

THE CORPORATION OF THE CITY OF ST. CATHARINES, ONTARIO

FINANCIAL STATEMENTS

TO THE YEAR ENDED DECEMBER 31, 2019

City of St. Catharines Consolidated Statements

St. Catharines Downtown Association

St. Catharines Public Library

St. Catharines Transit Commission

Niagara District Airport Commission

Consolidated Financial Statements of

**THE CORPORATION
OF THE CITY OF
ST. CATHARINES**

And Independent Auditors' Report thereon

Year ended December 31, 2019

REPORT ON MANAGEMENT RESPONSIBILITY

The accompanying consolidated financial statements of the The Corporation of the City of St. Catharines (the "City") are the responsibility of the City's management and have been prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

City management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the City. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.

Walter Sendzik
Mayor
October 5, 2020

Shelley Chemnitz, CPA, CA
Chief Administrative Officer
October 5, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the City of St. Catharines

Opinion

We have audited the accompanying consolidated financial statements of The Corporation of the City of St. Catharines (the "Corporation"), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 public sector accounting standards, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Corporation 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

October 5, 2020

THE CORPORATION OF THE CITY OF ST. CATHARINES

Consolidated Financial Statements

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THE CORPORATION OF THE CITY OF ST. CATHARINES

Consolidated Statement of Financial Position

Year ended December 31, 2019, with comparative information for 2018
(In thousands of dollars)

	2019	2018
Financial Assets		
Cash	\$ 63,305	\$ 35,110
Investments (note 2)	36,727	33,591
Taxes receivable	10,164	14,634
Accounts receivable	21,686	32,682
Inventories held for resale	117	733
Loans receivable (note 3)	1,026	1,115
Note receivable - St. Catharines Hydro Inc. (note 4)	7,754	7,754
Investment in St. Catharines Hydro Inc. (note 4)	88,992	87,155
	<u>229,771</u>	<u>212,774</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	38,747	38,308
Deferred revenue - obligatory reserve funds (note 6)	23,747	17,197
Other current liabilities	7,564	8,022
Post-employment benefits (note 7)	17,941	15,961
Other liabilities (note 9)	12,782	14,277
Landfill post-closure liability (note 16)	2,705	3,023
Net long-term liabilities (note 10)	118,350	114,190
	<u>221,836</u>	<u>210,978</u>
Net financial assets	7,935	1,796
Non-Financial Assets		
Tangible capital assets (schedule 1)	748,476	749,993
Inventories	1,556	836
Prepaid expenses	1,888	1,775
	<u>751,920</u>	<u>752,604</u>
Contractual obligations and commitments (note 14)		
Contingent liabilities (note 15)		
Subsequent events (note 21)		
Accumulated surplus (note 11)	<u>\$ 759,855</u>	<u>\$ 754,400</u>

See accompanying notes to consolidated financial statements.

Signed on behalf of the City:

Mayor

Chief Administrative Officer

THE CORPORATION OF THE CITY OF ST. CATHARINES

Consolidated Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

(In thousands of dollars)

	Budget (note 18)	2019	2018
Revenue:			
Taxation	\$ 105,702	\$ 110,295	\$ 106,124
User fees and charges	77,624	79,086	79,604
Government grants (note 17)	8,144	8,347	21,733
Interest and penalties	2,675	2,000	2,570
Investment income	705	2,955	2,381
Donations	212	800	812
Other	12,377	12,275	14,185
Developer contributed tangible capital assets	–	887	3,872
Equity income in St. Catharines			
Hydro Inc. (note 4)	3,951	5,703	4,900
Loss on disposal of tangible capital assets	–	(466)	(3,013)
	<u>211,390</u>	<u>221,882</u>	<u>233,168</u>
Expenses:			
General government	17,503	20,426	20,214
Protection to persons and property	31,912	34,181	30,303
Transportation services	53,680	55,442	56,621
Environmental services	57,776	50,861	49,051
Health services	2,490	2,888	4,240
Social and family services	335	431	426
Recreation and cultural services	39,057	44,725	46,128
Planning and development	7,944	7,473	7,138
	<u>210,697</u>	<u>216,427</u>	<u>214,121</u>
Annual surplus	693	5,455	19,047
Accumulated surplus, beginning of year	754,400	754,400	749,630
Adjustment to opening accumulated surplus, Hospital obligation (note 9)	–	–	(14,277)
Accumulated surplus, end of year	<u>\$ 755,093</u>	<u>\$ 759,855</u>	<u>\$ 754,400</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018
(In thousands of dollars)

	2019	2018
Annual surplus	\$ 5,455	\$ 19,047
Acquisition of tangible capital assets	(28,509)	(44,210)
Amortization of tangible capital assets	29,893	29,470
Loss on disposal of tangible capital assets	466	3,013
Developer contributed tangible capital assets	(887)	(3,872)
Proceeds on disposal of tangible capital assets	554	193
Change in inventories	(720)	520
Change in prepaid expenses	(113)	(390)
	6,139	3,771
Net financial assets, beginning of year	1,796	12,302
Adjustment to opening net financial assets, Hospital obligation (note 9)	—	(14,277)
Net financial assets, end of year	\$ 7,935	\$ 1,796

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018
(In thousands of dollars)

	2019	2018
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 5,455	\$ 19,047
Items not involving cash:		
Amortization of tangible capital assets	29,893	29,470
Loss on disposal of tangible capital assets	466	3,013
Developer contributed tangible capital assets	(887)	(3,872)
Income from St. Catharines Hydro Inc.	(5,703)	(4,900)
	23,769	23,711
Change in non-cash assets and liabilities:		
Change in taxes receivable	4,470	(821)
Change in accounts receivable	10,996	(6,946)
Change in loans receivable	89	86
Change in inventories, total	(104)	(96)
Change in prepaid expenses	(113)	(390)
Change in accounts payable and accrued liabilities	439	6,726
Change in deferred revenue - obligatory reserve funds	6,550	(66)
Change in other current liabilities	(458)	926
Change in post-employment benefits	1,980	101
Change in landfill post-closure liability	(318)	148
	23,531	(332)
Net increase in cash from operations	52,755	42,426
Capital:		
Acquisition of tangible capital assets	(28,509)	(44,210)
Proceeds on disposal of tangible capital assets	554	193
Net decrease in cash from capital activities	(27,955)	(44,017)
Investing:		
Dividends received from St. Catharines Hydro Inc.	3,866	4,690
Change in investments	(3,136)	(1,252)
Net increase in cash from investing	730	3,438
Financing		
Repayment of NHS obligation	(1,495)	-
Long-term debt issued	16,143	16,524
Long-term debt repaid	(11,983)	(11,254)
Net increase in cash from financing	2,665	5,270
Increase in cash	28,195	7,117
Cash, beginning of year	35,110	27,993
Cash, end of year	\$ 63,305	\$ 35,110

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements

Year ended December 31, 2019

(In thousands of dollars)

The Corporation of the City of St. Catharines (the "City") is a municipality in the Province of Ontario that provides municipal services such as fire, public works, planning, parks and recreation, library and other general government operations.

1. Significant accounting policies:

The consolidated financial statements of the City are prepared in accordance with Canadian Public Sector Accounting Standards as recommended by Canadian Public Sector Accounting Board ("PSAB"). Significant accounting policies adopted by the City are as follows:

(a) Basis of consolidation:

- (i) These consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all commissions, committees and local boards accountable for the administration of the City's financial affairs and resources to the City and which are owned or controlled by the City, except for the City's government business enterprise, St. Catharines Hydro Inc., which is accounted for on the modified equity basis of accounting as described below. These reporting entities include:

St. Catharines Public Library Board
St. Catharines Downtown Association
Port Dalhousie Business Improvement Area
St. Catharines Transit Commission

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

St. Catharines Hydro Inc. (the "Company") is accounted for on a modified equity basis, consistent with the accounting treatment for government business enterprises. 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. The City recognizes its equity interest in the annual income or loss of the Company in its Consolidated Statement of Operations with a corresponding increase or decrease in its investment asset account. Any dividends that the City receives from the Company are reflected as reductions in the investment asset account.

- (ii) Partial-consolidated entities:

The Niagara District Airport Commission is operated with a joint local board and is proportionately consolidated. The City's share is 55%.

- (iii) Accounting for Region and School Board transactions:

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Regional Municipality of Niagara are not reflected in these consolidated financial statements.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(iv) Trust funds:

Trust funds and their related operations are not included in these consolidated financial statements.

(b) Basis of accounting:

The City follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measureable. Expenses are recognized as they are incurred and measureable as a result of receipt of goods or services and creation of a legal obligation to pay.

(c) Investments:

Investments are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in market value, the respective investment is written down to recognize the loss.

(d) Loans and note receivable:

Loans and note receivable are initially reported on the Consolidated Statement of Financial Position at cost. Recoverability is assessed annually and a valuation allowance is recorded when recoverability is impaired. The note receivable is written off when it is no longer recoverable. Recoveries of loans and note receivable previously written off are recognized as revenue in the year received. Interest revenue is recognized as it is earned. Loans and note receivable with significant concessionary terms, such as non-interest bearing notes, are accounted for as a grant and presented as an expense in the Consolidated Statement of Operations.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenditures in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location. Amortization is recorded to reflect the cost, net of anticipated residual value, associated with the use of the asset in providing government services on a straight-line or declining balance basis over the estimated useful life of the asset. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized. Gains and/or losses on the disposal of an asset are recorded on the Consolidated Statement of Operations as gain/loss on disposal of tangible capital assets.

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are also recorded as revenue. Similarly, transfer of assets to third parties are recorded as an expense equal to the net book value of the asset as at the date of transfer. The historical cost of works of art or historical treasures has not been assigned to these assets nor disclosed in the consolidated financial statements.

Asset class	Basis	Period
General assets:		
Land		Nil
Land improvements	Straight-line and declining balance	10 to 75 years
Buildings and building improvements	Straight-line	10 to 75 years
Machinery and equipment	Straight-line	3 to 75 years
Furniture and fixtures	Straight-line	5 to 100 years
Information technology	Straight-line	3 to 12 years
Vehicles	Straight-line	5 to 20 years
Infrastructure:		
Land		Nil
Land improvements	Straight-line and declining balance	5 to 50 years
Buildings and building improvements	Straight-line	10 to 100 years
Machinery and equipment	Straight-line	5 to 40 years
Information technology	Straight-line	3 to 12 years
Vehicles	Straight-line	7 to 15 years
Linear	Straight-line and declining balance	10 to 100 years

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(ii) Inventories:

Inventories are recorded at the lower of cost and replacement cost.

(f) Deferred revenue:

Deferred revenue represent user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

Deferred revenue – obligatory reserve funds represent development charge contributions, payments in lieu of parking and parkland and gas tax, levied or received under authority of federal and provincial legislation and City by-laws. These amounts have been collected but the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(g) Other income:

Other income is recognized as revenue when the service is performed.

(h) Investment income:

Investment income earned on surplus current funds, capital funds, reserve and reserve funds other than obligatory reserve funds (deferred revenue) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the related deferred revenue.

(i) Taxation revenue:

Taxes receivables and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred.

(j) Post-employment benefits:

The City provides certain employee benefits which will require funding in future periods. These benefits include extended health and dental benefits for early retirees. The costs of life insurance and extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, health care cost trends, earned days accumulated for certain employees payable at retirement, long term inflation rates and discount rates.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

1. Significant accounting policies (continued):

(k) Contaminated sites:

Contamination is a result of contamination being introduced into the air, soil, water or sediment of a chemical, organic, radioactive material or live organism that exceeds an environmental standard. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

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

The liability is estimated based on information that is available when the financial statements are prepared. It is based upon the costs directly attributable to the remediation activities required using a present value measurement technique.

(l) Landfill post-closure care:

The City recognizes a liability for the post-closure care of landfills under its control based on the estimated total expenditure associated with post-closure care activities, discounted to year-end. Post-closure care is estimated to be required for the contaminating lifespan of landfill sites, which as at December 31, 2019 is estimated at 23 years remaining. Disbursements made related to post-closure care costs are charged against the liability in the Consolidated Statement of Financial Position. Changes in assumptions resulting in changes to the liability are expensed in the Consolidated Statement of Operations.

(m) Government transfers:

Government transfers are recognized in the consolidated financial statements in the period in which the transfer is authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent that stipulations associated with the transfer give rise to a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished. Government transfers made by the City are recognized as expenses once the grant is paid.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

1. Significant accounting policies (continued):

(n) Use of estimates:

The preparation of the consolidated financial statements in conformity 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 dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Accounts subject to significant estimates include accounts receivable, tangible capital assets, accounts payable and accrued liabilities, employee future benefits, and landfill post-closure liability. These estimates and assumptions are based on management's best information and judgement and may differ significantly from actual results.

2. Investments:

The market value of investments approximate cost given the nature of investments held by the City, being mainly Guaranteed Investment Certificates.

3. Loans receivable:

The City has the ability to recover costs related to the extension of municipal services from property owners through local improvement charges. Property owners may pay amounts in full or they can choose to pay over a set period of time.

The current loans receivable, related to infrastructure improvements on Fourth Avenue South, are reported at cost, net of a valuation allowance of nil (2018 - \$nil). All loans bear interest at 2.0% and are repayable over a ten-year period commencing on the date of connection.

