
Consolidated financial statements of Corporation of the City of Welland

December 31, 2019

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Independent Auditor's Report

To the Members of Council 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 Corporation of the City of Welland (the "City"), which comprise the consolidated statement of financial position as at December 31, 2019, 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, 2019, 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
August 5, 2020

Corporation of the City of Welland
Consolidated statement of financial position
As at December 31, 2019

	Notes	2019 \$	2018 \$
Financial assets			
Cash		27,683,607	12,603,339
Taxes and grants-in-lieu receivable		8,336,315	6,278,847
Accounts receivable		10,265,504	10,681,123
Interest receivable		1,751,903	1,601,588
Investments	2	66,904,680	52,274,195
Investment in subsidiary	3	21,516,871	34,349,391
		136,458,880	117,788,483
Liabilities			
Accounts payable and accrued liabilities	17	16,959,272	16,353,919
Due to trust fund		8,552	20,207
Deferred revenue	5	20,294,914	16,923,969
Accrued interest on long-term debt		342,498	230,112
Obligations under capital lease		47,473	54,222
Long-term debt (Schedule 5)	6	49,365,471	50,230,654
Employee future benefits	7	8,650,528	8,092,849
		95,668,708	91,905,932
Net financial assets		40,790,172	25,882,551
Non-financial assets			
Tangible capital assets (Schedule 6)	8	270,006,089	261,434,343
Other assets	9	567,807	540,664
		270,573,896	261,975,007
Contingencies	15		
Accumulated surplus	10	311,364,068	287,857,558

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

Approved by

_____ City Manager

_____ General Manager, Financial &
Corporate Services/Treasurer

Corporation of the City of Welland
Consolidated statement of operations
Year ended December 31, 2019

	Budget 2019 (Note 16)	Actual 2019	Actual 2018
Notes	\$	\$	\$
Revenue			
Taxation (Schedule 2)	43,178,337	45,865,061	40,536,861
User charges (Schedule 3)	34,280,575	34,501,251	33,149,946
Grants (Schedule 3)	9,792,853	13,338,565	7,811,745
Other (Schedule 4)	6,636,081	20,256,215	14,837,273
Equity earnings in subsidiary	—	674,871	807,391
	93,887,846	114,635,963	97,143,216
Expenses			
General government	13,793,732	15,942,053	14,712,926
Protection to persons and property	10,455,808	11,131,115	10,418,479
Transportation services	19,434,249	20,852,364	18,481,023
Environmental services	25,094,924	26,000,938	25,213,243
Health services	132,814	230,541	110,879
Social and family services	641,617	672,903	660,773
Recreational and cultural services	13,305,067	13,020,791	13,676,888
Planning and development	2,048,556	3,278,748	2,116,036
	84,906,767	91,129,453	85,390,247
Annual surplus	8,981,079	23,506,510	11,752,969
Accumulated surplus, beginning of year	287,680,968	287,857,558	276,104,589
Accumulated surplus, end of year	296,662,047	311,364,068	287,857,558

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

Corporation of the City of Welland**Consolidated statement of change in net financial assets**

Year ended December 31, 2019

	Budget 2019 (Note 16)	Actual 2019	Actual 2018
	\$	\$	\$
Annual surplus	8,981,079	23,506,510	11,752,969
Amortization of tangible capital assets	10,948,827	11,013,103	10,208,579
Acquisition of tangible capital assets	(19,694,828)	(19,873,366)	(16,883,865)
Proceeds on the disposition of tangible capital assets	—	4,887,547	547,439
(Gain) loss on disposal of tangible capital assets	—	(4,599,030)	435,983
	235,078	14,934,764	6,061,105
Acquisition of other assets	—	(567,807)	(540,664)
Use of other assets	—	540,664	224,708
	—	(27,143)	(315,956)
Change in net financial assets	235,078	14,907,621	5,745,149
Net financial assets, beginning of year	21,859,325	25,882,551	20,137,402
Net financial assets, end of year	22,094,403	40,790,172	25,882,551

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

Corporation of the City of Welland
Consolidated statement of cash flows
Year ended December 31, 2019

