

THE CORPORATION OF THE CITY OF ST. CATHARINES, ONTARIO

FINANCIAL STATEMENTS

TO THE YEAR ENDED DECEMBER 31, 2018

City of St. Catharines Consolidated Statements

Port Dalhousie Business Association

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**

Year ended December 31, 2018

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 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.

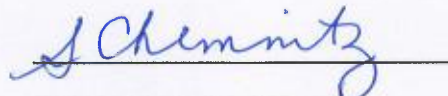
City management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis 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
August 12, 2019



Shelley Chemnitz, CPA, CA
Chief Administrative Officer
August 12, 2019



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St. Catharines ON L2R 7G1
Canada
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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, 2018
- 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 of the City of St. Catharines as at December 31, 2018, 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.



Other Matter – Comparative Information

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on July 26, 2018.

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.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada

August 12, 2019

THE CORPORATION OF THE CITY OF ST. CATHARINES

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THE CORPORATION OF THE CITY OF ST. CATHARINES

Consolidated Statement of Financial Position

Year ended December 31, 2018, with comparative information for 2017

(in thousands of dollars)

	2018	2017
Financial assets		
Cash	\$ 35,110	\$ 27,993
Investments (note 2)	33,591	32,339
Taxes receivable	14,634	13,813
Accounts receivable	32,682	25,736
Inventories held for resale	733	117
Loans receivable (note 3)	1,115	1,201
Note receivable - St. Catharines Hydro Inc. (note 4)	7,754	7,754
Investment in St. Catharines Hydro Inc. (note 4)	87,155	86,945
	<u>212,774</u>	<u>195,898</u>
Financial liabilities		
Accounts payable and accrued liabilities (note 5)	38,260	31,534
Deferred revenue - obligatory reserve funds (note 6)	17,197	17,263
Other current liabilities	8,022	7,096
Post-employment benefits (note 7)	16,009	15,908
Other liabilities (note 9)	14,277	-
Landfill post-closure liability (note 16)	3,023	2,875
Net long-term liabilities (note 10)	114,190	108,920
	<u>210,978</u>	<u>183,596</u>
Net financial assets	<u>1,796</u>	<u>12,302</u>
Non-financial assets		
Tangible capital assets (schedule)	749,993	734,587
Inventories	836	1,356
Prepaid expenses	1,775	1,385
	<u>752,604</u>	<u>737,328</u>
Contractual obligations and commitments (note 14)		
Contingent liabilities (note 15)		
Accumulated surplus (note 16)	<u>\$ 754,400</u>	<u>\$ 749,630</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, 2018, with comparative information for 2017

	Budget (note 18)	2018	2017
Revenues			
Taxation	\$ 104,014	\$ 106,124	\$ 103,667
User fees and charges	75,085	79,604	75,363
Government grants (note 17)	7,209	21,733	14,648
Interest and penalties	3,545	2,570	2,651
Investment income	646	2,381	1,745
Donations	329	812	1,219
Other	12,261	14,185	11,115
Contributions from developers	-	3,872	7,134
St. Catharines Hydro Inc. net income (note 4)	-	4,900	24,852
Loss on disposal of tangible capital assets	-	(3,013)	(3,713)
	203,089	233,168	238,681
Expenses			
General government	17,273	20,214	17,746
Protection to persons and property	29,507	30,303	29,736
Transportation services	31,274	56,621	50,844
Environmental services	62,816	49,051	48,194
Health services	4,240	4,240	3,989
Social and family services	418	426	377
Recreation and cultural services	41,555	46,128	41,453
Planning and development	6,019	7,138	7,177
	193,102	214,121	199,516
Annual surplus	9,987	19,047	39,165
Accumulated surplus, beginning of year	749,630	749,630	710,465
Adjustment to opening accumulated surplus, Hospital obligation (note 9)	-	(14,277)	-
Accumulated surplus, end of year	\$ 759,617	\$ 754,400	\$ 749,630

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, 2018, with comparative information for 2017