Expected principal repayments to the City are as follows:

2020	\$	101
2021		101
2022		101
2023		101
2024		101
Thereafter		521
	\$	1,026

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

4. Investment in St. Catharines Hydro Inc.:

	2019	2018
Statement of financial position:		
Current assets	\$ 4,881	\$ 4,160
Investments	93,963	91,216
Capital assets	14,191	14,902
Deferred tax asset	1,052	1,165
Total assets	114,087	111,443
Current liabilities	320	241
Long-term note payable	7,754	7,754
Deferred tax liability	17,021	16,293
Total liabilities	25,095	24,288
Net assets	\$ 88,992	\$ 87,155

	2019	2018
Statement of comprehensive income		
Revenue	\$ 8,701	\$ 4,933
Expenses (including income tax provision)	2,998	1,752
Net income before the undernoted	5,703	3,181
Adjustment to capital assets	–	1,719
Total comprehensive income	\$ 5,703	\$ 4,900

The equity in St. Catharines Hydro Inc.:

	2019	2018
Opening balance	\$ 87,155	\$ 86,945
Comprehensive income	5,703	4,900
Dividends received	(3,866)	(4,690)
Total assets and regulatory balances	\$ 88,992	\$ 87,155

The \$7,754,000 long-term note payable above is due to the City bearing interest at 7.15% with no fixed terms of repayment and is unsecured. The City has agreed not to call the note prior to January 1, 2021.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

5. Accounts payable and accrued liabilities:

The accounts payable balance is as follows:

	2019	2018
Trade accounts payable	\$ 8,923	\$ 9,610
Payables to other governments	6,892	11,480
Payables to school boards	32	46
Other	7,347	5,770
Special deposits	3,201	2,965
Accrued wages and benefits	4,944	2,612
Other	7,408	5,825
	\$ 38,747	\$ 38,308

6. Deferred revenue – obligatory reserve funds:

The deferred revenues – obligatory reserve funds reported on the Consolidated Statement of Financial Position are made up of the following:

	2018	Externally restricted inflows	Revenue earned	2019
Import and development	\$ 3,616	\$ 374	\$ –	\$ 3,990
Subdivider deposits	702	–	(6)	696
Planning Act	2,770	2,230	–	5,000
Future sidewalks	1,090	117	–	1,207
Gasoline tax - provincial	2,071	2,664	(2,525)	2,210
Gasoline tax - federal	6,948	8,426	(4,730)	10,644
	\$ 17,197	\$ 13,811	\$ (7,261)	\$ 23,747

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

7. Post-employment benefits:

The City provides certain employee benefits which will require funding in future periods. Under the sick-leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the City's employment. The most recent actuarial valuation was completed for the year-ended December 31, 2019.

The City pays certain medical, dental and life insurance benefits on behalf of its retired employees. The City recognizes these post-retirement costs in the period in which the employees render the services. The accrued benefit obligation was determined by actuarial valuation using a discount rate of 2.90% (2018 - 3.50%).

The City has established a reserve for the accumulated sick leave liability. The balance as at December 31, 2019 is \$2,988 (2018 - \$2,988).

	2019	2018
Accrued benefit obligation, beginning of year	\$ 14,812	\$ 14,608
Interest	549	520
Transitional obligation	1,578	–
Actuarial loss	1,348	–
Contributions	(1,049)	(1,147)
Current service cost - benefits	919	831
	18,157	14,812
Unamortized (loss) gain	(216)	1,149
Liability, end of year	\$ 17,941	\$ 15,961

The City recognized an actuarial loss of \$1,348 (2018 - \$nil) as a result of the valuation obtained as at December 31, 2019. Amortization of the net actuarial loss of \$17 has been included in expenses on the Consolidated Statement of Operations. The main actuarial assumptions employed for the valuation are as follows:

General Inflation - Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.00% in 2019 and thereafter.

Medical Costs - Medical costs were assumed to increase at a rate of 7.23%, downgrading to 4.00% by 2040.

Dental Costs - Dental costs were assumed to increase at a rate of 6.75% in 2019, downgrading to 4.00% by 2030.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

8. Credit facility:

The City has an authorized operating loan due on demand of \$20,000,000 bearing interest at prime less 0.75% to assist with general operating requirements and to finance current expenditures. The credit facility is unsecured and due on demand. As at December 31, 2019, no has been drawn upon (2018 - \$nil).

9. Niagara Health System (“NHS”) obligation:

The City, by way of Council motion and agreement with NHS, has agreed to contribute to the construction of the NHS hospital complex located in St. Catharines. The City agreed to contribute \$31,200 payable annually in the amount of \$2,209 until 2026. In order to fund the contribution, the City has approved a special hospital tax levy in the amount of \$2,209 until 2026.

Principal payments are as follows:

2020	\$	2,209
2021		2,209
2022		2,209
2023		2,209
2024		2,209
Thereafter		4,418
		<hr/> 15,463
Interest		(2,681)
	\$	<hr/> 12,782

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

10. Net long-term liabilities:

- (a) The balance of net long-term liabilities reported on the Consolidated Statement of Financial Position is made up of the following:

	2019	2018
Serial debentures issued by Region of Niagara, beginning of year	\$ 106,303	\$ 101,033
Less: principal repayment	(11,802)	(11,254)
Add: new debt issued	16,143	16,524
Total serial debentures	110,644	106,303
Sinking fund debenture, beginning on year	9,333	9,333
Less: Sinking fund assets	(1,627)	(1,446)
Total sinking fund debenture	7,706	7,887
Net long-term debentures, end of year	\$ 118,350	\$ 114,190

Interest rates on serial debentures range from 1.88% to 4.80%.

- (b) Of the net long-term liabilities reported in (a) of this note, principal payments are as follows:

2020	\$ 12,887
2021	12,653
2022	12,977
2023	11,390
2024	10,444
Thereafter	57,999
	\$ 118,350

- (c) The long-term liabilities in (a) issued in the name of the City approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

- (d) Interest expense on long-term debt amounted to \$4,422,682 (2018 - \$3,817,814).

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

11. Accumulated surplus:

	2019	2018
Invested in tangible capital assets	\$ 748,476	\$ 749,993
Operating fund	7,004	(4,071)
Reserves and reserve funds	59,407	61,020
Equity in St. Catharines Hydro Inc.	96,746	94,909
	911,633	901,851
Amounts to be recovered:		
Post-employment benefits	(17,941)	(15,961)
Landfill post-closure liability	(2,705)	(3,023)
Net long-term liabilities	(118,350)	(114,190)
Hospital obligation	(12,782)	(14,277)
	(151,778)	(147,451)
	\$ 759,855	\$ 754,400

(a) Operating fund balance:

	2019	2018
To be applied in the following year to operations:		
Operating fund	\$ 1,533	\$ (8,728)
Transit	259	164
Airport commission	408	379
To be applied to water operations for the following year	4,804	4,114
	\$ 7,004	\$ (4,071)

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

11. Accumulated surplus (continued):

(b) Reserves and reserve fund balances:

	2019	2018
Reserves set aside by council for specific purposes:		
Replacement of equipment	\$ 6,428	\$ 8,133
Cumulative sick leave	2,988	2,988
Library purposes	5,265	5,444
Encumbrances	16,304	14,848
Building improvements	2,181	2,108
Cemetery	19	19
Hydro funds	4,432	6,050
Winter control	500	300
Tax rate stabilization	844	567
Infrastructure levy	1,234	1,446
Litigation/insurance	567	575
Election reserve	100	100
Meridian Centre capital	425	153
Community Improvement Plan Funds	5,938	5,387
Sewer capital	434	1,331
FirstOntario Performing Arts Centre capital	367	221
	48,026	49,670
Reserves set aside by council for specific purposes:		
Actifest	6	6
Business improvement purposes	9	206
Community development	9,123	9,416
Mausoleum	386	270
Paratransit/Transit capital purposes	604	159
Parking	1,253	1,293
	11,381	11,350
	\$ 59,407	\$ 61,020

12. Trust funds:

Trust funds administered by the City amounting to \$9,730 (2018 - \$9,493) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

13. Pension agreements:

The City makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of 975 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. As OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. The OMERS pension plan has a deficit of \$3.4 billion as of December 31, 2019 (2018 - \$4.2 billion).

The amount contributed to OMERS for 2019 was \$6,521 (2018 - \$6,532) for current service and is included as an expense in the Consolidated Statement of Operations.

There was no change in contribution rates in 2019. OMERS expects the contribution and policy changes to return the plan to a fully funded position by 2025, if not sooner.

14. Contractual obligations and commitments:

Capital expenditures:

The estimated future capital expenditures based on projects in progress at December 31, 2019 is approximately \$38,272 (2018 - \$41,080) after deducting the expenditures incurred as at December 31, 2019. These projects will be financed by grants, subsidies and long-term liabilities in future years.

15. Contingent liabilities:

Legal:

From time to time, the City is subject to claims and other lawsuits that arise in the ordinary course of operations, some of which may seek damages in substantial amounts, including punitive or extraordinary damages. These claims may be covered by the City's insurance up to a maximum of \$20,000 per occurrence. Liability for these claims and lawsuits are recognized to the extent that the probability of a loss is likely and it is estimable.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

16. Landfill post closure liability:

The City is responsible for monitoring several landfill sites which were closed in prior years. The liability for post-closure care has been recognized based on monitoring costs expected to be incurred over the period of required monitoring ending in 2042 and have been inflation adjusted at 1.2% per annum. These costs were then discounted to December 31, 2019 using a discount rate of 2.9%.

The total monitoring costs are estimated to be \$4,564 over the estimated monitoring period before applying the discount rate. The liability for post-closure as at December 31, 2019 is \$2,705 (2018 - \$3,023). Estimated annual expenditures for post-closure care are \$135 (2018 - \$157) and are expected to be incurred for the next 23 years.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

17. Government transfers:

The government transfers reported on the Consolidated Statement of Operations are:

	Budget	2019	2018
Municipal grants:			
Region of Niagara	\$ 2,091	\$ 1,304	\$ –
Provincial grants:			
Audit and accountability fund	–	210	–
Clean water/wastewater	–	–	438
Culture	81	112	108
Economic development	–	189	291
Ontario Municipal Partnership Fund	505	505	594
Ontario Cannabis Legalization Implementation Fund	–	21	–
Ontario municipal commuter cycling	–	–	552
Municipal disaster recovery assistance	–	40	49
Senior Centre Long-Term Care	127	158	150
Library	229	241	296
Provincial gas tax	–	363	6,333
Main street revitalization	–	20	148
Enabling accessibility	1,000	–	–
	4,033	3,163	8,959
Federal grants:			
Canada 150	–	–	94
Federal Gas Tax	4,038	4,730	3,360
HST Rebate	–	16	27
Canadian Heritage Foundation	45	17	215
Clean Water/Wastewater Museum	–	–	876
	28	40	40
Cemetery – Veterans affairs	–	15	–
Economic development	–	15	–
Green jobs initiatives	–	31	–
National Disaster Mitigation Program	–	–	11
Parks – Centennial Park rehabilitation	–	33	–
Public Transit Infrastructure Funds	–	138	8,088
Cultural	–	99	63
Roadways – DTIMS update	–	50	–
	4,111	5,184	12,774
Total revenues	\$ 8,144	\$ 8,347	\$ 21,733
Expenses:			
Charitable and non-profit organizations	\$ 345	\$ 410	\$ 2,209
Total expenses	\$ 345	\$ 410	\$ 2,209

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

18. Budget figures:

The Budget data presented in these consolidated financial statements are based upon the 2019 operating and capital budgets approved by Council. The City does not budget for amortization and, as a result, amortization is included based on actual cost. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

Revenue:		
Operating budget as approved	\$	114,862
Add:		
Revenue in expense departments		20,908
Parking revenues		3,063
Water and wastewater revenues		52,245
Transit revenue		12,500
Library revenue		405
Airport revenue		184
Grants in capital budget		7,129
CIP expenses in revenue budget		1,200
Less:		
Prior year surplus		(1,106)
<hr/>		
Total budgeted revenue		211,390
Expenses:		
Operating budget as approved	\$	114,862
Add:		
Revenue included in expense departments		20,908
Amortization		29,893
Transfers from reserve		1,412
Water and wastewater expenses		51,559
Parking expenses		3,687
Transit expenses		25,732
Library expenses		5,425
Airport expenses		420
BIAs expenses		404
Hospital interest		714
CIP expenses included in revenue		1,200
Employee future benefits and closed landfill liability		1,610
Less:		
Debt principle payments		(12,391)
Transfers to reserve		(2,653)
Transfer to transit		(12,751)
Transfer to library		(5,512)
Transfer to airport		(245)
Transfer to BIA's		(384)
Transfer to capital		(4,873)
Water and wastewater capital		(8,320)
<hr/>		
Total budgeted expenses		210,697
<hr/>		
Budgeted surplus	\$	693

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

19. Segmented reporting:

The City of St. Catharines is a lower-tier City that provides a wide range of services to its citizens. Segments include General Government, Protection, Transportation, Environmental and Recreation and Culture. Major services and activities provided by each segment are as follows:

(a) General Government:

Reported in the General Government functional area are the combined functions of general government, health services, social and family services and planning and development.

General Government includes services relating to governance, corporate management and program support. These are the combined services of the CAO's office, Financial Management, Legal and Corporate Support Services departments.

Health Services includes the administration, operation and maintenance of City cemeteries. Also included here is the City's commitment to the Niagara Health System hospital.

Social and Family Services includes the administration, operation and maintenance of seniors programs and facilities.

Planning and Development Services includes services relating to the Official Plan, zoning, community improvement, the attraction and retention of new and existing businesses and tourism. Also included here are the services provided by the Downtown Association and Port Dalhousie Business Improvement Area.