	Notes	2019 \$	2018 \$
Operating activities			
Annual surplus		23,506,510	11,752,969
Non-cash items			
Amortization		11,013,103	10,208,579
(Gain) loss on disposal of tangible capital assets		(4,599,030)	435,983
Increase in investment in subsidiary		12,080,520	(1,307,391)
Changes in the following balances			
Taxes and grants-in-lieu receivable		(2,057,468)	(1,016,537)
Accounts receivable		415,619	(1,260,112)
Interest receivable		(150,315)	(663,089)
Loan receivable		—	1,874
Accounts payable and accrued liabilities		605,353	4,307,985
Due from trust fund		(11,655)	73,548
Deferred revenue		3,370,945	4,747,454
Accrued interest on long-term debt		112,386	(75,191)
Employee future benefits		557,679	429,620
Other assets		(27,143)	(315,956)
		44,816,504	27,319,736
Capital activities			
Proceeds from sale of tangible capital assets		4,887,547	547,439
Acquisition of tangible capital assets		(19,873,366)	(16,828,124)
		(14,985,819)	(16,280,685)
Investing activity			
Increase in investments – net		(14,630,485)	(9,678,347)
Financing activities			
Dividends received from investment in subsidiary	3	752,000	500,000
Proceeds on issuance of long-term debt		5,188,999	10,112,956
Repayment of long-term debt		(6,054,182)	(5,617,094)
Repayment of capital lease obligation		(6,749)	(1,519)
		(119,932)	4,994,343
Net increase in cash		15,080,268	6,355,047
Cash, beginning of year		12,603,339	6,248,292
Cash, end of year		27,683,607	12,603,339

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

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.

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:

	Useful life
Classification	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 basis 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.

1. Significant accounting policies (continued)

Leased equipment (continued)

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.

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.

1. Significant accounting policies (continued)

Management estimates

The preparation of financial statements in accordance with PSAS 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.

2. Investments

Investments consist of guaranteed investment certificates (“GICs”) with various chartered banks, as well as mutual funds and other principal protected investment instruments.

The market value of the investments at December 31, 2019 was \$63,711,339 (2018 - \$52,944,241). Management does not believe the cost base of investments that are higher than market value are permanently impaired, and therefore no write-down is required in accordance with PSAS.

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

	2019	2018
	\$	\$
Current assets	12,017,000	10,874,000
Capital assets	35,243,000	33,169,000
Regulatory assets	3,069,000	2,320,000
Total assets	50,329,000	46,363,000
Current liabilities	7,379,000	6,194,000
Long-term debt	15,000,000	13,500,000
Other long-term liabilities	4,233,000	3,347,000
Regulatory balances	4,226,000	4,480,000
Total liabilities	30,838,000	27,521,000
Net assets	19,491,000	18,842,000

Corporation of the City of Welland
Notes to the consolidated financial statements
December 31, 2019

3. Subsidiary operations (continued)

Change in equity investment in subsidiary

	2019	2018
	\$	\$
Revenues	55,176,000	53,161,000
Operating expenses	(53,375,000)	(51,200,000)
Financing expenses	(951,000)	(910,000)
Other income	60,000	61,000
Net movement in regulatory balances, net of tax	544,000	165,000
Income tax recovery (expense)	123,000	23,000
Net earnings from operations and increase in equity investment in subsidiary	1,577,000	1,300,000
Dividends	(752,000)	(500,000)
Other comprehensive (loss) income	(176,000)	—
Change in equity	649,000	800,000

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:

	2019	2018
	\$	\$
Long term Debt – Welland Hydro	—	13,500,000
Net assets – Welland Hydro	19,491,000	18,842,000
City of Welland investment in Welland Solar Joint Venture	2,025,871	2,007,391
	21,516,871	34,349,391

The financial position information is as reported by Welland Hydro at December 31, 2019. The results of operations information is as reported by Welland Hydro for the year ended December 31, 2019.

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.

Corporation of the City of Welland
Notes to the consolidated financial statements
December 31, 2019

3. Subsidiary operations (continued)

Contingencies (continued)

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.

