

Consolidated financial statements of

Corporation of the City of Welland

December 31, 2013

Corporation of the City of Welland

December 31, 2013

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Independent Auditor's Report

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

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

Management's Responsibility for the 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Welland as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 24, 2014

Corporation of the City of Welland

Consolidated statement of financial position year ended December 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	2,358,499	1,619,903
Taxes and grants-in-lieu receivable	9,388,101	7,102,360
Accounts receivable	6,140,936	8,903,558
Interest receivable	1,067,681	994,967
Note receivable	13,000	300,000
Loan receivable	16,602	16,184
Due from trust fund	11,579	-
Investments (Note 2)	31,190,075	32,281,351
Investment in subsidiary (Note 3)	30,329,100	29,723,833
	80,515,573	80,942,156
Liabilities		
Accounts payable and accrued liabilities	11,556,863	13,287,764
Due to trust fund	-	21,074
Deferred revenue (Note 5)	9,618,930	10,733,862
Accrued interest on long-term debt	557,967	475,492
Long-term debt (Note 6, Schedule 12)	51,104,573	50,800,348
Employee future benefits (Note 7)	6,203,534	5,940,632
	79,041,867	81,259,172
Net financial assets (debt)	1,473,706	(317,016)
Non-financial assets		
Tangible capital assets (Note 8, Schedule 13)	253,667,186	247,980,149
Other assets (Note 9)	83,312	112,451
	253,750,498	248,092,600
Contingencies (Note 15)		
Accumulated surplus (Note 10)	255,224,204	247,775,584

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, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
Revenue			
Taxation (Schedule 2)	32,200,856	32,388,595	30,445,944
User charges (Schedule 3)	27,043,300	26,596,732	26,584,374
Grants (Schedule 3)	7,438,657	8,678,970	7,578,575
Other (Schedule 4)	13,613,971	13,543,339	7,485,364
Equity earnings (loss) in subsidiary (Note 3)	-	605,267	(129,418)
	80,296,784	81,812,903	71,964,839
Expenses			
General government (Schedule 5)	9,148,875	9,089,904	8,997,569
Protection to persons and property (Schedule 6)	9,038,995	9,094,181	8,910,813
Transportation services (Schedule 7)	16,466,701	16,664,861	15,702,918
Environmental services (Schedule 8)	21,841,898	21,555,882	22,261,171
Health services (Schedule 9)	113,583	119,127	82,734
Social and family services (Schedule 9)	653,416	739,086	694,105
Recreational and cultural services (Schedule 10)	15,522,429	15,645,404	11,517,931
Planning and development (Schedule 11)	1,343,750	1,455,838	1,259,465
	74,129,647	74,364,283	69,426,706
Annual surplus	6,167,137	7,448,620	2,538,133
Accumulated surplus, beginning of year	247,775,584	247,775,584	245,237,451
Accumulated surplus, end of year	253,942,721	255,224,204	247,775,584

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 (debt) year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2013
	\$	\$	\$
Annual surplus	6,167,137	7,448,620	2,538,133
Amortization of tangible capital assets	8,998,532	9,179,566	8,425,524
Acquisition of tangible capital assets	(20,429,672)	(15,490,297)	(27,034,272)
Proceeds on the disposition of tangible capital assets	-	1,341,648	26,119
Gain on disposal of tangible capital assets	-	(717,954)	(15,184)
	(5,264,003)	1,761,583	(16,059,680)
Acquisition of other assets	-	(124,223)	(39,204)
Use of other assets	-	153,362	34,454
	-	29,139	(4,750)
Increase (decrease) in net financial assets (debt)	(5,264,003)	1,790,722	(16,064,430)
Net (debt) financial assets, beginning of year	(317,016)	(317,016)	15,747,414
Net financial assets (debt), end of year	(5,581,019)	1,473,706	(317,016)

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, 2013

	2013	2012
	\$	\$
Operating activities		
Annual surplus	7,448,620	2,538,133
Non-cash items		
Amortization	9,179,566	8,425,524
Gain on disposal of tangible capital assets	(717,954)	(15,184)
Net earnings from operations from investment in subsidiary	(1,105,267)	(720,582)
Increase in taxes and grants-in-lieu receivable	(2,285,741)	(669,369)
Decrease in accounts receivable	2,762,622	2,325,951
(Increase) decrease in interest receivable	(72,714)	57,556
(Increase) decrease in loan receivable	(418)	10,328
(Decrease) increase in accounts payable and accrued liabilities	(1,730,901)	2,705,547
(Increase) decrease in due from trust fund	(32,653)	11,042
(Decrease) increase in deferred revenue	(1,114,932)	95,708
Increase (decrease) in accrued interest on long-term debt	82,475	(24,571)
Increase (decrease) in employee future benefits	262,902	(92,753)
Decrease (increase) in other assets	29,139	(4,750)
	12,704,744	14,642,580
Capital activities		
Proceeds from sale of tangible capital assets	1,341,648	26,119
Acquisition of tangible capital assets	(15,490,297)	(27,034,272)
	(14,148,649)	(27,008,153)
Investing activities		
Decrease (increase) in investments - net	1,091,276	(1,834,385)
Repayment of note receivable	287,000	6,000
	1,378,276	(1,828,385)
Financing activities		
Increase in bank indebtedness	-	(2,246,534)
Dividends received from investment in subsidiary (Note 3)	500,000	850,000
Proceeds on issuance of long-term debt	4,693,940	20,367,755
Repayment of long-term debt	(4,389,715)	(4,003,851)
	804,225	14,967,370
Net increase in cash	738,596	773,412
Cash, beginning of year	1,619,903	846,491
Cash, end of year	2,358,499	1,619,903

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, 2013

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 ("PSAB"). 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
- Welland Recreational Canal Corporation
- 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 PSAB 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.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

1. Significant accounting policies (continued)

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.

