lieu receivable	6,278,847	5,262,310
Accounts receivable	10,681,123	9,421,011
Interest receivable	1,601,588	938,499
Loan receivable	-	1,874
Due from trust fund	-	53,341
Investments (Note 2)	52,274,195	42,595,848
Investment in subsidiary (Note 3)	34,349,391	33,542,000
	<b>117,788,483</b>	<b>98,063,175</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 17)	16,353,919	12,045,934
Due to trust fund	20,207	-
Deferred revenue (Note 5)	16,923,969	12,176,515
Accrued interest on long-term debt	230,112	305,303
Obligations under capital lease	54,222	-
Long-term debt (Note 6, Schedule 5)	50,230,654	45,734,792
Employee future benefits (Note 7)	8,092,849	7,663,229
	<b>91,905,932</b>	<b>77,925,773</b>
Net financial assets	<b>25,882,551</b>	<b>20,137,402</b>
Non-financial assets		
Tangible capital assets (Note 8, Schedule 6)	261,434,343	255,742,479
Other assets (Note 9)	540,664	224,708
	<b>261,975,007</b>	<b>255,967,187</b>
Contingencies (Note 15)		
<b>Accumulated surplus (Note 10)</b>	<b>287,857,558</b>	<b>276,104,589</b>

Approved by

\_\_\_\_\_ City Manager

\_\_\_\_\_ General Manager, Financial &  
Corporate Services/Treasurer

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

# Corporation of the City of Welland

## Consolidated statement of operations year ended December 31, 2018

	Budget 2018 (Note 16)	Actual 2018	Actual 2017
	\$	\$	\$
<b>Revenue</b>			
Taxation (Schedule 2)	40,221,874	<b>40,536,861</b>	38,762,821
User charges (Schedule 3)	31,695,862	<b>33,149,946</b>	32,055,838
Grants (Schedule 3)	7,075,545	<b>7,811,745</b>	7,984,468
Other (Schedule 4)	7,000,839	<b>14,837,273</b>	12,983,069
Equity earnings in subsidiary	-	<b>807,391</b>	219,000
	<b>85,994,120</b>	<b>97,143,216</b>	<b>92,005,196</b>
<b>Expenses</b>			
General government	12,552,471	<b>14,712,926</b>	11,778,724
Protection to persons and property	10,244,645	<b>10,418,479</b>	9,727,404
Transportation services	17,731,439	<b>18,481,023</b>	19,523,787
Environmental services	23,954,528	<b>25,213,243</b>	25,070,383
Health services	129,215	<b>110,879</b>	125,667
Social and family services	646,982	<b>660,773</b>	659,445
Recreational and cultural services	13,791,149	<b>13,676,888</b>	13,058,212
Planning and development	1,951,820	<b>2,116,036</b>	2,321,819
	<b>81,002,249</b>	<b>85,390,247</b>	<b>82,265,441</b>
<b>Annual surplus</b>	<b>4,991,871</b>	<b>11,752,969</b>	<b>9,739,755</b>
<b>Accumulated surplus, beginning of year</b>	<b>265,275,966</b>	<b>276,104,589</b>	<b>266,364,834</b>
<b>Accumulated surplus, end of year</b>	<b>270,267,837</b>	<b>287,857,558</b>	<b>276,104,589</b>

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

# Corporation of the City of Welland

## Consolidated statement of change in net financial assets year ended December 31, 2018

	Budget 2018 (Note 16)	Actual 2018	Actual 2017
	\$	\$	\$
<b>Annual surplus</b>	4,991,871	<b>11,752,969</b>	9,739,755
Amortization of tangible capital assets	10,167,415	<b>10,208,579</b>	10,103,807
Acquisition of tangible capital assets	(13,701,601)	<b>(16,883,865)</b>	(12,025,894)
Proceeds on the disposition of tangible capital assets	-	<b>547,439</b>	2,029,643
Loss (gain) on disposal of tangible capital assets	-	<b>435,983</b>	(1,096,759)
	1,457,685	<b>6,061,105</b>	8,750,552
Acquisition of other assets	-	<b>(540,664)</b>	(226,411)
Use of other assets	-	<b>224,708</b>	107,828
	-	<b>(315,956)</b>	(118,583)
Change in net financial assets	1,457,685	<b>5,745,149</b>	8,631,969
Net financial assets, beginning of year	18,913,332	<b>20,137,402</b>	11,505,433
<b>Net financial assets, end of year</b>	20,371,017	<b>25,882,551</b>	20,137,402

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

# Corporation of the City of Welland

## Consolidated statement of cash flows year ended December 31, 2018

	2018	2017
	\$	\$
<b>Operating activities</b>		
Annual surplus	11,752,969	9,739,755
Non-cash items		
Amortization	10,208,579	10,103,807
Loss (gain) on disposal of tangible capital assets	435,983	(1,096,759)
Increase in investment in subsidiary	(1,307,391)	(1,019,000)
Changes in the following balances		
Taxes and grants-in-lieu receivable	(1,016,537)	3,081,471
Accounts receivable	(1,260,112)	(1,032,898)
Interest receivable	(663,089)	134,101
Loan receivable	1,874	2,306
Accounts payable and accrued liabilities	4,307,985	2,217,960
Due from trust fund	73,548	(13,711)
Deferred revenue	4,747,454	61,274
Accrued interest on long-term debt	(75,191)	(110,514)
Employee future benefits	429,620	222,429
Other assets	(315,956)	(118,583)
	<b>27,319,736</b>	<b>22,171,638</b>
<b>Capital activities</b>		
Proceeds from sale of tangible capital assets	547,439	2,029,643
Acquisition of tangible capital assets	(16,828,124)	(12,025,894)
	<b>(16,280,685)</b>	<b>(9,996,251)</b>
<b>Investing activities</b>		
Increase in investments - net	(9,678,347)	(10,347,254)
	<b>(9,678,347)</b>	<b>(10,347,254)</b>
<b>Financing activities</b>		
Decrease in bank indebtedness	-	(5,000)
Dividends received from investment in subsidiary (Note 3)	500,000	800,000
Proceeds on issuance of long-term debt	10,112,956	4,433,501
Repayment of long-term debt	(5,617,094)	(5,783,990)
Repayment of capital lease obligation	(1,519)	(2,659)
	<b>4,994,343</b>	<b>(558,148)</b>
Net increase in cash	6,355,047	1,269,985
Cash, beginning of year	6,248,292	4,978,307
<b>Cash, end of year</b>	<b>12,603,339</b>	<b>6,248,292</b>

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.



# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

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### 1. Significant accounting policies

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

#### *Basis of consolidation*

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

- Welland Public Library Board
- Welland Downtown Business Improvement Area
- North Welland Business Improvement Area
- Youngs Sportsplex

Interdepartmental and organizational transactions and balances are eliminated.

The following joint local board is proportionately consolidated:

- Niagara Central Airport Commission (Joint Board)

Related party transactions are eliminated.

Welland Hydro-Electric Holding Corp. is a subsidiary corporation of the City and is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAS for government business enterprises (Note 3). Under the modified equity basis, the business enterprise’s accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated.

These consolidated financial statements exclude trust funds that are administered for the benefit of external parties (Note 14).

#### *Basis of accounting*

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

#### *Investments*

Fixed income investments are recorded at amortized cost less amounts written off to reflect a permanent decline in value. Purchase premiums and discounts are amortized on the present value basis over the term of the issues.

#### *Deferred revenue*

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

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

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### 1. Significant accounting policies (continued)

#### *Employee future benefits*

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care and dental costs. Actuarial gains or losses are amortized on a straight line basis over the expected average remaining service life of all employees covered.

#### *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. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

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

Works of art for display in City property are not recorded as tangible 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.

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". Amortization is based on six months for the year of acquisition regardless of the month purchased and annually thereafter until the asset is fully depreciated, disposed of or replaced. 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 to 25 years
Buildings	20 to 50 years
Roads and bridges	15 to 75 years
Water and waste water infrastructure	15 to 80 years
Vehicles	5 to 15 years
Computer hardware and software	1 to 5 years
Machinery and equipment	5 to 20 years

#### *Leased equipment*

Equipment taken on lease with terms which transfer substantially all of the benefits and risks of ownership to the City are accounted for as capital leases, as though an asset has been purchased and a liability incurred. The assets are amortized on a straight line bases at rates ranging from 1.3-3.5% per annum commencing in the month of purchase. All other items of equipment held on lease are accounted for as operating leases.

Capital lease obligations are recorded at the present value of the minimum lease payments. The discount rate used to determine the present value of the lease payments is the lower of the City's rate of incremental borrowing or the interest rate implicit in the lease.

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

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### 1. Significant accounting policies (continued)

#### *Subdivision infrastructure*

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

#### *Reserves for future expenses*

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

#### *Government transfer payments*

Government transfers are recognized as revenues by the City in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions or programs to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

#### *Tax revenue*

Tax revenue is recognized on all taxable properties within the City that are included in the tax roll provided by the Municipal Property Assessment Corporation, using property values included in the tax roll or property values that can be reasonably estimated by the City as it relates to supplementary or omitted assessments, at tax rates authorized by Council for the City's own purposes in the period for which the tax is levied.

#### *Investment income*

Investment income earned on operating surplus funds and reserves and reserve funds (other than obligatory reserve funds) are recorded as revenue in the period earned. Investment income earned on obligatory reserve funds are recorded directly to each respective fund balance and forms part of the deferred revenue balance.

#### *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 balance of these consolidated financial statements.

#### *Management 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 report period. Significant estimates relate to the allowance for taxes and accounts receivable, accrued liabilities, employee future benefits, contaminated sites and the useful lives of tangible capital assets. Actual results could differ from those estimates.

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

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### 2. Investments

Investments consist of guaranteed investment certificates ("GICs") with various chartered banks.

The market value of the investments at December 31, 2018 was \$52,944,241 (2017 - \$42,595,848).

### 3. Subsidiary operations

Welland Hydro-Electric Holding Corp. ("Welland Hydro"), established by City council under municipal By-law 2000-90, is wholly owned by the City, and provides regulated and unregulated electric utility services.

The following table provides condensed supplementary financial information for Welland Hydro:

#### *Financial position*

	2018	2017
	\$	\$
Current assets	<b>10,874,000</b>	13,232,000
Capital assets	<b>33,169,000</b>	31,428,000
Regulatory assets	<b>2,320,000</b>	1,570,000
<b>Total assets</b>	<b>46,363,000</b>	46,230,000
Current liabilities	<b>6,194,000</b>	7,442,000
Long-term debt	<b>13,500,000</b>	13,500,000
Other long-term liabilities	<b>3,347,000</b>	3,310,000
Regulatory balances	<b>4,480,000</b>	3,936,000
<b>Total liabilities</b>	<b>27,521,000</b>	28,188,000
<b>Net assets</b>	<b>18,842,000</b>	18,042,000

#### *Change in equity investment in subsidiary*

	2018	2017
	\$	\$
Revenues	<b>53,161,000</b>	54,033,000
Operating expenses	<b>(51,200,000)</b>	(51,362,000)
Financing expenses	<b>(910,000)</b>	(856,000)
Other income	<b>61,000</b>	40,000
Net movement in regulatory balances, net of tax	<b>165,000</b>	(802,000)
Income tax recovery (expense)	<b>23,000</b>	(34,000)
<b>Net earnings from operations and increase in equity investment in subsidiary</b>	<b>1,300,000</b>	1,019,000
Dividends	<b>(500,000)</b>	(800,000)
<b>Change in equity</b>	<b>800,000</b>	219,000

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

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### 3. Subsidiary operations (continued)

#### *Change in equity investment in subsidiary (continued)*

The City has a 51% share ownership in Welland Solar Joint Venture. The remaining 49% interest is held by Welland Hydro-Electric Holding Corp. (included in the above charts).

The City's investment in Welland Hydro and Welland Solar Joint Venture is comprised of the following:

	<b>2018</b>	2017
	\$	\$
Long term Debt - Welland Hydro	<b>13,500,000</b>	13,500,000
Net assets - Welland Hydro	<b>18,842,000</b>	18,042,000
City of Welland investment in Welland Solar Joint Venture	<b>2,007,391</b>	2,000,000
	<b>34,349,391</b>	33,542,000

The financial position information is as reported by Welland Hydro at December 31, 2018. The results of operations information is as reported by Welland Hydro for the year ended December 31, 2018.

#### *Note receivable*

The \$13,500,000 note receivable is due to the City and bears interest at 6.25%, beginning May 1, 2006. It is due twelve months after official demand by the City.

In 2017, Welland Solar Joint Venture obtained a 10 year promissory note from the City of Welland in the amount of \$2,000,000. The note bears interest at 4.3%, calculated and paid semi-annually with the full principal balance due at the end of the ten year term. The company will have the option to renew the loan for an additional eight years within six months of the note maturing.