	2019	2018
	\$	\$
Electricity purchased	1,172,000	1,148,000
Rent paid	35,000	35,000
Streetlight maintenance	26,000	49,000
Dividends received	752,000	500,000
Interest received	844,000	844,000
Property taxes and other taxes received	59,000	59,000
Leases and miscellaneous	24,000	13,000
Water user charges received	7,000	4,000

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, 2019 (2018 – nil). Interest is calculated at prime minus 0.50%. There is no security on this line of credit.

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	8,771,601	2,246,991	(113,600)	(39,796)	10,865,196
Lot levies and subdivider contributions	2,670,901	1,596,503	(23,436)	(219,213)	4,024,755
Recreational land (Planning Act)	838,969	593,021	7,040	–	1,439,030
Provincial gas tax revenue	1,800,712	325,647	1,800	(1,379,877)	748,282
Federal gas tax revenue	2,663,841	3,367,363	(570)	(3,017,586)	3,013,048
Ontario Bus Replacement Program	7,048	220	(290)	(2,122)	4,856
Youngs Sportsplex	170,897	199,747	–	(170,897)	199,747
2019 total	16,923,969	8,329,492	(129,056)	(4,829,491)	20,294,914
2018 total	12,176,515	5,837,671	879,421	(1,969,638)	16,923,969

Corporation of the City of Welland
Notes to the consolidated financial statements
December 31, 2019

6. Long-term debt

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

	2019	2018
	\$	\$
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	49,199,455	50,045,858
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	42,115	46,692
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	30,629	33,370
Due to the Town of Pelham, bearing interest of 4.3% per annum repayable in annual instalments of \$3,897 commencing June 15, 2019	29,252	31,870
Due to the Town of Pelham, bearing interest of 3.5% per annum repayable in annual instalments of \$5,411 commencing June 15, 2018	37,904	42,023
Due to the Township of Wainfleet, bearing interest of 4.3% per annum repayable in annual instalments of \$1,515 commencing June 15, 2019	11,376	12,394
Due to the Township of Wainfleet, bearing interest of 3.5% per annum repayable in annual instalments of \$2,190 commencing June 15, 2018	14,740	18,447
	49,365,471	50,230,654

Corporation of the City of Welland
Notes to the consolidated financial statements
December 31, 2019

6. Long-term debt (continued)

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

Debt number	Purpose	Interest rates	Maturity dates	2019	2018
#		%		\$	\$
85-2004	Civic Square	5.570	2024	3,788,329	4,428,430
66-2009	Various	1.15-4.80	2019	—	371,000
72-2010	Various	1.60-4.65	2020	588,329	1,153,214
83-2011	Various	1.55-4.05	2021	1,000,452	1,474,506
73-2012	Various	1.35-3.10	2022	1,197,000	1,574,000
40-2014	LED Streetlights	3	2024	1,054,108	1,288,355
78-2014	Various	1.20-3.30	2024	1,648,406	1,953,681
115-2013	River Rd MSC	4	2038	12,008,000	12,640,000
75-2015	Various	1.15-2.80	2025	2,144,000	2,510,000
85-2015	WIFC	3.12	2025	4,050,960	4,304,145
73-2016	LED Streetlights	2.29	2026	955,990	1,080,542
35-2016	Various	1.20-2.4	2026	2,946,225	3,340,438
51-2017	Various	1.20-2.45	2027	3,500,655	3,905,547
58-2018	Various	2.05-3.15	2028	9,129,000	10,022,000
14-2019	Various	1.95-2.45	2029	5,188,000	—
				49,199,455	50,045,858

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

	\$
2020	6,265,007
2021	5,808,749
2022	5,417,682
2023	5,120,343
2024	5,126,286

(d) The City paid \$1,750,873 (2018 - \$1,585,410) interest on long-term debt during the year.

7. Employee future benefits

	2019	2018
	\$	\$
Post-retirement benefits	8,096,895	7,781,000
Other	553,633	311,849
	8,650,528	8,092,849

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 \$245,968 (2018 - \$263,366).

7. Employee future benefits (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 \$29,679 (2018 - \$117,353) 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, 2019 using the projected unit credit method.