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.

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". 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:

Classification	Useful life
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

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

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 and the useful lives of tangible capital assets. Actual results could differ from those estimates.

Adoption of new accounting standards

As at January 1, 2013, the City adopted Public Sector Accounting Handbook *Section PS 3410, "Government Transfers"*, and *Section PS 3510, "Tax Revenue"*. There was no impact on the consolidated financial statements as a result of the adoption of these new standards.

2. Investments

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

The market value of the investments at December 31, 2013 was \$32,239,341 (2012 - \$32,990,702).

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

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

	2013	2012
	\$	\$
Current assets	16,251,314	16,082,829
Capital assets	26,342,085	25,613,373
Regulatory assets	1,817,058	2,023,472
Long-term investment - non-associated company	-	19,684
Total assets	44,410,457	43,739,358
Current liabilities	10,225,253	5,207,108
Long-term debt	13,499,953	17,199,953
Other long-term liabilities	3,856,103	5,108,417
Total liabilities	27,581,309	27,515,478
Net assets	16,829,148	16,223,880

Change in equity investment in subsidiary

	2013	2012
	\$	\$
Revenues	50,729,347	48,540,979
Operating expenses	(49,337,585)	(46,861,078)
Financing expenses	(991,880)	(991,962)
Other income	707,065	91,742
Payments in lieu of taxes	(1,680)	(59,099)
Net earnings from operations and increase in equity investment in subsidiary	1,105,267	720,582
Dividends	(500,000)	(850,000)
Change in equity	605,267	(129,418)

The City's investment in Welland Hydro is comprised of the following:

	2013	2012
	\$	\$
Note receivable	13,499,953	13,499,953
Net assets	16,829,147	16,223,880
Total	30,329,100	29,723,833

The financial position information is as reported by Welland Hydro at December 31, 2013. The results of operations information is as reported by Welland Hydro for the year ended December 31, 2013.

Note receivable

The \$13,499,953 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.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

3. Subsidiary operations (continued)

Contingencies

- (a) Welland Hydro participates with the other electrical utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electrical Association Reciprocal Insurance Exchange. Welland Hydro is liable for additional assessments to the extent premiums collected and reserves established are not sufficient to cover the cost of claims and costs incurred.
- (b) 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.

As of April and June of 2011, Welland Hydro was required to provide additional security to the IESO. The security obtained was two letters of credit from a financial institution. The letters of credit are in the amount of \$100,000 and \$200,000 and also incur interest at 0.6% annually. Subsequent to year end, the letters of credit have been returned to the financial institution and cancelled.

Commitments

Welland Hydro has an agreement to contribute to the costs of power connections and power lines in the new subdivisions built in the City of Welland. Welland Hydro will take over ownership of the power distribution equipment in the subdivisions two years after construction is accepted. The contribution made for the construction in subdivisions in 2013 was \$69,401 (2012 - \$76,534).

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.

	2013	2012
	\$	\$
Electricity purchased	1,381,510	1,494,985
Rent paid	23,014	22,452
Other services purchased	526,615	392,273
Dividends received	500,000	850,000
Interest received	843,747	843,747
Property taxes and other taxes received	69,084	63,653
Water user charges received	5,026	4,810

4. Bank indebtedness

An operating line of credit of \$9,000,000 has been established with a financial institution, of which \$Nil was used at December 31, 2013 (2012 - Nil). An executed borrowing by-law in form and content satisfactory to Royal Bank of Canada is in effect to a limit of \$9,000,000. 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, 2013

5. Deferred revenue

A requirement of PSAB 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	3,805,590	1,069,330	37,781	(399,286)	4,513,415
Lot levies and subdivider contributions	3,700,966	97,297	18,493	(938,226)	2,878,530
Recreational land (Planning Act)	292,617	32,494	(6,427)	(151,483)	167,201
Provincial gas tax revenue	969,319	645,671	(6,556)	(1,211,074)	397,360
Federal gas tax revenue	1,384,701	1,573,393	(19,444)	(1,628,549)	1,310,101
Ontario Bus Replacement Program	19,732	-	(1,699)	(18,033)	-
Ontario State of Good Roads Program	186,541	3,910	833	-	191,284
Welland Recreational Canal Corporation	374,396	-	-	(374,396)	-
Youngs Sportsplex	-	161,039	-	-	161,039
2013 Total	10,733,862	3,583,134	22,981	(4,721,047)	9,618,930
2012 Total	10,419,154	4,087,016	(45,358)	(3,726,950)	10,733,862

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:

	2013	2012
	\$	\$

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. At the end of the year, the outstanding principal amount of this debt is: **51,104,573** 50,800,348

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

6. Long-term debt (continued)

(b) Long-term debt is comprised of:

Debenture number	Purpose	Interest rates	Maturity dates	2013	2012
#		%		\$	\$
74-2003	Various	2.95 - 5.35	2013	-	88,000
88-2004	Various	5.20 - 5.30	2014	514,119	1,003,942
85-2004	Civic Square	5.596	2024	7,148,823	7,608,477
114-2004	General projects	2.46	2014	88,260	176,520
60-2005	Various	4.05 - 4.30	2015	2,438,000	2,782,000
56-2006	Various	4.95 - 5.15	2016	1,311,000	1,707,000
71-2007	Various	4.95 - 5.10	2017	2,616,234	3,194,261
60-2008	Various	4.35 - 4.90	2018	2,647,000	3,110,000
66-2009	Various	3.15 - 4.80	2019	2,007,000	2,304,000
72-2010	Various	2.95 - 4.65	2020	3,657,424	4,100,018
83-2011	Various	1.95 - 4.05	2021	3,651,018	4,058,375
73-2012	Various	1.35 - 3.10	2022	3,342,000	3,678,000
115-2013	Youngs Sportsplex	4.08	2038	15,800,000	-
				45,220,878	33,810,593
Infrastructure Ontario				5,883,695	16,989,755
				51,104,573	50,800,348

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

	\$
2014	5,109,032
2015	6,365,170
2016	4,441,565
2017	4,124,997
2018	3,538,963

(d) The City paid \$1,448,040 (2012 - \$1,524,241) interest on long-term debt during the year.

7. Employee future benefits

	2013	2012
	\$	\$
Post-retirement benefits	6,056,561	5,758,597
Other	146,973	182,035
Total employee benefit obligations	6,203,534	5,940,632

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 \$275,657 (2012 - \$272,525).

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

7. Employee benefit obligations (continued)

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 \$ 51,056 (2012 - \$35,007) 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, 2013 using the projected unit credit method.

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

	2013	2012
	\$	\$
Actuarially determined accrued benefit obligation	5,919,561	6,078,797
Unamortized actuarial gains (losses)	137,000	(320,200)
	6,056,561	5,758,597

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, 2013	3.8%
Discount rate at December 31, 2013	4.2%
Medical cost increases	
First year	10.0%
Decreasing over 5 years to	5.0%
Expected rate of dental cost increase	3.0%
Estimated average remaining service life of the employee group	8.7 years

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:

	2013
	\$
Current year benefit cost	332,100
Amortization of actuarial losses	244,500
Interest on post benefit liability	36,800
	613,400

As at December 31, 2013, the City has a sick leave reserve of \$224,940 (2012 - \$246,737) (Note 11).

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

8. Tangible capital assets

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

	2013	2012
	\$	\$
Land and land improvements	33,797,618	33,539,580
Buildings	65,896,928	62,137,655
Roads and bridges	56,758,478	57,172,240
Water and waste water infrastructure	83,590,844	81,953,852
Vehicles	8,553,530	7,713,737
Computer hardware and software	251,560	273,448
Machinery and equipment	4,818,228	5,189,637
	253,667,186	247,980,149

See Schedule 13 for more details.

9. Other assets

	2013	2012
	\$	\$
Prepaid expenses	39,950	60,342
Inventory	43,362	52,109
	83,312	112,451

10. Accumulated surplus

	2013	2012
	\$	\$
Surplus (deficit)		
City	2,925,380	3,446,536
Welland Recreational Canal Corporation	(150,479)	(163,481)
North Welland Business Improvement Area	49,983	51,843
Welland Downtown Business Improvement Area	79,701	93,870
Niagara Central Airport Commission	29,545	32,609
Youngs Sportsplex	(252,715)	-
	2,681,415	3,461,377
Investment in tangible capital assets	253,667,186	247,980,149
Investment in subsidiary	30,329,100	29,723,833
Unfunded:		
Long-term debt	(51,104,573)	(50,800,348)
Employee benefit obligations	(6,203,534)	(5,940,632)
Welland Downtown Business Improvement Area long-term payable	(180,000)	(195,000)
	(57,488,107)	(56,935,980)
Reserves and reserve funds (Note 11)	26,034,610	23,546,205
	255,224,204	247,775,584

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

11. Reserves and reserve funds

	2013	2012
	\$	\$
Reserves set aside for specific purposes by Council		
Working capital	834,925	1,011,893
Replacement of equipment	996,244	761,722
Integrated Library Systems	40,000	-
Bequests	37,490	29,878
	1,908,659	1,803,493
Reserve funds set aside for specific purposes by Council		
Sick leave	222,940	246,737
Workers' Safety Insurance Board	356,975	346,307
Capital expenditure		
Courthouse maintenance	278,982	247,043
Parks and recreation	156,300	143,156
Economic development	437,848	436,512
Fire	926,085	690,413
Airport	8,890	17,140
Library	-	27,511
Fleet	212,947	188,722
Building capital improvements	135,898	132,295
Parking	69,308	63,457
Sports and culture	1,685,930	1,200,564
Municipal incentive grants	704,000	280,122
Recreational canal lands	13,548,032	13,645,024
Employee benefits	251,957	275,672
Water/wastewater surplus	800,875	1,230,458
Operating surplus	3,023,392	2,324,094
Ontario Municipal Partnership Funding Contingency	109,549	145,260
Insurance	293,445	102,225
Health safety and wellness reserve	902,598	-
	24,125,951	21,742,712
Total reserves and reserve funds	26,034,610	23,546,205
Continuity of reserves and reserve funds		
Balance, beginning of year	23,546,205	23,510,360
Interest earned	781,783	1,017,591
Other revenue	731,343	525,300
Transfers in from:		
Operating revenue	3,198,094	1,574,635
Capital revenue	1,448,361	-
	6,159,581	3,117,526
Transfers out for:		
Operating purposes	2,923,320	1,607,450
Capital purposes	747,856	1,474,231
	3,671,176	3,081,681
Balance, end of year	26,034,610	23,546,205