#### *Contingencies*

- (a) As of May 1, 2002, in order for Welland Hydro to obtain the electricity it requires to distribute to its customers, Welland Hydro was required to provide security to the Independent Electricity System Operator ("IESO") based on its usage. The security obtained was a letter of credit from a financial institution which requires an interest coverage ratio of more than 1.5 and a debt capitalization ratio less than 0.6. The letter is in the amount of \$2,538,527 and incurs interest at 0.6% annually.

The following summarizes the City's related party transactions with Welland Hydro 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.

	<b>2018</b>	2017
	\$	\$
Electricity purchased	<b>1,148,000</b>	1,331,000
Rent paid	<b>35,000</b>	24,000
Streetlight maintenance	<b>49,000</b>	45,000
Dividends received	<b>500,000</b>	800,000
Interest received	<b>844,000</b>	843,747
Property taxes and other taxes received	<b>59,000</b>	61,000
Leases and miscellaneous	<b>13,000</b>	13,000
Water user charges received	<b>4,000</b>	5,000

### 4. Credit facility

An operating line of credit of \$9,100,000 has been established with a financial institution, of which \$nil was used at December 31, 2018 (2017 - \$nil). Interest is calculated at prime minus 0.50%. There is no security on this line of credit.

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

### 5. Deferred revenue

A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The net change during the year in the legislatively restricted deferred revenue balances is as follows:

	Balance, beginning of year	Restricted funds received	Interest earned	Revenue recognized	Balance, end of year
	\$	\$	\$	\$	\$
Development Charges Act	\$6,464,831	1,846,555	495,090	(34,875)	8,771,601
Lot levies and subdivider contributions	2,325,100	668,675	138,441	(461,315)	2,670,901
Recreational land (Planning Act)	480,396	311,863	46,710	-	838,969
Provincial gas tax revenue	732,340	1,172,527	61,680	(165,835)	1,800,712
Federal gas tax revenue	2,022,587	1,666,984	137,100	(1,162,830)	2,663,841
Ontario Bus Replacement Program	6,478	170	400	-	7,048
Youngs Sportsplex	144,783	170,897	-	(144,783)	170,897
<b>2018 Total</b>	<b>12,176,515</b>	<b>5,837,671</b>	<b>879,421</b>	<b>(1,969,638)</b>	<b>16,923,969</b>
<b>2017 Total</b>	<b>12,115,241</b>	<b>5,851,886</b>	<b>97,681</b>	<b>(5,888,293)</b>	<b>12,176,515</b>

### 6. Long-term debt

(a) The balance for long-term debt reported on the consolidated statement of financial position is made up of the following:

	2018	2017
	\$	\$
The City has assumed responsibility for the payment of principal and interest charges on certain long-term debt issued by the Regional Municipality of Niagara (Note 6(b)). At the end of the year, the outstanding principal amount of this debt is:		
Due to the City of Port Colborne, bearing interest of 4.3% per annum repayable in annual instalments of \$4,113 commencing August 24, 2019.	50,045,858	45,622,292
Due to the City of Port Colborne, bearing interest of 3.5% per annum repayable in annual instalments of \$6,012 commencing June 15, 2018.	46,692	-
Due to the Town of Pelham, bearing interest of 4.3% per annum repayable in annual instalments of \$3,897 commencing June 15, 2019.	33,370	50,000
Due to the Town of Pelham, bearing interest of 3.5% per annum repayable in annual instalments of \$5,411 commencing June 15, 2018.	31,870	-
Due to the Township of Wainfleet, bearing interest of 4.3% per annum repayable in annual instalments of \$1,515 commencing June 15, 2019.	42,023	45,000
Due to the Township of Wainfleet, bearing interest of 3.5% per annum repayable in annual instalments of \$2,190 commencing June 15, 2018.	12,394	-
	18,447	17,500
	<b>50,230,654</b>	<b>45,734,792</b>

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

### 6. Long-term debt (continued)

(b) Long-term debt issued by the Regional Municipality of Niagara is comprised of:

Debenture number	Purpose	Interest rates	Maturity dates	2018	2017
#		%		\$	\$
85-2004	Civic Square	5.596	2024	<b>4,428,430</b>	5,034,158
60-2008	Various	3.70-4.70	2018	-	579,000
66-2009	Various	1.15-4.80	2019	<b>371,000</b>	724,000
72-2010	Various	1.60-4.65	2020	<b>1,153,214</b>	1,695,592
83-2011	Various	1.55-4.05	2021	<b>1,474,506</b>	1,933,363
73-2012	Various	1.35-3.10	2022	<b>1,574,000</b>	1,942,000
40-2014	LED Streetlights	2.88	2024	<b>1,288,355</b>	1,522,601
78-2014	Various	1.20-3.10	2024	<b>1,953,681</b>	2,253,094
115-2013	River Rd MSC	4.08	2038	<b>12,640,000</b>	13,272,000
75-2015	Various	1.89	2025	<b>2,510,000</b>	2,871,000
83-2015	WIFC	3.12	2025	<b>4,304,145</b>	4,557,330
73-2016	LED Streetlights	2.29	2026	<b>1,080,542</b>	1,202,290
35-2016	Various	1.20-2.4	2026	<b>3,340,438</b>	3,730,364
51-2017	Various	1.92	2027	<b>3,905,547</b>	4,305,500
58-2018	Various	2.05-3.15	2028	<b>10,022,000</b>	-
				<b>50,045,858</b>	45,622,292

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

	\$
2019	6,034,403
2020	5,794,148
2021	5,326,490
2022	4,925,971
2023	4,619,015

(d) The City paid \$1,585,410 (2017 - \$1,641,738) interest on long-term debt during the year.

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

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### 7. Employee future benefits

	2018	2017
	\$	\$
Post-retirement benefits	<b>7,781,000</b>	7,404,300
Other	<b>311,849</b>	258,929
	<b>8,092,849</b>	7,663,229

Employees who retire under the Ontario Municipal Employee Retirement System Act ("OMERS Act") early retirement provisions are eligible to receive medical and dental benefits to the age of sixty-five and life insurance benefits to age seventy. Total benefit payments for retirees during the year were \$263,366 (2017 - \$266,959).