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

	2019	2018
	\$	\$
Actuarially determined accrued benefit obligation	6,502,100	7,275,000
Unamortized actuarial gains	1,594,795	506,000
	8,096,895	7,781,000

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, 2019	3.8%
Discount rate at December 31, 2019	3.0%
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	9.6 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:

	2019	2018
	\$	\$
Current year benefit cost	363,700	350,400
Amortization of actuarial losses	285,000	269,600
Interest on post benefit liability	(56,900)	(64,000)
	591,800	556,000

As at December 31, 2019, the City has a sick leave reserve of \$40,304 (2018 - \$40,304) (Note 11).

Corporation of the City of Welland
Notes to the consolidated financial statements
December 31, 2019

8. Tangible capital assets

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

	2019	2018
	\$	\$
Land and land improvements	30,892,439	30,455,365
Buildings	57,583,275	58,375,469
Roads and bridges	62,617,677	58,457,286
Water and waste water infrastructure	100,318,124	96,344,166
Vehicles	11,333,212	10,832,567
Computer hardware and software	607,776	941,607
Machinery and equipment	6,598,775	5,972,607
Assets under capital lease	54,811	55,276
	<u>270,006,089</u>	<u>261,434,343</u>

See Schedule 6 for more details.

9. Other assets

	2019	2018
	\$	\$
Prepaid expenses	464,100	379,945
Inventory	103,707	160,719
	<u>567,807</u>	<u>540,664</u>

Corporation of the City of Welland
Notes to the consolidated financial statements
December 31, 2019

10. Accumulated surplus

	2019	2018
	\$	\$
Surplus (deficit)		
City	15,547,460	12,554,784
Welland Public Library	33,235	132,254
North Welland Business Improvement Area	97,272	74,113
Welland Downtown Business Improvement Area	(58,201)	(49,909)
Niagara Central Airport Commission	(131,307)	(131,307)
Youngs Sportsplex	178,031	178,031
	15,666,490	12,757,966
Investment in tangible capital assets	270,006,089	261,434,343
Investment in subsidiary	21,516,871	34,349,391
Unfunded		
Long-term debt	(49,365,471)	(50,230,654)
Employee benefit obligations	(8,650,528)	(8,092,849)
	(58,015,999)	(58,323,503)
Reserve and reserve funds (Note 11)	62,190,617	37,639,361
	311,364,068	287,857,558

Corporation of the City of Welland
Notes to the consolidated financial statements
December 31, 2019

11. Reserves and reserve funds

	2019 \$	2018 \$
Reserves set aside for specific purposes by Council		
Working capital	—	727,300
Replacement of equipment	—	1,348,659
Integrated Library Systems	40,000	40,000
Bequests	80,939	80,939
	120,939	2,196,898
Reserve funds set aside for specific purposes by Council		
Sick leave	40,304	40,304
Workers' Safety Insurance Board	295,551	295,551
Capital expenditure		
Courthouse maintenance	138,354	88,326
Parks and recreation	139,367	128,557
Economic development	10,194,086	4,140,151
Fire	1,982,337	2,019,391
Airport	16,164	16,164
Fleet	337,446	248,234
Building capital improvements	298,875	142,729
Parking	12,102	33,102
Sports and culture	1,045,292	1,585,455
Municipal incentive grants	942,737	932,682
Recreational canal lands	13,551,922	13,532,390
Employee benefits	—	1,001,954
Water/wastewater surplus	3,370,995	1,748,953
Operating surplus	4,975,917	5,845,776
Ontario Municipal Partnership Funding Contingency	—	71,896
Insurance	1,115,411	871,260
Health safety and wellness reserve	—	2,699,588
YSP sustainability	951,400	—
Downtown Brownfield	788,560	—
Capital surplus	3,868,665	—
Infrastructure renewal	13,609,803	—
Atlas landfill	3,226,040	—
Tax reduction	822,929	—
Clerks	345,421	—
	62,069,678	35,442,463
	62,190,617	37,639,361
Continuity of reserves and reserve funds		
Balance, beginning of year	37,639,361	33,163,454
Other revenue	8,266,002	3,280,261
Transfers in from		
Operating revenue	23,813,922	4,193,074
Capital revenue	—	62,089
Transfers between reserve funds	9,690,222	—
	41,770,146	7,535,424
Transfers out for		
Operating purposes	2,062,985	2,097,790
Capital purposes	6,493,780	961,727
Transfers between reserve funds	8,662,125	—
	17,218,890	3,059,517
Balance, end of year	62,190,617	37,639,361

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:

	2019	2018
	\$	\$
Region of Niagara (Schedule 2)	36,481,715	33,268,291
School boards (Schedule 2)	13,273,267	12,221,900
	49,754,982	45,490,191

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 amounting to \$5,456,218 in 2019 (2018 - \$3,086,815). 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, 2019 and the results of operations are as reported for the year ended December 31, 2019.