The mandate of this functional area is to provide political governance, administrative executive management and those expenses and revenues which are corporate in nature and cannot be easily apportioned to other departments. Reported in this functional area are departments such as Council, Clerks, CAO, Finance, Human Resources, Legal, Information Systems and Capital Assets.

(b) Protection to Persons and Property:

Reported in the Protection to Persons and Property functional area are services relating to fire suppression, prevention, training and communication, the issuance of permits, building inspections and property standards, enforcement of applicable municipal bylaws and technical analysis and recommendations for proposed and existing developments.

(c) Transportation Services:

Reported in the Transportation Services functional area are services relating to the construction, rehabilitation and maintenance of City's road and sidewalk network, winter control, parking and parking enforcement and street lighting. Also included are Urban Transit Services and Paratransit Services provided by the St. Catharines Transit Commission and the City's portion of the Niagara District Airport.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

19. Segmented reporting (continued):

(d) Environmental services:

Reported in the Environmental Services functional area are services relating to the construction, rehabilitation and maintenance of the City's storm sewer, sanitary sewer and waterline network, pollution control, environmental monitoring and the implementation of environmental programs.

(e) Recreation/Culture Services:

Reported in the Recreation/Cultural Services functional area are services relating to the administration, operations and maintenance of the City's parks, recreation facilities and programs, museum, heritage facilities and cultural programs. Also included are library services provided by the St. Catharines Public Library Board.

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. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation is allocated to segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected. The accounting policies used in these segments are consistent with those followed in preparation of the consolidated financial statements as disclosed in note 1.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Note 19 – Segmented reporting
Year ended December 31, 2019

2019	General Government	Protection	Transportation	Environment	Recreation/ Culture	Total
Revenue:						
Taxation	\$ 25,050	\$ 24,403	\$ 31,205	\$ 2,160	\$ 25,158	\$ 107,976
Taxation from other governments	538	524	671	46	540	2,319
User fees and charges	4,518	1,608	16,370	51,448	5,142	79,086
Government grants	641	40	3,088	4,021	557	8,347
Interest and penalties	463	452	578	40	467	2,000
Investment income	1,248	461	616	41	589	2,955
Donations	14	–	–	–	786	800
Other (including developer contributed TCA)	1,048	2,546	1,320	921	7,327	13,162
Equity income in St. Catharines Hydro Inc.	5,703	–	–	–	–	5,703
Gain (loss) on disposal of capital assets	4	9	11	(331)	(159)	(466)
Total revenues	39,227	30,043	53,859	58,346	40,407	221,882
Expenses:						
Salaries and wages	16,793	29,780	26,749	6,043	19,210	98,575
Operating materials and supplies	5,646	1,602	10,232	33,450	10,872	61,802
Contracted services	3,403	1,109	4,411	3,628	4,781	17,332
Rents and financial expenses	1,655	51	652	11	430	2,799
Interfunctional transfers	(457)	300	(1,166)	1,318	5	–
External transfer	1,564	40	–	–	–	1,604
Amortization	1,543	1,197	13,468	5,991	7,694	29,893
Debt service	1,071	102	1,096	420	1,733	4,422
Total expenses	31,218	34,181	55,442	50,861	44,725	216,427
Annual surplus (deficit)	\$ 8,009	\$ (4,138)	\$ (1,583)	\$ 7,485	\$ (4,318)	\$ 5,455

THE CORPORATION OF THE CITY OF ST. CATHARINES

Note 19 – Segmented reporting (continued)

Year ended December 31, 2019

2018	General Government	Protection	Transportation	Environment	Recreation/ Culture	Total
Revenue:						
Taxation	\$ 24,082	\$ 23,459	\$ 29,998	\$ 2,076	\$ 24,185	\$ 103,800
Taxation from other governments	539	525	672	46	542	2,324
User fees and charges	4,971	1,242	16,187	51,839	5,365	79,604
Government grants	469	49	15,222	5,178	815	21,733
Interest and penalties	595	581	743	51	600	2,570
Investment income	1,121	338	444	30	448	2,381
Donations	117	–	10	–	685	812
Other (including developer contributed TCA)	976	2,204	3,434	1,767	9,676	18,057
Equity income in St. Catharines						
Hydro Inc.	4,900	–	–	–	–	4,900
Gain (loss) on disposal of capital assets	(289)	29	(1,659)	(385)	(709)	(3,013)
Total revenues	37,481	28,427	65,051	60,602	41,607	233,168
Expenses:						
Salaries and wages	15,844	26,303	25,492	6,058	18,314	92,011
Operating materials and supplies	5,489	1,670	9,767	32,567	11,182	60,675
Contracted services	3,042	1,036	7,171	3,083	6,815	21,147
Rents and financial expenses	2,917	–	339	4	409	3,669
Interfunctional transfers	(241)	–	(911)	1,152	–	–
External transfer	3,331	–	–	–	–	3,331
Amortization	1,312	1,206	13,529	5,794	7,629	29,470
Debt service	324	88	1,234	393	1,779	3,818
Total expenses	32,018	30,303	56,621	49,051	46,128	214,121
Annual surplus (deficit)	\$ 5,463	\$ (1,876)	\$ 8,430	\$ 11,551	\$ (4,521)	\$ 19,047

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019
(In thousands of dollars)

20. Comparative information:

Certain comparative information has been reclassified to conform to the presentation adopted in the current year. There is no impact to annual surplus or accumulated surplus as a result of the reclassification.

21. Subsequent events:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian, Ontario and municipal governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

The City declared a state of emergency under the Emergency Management Act Ontario, on April 3, 2020. The declaration of a state of emergency provides the Mayor with the ability to take action and make orders, as necessary, to protect the health, safety and welfare of residents. In addition, at the time of approval of these financial statements, the City has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Experienced temporary declines in the fair value of investments and investment income
- Closure of parks and recreation facilities and administrative buildings to the date of the auditors' report based on public health recommendations subject to appointments
- Temporary leaves and lay-offs of employees in non-essential services
- Suspension of penalties and interest on overdue amounts
- Mandatory working from home requirements for those able to do so

The City continues to monitor the guidance from the Provincial government around opening of businesses and attractions. The current challenging economic climate may lead to adverse changes in cash flows, reduction of service levels and budgetary constraints, which may also have a direct impact on the City's revenues, annual surplus or deficit and reserve and reserve funds in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the City, surrounding economy and services are not known at this time.

At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

(In thousands of dollars)

21. Subsequent events (continued):

Subsequent to December 31, 2019, the City received notice of a decision with respect to an arbitration for employee benefits which was on-going as at December 31, 2019. As a result of this arbitration decision, the City has recognized an adjustment to post-employment benefits in the amount of \$1,549 and a corresponding expense in the Consolidated Statement of Operations.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Schedule 1 - Tangible Capital Assets

Year ended December 31, 2019

2019	Cost			Accumulated amortization					Total
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Deletions	Balance, end of year	
General:									
Land	\$ 42,605	\$ –	9	\$ 42,596	\$ –	\$ –	\$ –	\$ –	\$ 42,596
Land improvements	72,080	1,940	172	73,848	31,732	2,011	149	33,594	40,254
Buildings, improvements and components	247,723	5,498	804	252,417	59,000	6,142	539	64,603	187,814
Machinery and equipment	26,234	1,218	862	26,590	14,051	1,874	849	15,076	11,514
Furniture and fixtures	11,236	80	–	11,316	3,896	652	–	4,548	6,768
Information technology	12,282	565	275	12,572	5,997	1,313	271	7,039	5,533
Vehicles	53,319	1,687	775	54,231	31,694	3,551	766	34,479	19,752
	465,479	10,988	2,897	473,570	146,370	15,543	2,574	159,339	314,231
Infrastructure:									
Land	2,280	–	–	2,280	–	–	–	–	2,280
Land improvements	9,571	2	–	9,573	3,528	211	–	3,739	5,834
Buildings, improvements and components	35,394	90	4	35,480	10,055	984	2	11,037	24,443
Machinery and equipment	25,237	1,937	1,132	26,042	10,367	1,289	904	10,752	15,290
Information technology	139	–	–	139	96	7	–	103	36
Vehicles	9,599	1,652	124	11,127	6,307	643	124	6,826	4,301
Linear	662,465	11,816	1,891	672,390	312,665	11,216	1,424	322,457	349,933
	744,685	15,497	3,151	757,031	343,018	14,350	2,454	354,914	402,117
Work in progress:									
Opening balance	78,185	22,879	–	101,064	–	–	–	–	101,064
Internally transferred	(48,968)	(19,968)	–	(68,936)	–	–	–	–	(68,936)
Subtotal: Work in progress	29,217	2,911	–	32,128	–	–	–	–	32,128
Total	\$ 1,239,381	\$ 29,396	\$ 6,048	\$ 1,262,729	\$ 489,388	\$ 29,893	\$ 5,028	\$ 514,253	\$ 748,476

THE CORPORATION OF THE CITY OF ST. CATHARINES

Schedule 1 - Tangible Capital Assets (continued)

Year ended December 31, 2019

2018	Cost			Accumulated amortization					Total
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Deletions	Balance, end of year	
General:									
Land	\$ 42,605	\$ -	\$ -	\$ 42,605	\$ -	\$ -	\$ -	\$ -	\$ 42,605
Land improvements	68,701	3,601	222	72,080	29,905	1,989	162	31,732	40,348
Buildings, improvements and components	240,778	8,518	1,573	247,723	53,739	5,976	715	59,000	188,723
Machinery and equipment	24,447	3,078	1,291	26,234	13,474	1,859	1,282	14,051	12,183
Furniture and fixtures	10,839	407	10	11,236	3,249	657	10	3,896	7,340
Information technology	11,733	1,512	963	12,282	5,565	1,391	959	5,997	6,285
Vehicles	50,044	10,223	6,948	53,319	34,709	3,594	6,609	31,694	21,625
	449,147	27,339	11,007	465,479	140,641	15,466	9,737	146,370	319,109
Infrastructure:									
Land	2,280	-	-	2,280	-	-	-	-	2,280
Land improvements	8,226	1,682	337	9,571	3,525	203	200	3,528	6,043
Buildings, improvements and components	31,211	5,107	924	35,394	9,919	846	710	10,055	25,339
Machinery and equipment	23,479	2,785	1,027	25,237	9,864	1,221	718	10,367	14,870
Information technology	96	43	-	139	95	1	-	96	43
Vehicles	9,327	1,108	836	9,599	6,480	663	836	6,307	3,292
Linear	638,079	29,832	5,446	662,465	305,766	11,069	4,170	312,665	349,800
	712,698	40,557	8,570	744,685	335,649	14,003	6,634	343,018	401,667
Work in progress:									
Opening balance	49,034	29,151	-	78,185	-	-	-	-	78,185
Internally transferred	-	(48,968)	-	(48,968)	-	-	-	-	(48,968)
Subtotal: Work in progress	49,034	(19,817)	-	29,217	-	-	-	-	29,217
Total	\$ 1,210,879	\$ 48,079	\$ 19,577	\$ 1,239,381	\$ 476,290	\$ 29,469	\$ 16,371	\$ 489,388	\$ 749,993



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the City of St. Catharines

Opinion

We have audited the financial statements of the trust funds of The Corporation of the City of St. Catharines (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and fund balances for the year then ended
- and notes, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and fund balances for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 public sector accounting standards, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

October 5, 2020

THE CORPORATION OF THE CITY OF ST. CATHARINES

Statement of Financial Position - Trust Funds

As at December 31, 2019, with comparative information for 2018

	Cemetery Perpetual Care Fund	Marker Care and Maintenance Fund	Memorial Forest	2019 Total	2018 Total
Assets					
Cash	\$ 106	\$ 76	\$ -	\$ 182	\$ 179
Investments	6,859	594	-	7,453	7,497
Accrued interest	319	41	-	360	265
Due from operating fund	1,783	-	15	1,798	1,620
	\$ 9,067	\$ 711	\$ 15	\$ 9,793	\$ 9,561
Liabilities and Fund Balances					
Due to operating fund	\$ -	\$ 63	\$ -	\$ 63	\$ 68
Fund balances	9,067	648	15	9,730	9,493
Subsequent event (note 3)					
	\$ 9,067	\$ 711	\$ 15	\$ 9,793	\$ 9,561

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Statement of Operations and Fund Balances - Trust Funds

Year ended December 31, 2019, with comparative information for 2018

	Cemetery Perpetual Care Fund	Marker Care and Maintenance Fund	Memorial Forest	2019 Total	2018 Total
Balance, beginning of year	\$ 8,843	\$ 631	\$ 19	\$ 9,493	\$ 9,255
Receipts:					
Sales of plots, crypts and markers	224	17	–	241	236
Interest	203	17	–	220	219
Donations	–	–	7	7	7
	427	34	7	468	462
Expenditures					
Contribution to operating fund	203	17	–	220	219
Administration	–	–	11	11	5
	203	17	11	231	224
Balance, end of year	\$ 9,067	\$ 648	\$ 15	\$ 9,730	\$ 9,493

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Trust Funds Financial Statements

Year ended December 31, 2019

1. Significant accounting policies:

The financial statements of The Corporation of the City of St. Catharines (the "City") trust funds (the "Trusts") are prepared by management prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of CPA Canada.

(a) Basis of accounting:

- (i) Receipts and expenditures are reported on the accrual basis of accounting.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services and the creation of a legal obligation to pay.
- (iii) Investments are recorded at cost. When there is a decline in value that is other than temporary, investments are written down to fair value.

2. Due to/from operating fund:

The amounts owing to/from the operating fund are held with the City and are non-interest bearing with no fixed terms of repayment.

3. Subsequent event:

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Trust's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.