	2018	2017
Annual surplus	\$ 19,047	\$ 39,165
Acquisition of tangible capital assets	(44,210)	(50,327)
Amortization of tangible capital assets	29,470	28,954
Loss on disposal of tangible capital assets	3,013	3,713
Contributions from developers	(3,872)	(7,134)
Proceeds on disposal of tangible capital assets	193	177
Change in inventories	520	45
Change in prepaid expenses	(390)	199
	3,771	14,792
Net financial assets, beginning of year	12,302	(2,490)
Adjustment to opening net financial assets, Hospital obligation (note 9)	(14,277)	-
Net financial assets, end of year	\$ 1,796	\$ 12,302

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Consolidated Statement of Cash Flows

December 31, 2018 with comparative information for 2017

	2018	2017
Operations		
Annual surplus	\$ 19,047	\$ 39,165
Items not involving cash:		
Amortization of tangible capital assets	29,470	28,954
Loss on disposal of tangible capital assets	3,013	3,713
Contributions from developers	(3,872)	(7,134)
Income from St. Catharines Hydro Inc.	(4,900)	(24,852)
Change in non-cash assets and liabilities:		
Change in taxes receivable	(821)	787
Change in accounts receivable	(6,946)	(6,696)
Change in loans receivable	86	85
Change in inventories, total	(96)	56
Change in prepaid expenses	(390)	188
Change in accounts payable and accrued liabilities	6,726	10,016
Change in deferred revenue - obligatory reserve funds	(66)	(539)
Change in other current liabilities	926	1,377
Change in post-employment benefits	101	479
Change in landfill post-closure liability	148	(89)
	(332)	5,664
Net increase in cash from operations	42,426	45,510
Capital		
Acquisition of tangible capital assets	(44,210)	(50,327)
Proceeds on disposal of tangible capital assets	193	177
Net decrease in cash from capital activities	(44,017)	(50,150)
Investing		
Dividends received from St. Catharines Hydro Inc.	4,690	7,076
Change in investments	(1,252)	(453)
Net decrease in cash from investing	3,438	6,623
Financing		
Long-term debt issued	16,524	14,647
Long-term debt repaid	(11,254)	(10,871)
Net decrease in cash from financing	5,270	3,776
Increase in cash	7,117	5,759
Cash, beginning of year	27,993	22,234
Cash, end of year	\$ 35,110	\$ 27,993

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements

Year ended December 31, 2018
(in thousands of dollars)

1. Significant accounting policies:

The consolidated financial statements of The Corporation of the City of St. Catharines (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 financial statements 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 Region of Niagara are not reflected in the these consolidated financial statements.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(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 normally 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.

(c) Investments:

Investments are carried at cost, except if the market value of the investments become lower than cost and this decline is considered to be other than temporary, the investments are written down to their market values.

(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.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

1. Significant accounting policies (continued):

(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.

(f) 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 – 75 years
Buildings and building improvements	Straight line	10 – 75 years
Machinery and equipment	Straight line	3 – 75 years
Furniture and fixtures	Straight line	5 – 100 years
Information technology	Straight line	3 – 12 years
Vehicles	Straight line	5 – 20 years
Infrastructure:		
Land		Nil
Land improvements	Straight line and declining balance	5 – 50 years
Buildings and building improvements	Straight line	10 – 100 years
Machinery and equipment	Straight line	5 – 40 years
Information technology	Straight line	3 – 12 years
Vehicles	Straight line	7 – 15 years
Linear	Straight line and declining balance	10 – 100 years

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

1. Significant accounting policies (continued):

(g) Inventories:

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

(h) 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.

(i) Other income:

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

(j) 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.

(k) 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.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

1. Significant accounting policies (continued):

(l) 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.

For sick leave benefits that vest or accumulate over the periods of services provided by employees, such as service payments and health and dental benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average remaining 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 City makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer contributory defined benefit program and has been accounted for as a defined contribution plan with contributions expensed as incurred.

(m) Landfill post-closure liability

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 Town 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.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

1. Significant accounting policies (continued):

(n) Government transfers

Government grant transfers are recognized in the 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.

(o) 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.

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 Louth, are reported at cost, net of a valuation allowance of nil. All loans bear interest at 2.0% and are repayable over a ten-year period ending October, 2025.