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.

	2019	2018
	\$	\$
Note payable, bearing interest of 4.3% per annum repayable in annual instalments of \$12,123 commencing June 15, 2019	91,007	99,151
Note payable, bearing interest of 3.5% per annum repayable in annual instalments of \$16,533 commencing June 15, 2018	115,817	128,403
Grants	93,806	41,820

14. Trust fund

The trust fund administered by the City, amounting to \$606,026 (2018 - \$594,167), 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 2019 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 \$2,596,374 (2018 - \$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 March 5, 2019.

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 (2018 - \$125,000) 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 to 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.

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 Chief Administrative Officer ("CAO"), City Clerks, Finance, and Human Resources Departments.

The CAO'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 part of the Corporate Services Department.

Information Services Division is a part of the Corporate Services Department. 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 the Corporate Services Department 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.

19. Segmented information (continued)

General government (continued)

The Communications Division is part of the CAO's Office 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 the CAO's Office. 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

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.

19. Segmented information (continued)

Transportation services (continued)

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.

Transit Operations

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).

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.

19. Segmented information (continued)

Recreation and cultural services (continued)

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 unconsolidated 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

Schedule 1 – Segment information
Year ended December 31, 2019

	2019								
	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 \$
Revenue									
Taxation	7,819,993	11,801,080	15,461,112	197,220	18,346	1,050,310	7,842,925	1,674,075	45,865,061
User charges	320,043	1,431,025	4,352,649	26,995,788	82,552	—	1,131,278	187,916	34,501,251
Grants	4,422,300	—	5,014,173	3,766,363	—	—	104,276	31,453	13,338,565
Other	6,461,439	3,518,390	1,013,197	1,455,814	4,171	—	3,378,788	4,424,416	20,256,215
Equity earnings in subsidiary	674,871	—	—	—	—	—	—	—	674,871
	19,698,646	16,750,495	25,841,131	32,415,185	105,069	1,050,310	12,457,267	6,317,860	114,635,963
Expenses									
Salaries, wages and employee benefits	5,312,152	9,212,597	12,139,991	2,672,101	90,301	59,790	5,168,840	1,236,379	35,892,151
Net long-term debt charges	970,549	—	—	271,076	—	—	509,248	—	1,750,873
Materials, services and other	2,090,667	1,414,768	4,597,806	20,830,528	139,528	349,588	4,983,209	1,998,528	36,404,622
Rents and finance expenses	5,514,192	—	—	—	—	—	554,512	—	6,068,704
Amortization	2,054,493	503,750	4,114,567	2,227,233	712	263,525	1,804,982	43,841	11,013,103
	15,942,053	11,131,115	20,852,364	26,000,938	230,541	672,903	13,020,791	3,278,748	91,129,453
Annual surplus (deficit)	3,756,593	5,619,380	4,988,767	6,414,247	(125,472)	377,407	(563,524)	3,039,112	23,506,510

Corporation of the City of Welland
Consolidated schedules of statement of operations

Schedule 1 – Segment information (continued)
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
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue									
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
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
	<u>18,447,424</u>	<u>11,249,625</u>	<u>21,278,059</u>	<u>29,837,614</u>	<u>98,697</u>	<u>928,294</u>	<u>13,016,884</u>	<u>2,286,619</u>	<u>97,143,216</u>
Expenses									
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
	<u>14,712,926</u>	<u>10,418,479</u>	<u>18,481,023</u>	<u>25,213,243</u>	<u>110,879</u>	<u>660,773</u>	<u>13,676,888</u>	<u>2,116,036</u>	<u>85,390,247</u>
Annual surplus (deficit)	<u>3,734,498</u>	<u>831,146</u>	<u>2,797,036</u>	<u>4,624,371</u>	<u>(12,182)</u>	<u>267,521</u>	<u>(660,004)</u>	<u>170,583</u>	<u>11,752,969</u>