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

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:

	2013	2012
	\$	\$
Region of Niagara (Schedule 2)	31,019,924	29,857,952
School boards (Schedule 2)	12,911,956	12,873,818
	43,931,880	42,731,770

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:

	2013	2012
	\$	\$
Financial assets		
Cash and temporary investments	62,900	62,860
Accounts receivable	8,192	9,897
	71,092	72,757
Liabilities		
Accounts payable and accrued liabilities	27,056	5,302
Net financial assets	44,036	67,455
Non-financial assets		
Prepaid expenses	1,354	1,378
Fuel inventory	24,491	21,630
Tangible capital assets	1,152,797	1,168,219
	1,178,642	1,191,227
Accumulated surplus	1,222,678	1,258,682
Revenues		
Grants	78,530	75,810
Fuel and rentals	65,375	55,919
Property tax refund	39,746	-
Other	2,955	-
Interest	506	432
Expenses	(223,116)	(137,534)
Annual deficit	(36,004)	(5,373)

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

13. Niagara Central Airport Commission (continued)

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

The 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.

	2013	2012
	\$	\$
Grants	43,191	41,700
Insurance	9,902	-

14. Trust fund

The trust fund administered by the City, amounting to \$520,430 (2012 - \$506,970), has not been included in the consolidated statement of financial position, nor has the operation been included in the consolidated statement of operations.

15. Contingencies

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. Commitments

The City has committed to contribute \$50,000 per year to Niagara College over five years. The contributions commenced in 2010. The City has also committed in 2013 to contribute \$25,000 per year for the next four years for a total of \$100,000 to the Welland Hospital Foundation.

17. Budget amounts

The operating budget was approved by Council on April 23, 2013 and the tax rate supported capital budgets were approved by Council on April 23, 2013 to establish the tax rates for the year. In addition, the water and wastewater operating budget were approved by Council on March 5, 2013.

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 (debt).

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

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/to trust fund, accrued interest on long-term debt 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.

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 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

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

19. Segmented information (continued)

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

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.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

19. Segmented information (continued)

Health services

This segment includes the cemeteries operated by the City.

Social and family services

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

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.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2013

19. Segmented information (continued)

Planning and development (continued)

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. The consolidated schedule of segment disclosure – service and the schedules of segment disclosure with budget information follow the notes commencing at Schedule 5.

20. Comparative figures

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

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 1

year ended December 31, 2013

2013

	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
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Taxation	5,423,720	8,332,225	11,018,929	138,830	12,257	743,213	5,538,611	1,180,810	32,388,595
User charges	337,280	559,722	3,341,087	20,941,233	76,180	262	1,186,060	154,908	26,596,732
Grants	3,359,500	-	1,831,050	1,079,940	-	-	2,379,018	29,462	8,678,970
Other	4,655,397	80,207	533,801	196,050	18,554	52,134	7,574,456	432,740	13,543,339
Equity earnings in subsidiary	605,267	-	-	-	-	-	-	-	605,267
Total revenues	14,381,164	8,972,154	16,724,867	22,356,053	106,991	795,609	16,678,145	1,797,920	81,812,903
Expenses									
Salaries, wages and employee benefits	4,309,183	7,626,128	9,551,004	2,149,867	78,180	24,894	6,828,002	874,200	31,441,458
Net long-term debt charges	534,069	34,016	320,232	277,200	-	95,797	122,609	13,624	1,397,547
Materials, services and other	2,575,586	1,128,055	3,514,329	17,160,949	39,832	352,510	5,833,443	527,675	31,132,379
Rents and finance expenses	770,562	-	-	-	-	-	442,771	-	1,213,333
Amortization	900,504	305,982	3,279,296	1,967,866	1,115	265,885	2,418,579	40,339	9,179,566
Total expenses	9,089,904	9,094,181	16,664,861	21,555,882	119,127	739,086	15,645,404	1,455,838	74,364,283
Annual surplus (deficit)	5,291,260	(122,027)	60,006	800,171	(12,136)	56,523	1,032,741	342,082	7,448,620

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 1

year ended December 31, 2012

2012

	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
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Taxation	4,703,232	7,563,054	10,706,116	183,402	26,353	717,771	5,442,115	1,103,901	30,445,944
User charges	352,467	849,397	2,952,180	21,147,668	52,187	255	1,091,227	138,993	26,584,374
Grants	3,463,400	-	665,971	2,214,854	-	-	1,233,765	585	7,578,575
Other	4,147,248	20,359	645,471	203,324	14,980	32,106	2,332,400	89,476	7,485,364
Equity loss in subsidiary	(129,418)	-	-	-	-	-	-	-	(129,418)
Total revenues	12,536,929	8,432,810	14,969,738	23,749,248	93,520	750,132	10,099,507	1,332,955	71,964,839
Expenses									
Salaries, wages and employee benefits	4,111,321	7,577,022	9,141,528	1,935,694	65,523	21,930	6,009,626	834,597	29,697,241
Net long-term debt charges	583,370	35,492	354,577	293,951	-	102,650	116,613	12,875	1,499,528
Materials, services and other	2,632,863	1,013,310	3,086,116	18,095,385	16,096	306,564	3,082,366	372,846	28,605,546
Rents and finance expenses	797,269	-	-	-	-	-	401,597	-	1,198,866
Amortization	872,746	284,989	3,120,697	1,936,141	1,115	262,961	1,907,729	39,147	8,425,525
Total expenses	8,997,569	8,910,813	15,702,918	22,261,171	82,734	694,105	11,517,931	1,259,465	69,426,706
Annual surplus (deficit)	3,539,360	(478,003)	(733,180)	1,488,077	10,786	56,027	(1,418,424)	73,490	2,538,133