Expected principal repayments to the City are as follows:

2019	\$	101
2020		101
2021		101
2022		101
2023		101
Thereafter		610
	\$	1,115

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

4. Investment in St. Catharines Hydro Inc.

	2018	2017
Statement of financial position:		
Current assets	\$ 4,160	\$ 5,383
Investments	91,216	91,216
Capital assets	14,902	12,429
Deferred tax asset	1,165	1,200
Total assets	\$ 111,443	\$ 110,228
Current liabilities	241	335
Long-term note payable	7,754	7,754
Deferred tax liability	16,293	15,194
Total liabilities	24,288	23,283
Net assets	\$ 87,155	\$ 86,945

	2018	2017
Statement of comprehensive income		
Revenue	\$ 4,933	\$ 41,668
Expenses (including income tax provision)	1,752	7,912
Net income before the undernoted	3,181	33,756
Adjustment to capital assets	1,719	-
Refundable dividend tax on hand – deferred payment in lieu of corporate taxes	-	(8,904)
Total comprehensive income	\$ 4,900	\$ 24,852

The equity in St. Catharines Hydro Inc.:

	2018	2017
Opening balance	\$ 86,945	\$ 69,169
Comprehensive income	4,900	24,852
Dividends received	(4,690)	(7,076)
Total assets and regulatory balances	\$ 87,155	\$ 86,945

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. To date, the company has not received any notice requiring the immediate redemption of the note.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

5. Accounts payable and accrued liabilities:

The accounts payable balance is as follows:

	2018	2017
Trade accounts payable	\$ 9,610	\$ 10,104
Payables to other governments	11,482	9,345
Payables to school boards	46	5
Other	17,122	12,080
	\$ 38,260	\$ 31,534

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:

	2017	Externally restricted inflows	Revenue earned	2018
Import and development	\$ 3,555	\$ 61	\$ -	\$ 3,616
Subdivider deposits	641	66	5	702
Planning Act	2,360	410		2,770
Future sidewalks	1,070	20	-	1,090
Gasoline tax - provincial	3,594	2,646	4,169	2,071
Gasoline tax - federal	6,043	4,265	3,360	6,948
	\$ 17,263	\$ 7,468	\$ 7,534	\$ 17,197

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(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 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 3.50% (2017 – 3.50%).

The City has established a reserve for the accumulated sick leave liability. The balance as at December 31, 2018 is \$2,988 (2017 - \$2,993).

	2018	2017
Accrued benefit obligation, beginning of year	\$ 14,608	\$ 14,554
Interest	520	515
Contributions	(1,147)	(1,279)
Current service cost - benefits	831	818
	14,812	14,608
Unamortized gain	1,197	1,300
Liability, end of year	\$ 16,009	\$ 15,908

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

7. Post-employment benefits (continued):

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 2.0% in 2017 and thereafter.

Medical Costs - Medical costs were assumed to increase at a rate of 5.99% grading down to 4.5% in 2025.

Dental Costs - Dental costs were assumed to increase at a rate of 4.50%.

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, 2018, no has been drawn upon (2017 - \$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.

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

2019	\$	2,209
2020		2,209
2021		2,209
2022		2,209
2023		2,209
Thereafter		6,627
		17,672
Interest		(3,395)
	\$	14,277

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(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:

	2018	2017
Serial debentures issued by Region of Niagara, beginning of year	\$ 101,033	\$ 97,257
Less: principal repayment	(11,254)	(10,871)
Add: new debt issued	16,524	14,647
Total serial debentures	\$ 106,303	\$ 101,033
Sinking fund debenture, beginning on year	\$ 9,333	\$ 9,333
Less: Sinking fund assets	(1,446)	(1,446)
Total sinking fund debenture	\$7,887	7,887
Net long-term debentures, end of year	\$ 114,190	\$ 108,920

Interest rates on serial debentures range from 2.068% to 5.596%.

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

2019	\$	11,983
2020		11,402
2021		11,132
2022		11,426
2023		9,808
Thereafter		58,439
	\$	114,190

- (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 \$3,817,814 (2017 - \$3,513,586).