Corporation of the City of Welland

Consolidated schedules of statement of operations

Schedule 2 – Taxation revenue

Year ended December 31, 2019

	Budget 2019 (Note 16) \$	Actual 2019 \$	Actual 2018 \$
Taxation			
Real property	87,941,670	94,214,527	84,676,069
From other governments			
Public Works	30,900	30,524	27,666
St. Lawrence Seaway Authority	55,800	57,157	54,938
Niagara College and Hospital	476,500	521,175	485,400
Hydro One Networks Inc.	130,600	132,369	131,124
Ministry of Government Services	152,000	152,469	150,155
Municipal enterprises	61,000	59,071	59,151
Railways	127,000	126,351	126,351
Regional Municipality of Niagara	310,000	326,400	316,198
	1,343,800	1,405,516	1,350,983
	89,285,470	95,620,043	86,027,052
Less: taxation collected on behalf of			
Region of Niagara	(34,189,462)	(36,481,715)	(33,268,291)
School boards	(11,917,671)	(13,273,267)	(12,221,900)
Net taxes available for municipal purposes	43,178,337	45,865,061	40,536,861
Residential and farm	30,991,682	32,923,697	30,328,991
Multi-residential	2,378,803	2,527,097	2,415,458
Commercial	6,036,999	6,413,344	6,230,262
Industrial	3,616,610	3,842,084	1,410,931
Local improvements	19	19	19
Business Improvement Area	154,224	158,820	151,200
Net taxes available for municipal purposes	43,178,337	45,865,061	40,536,861

Corporation of the City of Welland

Consolidated schedules of statement of operations

Schedule 3 – User charges and grants revenue

Year ended December 31, 2019

	Budget 2019 (Note 16) \$	Actual 2019 \$	Actual 2018 \$
User charges			
Operating			
Fees, service charges and donations	6,389,342	7,389,385	5,840,022
Water billings	12,110,563	11,681,415	11,525,685
Wastewater billings	15,679,870	15,314,373	15,442,191
Licenses and permits	100,800	104,699	89,267
	34,280,575	34,489,872	32,897,165
Capital			
Fees, service charges and donations	—	11,379	252,781
	34,280,575	34,501,251	33,149,946
Grants			
Operating			
Province of Ontario	3,899,575	4,005,957	4,615,940
Government of Canada	163,241	—	—
Other	229,631	230,321	519,424
	4,292,447	4,236,278	5,135,364
Capital			
Province of Ontario	2,978,021	4,692,819	290,414
Government of Canada	1,586,322	4,409,468	1,406,078
Other Municipalities	936,063	—	979,889
	5,500,406	9,102,287	2,676,381
	9,792,853	13,338,565	7,811,745

Corporation of the City of Welland**Consolidated schedules of statement of operations**Schedule 4 – Other revenue
Year ended December 31, 2019

	Budget 2019 (Note 16)	Actual 2019	Actual 2018
	\$	\$	\$
Other revenue			
Operating			
Penalties and interest on taxes	1,100,000	1,151,206	1,100,691
Fines	365,000	421,105	355,759
Rent and leases	752,483	791,617	1,086,825
Investment income	1,739,750	3,225,081	2,294,609
Cost sharing	100,000	122,270	115,241
Development charges	—	63,594	34,875
Subdividers' contribution	—	—	22,875
Other	2,578,848	2,505,447	6,070,954
	6,636,081	8,280,320	11,081,829
Capital			
Cost sharing	—	1,531,644	3,247,581
Other	—	5,845,221	943,846
Gain (loss) on disposal of TCAs	—	4,599,030	(435,983)
	—	11,975,895	3,755,444
	6,636,081	20,256,215	14,837,273

Corporation of the City of Welland**Schedule 5 – Consolidated schedule of long-term debt**