Corporation of the City of Welland

Schedules to consolidated statement of operations

Taxation revenue - Schedule 2

year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
Taxation			
Real property	74,559,656	75,087,087	71,955,944
From other governments			
Public Works	31,000	28,739	30,536
St. Lawrence Seaway Authority	73,500	73,872	71,023
Niagara College and Hospital	403,500	426,000	398,025
Hydro One Networks Inc.	108,500	128,696	128,441
Ministry of Government Services	155,500	153,243	162,669
Municipal enterprises	65,500	69,084	63,653
Railways	123,090	123,466	123,466
Regional Municipality of Niagara	243,000	230,288	243,957
	1,203,590	1,233,388	1,221,770
	75,763,246	76,320,475	73,177,714
Less: taxation collected on behalf of			
Region of Niagara	(30,827,000)	(31,019,924)	(29,857,952)
School boards	(12,735,390)	(12,911,956)	(12,873,818)
Net taxes available for municipal purposes	32,200,856	32,388,595	30,445,944
Residential and farm	23,540,505	23,699,024	22,292,116
Multi-residential	2,150,909	2,165,393	2,014,392
Commercial	4,814,139	4,846,557	4,743,132
Industrial	1,568,653	1,579,216	1,269,649
Local improvements	11,400	11,405	11,406
Business Improvement Area	115,250	87,000	115,249
Net taxes available for municipal purposes	32,200,856	32,388,595	30,445,944

Corporation of the City of Welland

Schedules to consolidated statement of operations

User charges & Grants revenue - Schedule 3

year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
User charges			
Operating			
Fees, service charges and donations	4,153,109	4,265,249	4,429,319
Water billings	9,222,796	8,564,591	8,810,427
Wastewater billings	12,865,395	11,967,679	11,958,804
Licenses and permits	597,000	607,556	907,384
	26,838,300	25,405,075	26,105,934
Capital			
Lot levies and development charges	205,000	1,191,657	298,972
Fees, service charges and donations	-	-	179,468
	205,000	1,191,657	478,440
	27,043,300	26,596,732	26,584,374
Grants			
Operating			
Province of Ontario	3,695,500	3,877,210	4,479,349
Government of Canada	1,649,757	1,521,401	585
Other municipalities	43,000	500	400
Total operating grants	5,388,257	5,399,111	4,480,334
Capital			
Province of Ontario	651,000	1,611,174	505,984
Government of Canada	1,399,400	1,668,685	2,592,257
Total capital grants	2,050,400	3,279,859	3,098,241
	7,438,657	8,678,970	7,578,575

Corporation of the City of Welland

Schedules to consolidated statement of operations

Other revenue - Schedule 4 year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
Other revenue			
Operating			
Penalties and interest on taxes	1,100,000	1,273,711	1,151,224
Fines	388,000	320,781	399,500
Rent and leases	622,514	1,382,212	1,079,659
Investment income	1,393,950	2,173,978	2,865,485
Sale of land	5,000	14,817	16,635
Cost sharing	95,723	53,705	144,625
Development charges	298,000	158,281	-
Subdividers' contribution	1,000	5,400	-
Other	4,109,784	3,017,258	776,521
	8,013,971	8,400,143	6,433,649
Capital			
Cost sharing	5,600,000	4,272,174	972,634
Other	-	153,068	63,897
Gain on disposal of tangible capital assets	-	717,954	15,184
	5,600,000	5,143,196	1,051,715
	13,613,971	13,543,339	7,485,364

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 5

year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
General government			
Revenues			
Taxation	5,657,113	5,423,720	4,703,232
User charges	317,350	337,280	352,467
Grants	3,359,500	3,359,500	3,463,400
Other	3,474,565	4,655,397	4,147,248
Equity earnings (loss) in subsidiary	-	605,267	(129,418)
Total revenues	12,808,528	14,381,164	12,536,929
Expenses			
Members of Council			
Salaries, wages and employee benefits	257,369	332,827	260,188
Materials, services and other	49,450	222,597	64,997
Amortization	484	484	651
General administration			
Salaries, wages and employee benefits	3,901,024	3,976,356	3,851,133
Net long-term debt charges	553,683	534,069	583,370
Materials, services and other	2,509,290	2,352,989	2,567,866
Amortization	899,775	900,020	872,095
Financial expenses			
Pensions, sick leave and other benefits	100,225	51,269	35,220
Tax write-offs, net of recoveries	637,650	607,846	485,032
Other services and supplies	239,925	111,447	277,017
Total expenses	9,148,875	9,089,904	8,997,569
Annual surplus	3,659,653	5,291,260	3,539,360

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 6

year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
Protection to persons and property			
Revenues			
Taxation	8,250,123	8,332,225	7,563,054
User charges	554,400	559,722	849,397
Other	13,150	80,207	20,359
Total revenues	8,817,673	8,972,154	8,432,810
Expenses			
Fire			
Salaries, wages and employee benefits	6,693,084	6,727,480	6,757,709
Materials, services and other	781,357	857,829	731,717
Amortization	305,079	305,079	284,086
Net long-term debt charges	33,893	34,016	35,492
Protective inspection and control			
Salaries, wages and employee benefits	909,302	898,648	819,313
Materials, services and other	315,377	270,226	281,593
Amortization	903	903	903
Total expenses	9,038,995	9,094,181	8,910,813
Annual deficit	(221,322)	(122,027)	(478,003)