In addition, under the sick leave benefit plan, for firefighters and grandfathered full time employees, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the City's employment. The liability is for these accumulated days, to the extent they have vested and could be taken in cash by an employee on terminating employment. An amount of \$117,353 (2017 - \$81,360) was paid to employees who left the City's employment during the current year for sick leave benefits.

The most recent actuarial valuation of the post-employment benefits was performed at December 31, 2016 using the projected unit credit method.

The post-employment benefit liability at December 31 includes the following components:

	2018	2017
	\$	\$
Actuarially determined accrued benefit obligation	<b>7,275,000</b>	6,834,300
Unamortized actuarial gains	<b>506,000</b>	570,000
	<b>7,781,000</b>	7,404,300

The current actuarial valuation is based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates; however actual experience may vary from these estimates. The main actuarial assumptions employed for the valuation are as follows:

Salary increase	
Firefighters	2.5% per annum
Non-firefighters	2.0% per annum
Discount rate at January 1, 2018	3.8%
Discount rate at December 31, 2018	3.8%
Medical cost increases	
First year	7.0%
Decreasing 1% per annum to	5.0%
Expected rate of dental cost increase	3.0%
Estimated average remaining service life of the employee group	8.9 years



# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

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### 7. Employee future benefits (continued)

The post-employment benefit expense is reported on the consolidated statement of operations in the various functional categories. Composition of the amount is as follows:

	<b>2018</b>
	<b>\$</b>
Current year benefit cost	<b>350,400</b>
Amortization of actuarial losses	<b>269,600</b>
Interest on post benefit liability	<b>(64,000)</b>
	<b>556,000</b>

As at December 31, 2018, the City has a sick leave reserve of \$40,304 (2017 - \$72,294) (Note 11).

### 8. Tangible capital assets

The net book values of tangible capital assets are as follows:

	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
Land and land improvements	<b>30,455,365</b>	31,169,888
Buildings	<b>58,375,469</b>	60,698,277
Roads and bridges	<b>58,457,286</b>	57,514,605
Water and waste water infrastructure	<b>96,344,166</b>	90,881,816
Vehicles	<b>10,832,567</b>	9,216,427
Computer hardware and software	<b>941,607</b>	615,449
Machinery and equipment	<b>5,972,607</b>	5,646,017
Assets under capital lease	<b>55,276</b>	-
	<b>261,434,343</b>	255,742,479

See Schedule 6 for more details.

### 9. Other assets

	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
Prepaid expenses	<b>379,945</b>	90,621
Inventory	<b>160,719</b>	134,087
	<b>540,664</b>	224,708

# Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2018

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## 10. Accumulated surplus

	2018	2017
	\$	\$
Surplus (deficit)		
City	12,554,784	6,439,335
Welland Public Library	132,254	173,984
Welland Recreational Canal Corporation	-	182,730
North Welland Business Improvement Area	74,113	56,643
Welland Downtown Business Improvement Area	(49,909)	65,656
Niagara Central Airport Commission	(131,307)	(71,944)
Youngs Sportsplex	178,031	208,273
	<b>12,757,966</b>	7,054,677
Investment in tangible capital assets	<b>261,434,343</b>	255,742,479
Investment in subsidiary	<b>34,349,391</b>	33,542,000
Unfunded		
Long-term debt	(50,230,654)	(45,734,792)
Employee benefit obligations	(8,092,849)	(7,663,229)
	<b>(58,323,503)</b>	(53,398,021)
Reserve and reserve funds (Note 11)	<b>37,639,361</b>	33,163,454
	<b>287,857,558</b>	276,104,589

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

### 11. Reserves and reserve funds

	2018	2017
	\$	\$
Reserves set aside for specific purposes by Council		
Working capital	727,300	777,300
Replacement of equipment	1,348,659	1,271,326
Integrated Library Systems	40,000	40,000
Bequests	80,939	47,939
	<b>2,196,898</b>	<b>2,136,565</b>
Reserve funds set aside for specific purposes by Council		
Sick leave	40,304	72,294
Workers' Safety Insurance Board	295,551	196,265
Capital expenditure		
Courthouse maintenance	88,326	302,171
Parks and recreation	128,557	126,222
Economic development	4,140,151	3,468,028
Fire	2,019,391	1,897,908
Airport	16,164	16,164
Fleet	248,234	307,367
Building capital improvements	142,729	146,979
Parking	33,102	46,792
Sports and culture	1,585,455	1,624,984
Municipal incentive grants	932,682	950,028
Recreational canal lands	13,532,390	13,559,240
Employee benefits	1,001,954	681,053
Water/wastewater surplus	1,748,953	1,426,182
Operating surplus	5,845,776	4,080,644
Ontario Municipal Partnership Funding Contingency	71,896	74,036
Insurance	871,260	635,633
Health safety and wellness reserve	2,699,588	1,414,899
	<b>35,442,463</b>	<b>31,026,889</b>
	<b>37,639,361</b>	<b>33,163,454</b>
Continuity of reserves and reserve funds		
Balance, beginning of year	33,163,454	28,772,472
Interest earned	-	692,064
Other revenue	3,280,261	2,707,474
Transfers in from		
Operating revenue	4,193,074	4,208,327
Capital revenue	62,089	-
	<b>7,535,424</b>	<b>7,607,865</b>
Transfers out for		
Operating purposes	2,097,790	2,312,713
Capital purposes	961,727	904,170
	<b>3,059,517</b>	<b>3,216,883</b>
Balance, end of year	<b>37,639,361</b>	<b>33,163,454</b>

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

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

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

	2018	2017
	\$	\$
Region of Niagara (Schedule 2)	<b>33,268,291</b>	32,637,314
School boards (Schedule 2)	<b>12,221,900</b>	12,271,557
	<b>45,490,191</b>	44,908,871

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

The City also collects development charges on behalf of the Region of Niagara (2018 \$3,086,815, 2017 \$1,880,005). Development charges collected in excess of those paid to the Region are recorded as accounts payable.

### 13. Niagara Central Airport Commission

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 Welland has a non-controlling interest in the airport of 55%.

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

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 City has recorded in the financial statements its 55% share of the Niagara Central Airport Commissions' assets, liabilities, accumulated surplus, revenues, expenses, and annual surplus.

The following summarizes the City'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.

	2018	2017
	\$	\$
Note payable, bearing interest of 4.3% per annum repayable in annual instalments of \$12,123 commencing June 15, 2019	<b>99,151</b>	-
Note payable, bearing interest of 3.5% per annum repayable in annual instalments of \$16,533 commencing June 15, 2018	<b>128,403</b>	140,124
Grants	<b>41,820</b>	66,855

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

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### 14. Trust fund

The trust fund administered by the City, amounting to \$594,167 (2017 - \$579,750), has not been included in the consolidated statement of financial position, nor have their financial activities been included in the consolidated statement of operations.