Financial Statements of

**ST. CATHARINES DOWNTOWN
ASSOCIATION**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
Commerce Place
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INDEPENDENT AUDITORS' REPORT

To the Board Members of the St. Catharines Downtown Association, Members of Council, Inhabitants and Ratepayers of The Corporation of the City of St. Catharines

Opinion

We have audited the accompanying financial statements of the St. Catharines Downtown Association (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net financial assets (net debt) for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedule to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the St. Catharines Downtown Association as at December 31, 2019, and its results of operations, its changes in net financial assets (net debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 public sector accounting standards, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada
February 18, 2020

ST. CATHARINES DOWNTOWN ASSOCIATION

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ST. CATHARINES DOWNTOWN ASSOCIATION

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets		
Cash	\$ 45,033	\$ 108,081
Accounts receivable (note 3)	31,413	99,341
	<u>76,446</u>	<u>207,422</u>
Financial liabilities		
Accounts payable and accrued liabilities	79,864	17,197
Provision for redemption of parking tokens (note 4)	8,166	8,323
	<u>88,030</u>	<u>25,520</u>
Net (debt) financial assets	(11,584)	181,902
Non-financial assets		
Tangible capital assets (note 2)	102,246	3,626
Prepaid expenses	20,279	12,612
	<u>122,525</u>	<u>16,238</u>
Commitments (note 6)		
Accumulated surplus (note 5)	\$ 110,941	\$ 198,140

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

ST. CATHARINES DOWNTOWN ASSOCIATION

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 7)	2019	2018
Revenue:			
Member levy (note 3)	\$ 384,431	\$ 365,206	\$ 364,449
City of St. Catharines grants (note 3)	-	9,075	10,000
Craft brewery event	-	-	14,138
Ghost walking tours	-	2,000	1,760
Marketing	-	30	3,770
Provincial grant – Summer Jobs	-	-	2,583
Christmas events	-	300	645
Outdoor Banners	-	1,265	-
Total revenue	384,431	377,876	397,345
Expenses: (Schedule)			
Administration	198,850	201,817	171,335
Amortization	-	6,748	6,849
Development	38,300	28,749	27,373
Events	57,600	47,921	67,556
Media and visual marketing	99,181	172,920	83,297
Tourism	10,500	6,920	9,652
Total expenses	404,431	465,075	366,062
Annual (deficit) surplus	(20,000)	(87,199)	31,283
Accumulated surplus, beginning of year	198,140	198,140	166,857
Accumulated surplus, end of year	\$ 178,140	\$ 110,941	\$ 198,140

See accompanying notes to financial statements.

ST. CATHARINES DOWNTOWN ASSOCIATION

Statement of Changes in Net Financial Assets (Net debt)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Annual (deficit) surplus	\$ (87,199)	\$ 31,283
Acquisition of tangible capital assets	(105,368)	-
Amortization of tangible capital assets	6,748	6,849
Prepaid expenses	(7,667)	-
Change in net financial assets	(193,486)	38,132
Net financial assets, beginning of year	181,902	143,770
Net (debt) financial assets, end of year	\$ (11,584)	\$ 181,902

See accompanying notes to financial statements.

ST. CATHARINES DOWNTOWN ASSOCIATION

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual (deficit) surplus	\$ (87,199)	\$ 31,283
Items not involving cash:		
Amortization	6,748	6,849
Changes in non-cash assets and liabilities:		
Accounts payable and accrued liabilities	62,667	(3,375)
Accounts receivable	67,928	17,140
Provision for redemption of parking tokens	(157)	(119)
Prepaid expenses	(7,667)	-
Net change in cash from operating activities	42,320	51,778
Capital activities:		
Cash used to acquire tangible capital assets	(105,368)	-
Net (decrease) increase in cash	(63,048)	51,778
Cash, beginning of year	108,081	56,303
Cash, end of year	\$ 45,033	\$ 108,081

See accompanying notes to financial statements.

ST. CATHARINES DOWNTOWN ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2019

The St. Catharines Downtown Association (the "Association") was established by the Council of the City of St. Catharines in 1973 pursuant to the Municipal Act. The Association has been entrusted with the improvement, beautification and maintenance of municipally owned lands, buildings and structures in the Association area, beyond such expenditures by the City of St. Catharines. The Association is also responsible for the promotion of this improvement area for business and shopping. The Association is financed by a special levy charged upon businesses in the improvement area.

1. Significant accounting policies:

The financial statements of the Association are prepared by management in accordance with Canadian public sector accounting standards ("PSAS"). Significant accounting policies adopted by the Association are as follows:

(a) Basis of accounting:

The Association follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Government transfers:

Government transfers received relate to the assessment levy and operating grants. Government transfers are recognized in the financial statements as revenues when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amounts can be made except when, and to the extent that, stipulations by the transferors give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(c) Other income:

Other income is reported as revenue in the period earned.

ST. CATHARINES DOWNTOWN ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life - years
Computers	3
Garbage receptacles	10
Holiday décor	5
Kiosks	20

(e) Use of estimates:

The preparation of financial statements 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 year. Actual results could differ from those estimates.

ST. CATHARINES DOWNTOWN ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Tangible capital assets:

Cost	Balance at December 31, 2018	Additions	Disposals	Balance at December 31, 2019
Computers	\$ 744	\$ -	\$ -	\$ 744
Garbage receptacles	12,818	-	-	12,818
Holiday decor	26,595	105,368	-	131,963
Kiosks	12,423	-	-	12,423
Total	\$ 52,580	\$ 105,368	\$ -	\$ 157,948

Accumulated amortization	Balance at December 31, 2018	Disposals	Amortization expense	Balance at December 31, 2019
Computers	\$ 413	\$ -	\$ 248	\$ 661
Garbage receptacles	9,838	-	1,282	11,120
Holiday decor	26,280	-	5,218	31,498
Kiosks	12,423	-	-	12,423
Total	\$ 48,954	\$ -	\$ 6,748	\$ 55,702

	Net book value December 31, 2018	Net book value December 31, 2019
Computers	\$ 331	\$ 83
Garbage receptacles	2,980	1,698
Holiday decor	315	100,465
Kiosks	-	-
Total	\$ 3,626	\$ 102,246

(a) Contributed tangible capital assets:

The Association received no contributed tangible capital assets in 2019 or 2018.

(b) Tangible capital assets disclosed at nominal values:

There are no tangible capital assets recognized at a nominal value.

(c) Write-down of tangible capital assets:

The Association has not recorded write-downs of tangible capital assets during the year or 2018.

ST. CATHARINES DOWNTOWN ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Related party transactions:

During the year, the Association recorded the following transactions with the City of St. Catharines:

Revenue:

	2019	2018
Member levy collected on behalf of the Association	\$ 384,431	\$ 384,431
Supplemental taxes	4,298	5,611
Taxes written-off	(23,523)	(25,593)
	<u>\$ 365,206</u>	<u>\$ 364,449</u>

The City of St. Catharines also contributed \$9,075 (2018 - \$10,000) to the Association in support of the annual Christmas events held within the Association.

Included in accounts receivable at the end of the year is a receivable from the City of St. Catharines for the annual Christmas grant of \$9,075.

During the year, the Association transacted with members of key management in the amount of \$15,301 (2018 - \$15,886) for leased premises.

4. Provision for redemption of parking tokens:

The provision for redemption of parking tokens in the amount of \$8,166 (2018 - \$8,323) represents the estimated value of parking tokens in the hands of merchants and their customers for which the Association is responsible for.

5. Accumulated surplus:

Accumulated surplus consists of the following:

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 102,246	\$ 3,626
Reserve fund	8,695	194,514
Accumulated surplus	<u>\$ 110,941</u>	<u>\$198,140</u>

The reserve fund is used to fund expenditures, normally of a capital nature, that are approved by the Association. It is the policy of the Association to transfer the operating fund annual surplus or deficit to the Reserve fund.

ST. CATHARINES DOWNTOWN ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Commitments:

The Association is committed under an operating lease for the rental of office space. Future minimum lease payments under this operating lease are as follows:

2020	\$ 17,250
2021	17,359
2022	10,163
	<hr/>
	\$ 44,772

The Association is committed under an operating lease for the rental of equipment. Future minimum lease payments under this operating lease are as follows:

2020	\$ 6,947
2021	1,737
	<hr/>
	\$ 8,684

7. Budget data:

The budget data presented in these financial statements is based upon the 2019 budget approved by the Board on January 16, 2019. Amortization and acquisitions of tangible capital assets were not contemplated on development of the budget and, as such, were not provided on the statement of changes in net financial assets (net debt).

ST. CATHARINES DOWNTOWN ASSOCIATION

Schedule of Expenses

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Administration:			
Banking charges	\$ 1,000	\$ 810	\$ 1,207
Communications equipment	8,500	9,161	8,278
Insurance	1,500	1,536	1,098
Professional fees	6,600	7,423	7,182
Rent	16,000	15,300	15,886
Salaries and payroll taxes	161,250	161,597	131,385
Supplies and other	4,000	5,990	6,299
	\$ 198,850	\$ 201,817	\$ 171,335
Development:			
Annual general meeting	\$ 1,000	\$ 1,284	\$ 1,032
Business development program	1,500	934	1,644
Committee/board/staff development	5,000	4,961	4,620
Façade/streetscape improvements	2,000	10,500	10,500
Membership/resources	6,300	1,421	5,716
Newsletter/supplements	1,500	1,652	1,481
Safety	20,000	3,093	-
Website	1,000	4,904	2,380
	\$ 38,300	\$ 28,749	\$ 27,373
Events:			
Christmas	\$ 15,000	\$ 19,040	\$ 30,899
Historical ghost walking tours	100	2,828	892
Craft brewery	10,000	4,907	21,933
Downtown D'Lish	7,500	8,256	7,267
My downtown	10,000	5,641	4,026
Art city	5,000	7,249	2,539
Sponsorships – other events	10,000	-	-
	\$ 57,600	\$ 47,921	\$ 67,556
Media and Visual Marking:			
Beautification/maintenance/identification	\$ 30,000	\$ 22,430	\$ 18,535
General marketing	55,231	133,029	57,664
Kiosks	450	296	417
Marketing campaign	13,500	13,965	6,681
Sponsorship	-	3,200	-
	\$ 99,181	\$ 172,920	\$ 83,297
Tourism:			
Advertising	\$ 10,500	\$ 6,920	\$ 9,652

Financial Statements of

**ST. CATHARINES PUBLIC LIBRARY
BOARD**

Year ended December 31, 2019

ST. CATHARINES PUBLIC LIBRARY BOARD

Financial Statements

December 31, 2019, with comparative information for 2018

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INDEPENDENT AUDITORS' REPORT

To the Board Members of the St. Catharines Public Library Board, Members of Council, Inhabitants and Ratepayers of The Corporation of the City of St. Catharines

Opinion

We have audited the accompanying financial statements of the St. Catharines Public Library Board (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 public sector accounting standards, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada
May 21, 2020

ST. CATHARINES PUBLIC LIBRARY BOARD

Statement of Financial Position

As at December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets		
Cash	\$ 3,984,913	\$ 4,287,435
Accounts receivable	118,071	133,391
Investments (note 3)	1,640,155	1,477,803
	<u>5,743,139</u>	<u>5,898,629</u>
Financial liabilities		
Accounts payable and accrued liabilities	513,972	557,897
Deferred income (note 4)	-	8,604
Post-employment benefits (note 2)	348,402	332,719
Long-term liabilities (note 5)	1,071,054	1,149,294
	<u>1,933,428</u>	<u>2,048,514</u>
Net financial assets	3,809,711	3,850,115
Non-financial assets		
Prepaid expenses	36,291	33,222
Tangible capital assets (Schedule 3)	7,934,054	8,199,427
	<u>7,970,345</u>	<u>8,232,649</u>
Commitments (note 7)		
Subsequent event (note 11)		
Accumulated surplus (note 8)	<u>\$11,780,056</u>	<u>\$12,082,764</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

ST. CATHARINES PUBLIC LIBRARY BOARD

Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Budget 2019	Actual 2019	Actual 2018
	(note 9)		
Revenue:			
Municipal contribution	\$ 5,612,338	\$ 5,512,338	\$ 5,398,960
Province of Ontario regular grant	228,600	228,616	228,616
Special grants	-	12,267	23,126
Other (Schedule 1)	176,472	290,588	256,929
	6,017,410	6,043,809	5,907,631
Expenses:			
Salaries, wages and payroll taxes (Schedule 2)	4,169,123	4,069,650	3,909,233
Library materials (Schedule 2)	352,500	332,632	366,460
Occupancy (Schedule 2)	580,306	534,953	371,422
General and administration (Schedule 2)	323,316	364,643	367,052
Interest	-	47,647	50,598
Amortization	996,992	996,992	994,526
	6,422,237	6,346,517	6,059,291
Annual deficit	(404,827)	(302,708)	(151,660)
Accumulated surplus, beginning of year	12,082,764	12,082,764	12,234,424
Accumulated surplus, end of year	\$ 11,677,937	\$ 11,780,056	\$ 12,082,764

See accompanying notes to financial statements.

ST. CATHARINES PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Annual deficit	\$ (302,708)	\$ (151,660)
Purchase of tangible capital assets	(731,619)	(985,216)
Amortization of tangible capital assets	996,992	994,526
Change in prepaid expenses	(3,069)	109
	(40,404)	(142,241)
Net financial assets, beginning of year	3,850,115	3,992,356
Net financial assets, end of year	\$ 3,809,711	\$ 3,850,115

See accompanying notes to financial statements.