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 7

year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
Transportation services			
Revenues			
Taxation	10,911,940	11,018,929	10,706,116
User charges	2,762,279	3,341,087	2,952,180
Grants	1,164,000	1,831,050	665,971
Other	333,049	533,801	645,471
Total revenues	15,171,268	16,724,867	14,969,738
Expenses			
Roadways, sidewalks, works and traffic control			
Salaries, wages and employee benefits	6,130,157	6,003,307	5,730,576
Net long-term debt charges	333,739	318,450	353,643
Materials, services and other	834,992	1,173,925	754,343
Amortization	2,694,186	2,694,186	2,598,791
Transit, handi-trans and community bus service			
Salaries, wages and employee benefits	3,186,837	3,151,542	3,050,133
Net long-term debt charges	1,161	1,174	283
Materials, services and other	1,454,901	1,468,272	1,324,569
Amortization	450,465	450,465	450,092
Parking			
Salaries, wages and employee benefits	354,869	339,835	330,964
Net long-term debt charges	602	608	651
Materials, services and other	31,800	37,847	39,236
Amortization	5,731	5,731	5,731
Street lighting			
Salaries, wages and employee benefits	30,321	28,948	29,855
Materials, services and other	733,768	747,426	897,953
Amortization	120,432	120,432	60,475
Airport			
Salaries, wages and employee benefits	20,900	27,372	11,188
Materials, services and other	73,590	86,859	58,827
Amortization	8,250	8,482	5,608
Total expenses	16,466,701	16,664,861	15,702,918
Annual surplus (deficit)	(1,295,433)	60,006	(733,180)

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 8

year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
Environmental services			
Revenues			
Taxation	200,434	138,830	183,402
User charges	22,088,191	20,941,233	21,147,668
Grants	990,400	1,079,940	2,214,854
Other	-	196,050	203,324
Total revenues	23,279,025	22,356,053	23,749,248
Expenses			
Wastewater system			
Salaries, wages and employee benefits	520,972	638,308	496,368
Net long-term debt charges	92,948	88,996	82,419
Materials, services and other	11,297,456	11,257,664	11,554,077
Amortization	549,247	549,247	526,903
Storm sewer system			
Salaries, wages and employee benefits	98,476	65,262	70,345
Net long-term debt charges	6,700	5,946	9,019
Materials, services and other, net of recoveries	55,900	56,948	(99,987)
Amortization	436,284	436,284	429,056
Waterworks system			
Salaries, wages and employee benefits	1,483,137	1,446,297	1,368,981
Net long-term debt charges	194,317	182,258	202,513
Materials, services and other	6,124,126	5,846,337	6,641,295
Amortization	982,335	982,335	980,182
Total expenses	21,841,898	21,555,882	22,261,171
Annual surplus	1,437,127	800,171	1,488,077

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 9

year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
Health services			
Revenues			
Taxation	15,193	12,257	26,353
User charges	63,500	76,180	52,187
Other	9,000	18,554	14,980
Total revenues	87,693	106,991	93,520
Expenses			
Public health services			
Materials, services and other	25,000	25,000	-
Cemeteries			
Salaries, wages and employee benefits	71,068	78,180	65,523
Materials, services and other	16,400	14,832	16,096
Amortization	1,115	1,115	1,115
Total expenses	113,583	119,127	82,734
Annual (deficit) surplus	(25,890)	(12,136)	10,786
Social and family services			
Revenues			
Taxation	666,788	743,213	717,771
User charges	200	262	255
Other	22,000	52,134	32,106
Total revenues	688,988	795,609	750,132
Expenses			
Assistance to aged persons			
Salaries, wages and employee benefits	11,347	24,894	21,930
Net long-term debt charges	95,184	95,797	102,650
Materials, services and other	281,000	352,510	306,564
Amortization	265,885	265,885	262,961
Total expenses	653,416	739,086	694,105
Annual surplus	35,572	56,523	56,027

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 10

year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
Recreational and cultural services			
Revenues			
Taxation	5,361,198	5,538,611	5,442,115
User charges	1,103,680	1,186,060	1,091,227
Grants	1,879,757	2,379,018	1,233,765
Other	9,756,307	7,574,456	2,332,400
Total revenues	18,100,942	16,678,145	10,099,507
Expenses			
Parks and recreation services			
Salaries, wages and employee benefits	3,220,353	3,293,479	3,180,248
Net long-term debt charges	15,502	15,333	14,851
Materials, services and other	735,355	939,587	755,407
Amortization	914,770	914,770	916,568
Facilities			
Salaries, wages and employee benefits	1,155,491	1,096,164	988,424
Net long-term debt charges	691,542	107,276	101,762
Materials, services and other	818,845	774,045	872,986
Amortization	1,093,251	1,093,251	605,845
Library			
Salaries, wages and employee benefits	1,424,312	1,427,341	1,355,974
Materials, services and other	343,803	388,365	318,021
Amortization	175,000	178,818	163,652
Welland Recreational Canal Corporation			
Salaries, wages and employee benefits	740,000	736,856	484,980
Materials, services and other	2,473,400	2,752,972	1,135,952
Amortization	230,000	231,740	221,664
Youngs Sportsplex			
Salaries, wages and employee benefits	175,513	274,162	-
Materials, services and other	868,993	978,474	-
Other cultural services			
Grants	446,299	442,771	401,597
Total expenses	15,522,429	15,645,404	11,517,931
Annual surplus (deficit)	2,578,513	1,032,741	(1,418,424)