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

11. Accumulated surplus:

	2018	2017
Invested in tangible capital assets	\$ 740,989	\$ 721,274
Operating fund	6,643	4,335
Reserves and reserve funds	61,020	58,086
Equity in St. Catharines Hydro Inc.	94,909	94,699
	903,561	878,394
Amounts to be recovered		
Employee future benefits	(16,009)	(15,908)
Landfill post-closure liability	(3,023)	(2,875)
Net long-term liabilities	(115,852)	(109,981)
Hospital obligation	(14,277)	-
	(149,161)	(128,764)
	\$ 754,400	\$ 749,630

(a) Operating fund balance:

	2018	2017
To be applied in the following year to operations:		
Operating fund	\$ 1,986	\$ 1,558
Transit	164	(1,107)
Library	-	150
Airport commission	379	370
To be applied to water operations for the following year	4,114	3,364
	\$ 6,643	\$ 4,335

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

11. Accumulated surplus (continued):

(b) Reserves and reserve fund balances:

	2018	2017
Reserves set aside by council for specific purposes:		
Replacement of equipment	\$ 8,133	\$ 8,594
Cumulative sick leave	2,988	2,993
Library purposes	5,444	4,062
Transit purposes	-	505
Encumbrances	14,848	16,033
Building improvements	2,108	1,901
Cemetery	19	30
Hydro funds	6,050	4,300
Winter control	300	300
Tax rate stabilization	567	711
Infrastructure levy	1,446	1,312
Litigation/insurance	575	452
Election reserve	100	477
Meridian Centre capital	153	110
Community Improvement Plan Funds	5,387	4,745
Sewer capital	1,331	460
FirstOntario Performing Arts Centre capital	221	106
	\$ 49,670	\$ 47,091
Reserves set aside by council for specific purposes:		
Actifest	\$ 6	\$ 6
Business improvement purposes	206	172
Community development	9,416	9,428
Mausoleum	270	177
Paratransit capital purposes	159	93
Parking	1,293	1,119
	11,350	10,995
	\$ 61,020	\$ 58,086

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

12. Trust funds:

Trust funds administered by the City amounting to \$9,493 (2017 - \$10,646) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

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 \$4.2 billion as of December 31, 2018 (2017 - \$5.4 billion).

The amount contributed to OMERS for 2018 was \$6,532 (2017 - \$6,223) for current service and is included as an expense in the Consolidated Statement of Operations and Accumulated Surplus.

There was no change in contribution rates in 2018. OMERS expects these 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, 2018 is approximately \$41,080 (2017 - \$47,353) after deducting the expenditures incurred as at December 31, 2018. These projects will be financed by grants, subsidies and long-term liabilities in future years.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

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.

16. Landfill post closure liability:

The City currently monitors 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, 2018 using a discount rate of 3.5%.

The total monitoring costs is estimated to be \$4,564 over the estimated monitoring period before applying the discount rate. The liability for post-closure as at December 31, 2018 is \$3,023 (2017 - \$2,875). Estimated annual expenditures for post-closure care are \$157 (2017 - \$152) and are expected to be incurred for the next 24 years.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

17. Government transfers:

The government transfers reported on the consolidated statement of operations are:

	Budget	2018	2017
Revenue:			
Municipal grants:			
Region of Niagara	\$ 1,000	\$ -	\$ 1,151
Provincial grants:			
Clean water/wastewater	-	438	775
Culture	175	108	85
Economic development	174	291	371
Ontario Municipal Partnership Fund	594	594	699
Ontario municipal commuter cycling	552	552	-
Municipal disaster recovery assistance	40	49	72
Senior Centre Long Term Care	143	150	157
Library	229	296	297
Provincial gas tax	-	6,333	1,445
Main street revitalization	-	148	-
	1,907	8,959	3,901
Federal grants:			
Canada 150	-	94	906
Federal Gas Tax	4,185	3,360	6,802
HST Rebate	-	27	39
Canadian Heritage Foundation	-	215	69
Clean Water/Wastewater	-	876	1,550
Economic development	1	-	-
Museum	21	40	28
National Disaster Mitigation Program	-	11	-
Public Transit Infrastructure Funds	-	8,088	-
Cultural	95	63	203
	4,302	12,774	9,597
Total revenues	\$ 7,209	\$ 21,733	\$ 14,649
Expenses:			
Charitable and non-profit organizations	\$ 2,209	\$ 2,209	\$ 2,209
Total expenses	\$ 2,209	\$ 2,209	\$ 2,209