ST. CATHARINES PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (302,708)	\$ (151,660)
Items not involving cash:		
Amortization	996,992	994,526
Change in non-cash assets and other liabilities:		
Accounts receivable	15,320	(63,380)
Prepaid expenses	(3,069)	109
Deferred income	(8,604)	(8,196)
Post-employment benefits	15,683	(19,776)
Accounts payable and accrued liabilities	(43,925)	105,964
	669,689	857,587
Capital activities:		
Purchase of tangible capital assets	(731,619)	(985,216)
Financing activities:		
Long-term liabilities repaid	(78,240)	(75,349)
Investing activities:		
Change in investments	(162,352)	122,084
Net change in cash	(302,522)	(80,894)
Cash, beginning of year	4,287,435	4,368,329
Cash, end of year	\$ 3,984,913	\$ 4,287,435

See accompanying notes to financial statements.

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2019

The financial statements of St. Catharines Public Library Board (the "Library") are prepared by management in accordance with Canadian public sector accounting standards.

1. Significant account policies:

Significant accounting policies adopted by the Library are as follows:

(a) Basis of accounting:

The Library follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of a receipt of goods or services and the creation of a legal obligation to pay.

(b) Government transfers:

Government transfers received are from the Province of Ontario and the City of St. Catharines. Government transfers paid relate to surplus repayment and future reserves to the City of St. Catharines. Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(c) Other income:

Other income, including investment income, is reported as revenue in the period earned.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed or donated tangible capital assets are recorded at their fair value at the date of receipt.

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant account policies (continued):

(d) Non-financial assets (continued):

(ii) Amortization

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing library services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives as follows:

Asset	Number of years
Buildings	25-100 years
Building Improvements	10-50 years
Collections (asset pool)	7 years
Furniture and equipment	3-100 years
IT equipment	3-15 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Certain Library land and buildings are owned and controlled by The Corporation of the City of St. Catharines and are therefore not reflected in these financial statements.

(e) Post-employment benefits:

The Library provides certain employee benefits which will require funding in future periods. The cost of self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement health and dental benefits for retirees, is actuarially determined using the project benefit method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System (OMERS) pensions, are the employer's contributions due to the plan in the period. These contributions are recognized in the period in which the contributions are earned.

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant account policies (continued):

(f) Deferred revenue:

Deferred revenue represents funds collected for which related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year in which the related services are performed.

(g) Investments:

Investments are recorded at cost. When the investments incur a loss in value that is other than temporary, the investments are written down to their fair value and the loss is recognized in the statement of operations.

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include assumptions used in performing actuarial valuations of liability for future benefits. Actual results could differ from those estimates.

2. Post-employment benefit liability:

Post-employment benefits are comprised of health and dental benefits, as well as life insurance for permanent full-time retirees retiring on unreduced OMERS pension up to the age of 65.

The Library recognizes the post-employment benefits costs as they are earned during the year. The Library's obligation under the post-employment provisions of employment agreements will be funded out of current revenue.

The post-employment benefit obligation was determined by an actuarial valuation as at December 31, 2019.

	2019	2018
Vacation	\$ 57,902	\$ 47,876
Retirement benefits	290,500	284,843
	<u>\$ 348,402</u>	<u>\$ 332,719</u>

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Post-employment benefit liability (continued):

Information about the Library post-employment benefit liability is as follows:

	2019	2018
Accrued benefit obligation		
Balance, beginning of year	\$ 178,343	\$ 184,800
Current service costs	19,300	10,400
Actuarial (gain)/loss	103,000	-
Interest on accrued benefit obligation	9,500	6,443
Benefits paid during the period	(21,043)	(23,300)
Balance, end of year	289,100	178,343
Unamortized actuarial gain	1,400	106,500
Accrued benefit liability	\$ 290,500	\$ 284,843

The 2019 unamortized actuarial gain/loss is amortized over the expected average remaining service life of 11 years. Amortization of the actuarial gain included in expense is \$2,100 (2018 - \$13,300).

Actuarial valuations are performed on post-employment and retirement benefits to provide estimates of the accrued benefit obligations. These estimates are based on a number of assumptions about future events including interest rates, inflation rates, salary and wage increases, medical and dental cost increases and mortality.

The main actuarial assumptions adopted for the valuation are as follows:

The accrued benefit liability for post-employment benefits was determined by actuarial valuation as at December 31, 2019 using a discount rate of 2.90% (2018 – 3.50%).

General Inflation - Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), was assumed at 2.0% per annum.

Health and dental trend costs – Health care trend costs of 8.2% in 2019, reducing linearly to 4.0% by 2040. Dental care trend costs of 6.75%, reducing linearly to 4.0% in 2030 are presumed.

Mortality is based on the Canadian Institute of Actuaries' 2014 CPM Public Table with MI-2017 Scale.

3. Investments:

Investments of \$1,640,155 (2018 - \$1,477,803) are carried at cost which approximates fair value due to the nature of investments held at the end of the year. The fair value represents the realizable value of investments if they were to be sold at December 31, 2019.

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Deferred revenue:

Deferred revenue consists of funds received in advance which are expected to be earned in the next fiscal year. Continuity of deferred revenue is as follows:

Continuity	2019	2018
Balance, beginning of year	\$ 8,604	\$ 16,800
Add:		
Funds received	-	8,522
Less:		
Amounts recognized in revenue	(8,604)	(16,718)
	\$ -	\$ 8,604

5. Long-term liabilities:

The balance of long-term liabilities reported on the statement of financial position is made up of:

Debenture number	Purpose	Interest rates	Maturity date	2019	2018
110-2011	Dr. Huq Family Library Branch	3.8%	2031	\$ 1,071,054	\$ 1,149,294

Principal charges in each of the next five years are as follows:

2020	\$ 81,241
2021	84,358
2022	87,594
2023	90,954
2024	94,443
2025 and thereafter	632,464
	\$ 1,071,054

Total interest on long-term liabilities which are reported on the statement of operations and accumulated surplus amounted to \$47,647 (2018 - \$50,598).

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Pension agreements:

The St. Catharines Public Library makes contributions to OMERS, which is a multi-employer plan, on behalf of 56 members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The latest actuarial valuation as at December 31, 2019 reported a funding deficit of \$3.4 billion (2018 - \$4.8 billion). OMERS expects the contributions and policy changes made in response to the deficit to return the plan to a fully funded position by 2025. Contributions were made in the 2019 calendar year at rates ranging from 9.0% to 14.6% depending on the level of earnings. As a result, \$244,577 was contributed to OMERS (2018 - \$228,966) for current service.

7. Commitments:

Minimum future lease payments for various premises and equipment are as follows:

2020	\$ 45,610
2021	14,795
2022	4,524
2023	4,197
2024	600
	<hr/>
	\$ 69,726

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserve and reserve funds as follows:

	2019	2018
Reserves and reserve funds	\$ 3,846,565	\$ 4,046,363
Funds set aside – (note 10)	1,418,893	1,398,987
Amounts to be recovered – long-term liabilities	(1,071,054)	(1,149,294)
Amounts to be recovered – post-employment benefit	(348,402)	(332,719)
Tangible capital assets	7,934,054	8,119,427
Balance, end of year	\$ 11,780,056	\$ 12,082,764

9. Budget data

The budget data presented in these financial statements is based upon the 2019 operating and capital budgets approved by Council on December 17, 2018. Amortization was not contemplated on development of the budget and, as such, was not included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

Revenues:		
Operating budget		\$ 6,264,135
Less:		
Transfers in – reserves		(246,725)
Total revenue		\$ 6,017,410
Expenses:		
Operating budget		5,425,245
Capital budget		848,890
Add:		
Amortization		996,992
Less:		
Capital expenses		(770,650)
Principal repayments		(78,240)
Total expenses		6,422,237
Annual deficit		\$ (404,827)

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Funds set aside

The Library has set aside specific monies for which donations received are designated for specific purposes. These include collections, capital funding and Library support programs. The reserves are summarized below:

	Architects Fund	Internal Fund	2019 Total	2018 Total
Revenues				
Donations	\$ -	\$ 48,438	\$ 48,438	\$ 33,037
Interest	-	28,644	28,644	22,011
	-	77,082	77,082	55,048
Expenditures				
Library materials	-	57,176	57,176	47,147
Net revenues	-	19,906	19,906	7,901
Funds, beginning of year	760	1,398,227	1,398,987	1,391,086
Funds, end of year	\$ 760	\$ 1,418,133	\$ 1,418,893	\$ 1,398,987

11. Subsequent event

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. As a result of the government interventions, the Library is currently closed to the public. The current challenging economic climate may lead to adverse changes in cash flows, municipal contributions and/or debt balances, which may also have a direct impact on the Library's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.

ST. CATHARINES PUBLIC LIBRARY BOARD

Schedule 1 - Other Revenue

Year ended December 31, 2019

	(Unaudited)		
	Budget 2019	Actual 2019	Actual 2018
Fines and memberships	\$ 74,042	\$ 73,993	\$ 76,884
Interest	50,750	113,346	98,939
Photocopying	4,885	4,781	4,483
Programming fees	8,151	7,748	5,850
Sundry	26,114	29,776	24,726
Meeting room rental	10,940	11,086	11,327
AV services	1,590	1,420	1,683
Donations	-	48,438	33,037
	\$ 176,472	\$ 290,588	\$ 256,929

ST. CATHARINES PUBLIC LIBRARY BOARD

Schedule 2 – Expenses

Year ended December 31, 2019

	(Unaudited) Budget 2019	Actual 2019	Actual 2018
Salaries, wages and payroll taxes			
Library and clerical	\$ 3,418,537	\$ 3,377,369	\$ 3,258,149
Payroll taxes	750,586	692,281	651,084
	4,169,123	4,069,650	3,909,233
Library materials			
Audio	43,000	1,645	29,693
Binding	3,500	1,832	1,062
Microfilm	15,000	5,274	11,867
Periodicals	267,000	292,983	300,443
Processing	24,000	30,898	23,395
	352,500	332,632	366,460
Occupancy			
Communications	39,507	37,234	37,125
Insurance	30,917	30,156	29,063
Rent and taxes	113,054	62,989	59,410
Repairs and maintenance	155,968	189,866	38,987
Security	15,160	15,160	18,343
Utilities	225,700	199,548	188,494
	580,306	534,953	371,422
General and administration			
Audio visual supplies	1,590	3,064	2,692
Data processing	18,400	18,609	11,394
Equipment rental	9,737	7,091	8,153
Equipment repairs and maintenance	133,560	121,222	163,665
Library supplies	41,720	36,518	39,110
Printing and stationery	2,000	683	1,801
Professional fees	43,900	49,339	33,563
Programming	9,300	9,890	4,074
Sundry	19,109	76,760	60,442
Training and development	18,300	16,256	19,098
Transportation and postage	25,700	25,211	23,060
	\$ 323,316	\$ 364,643	\$ 367,052

ST. CATHARINES PUBLIC LIBRARY BOARD

Schedule 3 – Tangible Capital Assets

Year ended December 31, 2019

	Cost			Accumulated Amortization				Balance End of Year	Net Book Value
	Balance Beginning of Year	Additions	Disposals	Balance End of Year	Balance Beginning of Year	Amortization	Disposals		
	\$	\$	\$	\$	\$	\$	\$		
Land	25,138	-	-	25,138	-	-	-	-	25,138
Buildings	7,128,200	-	-	7,128,200	3,009,279	87,612	-	3,096,891	4,031,309
Building Improvements	653,211	6,747	-	659,958	124,774	28,735	-	153,509	506,449
Collection	5,020,621	671,877	(748,652)	4,943,846	2,520,690	711,947	(748,652)	2,483,985	2,459,861
Furniture and equipment	975,980	18,340	-	994,320	375,312	58,915	-	434,227	560,093
IT equipment	619,643	34,655	-	654,298	193,311	109,783	-	303,094	351,204
December 31, 2019	14,422,793	731,619	(748,652)	14,405,760	6,223,366	996,992	(748,652)	6,471,706	7,934,054
Land	25,138	-	-	25,138	-	-	-	-	25,138
Buildings	7,128,200	-	-	7,128,200	2,921,414	87,865	-	3,009,279	4,118,921
Building improvements	581,361	71,850	-	653,211	98,459	26,315	-	124,774	528,437
Collection	5,079,370	655,298	(714,047)	5,020,621	2,513,309	721,428	(714,047)	2,520,690	2,499,931
Furniture and equipment	812,287	173,419	(9,726)	975,980	333,832	51,206	(9,726)	375,312	600,668
IT equipment	579,122	84,649	(44,128)	619,643	129,727	107,712	(44,128)	193,311	426,332
December 31, 2018	14,205,478	985,216	(767,901)	14,422,793	5,996,741	994,526	(767,901)	6,223,366	8,199,427

Financial Statements of

**ST. CATHARINES TRANSIT
COMMISSION**

And Independent Auditors' Report thereon

Year ended December 31, 2019

ST. CATHARINES TRANSIT COMMISSION MANAGEMENT REPORT

December 31, 2019

The accompanying financial statements of the St. Catharines Transit Commission (the "Service") are the responsibility of the Service's management and have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Service management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Service meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Service. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Service's financial statements.