### 15. Contingencies

Certain property owners in the City of Welland have been successful in appealing their tax assessments with the result that previous years' taxes will eventually be refunded. Based on the results of these appeals it is likely that additional taxes for years up to 2018 will also be subject to appeal and it is further likely that these taxes will be refunded.

Although an estimate cannot be made of the contingent liability, the City has provided \$500,000 (2017 - \$500,000) as a reserve for doubtful accounts. The amount of loss will be recorded in the year in which the settlement occurs.

#### *Litigation*

The City is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the City 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 these consolidated financial statements.

### 16. Budget amounts

The operating budget, the tax rate supported capital budgets to establish the tax rates for the year and the water and wastewater operating budget were approved by Council on December 19, 2017.

An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original council approved budget.

Amounts included in the original council approved capital budget which are not recognized as tangible capital assets are included in consolidated statement of operations under the appropriate functional expense category, while those recognized as tangible capital assets are include in the consolidated statement of change in net financial assets.

### 17. Liability for contaminated sites

The City has recorded a liability of \$125,000 (2017 - \$350,000) in accounts payable and accrued liabilities for City owned sites which contained elevated levels of elements in the soil. The liability estimate of \$125,000 for the sites identified were based on the environmental assessment conducted by a third party engineering firm and cost of possible remediation alternatives. Estimated recoveries are expected to be \$Nil.

### 18. Financial instruments

The City's financial instruments consist of cash, investments, accounts receivable, taxes and grants-in-lieu receivable, interest receivable, note receivable, loan receivable, accounts payable and accrued liabilities, due from trust fund, accrued interest on long-term debt, obligations under capital lease and long-term debt. It is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

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### 19. Segmented information

#### *General government*

The City of Welland is known officially as “The Rose City”. Welland is home to over 50,000 residents who represent a blend of many different cultures. Our community is the proud host of an abundance of investment and recreational opportunities and conveniently located in the centre of Niagara Region. The City of Welland is a truly unique canal city blessed with post-secondary opportunities, health care facilities, and commercial amenities that offer big city resources with small town charm. Our vision is to be the municipality that other municipalities measure themselves by; to be the benchmark. Our mission is to plan and provide for a vibrant, safe community that promotes healthy living and supports business growth; to respond to the needs of our diverse community in a timely, innovative and effective manner, through teamwork and partnerships; and to advocate for strong livable cities on issues impacting Welland. Welland embraces progress, and its historical significance in Ontario’s past.

This segment includes general revenues and expenses as well as the Mayor and Council operations and the City Manager, City Clerks, Finance, and Human Resources Departments.

The City Manager’s Office is responsible for corporate leadership and direction of the general management of the corporation as well as participating in the overall stewardship of the City.

The Corporate Services Department directs all Finance, Purchasing, Recreational and Cultural Services and Transit operations; performs statutory duties of the City Treasurer under the Ontario Municipal Act, Municipal By-laws and Council policies; provides financial analysis and reporting services to Council; and the department imparts financial and purchasing assistance to all departments, residents and Welland City Council. It also provides and/or manages tax and utility billing services to the residents and businesses of the City. The Finance Division administers all the accounting and financial services for the City.

Responsibilities of the Human Resources Department are to foster consistent, fair and equitable employee and labour relations in the workplace. Human Resources defines, implements and monitors activities which positively influence the effectiveness of employees as they work towards achieving organizational goals and objectives. The Human Resources Department is also responsible for the operations of Information Services, City Clerk, Communications and the Legal Division.

Information Services Division is a part of Human Resources. The Information Services Division of the City of Welland offers innovative system solutions, robust modern technology, strong data management, reliable telephones and telecommunication infrastructure, and helps City Departments meet their information processing and communication needs.

The Office of the City Clerk is part of Human Resources and is responsible for various corporate and administrative functions and is in frequent contact with all City departments, elected officials, other levels of government and the general public.

The Communications Division is part of the City Clerk’s Division and oversees communications with community and internal and external stakeholders, facilitates increased awareness of issues that affect the community, and fosters community involvement through the development of communications strategies.

The Legal Division is part of Human Resources. The Legal Division oversees legal support services and liaises with external legal counsel, all City Departments, the registry office, courts, tribunals, and other boards or agencies that deal with legal proceedings affecting the Corporation

#### *Protection to persons and property*

Protection is the City of Welland Fire and Emergency Services department’s responsibility. The men and women of the Welland Fire Department are dedicated professionals whose mission is to protect the residents, employers, and visitors of the City of Welland from the consequences of fires and other emergencies. This mission encompasses the “Three Lines of Defense” which are Education, Enforcement and development of fire safety codes, and Emergency Response.

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

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### 19. Segmented information (continued)

#### *Protection to persons and property (continued)*

Part of Planning and Development Services, the Building and Inspection Division reviews plans and conducts inspections for permits, unsafe buildings and property standards complaints in accordance with the Ontario Building Code Act. By-law complaints, licensing for plumbers and businesses and administration of the SWAP and LASSR programs are also handled by this Division.

#### *Transportation services*

This segment maintains and provides services for roadways, sidewalks, street lighting, traffic & parking control and transit.

The Roads Section repairs and maintains City roadways, curbs, catch basins, culverts, and sidewalks. It also deals with drainage concerns in ditches and watercourses. This Section also provides winter plowing and sand/salt applications.

The Fleet Maintenance Section provides for all of the vehicle and equipment needs for the City. This involves licensed mechanics for repairs, parts and stores operations, as well as the preparation of specifications and tenders for equipment purchasing.

Traffic Operations and Safety primarily deals with the evaluation of existing roadways. Staff reviews roadways for safety and operational issues including traffic signals. Other areas of review include speeding, all-way stop requests, collisions, traffic and parking signage, traffic and parking bylaw administration and the traffic data collection and analysis.

Parking Operations oversees all maintenance and operations of the City's Parking Lots and on-street parking locations. In addition, staff reviews requests for on-street parking regulations.

Street Lighting is the responsibility of the City. Staff reviews existing and new street light locations.

Parking Enforcement staff issue infractions under the Traffic and Parking Bylaw 89-2000. These infractions include violations relating to Disabled Parking, Private Property, Fire Routes, Restricted.