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

18. Budget figures:

The Budget data presented in these consolidated financial statements are based upon the 2018 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	\$	113,012
Add:		
Revenue in expense departments		22,136
Water and wastewater revenues		49,704
Transit revenue		11,927
Library revenue		392
Airport revenue		183
Grants in capital budget		5,737
CIP expenses in revenue budget		1,100
Less:		
Prior year surplus		(1,102)
Total budgeted revenue		203,089
Expenses:		
Operating budget as approved		113,012
Add:		
Revenue included in expense departments		22,136
Amortization		23,939
Transfers from reserve		2,350
Water and wastewater expenses		49,927
Parking expenses in excess of revenue		477
Transit expenses		23,043
Library expenses		5,306
Airport expenses		417
BIA's expenses		398
CIP expenses included in revenue		1,100
Employee future benefits and closed landfill liability		338
Less:		
Debt principle payments		(11,118)
Transfers to reserve		(2,249)
Transfer to transit		(11,165)
Transfer to library		(5,399)
Transfer to airport		(208)
Transfer to BIA's		(394)
Transfer to capital		(10,858)
Water and wastewater capital		(7,950)
Total budgeted expenses		193,102
Budgeted surplus		9,987

19. Comparative information:

Certain comparative information have been reclassified to conform with the presentation adopted in the current year. There is no impact to accumulated surplus.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018
(in thousands of dollars)

20. 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:

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.

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.

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, 2018
(in thousands of dollars)

20. Segmented reporting (continued):

Environment 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.

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

Schedule of Segment Reporting

Year ended December 31, 2018

2018							
	General					Recreation/	
	Government	Protection	Transportation	Environment	Culture	Total	
Revenues:							
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	976	2,204	3,434	1,767	9,676	18,057	
St. Catharines Hydro Inc. net income	4900	-	-	-	-	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

Schedule of Segment Reporting

Year ended December 31, 2017

2017						
	General Government	Protection	Transportation	Environment	Recreation/ Culture	Total
Revenues:						
Taxation	\$ 23,515	\$ 22,907	\$ 29,293	\$ 2,027	\$ 23,616	\$ 101,358
Taxation from other governments	536	522	667	46	538	2,309
User fees and charges	3,234	1,144	15,639	50,372	4,974	75,363
Government grants	567	71	7,033	4,774	2,203	14,648
Interest and penalties	614	599	766	53	619	2,651
Investment income	982	211	272	19	261	1,745
Donations	119	-	3	3	1,094	1,219
Other	910	1,847	1,349	7,090	7,053	18,249
St. Catharines Hydro Inc. net income	24,852	-	-	-	-	24,852
Gain (loss) on disposal of tangible capital assets	(6)	7	(2,849)	(255)	(610)	(3,713)
Total revenues	55,323	27,308	52,173	64,129	39,748	238,681
Expenses:						
Salaries and wages	16,907	25,954	24,338	5,843	16,956	89,998
Operating materials and supplies	5,241	1,513	10,592	31,915	9,680	58,941
Contracted services	2,906	803	2,834	2,534	4,762	13,839
Rents and financial expenses	142	2	23	3	384	554
Interfunctional transfers	(884)	264	(1,334)	1,888	66	-
External transfer	3,387	-	-	-	329	3,716
Amortization	1,269	1,102	13,486	5,613	7,484	28,954
Debt service	321	98	905	398	1,792	3,514
Total expenses	29,289	29,736	50,844	48,194	41,453	199,516
Annual surplus (deficit)	\$ 26,034	\$ (2,428)	\$ 1,329	\$ 15,935	\$ (1,705)	\$ 39,165