Colin Briggs
Chair

Graham Morrison
General Manager



KPMG LLP
80 King Street, Suite 620
St. Catharines ON L2R 7G1
Canada
Tel 905-685-4811
Fax 905-682-2008

INDEPENDENT AUDITORS' REPORT

To the Commissioners of the St. Catharines Transit Commission, Members of Council, Inhabitants and Ratepayers of The Corporation of the City of St. Catharines

Opinion

We have audited the financial statements of the St. Catharines Transit Commission (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 public sector accounting standards, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



Page 3

- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

August 28, 2020

ST. CATHARINES TRANSIT COMMISSION

Statement of Financial Position

As at December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets		
Cash	\$ 1,244,526	\$ 1,132,518
Accounts receivable	1,204,175	943,713
Total financial assets	2,448,701	2,076,231
Liabilities		
Accounts payable and accrued liabilities	1,375,989	1,438,022
Deferred revenue (note 4)	1,013,113	964,056
Due to City of St. Catharines (note 7)	196,558	162,583
Post-employment benefits (note 2)	3,718,425	3,766,325
Long-term liabilities (note 3)	561,950	403,730
	6,866,035	6,734,716
Net debt	(4,417,334)	(4,658,485)
Non-financial assets		
Tangible capital assets (schedule 1)	29,683,203	33,150,435
Inventories	733,049	632,464
Prepaid expenses	267,381	210,094
	30,683,633	33,992,993
Subsequent event (note 11)		
Accumulated surplus (note 5)	\$ 26,266,299	\$ 29,334,508

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

ST. CATHARINES TRANSIT COMMISSION

Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Budget (note 9)	2019	2018
Revenues:			
Municipal contribution - City of St. Catharines	\$ 12,751,179	\$ 12,751,179	\$ 11,164,914
Government transfers (note 7)	-	446,187	13,159,421
Conventional farebox income	9,207,684	9,357,232	9,420,331
Paratransit farebox income	94,536	88,062	90,448
Thorold service municipal contribution	737,136	769,565	726,272
Thorold Paratransit contract services	118,200	111,117	111,402
Intown charters	46,000	54,427	112,366
School Board farecard income	90,000	47,025	43,875
Downtown terminal	237,888	227,145	225,898
Inter-municipal transit contract	1,681,275	2,240,343	1,638,786
Bus advertising	120,000	120,000	120,000
Shelter advertising	129,250	124,086	154,007
Other income	38,200	114,570	200,355
Paratransit donations	-	-	9,538
	25,251,348	26,450,938	37,177,613
Expenses (schedule 2):			
Transportation	12,593,232	12,951,036	13,066,891
Fuel	3,170,058	2,659,080	2,826,999
Equipment and vehicle maintenance	4,084,857	4,245,220	3,969,102
Premises and plant	682,273	834,903	698,578
Downtown terminal	706,062	760,438	714,900
General and administration	2,290,989	2,308,539	2,424,344
Paratransit operating	1,376,749	1,416,375	1,457,941
Paratransit taxi contract	129,760	125,200	113,234
Thorold Paratransit services	118,200	111,117	111,402
Amortization of tangible capital assets	-	3,935,953	4,007,356
Loss on disposal of assets	-	-	365,964
Interest on due to City of St. Catharines	-	171,286	162,582
	25,152,180	29,519,147	29,919,293
Annual (deficit) surplus	99,168	(3,068,209)	7,258,320
Accumulated surplus, beginning of year	29,334,508	29,334,508	22,076,188
Accumulated surplus, end of year	29,433,676	\$ 26,226,299	\$ 29,334,508

See accompanying notes to financial statements.

ST. CATHARINES TRANSIT COMMISSION

Statement of Changes in Net Debt

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Annual (deficit) surplus	\$ (3,068,209)	\$ 7,258,320
Acquisition of tangible capital assets	(468,721)	(13,458,180)
Amortization of tangible capital assets	3,935,953	4,007,356
Loss on disposal of tangible capital assets	-	365,964
Change in inventories	(100,585)	60,007
Change in prepaid expenses	(57,287)	(54,294)
Decrease (increase) in net debt	241,151	(1,820,827)
Net debt, beginning of year	(4,658,485)	(2,837,658)
Net debt, end of year	\$ (4,417,334)	\$ (4,658,485)

See accompanying notes to financial statements.

ST. CATHARINES TRANSIT COMMISSION

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Annual (deficit) surplus	\$ (3,068,209)	\$ 7,258,320
Item not involving cash:		
Amortization of tangible capital assets	3,935,953	4,007,356
Loss on disposal of tangible capital assets	-	365,964
	867,744	11,631,640
Changes in non-cash working capital		
Increase in accounts receivable	(260,462)	(74,698)
Increase in Inventories	(100,585)	60,007
Decrease in accounts payable and accrued liabilities	(62,033)	488,256
Increase in deferred revenue	49,057	536,640
Increase in due to City of St. Catharines	33,975	(341,895)
Increase in Prepaid expenses	(57,287)	(54,294)
Decrease in employee future benefits	(47,900)	1,428,106
	422,509	13,673,762
Investing:		
Acquisition of tangible capital assets	(468,721)	(13,458,180)
Financing:		
Long-term debt issued	250,000	-
Repayment of long-term debt	(91,780)	(41,270)
	158,220	(41,270)
Increase in cash	112,008	174,312
Cash, beginning of year	1,132,518	958,206
Cash, end of year	\$ 1,244,526	\$ 1,132,518

See accompanying notes to financial statements.

ST. CATHARINES TRANSIT COMMISSION

Notes to Financial Statements

Year ended December 31, 2019

The St. Catharines Transit Commission (the "Service") was established pursuant to the St. Catharines Act 1961 and is comprised of the operations formerly known as St. Catharines Transit Commission - Urban Service and the Paratransit System of St. Catharines. The purpose of the Service is to provide a safe, courteous and reliable transit service which responds to the needs of the community.

1. Significant accounting policies:

The financial statements of the Service are the representations of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Service are as follows:

(a) Accrual accounting:

The Service follows the accrual method of reporting revenue and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a receipt of goods and services and/or the creation of a legal obligation to pay.

(b) Other income:

Other income is recognized as revenue in the period earned.

(c) Government transfers:

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made, except when and to the extent that stipulations associated with the transfer give rise to a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. The transfer revenue is recognized in the Statement of Operations and Accumulated Surplus as the stipulations giving rise to the liabilities are settled.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

ST. CATHARINES TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies:

(d) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at historic cost. Cost includes all directly attributable expenditures in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location.

Amortization is recorded to reflect the cost, net of anticipated residual value, associated with the use of the asset in providing services on a straight-line basis over the estimated useful life of the asset. Additions during the year are amortized using half the normal rate. Disposals are amortized using half the normal rate. Work in progress assets are not amortized until complete and the asset is available for use.

Asset	Years
Land improvements	15 - 25
Buildings	5 - 75
Structures	10 - 20
Equipment	5 - 30
Furniture	20
IT equipment - Conventional	2 - 15
IT equipment - Paratransit	7
Vehicles - Conventional	6 - 12
Vehicles - Paratransit	7 - 12

(ii) Inventories:

Inventories held for consumption are valued at lower of cost and replacement cost.

(e) Deferred revenue:

Deferred revenue represents contract fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

ST. CATHARINES TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies:

(f) Employee future benefits:

The Service pays certain medical, dental and life insurance benefits on behalf of its retired employees which will require funding in future periods. The costs of life insurance and extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, health care cost trends, long term inflation rates and discount rates.

For self-insured and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as service payments and health and dental benefits for retirees, the cost is actuarially determined using the projected unit credit method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gain or loss related to the past service of employees are amortized over the expected average remaining service life of the employee group.

The cost of multi-employer defined benefit pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period. OMERS has been accounted for as a defined contribution plan since it's a multi-employer plan.

(g) Use of estimates:

The preparation of the financial statements in conformity 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates and assumptions are based on management's best information and judgement and actual results could differ from these estimates.

ST. CATHARINES TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Post-employment benefits:

	2019	2018
Post-employment benefits	\$ 3,718,425	\$ 3,766,325

Post-employment benefits

The Service pays certain medical, dental and life insurance benefits on behalf of its retired employees. The accrued benefit liability was determined by actuarial valuation as at December 31, 2019 using a discount rate of 2.90% (2018 - 3.50%).

	2019	2018
Accrued benefit obligation, beginning of year	\$ 3,390,125	\$ 2,330,908
Expense for the year	215,800	320,222
Actuarial (gain)/loss	(949,200)	828,221
Benefits paid during the year	(129,900)	(89,226)
Accrued benefit obligation, end of year	2,526,802	3,390,125
Unamortized actuarial gain	1,191,600	376,200
Liability, end of year	\$ 3,718,425	\$ 3,766,325

In the current year, amortization of the actuarial gain of \$133,800 was recognized in the statement of operations and accumulated surplus. The remaining unamortized actuarial gain will be amortized over the expected average remaining service life of 11 years.

The main actuarial assumptions employed for the valuation are as follows:

The accrued benefit liability for post-employment benefits was determined by actuarial valuation as at December 31, 2019 using a discount rate of 2.90% (2018 - 3.50%).

General Inflation - Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 3.0%.

Medical Costs - Medical costs were assumed to decrease at a rate of 8.2% reducing 0.20% per year to 4.0% in 2040 and thereafter. Other health costs were assumed at 4% per year.

Dental Costs - Dental costs were assumed to decrease at a rate of 6.75% in 2019 reducing 0.25% per year to ultimate rate of 4.0% in 2030 and thereafter.

ST. CATHARINES TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Long-term liabilities:

(a) The balance of long-term liabilities reported on the Statement of Financial Position is as follows:

	2019	2018
Long-term liabilities incurred by the Service which bear interest at 2.229% per annum	\$ 361,950	\$ 403,730
Long-term liabilities incurred by the Service which bear interest at 2.015% per annum	200,000	-
Balance, end of year	\$ 561,950	\$ 403,730

(b) Principal payments due over the next five years and thereafter are as follows:

2020	\$ 80,315
2021	81,949
2022	83,689
2023	85,411
2024	87,107
Thereafter	143,479
	561,950

(c) Interest expense on long-term liabilities amounted to \$8,000 (2018 - \$8,000) for the year.

(d) Long-term liabilities represent amounts owing to The Corporation of the City of St. Catharines.

4. Deferred revenue:

	2019	2018
Balance, beginning of year	\$ 964,056	\$ 427,416
Contributions received	2,528,765	2,820,280
Revenue earned	(2,479,708)	(2,283,640)
Balance, end of year	\$ 1,013,113	\$ 964,056

5. Accumulated surplus:

	2019	2018
Invested in tangible capital assets	\$ 29,683,203	\$ 33,150,435
Operating reserve funds	823,471	354,128
Amount to be recovered - post-employment benefits	(3,718,425)	(3,766,325)
Amount to be recovered - long-term liabilities	(561,950)	(403,730)
Accrued benefit obligation, end of year	\$ 26,226,299	\$ 29,334,508

ST. CATHARINES TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Economic dependence:

The Corporation of the City of St. Catharines is obligated to subsidize the Service for any excess of expense over revenue.

7. Related party transactions:

As a formal Commission established pursuant to Provincial legislation, with Council representation, the Service and the Corporation of the City of St. Catharines ("the City") are considered related parties. The City is the sole shareholder of the Service and as such, the Service is consolidated with the City's annual financial statements. Amounts owing to the City are non-interest bearing with no specific repayment terms. Long-term liabilities included in the statement of financial position owing to the City are disclosed in note 3.

The City charges the Service for certain costs on a flat fee basis with some rent charged at a nominal fee. These charges are as follows:

	2019		2018
Data processing	\$ 11,394	\$	11,394
Downtown bus terminal rent	1		1
2012 First Street Louth land and building lease	1		1

The City provides annual funding as part of the municipal tax levy. In 2019, the City provided \$12,751,179 (2018 - \$11,164,914) in funding. The City also provides grant funding through various Provincial and Federal grants. In 2019, the Service recognized \$446,187 (2018 - \$13,159,421) in grant funding from the City.

The Service has recognized the Service's head office location as an asset which is operated under a lease for an indeterminate term at the pleasure of Council with the Corporation of the City of St. Catharines (the "landlord"). The cost assigned to the asset on transition to Public Sector Accounting Standards PS 3150 *Tangible Capital Assets* and recognized in the Services' financial statements is \$7,006,694 (2018 - \$7,006,694), net of accumulated amortization of \$2,680,446 (2018 - \$2,586,223). Amortization expense on the building under capital lease is \$94,223 (2018 - \$94,223) and has been charged to the statement of operations. The leased asset is presented within Tangible Capital Assets on the statement of financial position.

ST. CATHARINES TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Pension agreement:

The Service makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of 200 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to approximately 440,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The Plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Service does not recognize any share of the OMERS pension surplus or deficit.

The last available report for the OMERS plan was on December 31, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion), based on actuarial liabilities for \$107.7 billion (2018 - \$99 billion) and actuarial assets for \$104.3 billion (2018 - \$95 billion).

If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

The amount contributed to OMERS for 2019 was \$ 1,181,321 (2018 - \$ 1,108,454) for current service and is included as an expense on the Statement of Operations and Accumulated Surplus.

On January 1, 2019, the yearly maximum pension earnings increased to \$ 57,400 from \$ 55,400 in 2018. The contributions are calculated at a rate of 9.2% (2018 - 9%) for amounts up to the yearly maximum pension earnings stated above and at a rate of 15.8% (2018 -14.6%) for amounts above the yearly maximum pension earnings.

9. Budget information:

The budget data presented in these financial statements is based upon the 2019 budget approved by the Service on October 25, 2018. Amortization and acquisitions of tangible capital assets were not contemplated on development of the budget and, as such were not provided on the statement of changes in net debt.

ST. CATHARINES TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Comparative information:

Certain comparative information has been reclassified to conform to the presentation adopted in the current year. There is no impact to accumulated surplus as a result of the reclassification.

11. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Service has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Suspension of fare collection starting March 20, 2020 to allow for adequate social distancing
- Significant reductions in service provided starting March 20, 2020 due to lower service demand and reduced availability of operator labour

At this time, these factors present uncertainty over future cash flows, may cause significant changes to financial assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

ST. CATHARINES TRANSIT COMMISSION

Schedule 1 - Tangible Capital Assets

For the year ended December 31, 2019, with comparative information for 2018

	Cost			Accumulated Amortization			Balance, End of year	Net book value
	Balance, Beginning of year	Additions	Disposals/ Transfers	Balance, End of year	Balance Beginning of year	Amortization		
Land	\$ 357,225	\$ -	\$ -	\$ 357,225	-	\$ -	\$ -	\$ 357,225
Land improvements	825,019	-	-	825,019	673,118	13,055	-	138,846
Buildings	9,398,453	-	-	9,398,453	2,724,244	189,877	-	6,484,332
Structures	1,314,711	211,023	333,108	1,858,842	413,414	76,790	-	1,368,638
Equipment	4,820,392	27,323	-	4,847,715	2,057,410	240,167	-	2,550,138
Furniture	11,036	-	-	11,036	3,587	552	-	6,897
IT equipment - Conventional	4,426,251	8,526	-	4,434,777	1,772,183	410,181	-	2,252,413
IT equipment - Paratransit	314,079	7,978	-	322,057	137,426	45,666	-	138,965
Vehicles - Conventional	42,982,192	-	-	42,982,192	24,919,765	2,815,343	-	15,247,084
Vehicles - Paratransit	1,412,735	158,519	-	1,571,254	466,866	144,322	-	960,066
Work in progress	456,355	55,352	(333,108)	178,599	-	-	-	178,599
December 31, 2019	\$66,318,448	\$ 468,721	\$ -	\$66,787,169	\$ 33,168,013	\$ 3,935,953	\$ -	\$37,103,966
Land	\$ 357,225	\$ -	\$ -	\$ 357,225	\$ -	\$ -	\$ -	\$ 357,225
Land improvements	846,589	37,692	(59,262)	825,019	695,395	13,280	(35,557)	151,901
Buildings	7,449,288	1,759,502	189,663	9,398,453	2,569,264	154,980	-	6,674,209
Structures	1,217,987	-	96,724	1,314,711	346,558	66,856	-	901,297
Equipment	4,076,335	568,118	175,939	4,820,392	2,006,456	217,028	(166,074)	2,762,982
Furniture	11,036	-	-	11,036	3,035	552	-	7,449
IT equipment - Conventional	4,065,541	157,032	203,678	4,426,251	1,278,074	494,109	-	2,654,068
IT equipment - Paratransit	314,079	-	-	314,079	92,558	44,868	-	176,653
Vehicles - Conventional	40,017,920	9,223,112	(6,258,840)	42,982,192	28,024,846	2,895,228	(6,000,309)	18,062,427
Vehicles - Paratransit	1,056,290	807,207	(450,762)	1,412,735	716,444	120,455	(370,033)	945,869
Work in progress	385,915	905,517	(835,077)	456,355	-	-	-	456,355
December 31, 2018	\$59,798,205	\$13,458,180	\$(6,937,937)	\$66,318,448	\$35,732,630	\$ 4,007,356	\$(6,571,973)	\$33,168,013

ST. CATHARINES TRANSIT COMMISSION

Schedule 2 - Expenses

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Transportation			
Operator wages	\$ 8,341,832	\$ 8,483,135	\$ 8,716,363
Operator payroll taxes	2,795,411	2,914,020	2,936,582
Supervisor wages	709,721	749,159	753,029
Supervisor payroll taxes	242,985	213,408	219,030
	12,089,949	12,359,722	12,625,004
Thorold transcab service	225,498	246,541	211,910
Uniforms	67,584	68,898	56,247
Licenses	82,944	74,756	75,761
Fare media	74,000	111,020	55,038
Safety and training	53,257	90,099	42,931
	\$ 12,593,232	\$ 12,951,036	\$ 13,066,891
	Budget	2019	2018
Fuel			
Diesel fuel	\$ 3,035,058	\$ 2,523,972	\$ 2,687,582
Gasoline fuel	30,000	32,869	36,175
Lubricants	105,000	102,239	103,242
	\$ 3,170,058	\$ 2,659,080	\$ 2,826,999
	Budget	2019	2018
Equipment and Vehicle Maintenance			
Mechanics wages	\$ 1,207,812	\$ 1,215,836	\$ 1,331,110
Servicemen wages	450,835	523,301	485,879
Mechanics payroll taxes	532,123	387,299	422,835
Servicemen payroll taxes	213,333	207,946	219,246
	2,404,103	2,334,382	2,459,070
Tires	120,000	181,378	137,010
Materials	1,491,754	1,658,600	1,292,828
Two way radios	13,000	8,378	35,000
Service and staff vehicles	8,000	7,176	7,238
Mechanics tool replacements	14,000	18,452	14,418
Miscellaneous	34,000	36,854	23,538
	\$ 4,084,857	\$ 4,245,220	\$ 3,969,102

ST. CATHARINES TRANSIT COMMISSION

Schedule 2 - Expenses (continued)

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Premises and Plant			
Utilities	\$ 150,000	\$ 152,837	\$ 148,849
Garage supplies	54,000	97,272	86,536
Building and janitorial	244,800	363,616	251,318
Bus shelters	45,000	44,276	40,576
Property taxes	181,228	169,654	164,303
Fire and boiler insurance	7,245	7,248	6,996
	\$ 682,273	\$ 834,903	\$ 698,578
	Budget	2019	2018
Downtown Terminal			
Salaries	\$ 172,701	\$ 193,118	\$ 195,893
Payroll taxes	60,445	45,434	61,880
	233,146	238,552	257,773
Office supplies	5,600	9,987	2,409
Telephone	40,100	42,480	31,831
Building and janitorial	76,200	136,542	127,987
Rent and utilities	106,000	62,526	102,266
Contracted services	245,016	270,351	192,634
	\$ 706,062	\$ 760,438	\$ 714,900
	Budget	2019	2018
General and Administration			
Salaries	\$ 824,965	\$ 808,313	\$ 771,436
Payroll taxes	293,243	268,888	598,650
	1,118,208	1,077,201	1,370,086
Insurance	685,512	645,717	602,509
Information technology	206,409	292,203	204,797
Office and other	187,860	192,210	172,837
Professional fees	33,000	39,463	19,161
Advertising	60,000	61,745	54,954
	\$ 2,290,989	\$ 2,308,539	\$ 2,424,344

ST. CATHARINES TRANSIT COMMISSION

Schedule 2 - Expenses (continued)

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Paratransit Operating			
Operator wages	\$ 578,541	\$ 609,772	\$ 656,875
Administrative salaries	130,068	146,810	143,627
Mechanics wages	73,809	73,812	72,360
Servicemen wages	60,050	60,048	58,848
Operator payroll taxes	210,674	187,577	206,548
Administrative payroll taxes	45,339	48,095	49,204
Mechanic payroll taxes	26,488	26,484	25,968
Servicemen payroll taxes	22,765	22,764	22,320
	1,147,734	1,175,362	1,235,750
Uniforms	6,000	6,000	6,000
Licenses	660	660	-
Diesel fuel	73,200	83,793	75,099
Lubricants	1,104	1,104	1,104
Materials	18,000	21,737	13,895
Two way radios	1,394	(108)	1,392
Utilities	15,000	15,000	15,000
Garage supplies	2,064	2,064	2,064
Building and janitorial	7,740	7,740	7,740
Property taxes	11,866	11,868	11,520
Fire and boiler insurance	779	780	756
Insurance	82,400	81,020	80,004
Office	3,000	5,035	3,091
Telephone	1,800	1,800	1,800
Professional fees	2,520	2,520	2,520
Miscellaneous office	1,488	-	206
	\$ 1,376,749	\$ 1,416,375	\$ 1,457,941

NIAGARA DISTRICT AIRPORT COMMISSION

Financial Statements

December 31, 2019

NIAGARA DISTRICT AIRPORT COMMISSION

Financial Statements

December 31, 2019

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NIAGARA DISTRICT AIRPORT COMMISSION MANAGEMENT REPORT

December 31, 2019

The accompanying financial statements of the Niagara District Airport Commission (the "Commission") are the responsibility of the Commission's management and have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Commission management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Commission meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by Crawford Smith & Swallow, Chartered Professional Accountants LLP, independent external auditors appointed by the Commission. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Commission's financial statements.

Robin Garrett
Chair
April 16, 2020

Daniel Pilon
CEO
April 16, 2020

INDEPENDENT AUDITORS' REPORT

To the Members of
Niagara District Airport Commission

Opinion

We have audited the accompanying financial statements of Niagara District Airport Commission, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, remeasurement losses, change in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Niagara District Airport Commission as at December 31, 2019, and the results of its operations, remeasurement losses and its cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

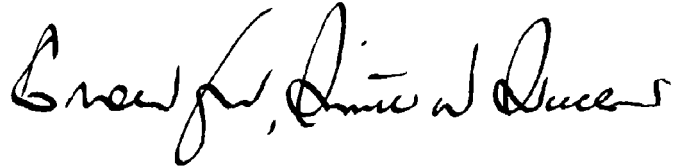
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

- a) 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.
- b) 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 Commission's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) 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 Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- e) 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in black ink, appearing to read "Crawford, Smith & Swallow". The signature is written in a cursive, flowing style.

Niagara Falls, Ontario
April 16, 2020

CRAWFORD SMITH & SWALLOW
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS

NIAGARA DISTRICT AIRPORT COMMISSION

STATEMENT OF FINANCIAL POSITION

December 31, 2019

Assets	2019	2018
	\$	\$
Current Assets		
Cash	1,582,483	584,442
Portfolio investments at fair value		701,575
Accounts receivable	26,343	46,147
Sales tax recoverable	16,294	14,190
Prepaid expenses	17,627	19,390
	1,642,747	1,365,744
Capital Assets - note 7, schedules 7 and 8	9,140,460	9,612,774
Total Assets	10,783,207	10,978,518
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	114,772	87,633
Government remittances payable	1,404	1,188
	116,176	88,821
Deferred Capital Contributions - note 4	9,480,755	9,702,774
	9,596,931	9,791,595
Net Assets		
Invested in tangible capital assets	444,530	498,174
Internally restricted	548,598	548,598
Unrestricted	193,148	155,683
	1,186,276	1,202,455
Accumulated Remeasurement Losses		(15,532)
Total Liabilities and Net Assets	10,783,207	10,978,518

Signed on behalf of the Commission:

_____ Commissioner

_____ Commissioner

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

STATEMENT OF CHANGES IN NET ASSETS

for the year ended December 31, 2019

	Invested in Capital Assets \$	Internally Restricted Net Assets \$	Unrestricted \$
Balance, Beginning of Year	498,174	548,598	155,683
Excess (Deficiency) of Revenue over Expenses for the Year	(53,644)		37,465
Balance, End of Year	444,530	548,598	193,148

	Total 2019 \$	Total 2018 \$
Balance, Beginning of Year	1,202,455	1,225,104
Excess (Deficiency) of Revenue over Expenses for the Year	(16,179)	(22,649)
Balance, End of Year	1,186,276	1,202,455

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

for the year ended December 31, 2019

	2019 \$	2018 \$
Accumulated Remeasurement Losses, Beginning of Year	(15,532)	(5,394)
Unrealized Gain (Loss) Attributable to Portfolio Investments	17,414	(12,928)
Realized Gain (Loss) on Portfolio Investment, Reclassified to Operations - Schedule 6	(1,882)	2,790
Accumulated Remeasurement Losses, End of Year		(15,532)

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

STATEMENT OF OPERATIONS

for the year ended December 31, 2019

	Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
Revenue			
Events	6,000	2,450	8,417
Fuel operations	24,000	25,798	24,286
Landing and parking fees	66,500	66,362	67,466
Miscellaneous	27,400	21,799	31,753
Municipal grants - schedule 1	439,800	439,800	396,064
Deferred revenue recognized - note 4		87,210	622
Rentals	187,000	174,541	178,520
	750,700	817,960	707,128
Operating Expenses			
Maintenance, building and property - schedule 2	53,000	153,684	59,663
Maintenance, vehicles and equipment- schedule 3	63,000	57,747	65,764
Operations - schedule 4	191,800	187,353	178,877
Personnel - schedule 5	454,900	420,219	404,983
	762,700	819,003	709,287
Operating Loss	(12,000)	(1,043)	(2,159)
Other			
Portfolio investment income - schedule 6	(12,000)	5,541	7,904
Interest	24,000	26,331	4,709
Gain on disposal of capital assets		6,637	20,385
Amortization of capital assets		(547,730)	(550,464)
Amortization of deferred capital contributions - note 4		494,085	496,976
	12,000	(15,136)	(20,490)
Deficiency of Revenue over Expenses for the Year		(16,179)	(22,649)

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

STATEMENT OF CASH FLOWS

for the year ended December 31, 2019

	2019	2018
	\$	\$
Operating Activities		
Deficiency of revenue over expenses for the year	(16,179)	(22,649)
Amortization of capital assets	547,730	550,464
Amortization of deferred capital contribution	(494,085)	(496,976)
Realized gain on portfolio investment, reclassified to operations	(1,882)	2,790
Gain on disposal of capital assets	(6,637)	(20,385)
Portfolio investments activity	(5,922)	(9,235)
Deferred revenue recognized	(87,210)	(622)
Working capital provided (used) by operations	(64,185)	3,387
Changes in working capital components		
Accounts receivable	19,804	32,317
Sales tax recoverable	(2,104)	(14,190)
Prepaid expenses	1,763	1,057
Accounts payable and accrued liabilities	27,139	(65,545)
Government remittances payable	216	(10,520)
Deferred revenue		(57,082)
	46,818	(113,963)
Funds used by operating activities	(17,367)	(110,576)
Investing Activities		
Decrease in temporary investments		85,000
Proceeds on disposal of portfolio investments	724,911	
Proceeds on disposal of capital assets	40,568	885
Capital expenditures	(76,071)	(118,405)
Funds provided (used) by investing activities	689,408	(32,520)
Financing Activities		
Deferred capital contribution received	326,000	280,300
Increase in Cash Position	998,041	137,204
Cash Position, Beginning of Year	584,442	447,238
Cash Position, End of Year	1,582,483	584,442

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

Organization

The ownership of the Niagara District Airport was transferred from the Federal Government to the Town of Niagara-on-the-Lake (the "Town") in 1996. The Niagara District Airport Commission (the "Commission"), established in 1959, is entrusted with the control and management of the airport as per an agreement between the Town and the Commission dated September 13, 1996. The City of St. Catharines, the City of Niagara Falls, and the Town of Niagara-on-the-Lake have entered into an Airport Funding Agreement, which expires on December 31, 2026. The agreement established the Commission as a Joint Municipal Services Board under the Municipal Act and authorizes the Commission to hold all airport assets in trust. The Commission is a subsidiary of a municipal enterprise and, as such, is exempt from corporate income taxes.