Parking Zones and enforcement within the Municipal Parking Lots and on-street paid parking locations.

School Crossing Guard Operations consist of numerous locations throughout the City and 45 staff members. Staff reviews existing and new locations to identify the need for added protection for pedestrians.

Transportation Planning reviews the impacts on existing and new roadways and the roadway design requirements needed through Commercial and Residential Development.

Welland Transit is part of Corporate Services and provides conventional and specialized transit services to the residents of the City. In addition, Welland Transit provides transit services under contract to the City of Port Colborne, Niagara College, and Brock University. Niagara Regional Transit services are also supplied by Welland Transit, Niagara Falls Transit, and St. Catharines Transit Commission.

#### *Environmental services*

This division includes waterworks, wastewater and storm sewers, including the maintenance of watermain and wastewater sewers and the operation of the water system, water metering and the wastewater system.

The Water/Wastewater Section operates the water and wastewater system with provincially-licensed operators to maintain water quality and sampling, repair watermain breaks, flush watermains, clean and unplug sewers, replace water/wastewater service connections, and maintain water meters.

#### *Health services*

This segment includes the cemeteries operated by the City.

#### *Social and family services*

This segment includes the Welland Community Wellness Complex (WCWC).

# Corporation of the City of Welland

## Notes to the consolidated financial statements

December 31, 2018

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### 19. Segmented information (continued)

#### *Recreation and cultural services*

This Division delivers Parks, Facilities and Leisure Programs and Services to the City. The Division is committed to working together to protect, support and enrich the quality of life of the people who live with and play in the City of Welland.

Tourism Division is responsible for development, coordination and promotion of tourism attraction.

The Welland Recreation Canal Corporation was established in 2001 as an independent body, with a Board of Directors made up of nine people; three members of Council and six citizens approved by council.

Facilities Division is responsible for the physical amenities including repairs and maintenance of 26 facilities, including the Civic Square, Museum, Fire Halls, Courthouse, WCWC, Arenas and Community Halls; maintain and repair of numerous playgrounds and multiple swimming pools, splash pad and wading pools; and responsible for building operations including security, caretaking and energy management.

The Parks Division is responsible for care and maintenance of numerous community parks and parkettes, sports fields and horticulture displays. The Parks Division also operates two City owned cemeteries. Winter operations include outdoor rinks and snow removal at numerous City owned Parks and Facilities. Forestry Crew take care of planting, trimming and removing dead dying or diseased trees on City boulevards, parks and naturalization areas throughout the City.

The Leisure Services Division includes Recreation Program Development, Community Development, Community Arenas, Playing Fields, Playgrounds, Halls and Market Square, and Marketing, Promotion and Public Awareness.

The functions of Recreation Program Development include Children, Youth, Adult, Older Adults; Aquatic; Summer Camp and Special Interest; Community Development includes Accessibility Advisory Committee and Consultation with Community Groups.

#### *Planning and development*

The Planning Division is responsible for the administration, review and processing of various Applications submitted under the Planning Act to include preparation of various Agreements and By-laws for approval of Council. Mapping, Property matters and various other studies/programs are also dealt with by the Division.

The Welland Development Commission (WDC) was established in 1963 as a non-profit economic development corporation that is an arm of the City. The WDC is funded by the City and corporate sponsors and is composed of chamber appointees, citizen appointees, members of council and two full time staff.

The WDC actively recruits new businesses and industries interested in establishing or expanding their enterprises in the City, as well as building working relationships with local businesses. It also promotes new business and investment opportunities within the City and will provide the business community with information and assistance with their respective needs and concerns.

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. Taxation revenue is allocated to segments based on the portion of taxation dollars budgeted to each segment.

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.

### 20. Comparative figures

Certain prior year figures have been reclassified to conform to the consolidated financial statement presentation adopted in the current year.



# Corporation of the City of Welland

Consolidated schedules of statement of operations

Segment information - Schedule 1

year ended December 31, 2018

	2018								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreational and cultural services	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>									
Taxation	6,911,536	10,430,134	13,664,975	174,309	16,215	928,294	6,931,803	1,479,595	40,536,861.00
User charges	327,556	867,234	3,660,501	26,967,876	68,359	-	1,045,993	212,427	33,149,946
Grants	4,490,141	-	1,836,323	565,134	-	-	653,570	266,577	7,811,745
Other	5,910,800	(47,743)	2,116,260	2,130,295	14,123	-	4,385,518	328,020	14,837,273
Equity earnings in subsidiary	807,391	-	-	-	-	-	-	-	807,391
	<b>18,447,424</b>	<b>11,249,625</b>	<b>21,278,059</b>	<b>29,837,614</b>	<b>98,697</b>	<b>928,294</b>	<b>13,016,884</b>	<b>2,286,619</b>	<b>97,143,216</b>
<b>Expenses</b>									
Salaries, wages and employee benefits	6,023,482	8,669,596	11,598,965	2,793,601	73,160	47,997	7,057,125	1,196,853	37,460,779
Net long-term debt charges	882,145	-	-	176,303	-	-	526,962	-	1,585,410
Materials, services and other	3,270,814	1,294,913	3,039,382	20,102,751	36,449	341,136	3,420,110	878,597	32,384,152
Rents and finance expenses	3,203,073	-	-	-	-	-	548,254	-	3,751,327
Amortization	1,333,412	453,970	3,842,676	2,140,588	1,270	271,640	2,124,437	40,586	10,208,579
	<b>14,712,926</b>	<b>10,418,479</b>	<b>18,481,023</b>	<b>25,213,243</b>	<b>110,879</b>	<b>660,773</b>	<b>13,676,888</b>	<b>2,116,036</b>	<b>85,390,247</b>
<b>Annual surplus (deficit)</b>	<b>3,734,498</b>	<b>831,146</b>	<b>2,797,036</b>	<b>4,624,371</b>	<b>(12,182)</b>	<b>267,521</b>	<b>(660,004)</b>	<b>170,583</b>	<b>11,752,969</b>

**Corporation of the City of Welland**  
 Consolidated schedules of statement of operations  
 Segment information - Schedule 1  
 year ended December 31, 2017