THE CORPORATION OF THE CITY OF ST. CATHARINES

Schedule of Tangible Capital Assets

Year ended December 31, 2018

2018 General	Cost Balance, Beginning of year	Additions	Disposals	Balance, End of Year	Opening Accumulated Amortization	Amortization	Deletions	Balance, end of year	Total
Land	\$42,605	\$ -	\$ -	\$42,605	\$ -	\$ -	\$ -	\$ -	42,605
Land improvements	70,038	3,601	222	73,417	30,146	1,989	162	31,973	41,444
Buildings, improvements and components	240,776	8,518	1,573	247,721	53,739	5,976	715	59,000	188,721
Machinery and equipment	24,449	3,078	1,291	26,236	13,474	1,859	1,282	14,051	12,185
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	50,045	10,223	6,948	53,320	34,709	3,594	6,609	31,694	21,626
	450,485	27,339	11,007	466,817	140,882	15,466	9,737	146,611	320,206
Infrastructure									
Land	2,280	-	-	2,280	-	-	-	-	2,280
Land improvements	8,227	1,682	337	9,572	3,525	203	200	3,528	6,044
Buildings, improvements and components	31,211	5,107	924	35,394	9,920	846	710	10,056	25,338
Machinery and equipment	22,740	2,785	1,027	24,498	9,710	1,221	718	10,213	14,285
Information technology	95	43	-	138	95	1	-	96	42
Vehicles	9,326	1,108	836	9,598	6,480	663	836	6,307	3,291
Linnear	637,478	29,832	5,443	661,867	305,677	11,070	4,170	312,577	349,290
Subtotal: Infrastructure assets	711,357	40,557	8,567	743,347	335,407	14,004	6,634	342,777	400,570
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
Grand total as at December 31, 2018	\$1,210,876	\$ 48,079	\$19,574	\$1,239,381	\$476,289	\$29,470	\$16,371	\$ 489,388	\$749,993

THE CORPORATION OF THE CITY OF ST. CATHARINES

Schedule of Tangible Capital Assets

Year ended December 31, 2017

2017 General	Cost Balance, Beginning of year	Additions	Disposals	Balance, End of Year	Opening Accumulated Amortization	Amortization	Deletions	Balance, end of year	Total
Land	\$41,589	\$1,017	\$1	\$42,605	\$ -	\$ -	\$ -	\$ -	42,604
Land improvements	70,036	1,125	1,123	70,038	29,111	2,062	1,027	30,146	39,892
Buildings, improvements and components	239,406	3,930	2,560	240,776	49,815	5,801	1,877	53,739	187,037
Machinery and equipment	24,256	1,123	930	24,449	12,562	1,843	931	13,474	10,975
Furniture and fixtures	10,692	173	26	10,839	2,635	641	27	3,249	7,590
Information technology	9,041	3,603	911	11,733	5,403	1,073	911	5,565	6,168
Vehicles	49,686	842	483	50,045	31,709	3,483	483	34,709	15,336
	444,706	11,813	6,034	450,485	131,235	14,903	5,256	140,882	309,603
Infrastructure									
Land	2,280	-	-	2,280	-	-	-	-	2,280
Land improvements	8,502	-	275	8,227	3,622	178	275	3,525	4,702
Buildings, improvements and components	31,211	-	-	31,211	9,079	841	-	9,920	21,291
Machinery and equipment	21,148	2,416	824	22,740	9,180	1,159	629	9,710	13,030
Information technology	95	-	-	95	95	-	-	95	-
Vehicles	9,085	503	262	9,326	6,054	676	250	6,480	2,846
Linear	629,230	15,532	7,284	637,478	298,859	11,197	4,379	305,677	331,801
Subtotal: Infrastructure assets	701,551	18,451	8,645	711,357	326,889	14,051	5,533	335,407	375,950
Work in progress									
Opening balance	21,837	38,667	11,470	49,034	-	-	-	-	49,034
Internally transferred	-	-	-	-	-	-	-	-	-
Subtotal: Work in progress	21,837	38,667	11,470	49,034	-	-	-	-	49,034
Grand total as at December 31, 2017	\$1,168,094	\$68,931	\$26,149	\$1,210,876	\$458,124	28,954	\$10,789	\$476,289	\$734,587



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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 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, 2018,
- the statement of operations 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, 2018, and its results of operations and accumulated surplus 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.



Other Matter – Comparative Information

The financial statements for the year ended December 31, 2017, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on July 26, 2018.