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 11

year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
Planning and development			
Revenues			
Taxation	1,158,566	1,180,810	1,103,901
User charges	153,700	154,908	138,993
Grants	45,000	29,462	585
Other	5,900	432,740	89,476
Total revenues	1,363,166	1,797,920	1,332,955
Expenses			
Planning, zoning and tourism			
Salaries, wages and employee benefits	620,287	641,441	605,964
Net long-term debt charges	13,769	13,624	12,875
Materials, services and other	306,070	224,688	167,939
Amortization	39,192	39,192	37,815
Commercial and industrial			
Salaries, wages and employee benefits	221,135	232,759	228,633
Materials, services and other	142,150	302,987	204,907
Amortization	1,147	1,147	1,332
Total expenses	1,343,750	1,455,838	1,259,465
Annual surplus	19,416	342,082	73,490

Corporation of the City of Welland

Consolidated schedule of long-term debt - Schedule 12 year ended December 31, 2013

	2013	2012
	\$	\$
Municipal debt		
General government		
Civic Square	9,128,050	9,702,441
Medical building improvements	122,792	136,492
Co-generation study	45,024	50,047
Protection to persons and property		
Fire pumper	812,744	910,365
Central firehall	95,372	106,467
Transportation services		
Roadways	5,693,758	6,899,076
LED streetlights	2,342,463	2,069,958
Traffic	1,191,015	1,303,461
Environmental services		
Wastewater system	2,277,789	2,656,508
Storm sewer system	106,705	153,092
Waterworks system	3,707,113	4,501,029
Recreational and cultural services		
Parks and recreation	758,037	435,723
Museum	75,832	85,114
Recreation facilities	4,114,187	5,710,345
River Rd multisports complex	16,352,841	14,273,161
Welland International flatwater centre	3,541,232	646,637
Canal Lands	396,994	775,226
Planning and development		
Market	342,625	385,206
	51,104,573	50,800,348

Corporation of the City of Welland

Consolidated schedule of tangible capital assets - Schedule 13
year ended December 31, 2013

	2013							
	Land and land improvements	Buildings	Roads and bridges	Waste and wastewater infrastructure	Vehicles	Computer hardware and software	Machinery and equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	47,811,182	77,398,125	98,610,803	113,840,518	14,303,619	1,505,858	11,536,913	365,007,018
Add: additions during year	2,083,593	8,558,496	1,907,672	2,469,505	1,623,440	115,269	691,171	17,449,146
Less: disposals during year	(403,489)	-	-	-	(658,032)	-	(413,186)	(1,474,707)
Balance, end of year	49,491,286	85,956,621	100,518,475	116,310,023	15,269,027	1,621,127	11,814,898	380,981,457
Accumulated amortization								
Balance, beginning of year	14,377,394	18,330,704	42,797,004	33,667,685	6,589,882	1,232,410	6,347,276	123,342,355
Add: amortization	1,371,174	1,845,915	2,291,696	1,736,387	924,250	140,220	869,924	9,179,566
Less: accumulated amortization of disposals	-	-	-	-	(658,032)	-	(192,981)	(851,013)
Balance, end of year	15,748,568	20,176,619	45,088,700	35,404,072	6,856,100	1,372,630	7,024,219	131,670,908
Net book value	33,742,718	65,780,002	55,429,775	80,905,951	8,412,927	248,497	4,790,679	249,310,549
Assets under construction	54,900	116,926	1,328,703	2,684,893	140,603	3,063	27,549	4,356,637
Total	33,797,618	65,896,928	56,758,478	83,590,844	8,553,530	251,560	4,818,228	253,667,186

Corporation of the City of Welland

Consolidated schedule of tangible capital assets - Schedule 13 year ended December 31, 2012

	2012							
	Land and land improvements	Buildings	Roads and bridges	Waste and wastewater infrastructure	Vehicles	Computer hardware and software	Machinery and equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	43,218,688	63,152,166	93,696,799	111,296,381	12,145,823	1,382,364	10,659,920	335,552,141
Add: additions during year	4,596,002	14,245,959	4,914,004	2,544,137	2,403,055	123,494	1,006,827	29,833,478
Less: disposals during year	(3,508)	-	-	-	(245,259)	-	(129,834)	(378,601)
Balance, end of year	47,811,182	77,398,125	98,610,803	113,840,518	14,303,619	1,505,858	11,536,913	365,007,018
Accumulated amortization								
Balance, beginning of year	13,143,829	16,828,215	40,615,687	31,950,675	6,025,180	1,108,693	5,612,217	115,284,496
Add: amortization	1,233,565	1,502,489	2,181,317	1,717,010	802,533	123,717	864,893	8,425,524
Less: accumulated amortization of disposals	-	-	-	-	(237,831)	-	(129,834)	(367,665)
Balance, end of year	14,377,394	18,330,704	42,797,004	33,667,685	6,589,882	1,232,410	6,347,276	123,342,355
Net book value	33,433,788	59,067,421	55,813,799	80,172,833	7,713,737	273,448	5,189,637	241,664,663
Assets under construction	105,792	3,070,234	1,358,441	1,781,019	-	-	-	6,315,486
Total	33,539,580	62,137,655	57,172,240	81,953,852	7,713,737	273,448	5,189,637	247,980,149