	2017								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreational and cultural services	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>									
Taxation	6,488,898	9,973,674	13,187,110	166,680	15,505	887,669	6,628,442	1,414,843	38,762,821
User charges	352,919	1,092,830	3,264,405	25,982,044	79,250	-	1,039,339	245,051	32,055,838
Grants	4,933,924	-	1,765,554	893,681	-	-	239,415	151,894	7,984,468
Other	5,972,765	49,121	632,791	3,033,450	17,088	-	3,408,065	(130,211)	12,983,069
Equity earnings in subsidiary	219,000	-	-	-	-	-	-	-	219,000
	17,967,506	11,115,625	18,849,860	30,075,855	111,843	887,669	11,315,261	1,681,577	92,005,196
<b>Expenses</b>									
Salaries, wages and employee benefits	4,977,917	8,081,691	11,018,648	2,679,798	86,004	33,912	4,680,686	1,133,169	32,691,825
Net long-term debt charges	953,458	-	-	138,589	-	-	549,692	-	1,641,739
Materials, services and other	2,108,682	1,201,973	4,759,255	20,119,895	37,835	332,046	4,739,630	1,146,182	34,445,498
Rents and finance expenses	2,913,348	-	-	-	-	-	469,224	-	3,382,572
Amortization	825,319	443,740	3,745,884	2,132,101	1,828	293,487	2,618,980	42,468	10,103,807
	11,778,724	9,727,404	19,523,787	25,070,383	125,667	659,445	13,058,212	2,321,819	82,265,441
<b>Annual surplus (deficit)</b>	6,188,782	1,388,221	(673,927)	5,005,472	(13,824)	228,224	(1,742,951)	(640,242)	9,739,755

# Corporation of the City of Welland

## Consolidated schedules of statement of operations

### Taxation revenue - Schedule 2

year ended December 31, 2018

	Budget 2018 (Note 16)	Actual 2018	Actual 2017
	\$	\$	\$
<b>Taxation</b>			
Real property	83,761,077	<b>84,676,069</b>	82,387,206
From other governments			
Public Works	30,900	<b>27,666</b>	30,643
St. Lawrence Seaway Authority	53,400	<b>54,938</b>	53,420
Niagara College and Hospital	448,500	<b>485,400</b>	439,500
Hydro One Networks Inc.	130,600	<b>131,124</b>	130,066
Ministry of Government Services	152,700	<b>150,155</b>	152,520
Municipal enterprises	61,000	<b>59,151</b>	60,564
Railways	125,300	<b>126,351</b>	123,467
Regional Municipality of Niagara	294,000	<b>316,198</b>	294,306
	1,296,400	<b>1,350,983</b>	1,284,486
	85,057,477	<b>86,027,052</b>	83,671,692
Less: taxation collected on behalf of			
Region of Niagara	(32,797,804)	<b>(33,268,291)</b>	(32,637,314)
School boards	(12,037,799)	<b>(12,221,900)</b>	(12,271,557)
<b>Net taxes available for municipal purposes</b>	<b>40,221,874</b>	<b>40,536,861</b>	<b>38,762,821</b>
Residential and farm	30,108,437	<b>30,328,991</b>	28,831,611
Multi-residential	2,397,893	<b>2,415,458</b>	2,488,867
Commercial	6,184,955	<b>6,230,262</b>	5,829,870
Industrial	1,400,670	<b>1,410,931</b>	1,475,030
Local improvements	19	<b>19</b>	19
Business Improvement Area	129,900	<b>151,200</b>	137,424
<b>Net taxes available for municipal purposes</b>	<b>40,221,874</b>	<b>40,536,861</b>	<b>38,762,821</b>

# Corporation of the City of Welland

## Consolidated schedules of statement of operations

### User charges and grants revenue - Schedule 3

year ended December 31, 2018

	Budget 2018 (Note 16)	Actual 2018	Actual 2017
	\$	\$	\$
<b>User charges</b>			
Operating			
Fees, service charges and donations	5,357,739	<b>5,840,022</b>	4,923,515
Water billings	11,317,538	<b>11,525,685</b>	10,923,774
Wastewater billings	14,943,585	<b>15,442,191</b>	14,966,394
Licenses and permits	77,000	<b>89,267</b>	1,029,674
	31,695,862	<b>32,897,165</b>	31,843,357
Capital			
Lot levies and development charges	-	-	212,481
Fees, service charges and donations	-	<b>252,781</b>	-
	-	<b>252,781</b>	212,481
	31,695,862	<b>33,149,946</b>	32,055,838
<b>Grants</b>			
Operating			
Province of Ontario	4,583,200	<b>4,615,940</b>	5,062,959
Government of Canada	163,241	-	39,757
Other	233,500	<b>519,424</b>	73,665
	4,979,941	<b>5,135,364</b>	5,176,381
Capital			
Province of Ontario	1,201,322	<b>290,414</b>	930,390
Government of Canada	894,282	<b>1,406,078</b>	1,727,450
Other Municipalities	-	<b>979,889</b>	150,247
	2,095,604	<b>2,676,381</b>	2,808,087
	7,075,545	<b>7,811,745</b>	7,984,468

# Corporation of the City of Welland

## Consolidated schedules of statement of operations

### Other revenue - Schedule 4

year ended December 31, 2018

	Budget 2018 (Note 16)	Actual 2018	Actual 2017
	\$	\$	\$
<b>Other revenue</b>			
Operating			
Penalties and interest on taxes	1,200,000	<b>1,100,691</b>	1,130,232
Fines	442,000	<b>355,759</b>	345,826
Rent and leases	819,710	<b>1,086,825</b>	1,115,470
Investment income	1,639,750	<b>2,294,609</b>	2,433,380
Sale of land	-	-	-
Cost sharing	96,000	<b>115,241</b>	110,318
Development charges	-	-	458,421
Subdividers' contribution	-	<b>22,875</b>	-
Other	2,803,379	<b>5,669,846</b>	2,778,318
	<b>7,000,839</b>	<b>10,645,846</b>	8,371,965
Capital			
Cost sharing	-	<b>3,247,581</b>	2,954,026
Other	-	<b>943,846</b>	560,319
Gain on disposal of tangible capital assets	-	-	1,096,759
	-	<b>4,191,427</b>	4,611,104
	<b>7,000,839</b>	<b>14,837,273</b>	12,983,069