1. Significant Accounting Policies

The financial statements of the Commission are the representations of management prepared in accordance with Canadian public sector accounting standards. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement in the light of available information. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Financial reporting framework

The financial statements of the Commission have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of the standards, as issued by the Public Sector Accounting Board (PSAB for Government NPO's).

Revenue recognition

The Commission follows the deferral method of accounting for contributions. Deferred capital contributions are amounts received for the purchase and maintenance of tangible capital assets. Contributions for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Contributions for maintenance type capital expenditures are recognized as revenue in the period when the expenses are incurred. Other funds received for expenses of future periods are recognized as revenue in the period when the expenses are incurred. Unrestricted contributions, including municipal grants, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

NIAGARA DISTRICT AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

1. Significant Accounting Policies - continued

Revenue recognition - continued

Unrestricted revenues including fuel revenue, event revenue, and landing and parking fees are recognized as revenue when services are provided or goods are delivered. Rental revenue from land leases are recognized on a straight line basis over the term of the agreements. Investment revenue is recognized in the statement of operations when earned, dividends when declared, and investment gains and losses when realized. Unrealized gains and losses are recognized in the statement of remeasurement losses based on the fair value on the statement of financial position date.

Financial instruments

The Commission has elected to recognize its portfolio investments at fair value. Transaction costs and financial fees are expensed when incurred. The change in fair value is recognized as remeasurement gain or loss in the statement of remeasurement losses until the portfolio investment is sold. At the time when the portfolio investment is sold, the associated gains and losses are reversed and reclassified in the statement of operations.

The Commission's other financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. Financial instruments are initially measured at fair value on acquisition and are subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized, and amortized over the life to the financial instrument.

Contributed services

The Commission receives contributed services in the form of the time commitment of the commissioners in the overseeing of operations. The fair value of such contributed services is not determinable and, therefore, not recognized in the financial statements.

Capital assets and amortization

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Expenditures for maintenance and repairs are charged to operating expenses. Betterments that extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Commission's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value. Any unamortized deferred capital contribution amount related to the capital asset is recognized in gain or loss on disposal of capital assets in the statement of operations, provided that all restriction have been complied with.

NIAGARA DISTRICT AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

1. Significant Accounting Policies - continued

Capital assets and amortization - continued

Amortization is calculated on a straight-line basis over the estimated useful lives as follows:

Land improvements	15 to 60 years
Buildings	20 to 60 years
Equipment	4 to 40 years
Furniture and fixtures	10 years
Computer equipment	3 to 5 years
Motor vehicles	5 to 20 years
Signs	2 to 20 years
Other machinery and equipment	10 to 60 years
Linear assets	20 to 60 years

Additions during the year are amortized from the month of acquisition. Disposals are amortized until the month of disposition. Gains or losses on assets sold or otherwise disposed of are included in the statement of operations.

Impairment of long-lived assets

The carrying value of long-lived assets including property, plant and equipment and certain other long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the long-lived asset no longer has any long-term service potential to the Commission, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its residual value.

2. Economic Dependence

The Commission receives a significant portion of its revenues from the City of St. Catharines, City of Niagara Falls, and the Town of Niagara-on-the-Lake.

3. Budget figures

The budget figures presented on the statement of operations are based on the 2019 operating and capital budgets as approved by the Commission. These numbers have not been audited, but are presented for information purposes only. The budgets established for capital are on a project-oriented basis, the costs of which may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts and have not been reflected. Budget figures have been reclassified to comply with PSAB for Government NPO's reporting requirements.

NIAGARA DISTRICT AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

4. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount and the unspent amount of grants received for capital related expenditures. The amortization of capital contributions is recorded as revenue in the statement of operations over the useful lives of the related capital assets. The changes in the deferred capital contributions balance for the year are as follows:

	2019	2018
	\$	\$
Balance, beginning of year	9,702,774	9,947,822
Add: contributions received for capital purposes	326,000	280,300
Add: contributions of tangible capital assets	45,000	
Less: net book value of capital assets disposed during the year	(11,724)	(27,750)
Less: amortization of deferred capital contributions	(494,085)	(496,976)
Less: charged to operations during the year	(87,210)	(622)
Balance, End of Year	9,480,755	9,702,774

As at December 31, 2019 there was \$ 784,821 (2018 - \$ 588,170) of deferred capital contributions received which was not spent.

5. Employee Future Benefits

The Commission makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of all its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to almost 500,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The Plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Commission does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2019 was \$ 14,759 (2018 - \$ 17,696) for current services and is included as an expense on the statement of operations.

On January 1, 2019 the yearly maximum pensionable earnings increased to \$ 57,400 from \$ 55,900 in 2018. The contributions are calculated at a rate of 9.0% (2018 - 9.0%) for amounts up to the yearly maximum pensionable earnings stated above and at a rate of 14.6% (2018 - 14.6%) for amounts above the yearly maximum pensionable earnings.

NIAGARA DISTRICT AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2019

6. Restrictions on Net Assets

In May 2017, the Commission approved a motion to transfer \$ 560,000 to internally restricted net assets. Internally restricted net assets are not available for other purposes without approval of the Commission. The purpose of this internally restricted fund is to assist with the funding of future capital expenditures. In the current year nil (2018 - \$ 11,402) was utilized for approved capital expenditures.

7. Capital Assets

Capital Assets Disclosed at Nominal Values

Where an estimate of fair market value could not be made for a capital asset, the asset has been recognized at a nominal value. Nominal values totaling \$ 17 have been assigned to Land (\$ 2), Land Improvements (\$ 4), Buildings (\$ 5), Other Machinery and Equipment (\$ 5) and Signage (\$ 1).

Acquisition of Capital Assets

During the year, capital assets were acquired at an aggregate cost of \$ 121,071 of which \$ 45,000 was acquired by way of direct asset contribution. Cash payments of \$ 76,071 were made to purchase capital assets.

8. Financial Risks

Transactions in financial instruments expose the Commission to certain financial risks and uncertainties. These risks include:

Credit Risk

Credit risk is the risk that a counterparty will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Commission has accounts receivable which are exposed to credit risk. The Commission monitors, on an ongoing basis, the credit risk to which the Commission is exposed and takes measures to mitigate any risk of loss. Provisions against losses from bad debts are recorded according to credit risk, historical trends, general economic situations and other information. Accounts receivable are net of an allowance for doubtful accounts of nil.

As a result of a decrease in accounts receivable, the Commission's exposure to credit risk has decreased over the prior year.

9. Comparative Figures

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

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 1

SCHEDULE OF MUNICIPAL GRANTS

for the year ended December 31, 2019

	Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
City of St Catharines Operating Grant	245,263	245,263	207,853
City of Niagara Falls Operating Grant	162,273	162,273	156,996
Town of Niagara-on-the-Lake Operating Grant	32,264	32,264	31,215
	439,800	439,800	396,064

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 2

**SCHEDULE OF EXPENSES - MAINTENANCE, BUILDING AND
PROPERTY**

for the year ended December 31, 2019

	Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
Building	19,000	32,459	26,325
Property	14,000	13,107	16,054
Runway	20,000	108,118	17,284
	53,000	153,684	59,663

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 3

SCHEDULE OF EXPENSES - MAINTENANCE, VEHICLES AND EQUIPMENT

for the year ended December 31, 2019

	Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
Equipment rent	3,000	3,482	2,979
Gas and oil	20,000	23,472	20,518
Vehicles	40,000	30,793	42,267
	63,000	57,747	65,764

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 4

SCHEDULE OF EXPENSES - OPERATIONS

for the year ended December 31, 2019

	Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
Accounting fees	12,000	13,000	12,000
Advertising	2,000	2,761	1,400
Audit	13,000	12,000	14,400
Bad debt	1,000		
Commissioners expenses	2,000	1,255	
Conventions	12,000	10,761	9,997
Consulting services	20,000	28,087	21,240
Credit card fees		89	165
Hydro and heating	32,000	25,813	27,179
Insurance	14,000	14,653	13,440
Legal	12,000	4,562	4,887
Miscellaneous	1,600	1,418	857
Office and general	14,000	14,724	14,303
Payment in lieu of taxes	14,200	14,519	14,047
Safety management systems	5,000	5,000	5,000
Telephone and communications	10,000	15,662	11,091
Training	10,500	5,403	12,226
Water and sewage	16,500	17,646	16,645
	191,800	187,353	178,877

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 5

SCHEDULE OF EXPENSES - PERSONNEL

for the year ended December 31, 2019

	Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
Consultants and subcontractors	126,000	126,777	103,873
Employee benefits	67,400	51,437	58,414
Salary and wages	261,500	242,005	242,696
	454,900	420,219	404,983

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 6

SCHEDULE OF PORTFOLIO INVESTMENT INCOME

for the year ended December 31, 2019

	Budget 2019 \$	Actual 2019 \$	Actual 2018 \$
Interest earned on investments		7,212	21,303
Investment management fees	(12,000)	(3,553)	(10,609)
Realized gains (losses) on disposal		1,882	(2,790)
	(12,000)	5,541	7,904

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 7

SCHEDULE OF CAPITAL ASSETS

for the year ended December 31, 2019

	Cost			Accumulated Amortization				Net Book Value
	Balance, Beginning of Year	Additions	Disposals and Write-downs	Balance, End of Year	Balance, Beginning of Year	Amortization	Disposals	
	\$	\$	\$	\$	\$	\$	\$	\$
General								
Land	25,437			25,437				25,437
Land improvements	7,398,911	27,400	40,906	7,385,405	2,839,565	344,719	40,906	3,143,378
Buildings	1,795,466			1,795,466	358,419	46,010		404,429
Equipment	1,487,775	15,793	10,000	1,493,568	338,433	57,687	2,104	394,016
Furniture and fixtures	32,302			32,302	22,355	3,230		25,585
Computer equipment	28,314	9,710	11,025	26,999	20,326	4,973	11,025	14,274
Motor vehicles	351,634	42,000	29,307	364,327	135,257	26,607	25,480	136,384
Signs	50,155			50,155	8,088	2,508		10,596
	11,169,994	94,903	91,238	11,173,659	3,722,443	485,734	79,515	4,128,662
Infrastructure								
Other machinery and equipment	1,537,860	10,711	33,932	1,514,639	322,312	38,800		361,112
Linear assets	1,085,456			1,085,456	179,153	23,196		202,349
	2,623,316	10,711	33,932	2,600,095	501,465	61,996		563,461
Work In Progress	43,372	23,788	8,331	58,829				
	13,836,682	129,402	133,501	13,832,583	4,223,908	547,730	79,515	4,692,123
								9,140,460

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 8

SCHEDULE OF CAPITAL ASSETS

for the year ended December 31, 2018

	Cost			Accumulated Amortization				Net Book Value
	Balance, Beginning of Year	Additions	Disposals and Write-downs	Balance, End of Year	Balance, Beginning of Year	Amortization	Disposals	
	\$	\$	\$	\$	\$	\$	\$	\$
General								
Land	25,437			25,437				25,437
Land improvements	7,398,911			7,398,911	2,490,124	349,441		2,839,565
Buildings	1,825,466		30,000	1,795,466	314,284	46,385	2,250	358,419
Equipment	1,429,467	58,309	1	1,487,775	283,719	54,715	1	338,433
Furniture and fixtures	32,302			32,302	19,125	3,230		22,355
Computer equipment	28,314			28,314	16,173	4,153		20,326
Motor vehicles	325,263	36,224	9,853	351,634	118,443	26,667	9,853	135,257
Signs	50,155			50,155	5,580	2,508		8,088
	11,115,315	94,533	39,854	11,169,994	3,247,448	487,099	12,104	3,722,443
Infrastructure								
Other machinery and equipment	1,343,989	193,871		1,537,860	282,143	40,169		322,312
Linear assets	1,085,456			1,085,456	155,957	23,196		179,153
	2,429,445	193,871		2,623,316	438,100	63,365		501,465
Work In Progress	193,871	43,372	193,871	43,372				
	13,738,631	331,776	233,725	13,836,682	3,685,548	550,464	12,104	4,223,908
								9,612,774

See accompanying notes