Corporation of the City of Welland

Schedule of operations - Waterworks year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
Revenue			
Sale of water	9,009,742	8,435,293	8,810,427
Penalty	82,000	77,046	77,486
Customer services	131,054	52,252	102,774
User charges	-	154,498	8,092
Grants	235,200	252,355	988,241
Other revenue	-	60,346	107,195
	<u>9,457,996</u>	<u>9,031,790</u>	<u>10,094,215</u>
Expenses			
Water purchases	4,545,000	4,481,015	5,138,487
Salaries, wages and benefits	1,483,137	1,446,297	1,368,982
Amortization	982,335	982,335	980,182
Other (includes long term debt interest)	1,773,443	1,547,580	1,705,320
	<u>8,783,915</u>	<u>8,457,227</u>	<u>9,192,971</u>
Annual surplus	674,081	574,563	901,244
Accumulated surplus, beginning of year	30,511,162	30,511,162	29,609,918
Accumulated surplus, end of year	<u>31,185,243</u>	<u>31,085,725</u>	<u>30,511,162</u>

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

Corporation of the City of Welland

Schedule of financial position and accumulated surplus - Waterworks year ended December 31, 2013

	2013	2012
	\$	\$
Financial assets		
Cash	1,000	1,000
Due from other funds	264,534	387,259
User charges receivable	1,901,991	1,981,113
	2,167,525	2,369,372
Liabilities		
Accounts payable and accrued liabilities	73,377	76,634
Long-term debt	3,707,078	4,501,000
Employee future benefits	355,012	340,817
	4,135,467	4,918,451
Net debt	(1,967,942)	(2,549,079)
Non-financial assets		
Tangible capital assets	33,053,667	33,060,241
Accumulated surplus	31,085,725	30,511,162
Accumulated surplus consists of:		
Surplus	746,704	517,558
Investment in tangible capital assets	33,053,666	33,060,241
Unfunded		
Long-term debt	(3,707,078)	(4,501,000)
Employee future benefits	(355,012)	(340,817)
	(4,062,090)	(4,841,817)
Reserves for capital projects	546,570	544,722
Water reserve (Note 11)	800,875	1,230,458
Accumulated surplus	31,085,725	30,511,162

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

Corporation of the City of Welland

Schedule of operations - Wastewater year ended December 31, 2013

	Budget 2013 (Note 17)	Actual 2013	Actual 2012
	\$	\$	\$
Revenue			
Wastewater rate	12,689,194	11,787,249	11,958,804
Penalties	105,000	108,684	107,972
Customer services	61,201	22,626	44,649
User charges	-	192,931	10,000
Grants	755,200	703,984	612,999
Other revenue (expense)	115,500	80,668	(1,138)
	13,726,095	12,896,142	12,733,286
Expenses			
Wastewater treatment	10,065,000	10,367,072	9,768,772
Salaries, wages and benefits	520,972	638,308	496,369
Amortization	549,247	549,247	526,903
Other (includes long-term debt interest)	3,861,404	979,588	1,867,724
	14,996,623	12,534,215	12,659,768
Annual surplus (deficit)	(1,270,528)	361,927	73,518
Accumulated surplus, beginning of year	26,389,593	26,389,593	26,316,075
Accumulated surplus, end of year	25,119,065	26,751,520	26,389,593

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

Corporation of the City of Welland

Schedule of financial position and accumulated surplus - Wastewater year ended December 31, 2013

	2013	2012
	\$	\$
Financial assets		
User charges receivable	2,029,008	2,058,763
Long-term receivable	-	281,000
	2,029,008	2,339,763
Liabilities		
Accounts payable and accrued liabilities	661,332	247,046
Long-term debt	2,277,754	2,656,478
Employee future benefits	70,038	58,348
Due to other funds	1,363,901	244,432
	4,373,025	3,206,304
Net debt	(2,344,017)	(866,541)
Non-financial assets		
Tangible capital assets	29,095,537	27,256,134
Accumulated surplus	26,751,520	26,389,593
Accumulated surplus consists of:		
Surplus	1,730	1,631,285
Investment in tangible capital assets	29,095,537	27,256,134
Unfunded		
Long-term debt	(2,277,754)	(2,656,478)
Employee future benefits	(70,038)	(58,348)
	(2,347,792)	(2,714,826)
Reserves for capital projects	2,045	217,000
Accumulated surplus	26,751,520	26,389,593

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Corporation of the City of Welland Trust Fund, which comprise the statement of financial position as at December 31, 2013, and the statement of financial activities and fund balance for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Welland Trust Fund as at December 31, 2013, and the results of its operations for the year then ended in accordance with the Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 24, 2014

Corporation of the City of Welland Trust Fund

Statement of financial activities and fund balance
year ended December 31, 2013

	2013	2012
	\$	\$
Revenue		
Perpetual care	13,460	12,743
Fund balance, beginning of year	506,970	494,227
Fund balance, end of year	520,430	506,970

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

Corporation of the City of Welland Trust Fund

Statement of financial position
year ended December 31, 2013

	2013	2012
	\$	\$
Assets		
Cash	24,188	30,574
Due from City of Welland	-	21,074
Investments (Note 1)	507,821	455,322
	532,009	506,970
Liability		
Due to City of Welland	11,579	-
Fund balance	520,430	506,970

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

Corporation of the City of Welland Trust Fund

Notes to the financial statements
December 31, 2013

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, 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. 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.