# Corporation of the City of Welland

## Consolidated schedule of long-term debt - Schedule 5

### year ended December 31, 2018

	2018	2017
	\$	\$
<b>Municipal debt</b>		
General government		
Civic square	9,707,383	7,064,675
Protection to persons and property		
Fire	1,133,947	1,359,959
Transportation services		
Roadways	4,890,716	4,765,265
Transit	769,760	851,400
LED streetlighting	2,368,897	2,724,891
Environmental services		
Sanitary sewer system	3,271,416	2,862,181
Storm sewer system	313,104	292,119
Waterworks system	5,274,973	2,619,465
Recreational and cultural services		
Parks and recreation	22,062,947	22,757,782
Planning and development		
Market	252,715	324,555
	<b>50,045,858</b>	45,622,292
<b>Other</b>		
Due to City of Port Colborne, Town of Pelham and Township of Wainfleet (Note 6)	184,796	112,500
	<b>50,230,654</b>	45,734,792

# Corporation of the City of Welland

## Consolidated schedule of tangible capital assets - Schedule 6 year ended December 31, 2018

	2018								
	Land and land improvements	Buildings	Roads and bridges	Waste and wastewater infrastructure	Vehicles	Computer hardware and software	Machinery and equipment	Assets under capital lease	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>									
Balance, beginning of year	50,924,303	88,476,283	110,861,490	132,407,847	17,337,093	2,314,290	15,312,404	34,280	417,667,990
Add: additions during year	1,628,107	(532,561)	1,543,683	1,160,752	3,266,040	75,905	893,443	55,741	8,091,110
Less: disposals during year	(501,563)	-	(22,633)	-	(1,353,050)	-	(50,225)	-	(1,927,471)
Balance, end of year	52,050,847	87,943,722	112,382,540	133,568,599	19,250,083	2,390,195	16,155,622	90,021	423,831,629
<b>Accumulated amortization</b>									
Balance, beginning of year	21,093,053	27,944,057	54,328,420	42,794,272	8,169,361	1,981,683	9,666,387	34,280	166,011,513
Add: amortization	1,408,065	2,043,117	2,676,639	1,926,762	1,155,471	153,590	844,470	465	10,208,579
Less: accumulated amortization of disposals	-	-	(22,633)	-	(751,533)	-	(169,883)	-	(944,049)
Balance, end of year	22,501,118	29,987,174	56,982,426	44,721,034	8,573,299	2,135,273	10,340,974	34,745	175,276,043
Net book value	29,549,729	57,956,548	55,400,114	88,847,565	10,676,784	254,922	5,814,648	55,276	248,555,586
Assets under construction	905,636	418,921	3,057,172	7,496,601	155,783	686,685	157,959	-	12,878,757
	30,455,365	58,375,469	58,457,286	96,344,166	10,832,567	941,607	5,972,607	55,276	261,434,343

# Corporation of the City of Welland

## Consolidated schedule of tangible capital assets - Schedule 6 year ended December 31, 2017

	2017								
	Land and land improvements	Buildings	Roads and bridges	Waste and wastewater infrastructure	Vehicles	Computer hardware and software	Machinery and equipment	Assets under capital lease	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>									
Balance, beginning of year	51,181,455	87,633,250	108,390,713	128,420,411	17,538,063	2,211,576	14,768,898	34,280	410,178,646
Add: additions during year	172,894	847,681	2,470,777	3,987,436	1,600,007	102,714	1,085,860	-	10,267,369
Less: disposals during year	(430,046)	(4,648)	-	-	(1,800,977)	-	(542,354)	-	(2,778,025)
Balance, end of year	50,924,303	88,476,283	110,861,490	132,407,847	17,337,093	2,314,290	15,312,404	34,280	417,667,990
<b>Accumulated amortization</b>									
Balance, beginning of year	19,855,042	25,883,133	51,696,473	40,881,281	8,335,064	1,819,700	9,248,019	34,135	157,752,847
Add: amortization	1,330,571	2,062,383	2,631,947	1,912,991	1,132,104	161,983	871,683	145	10,103,807
Less: accumulated amortization of disposals	(92,560)	(1,459)	-	-	(1,297,807)	-	(453,315)	-	(1,845,141)
Balance, end of year	21,093,053	27,944,057	54,328,420	42,794,272	8,169,361	1,981,683	9,666,387	34,280	166,011,513
Net book value	29,831,250	60,532,226	56,533,070	89,613,575	9,167,732	332,607	5,646,017	-	251,656,477
Assets under construction	1,338,638	166,051	981,535	1,268,241	48,695	282,842	-	-	4,086,002
	31,169,888	60,698,277	57,514,605	90,881,816	9,216,427	615,449	5,646,017	-	255,742,479



## Independent Auditor's Report

To the Members of Council, Inhabitants and Taxpayers of the Corporation of the City of Welland

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of the City of Welland Trust Fund (the "Trust Fund"), which comprise the statement of financial position as at December 31, 2018, and the statements of financial activities and fund balance for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the statement of financial position as at December 31, 2018, and the statements of financial activities and fund balance for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Trust Fund 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 the financial statements in accordance with ASNPO, 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 Trust Fund's 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 Trust Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust Fund's 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 GAAS 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 GAAS, 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 Trust Fund'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 Trust Fund'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 Trust Fund 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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
September 19, 2019

# Corporation of the City of Welland Trust Fund

Statement of financial activities and fund balance  
year ended December 31, 2018

	2018	2017
	\$	\$
<b>Revenue</b>		
Perpetual care	14,417	13,729
Fund balance, beginning of year	579,750	566,021
<b>Fund balance, end of year</b>	<b>594,167</b>	<b>579,750</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Corporation of the City of Welland Trust Fund

Statement of financial position  
as at December 31, 2018

	2018	2017
	\$	\$
<b>Assets</b>		
Cash	218,980	21,490
Due from City of Welland	20,207	31,851
Investments	354,980	526,409
	<b>594,167</b>	<b>579,750</b>
<b>Fund balance</b>	<b>594,167</b>	<b>579,750</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

# Corporation of the City of Welland Trust Fund

Notes to the financial statements

December 31, 2018

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## 1. Accounting policies

### *Basis of accounting*

The financial statements of the Corporation of the City of Welland Trust Fund are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Significant accounting policies adopted 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) Investments

Investments are recorded at cost.

#### (c) Financial instruments

Cash, and due from/to the City of Welland are recorded at amortized cost.

#### (d) Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimate 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 amount of revenues and expenses during the period. Actual results could differ from these estimates

## 2. Investments

The total for investments by the trust funds of \$354,980 (2017 - \$526,409) reported on the statement of financial position at cost, have a market value of \$340,333 (2017 - \$536,616) at the end of the year.

## 3. Statement of cash flows

A statement of cash flows has not been provided as the related information is readily determinable from the financial statements presented.