Year ended December 31, 2019

	2019	2018
	\$	\$
Municipal debt		
General government		
Civic square	8,851,990	9,707,383
Protection to persons and property		
Fire	1,901,928	1,133,947
Transportation services		
Roadways	4,882,565	4,890,716
Transit	1,312,054	769,760
LED streetlighting	2,010,099	2,368,897
Environmental services		
Sanitary sewer system	2,782,547	3,271,416
Storm sewer system	269,164	313,104
Waterworks system	6,074,671	5,274,973
Recreational and cultural services		
Parks and recreation	20,917,147	22,062,947
Planning and development		
Market	197,290	252,715
	49,199,455	50,045,858
Other		
Due to City of Port Colborne, Town of Pelham and Township of Wainfleet (Note 6)	166,016	184,796
	49,365,471	50,230,654

Corporation of the City of Welland
Schedule 6 – Consolidated schedule of tangible capital assets
Year ended December 31, 2019

	Land and land improvements \$	Buildings \$	Roads and bridges \$	Waste and wastewater infrastructure \$	Vehicles \$	Computer hardware and software \$	Machinery and equipment \$	Assets under capital lease \$	2019 Total \$
Cost									
Balance, beginning 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
Add: additions during year	2,474,104	247,482	9,493,967	12,520,798	1,988,797	855,801	1,480,449	—	29,061,398
Less: disposals during year	(35,866)	—	(389,485)	(6,130)	(583,965)	—	(233,568)	—	(1,249,014)
Balance, end of year	54,489,085	88,191,204	121,487,022	146,083,267	20,654,915	3,245,996	17,402,503	90,021	451,644,013
Accumulated amortization									
Balance, beginning 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
Add: amortization	1,095,528	2,168,406	2,921,091	2,033,769	1,265,840	502,947	1,025,057	465	11,013,103
Less: accumulated amortization of disposals	—	—	(192,077)	—	(517,436)	—	(250,984)	—	(960,497)
Balance, end of year	23,596,646	32,155,580	59,711,440	46,754,803	9,321,703	2,638,220	11,115,047	35,210	185,328,649
Net book value	30,892,439	56,035,624	61,775,582	99,328,464	11,333,212	607,776	6,287,456	54,811	266,315,364
Assets under construction	—	1,547,651	842,095	989,660	—	—	311,319	—	3,690,725
	30,892,439	57,583,275	62,617,677	100,318,124	11,333,212	607,776	6,598,775	54,811	270,006,089

Corporation of the City of Welland
Schedule 6 – Consolidated schedule of tangible capital assets (continued)
Year ended December 31, 2019

	Land and land improvements	Buildings	Roads and bridges	Waste and wastewater infrastructure	Vehicles	Computer hardware and software	Machinery and equipment	Assets under capital lease	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
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
Accumulated amortization									
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

Independent Auditor's Report

To the Members of Council of the
Corporation of the City of Welland

Report on the Audit of the Consolidated Financial Statements Opinion

We have audited the financial statements of the City of Welland Trust Fund, which comprise the statement of financial position as at December 31, 2019, and the statements of financial activities and fund balance for the year then ended and a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the statement of financial position as at December 31, 2019, 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.

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 Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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
August 5, 2020

Corporation of the City of Welland Trust Fund
Statement of financial activities and fund balance
Year ended December 31, 2019

	2019	2018
	\$	\$
Revenue		
Perpetual care	11,859	14,417
Fund balance, beginning of year	594,167	579,750
Fund balance, end of year	606,026	594,167

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

Corporation of the City of Welland Trust Fund

Statement of financial position

As at December 31, 2019

	2019	2018
	\$	\$
Assets		
Cash	373,053	218,980
Due from City of Welland	8,552	20,207
Investments	224,421	354,980
	606,026	594,167
Fund balance	606,026	594,167

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

Corporation of the City of Welland Trust Fund

Notes to the financial statements

December 31, 2019

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 \$224,421 (2018 - \$354,980) reported on the statement of financial position at cost, have a market value of \$213,504 (2018 - \$286,732) at the end of the year.

Management does not believe the cost base of investments that are higher than market value are permanently impaired, and therefore no write-down is required in accordance with PSAS.

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.