As part of our audit of the financial statements for the year ended December 31, 2018, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2017. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2017. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

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

August 12, 2019

THE CORPORATION OF THE CITY OF ST. CATHARINES

Statement of Financial Position – Trust Funds

Year ended December 31, 2018, with comparative figures for 2017
(In thousands)

	Cemetery Perpetual Care Fund	Marker Care and Maintenance Fund	Memorial Forest	2018 Total	2017 Total
Assets					
Cash	\$ 104	\$ 75	\$ -	\$ 179	\$ 176
Investments	6,902	595	-	7,497	8,483
Accrued interest	236	29	-	265	155
Due from operating fund	1,601	-	19	1,620	512
	\$ 8,843	\$ 699	\$ 19	\$ 9,561	\$ 9,326
Liabilities and Fund Balances					
Due to operating fund	\$ -	\$ 68	\$ -	\$ 68	\$ 71
Fund balances	8,843	631	19	9,493	9,255
	\$ 8,843	\$ 699	\$ 19	\$ 9,561	\$ 9,326

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Statement of Operations – Trust Funds

Year ended December 31, 2018, with comparative figures for 2017
(In thousands)

	Cemetery Perpetual Care Fund	Marker Care and Maintenance Fund	Memorial Forest	2018 Total	2017 Total
Balance, beginning of year	\$ 8,623	\$ 615	\$ 17	\$ 9,255	\$ 9,052
Receipts					
Sales of plots, crypts and markers	220	16	-	236	202
Interest	203	16	-	219	210
Donations	-	-	7	7	5
	423	32	7	462	417
Expenditures					
Contribution to operating fund	203	16	-	219	210
Administration	-	-	5	5	4
	203	16	5	224	214
Balance, end of year	\$ 8,843	\$ 631	\$ 19	\$ 9,493	\$ 9,255

See accompanying notes to financial statements.

THE CORPORATION OF THE CITY OF ST. CATHARINES

Notes to Trust Funds Financial Statements

Year ended December 31, 2018
(In thousands)

1. Significant accounting policies:

The financial statements of The Corporation of the City of St. Catharines – Trust Funds (the “Trusts”) trust funds are prepared by management prepared in accordance with Canadian public sector accounting standards (“PSAS”) 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. The market value of investments held by the Trusts approximates cost given the nature of investments held by the Trusts.

2. Correction of an immaterial prior period error:

In 2018, management of the Trusts became aware that certain investments held were incorrectly treated as trust funds and should have been excluded from reporting in the financial statements of the Trusts. The impact of the correction has been recorded retrospectively and the cumulative effect up to December 31, 2016 has been recorded as a decrease to fund balances of \$1,391. As a result, the comparative information for the year ended December 31, 2017 has been restated. The cumulative impact of the correction up to December 31, 2017 is a decrease to cash of \$158, decrease to investments of \$1,364 and a decrease of due to operating fund of \$131. In the statement of operations, the impact has been to decrease to interest income by \$17, donations by \$238 and contributions to the operating fund by \$130.

Financial Statements of

**PORT DALHOUSIE BUSINESS
ASSOCIATION**

Year ended December 31, 2018



KPMG LLP
Commerce Place
21 King Street West, Suite 700
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INDEPENDENT AUDITORS' REPORT

To the Board Members of the Port Dalhousie Business 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 Port Dalhousie Business Association (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations 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 Port Dalhousie Business Association as at December 31, 2018, 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.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 5, 2018.

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
March 26, 2019

PORT DALHOUSIE BUSINESS ASSOCIATION

Financial Statements

Year ended December 31, 2018

Financial Statements

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PORT DALHOUSIE BUSINESS ASSOCIATION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash	\$ 7,891	\$ 11,833
HST recoverable	554	289
Due from the City of St. Catharines (note 4)	5,070	4,761
	<u>13,515</u>	<u>16,883</u>
Financial liabilities		
Accounts payable and accrued liabilities	3,261	1,484
Net financial assets	10,254	15,399
Non-financial assets		
Tangible capital assets (note 2)	4,829	2,497
Prepaid expenses	708	793
	<u>5,537</u>	<u>3,290</u>
Accumulated surplus (note 3)	<u>\$ 15,791</u>	<u>\$ 18,689</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

PORT DALHOUSIE BUSINESS ASSOCIATION

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 5)	2018	2017
Revenue:			
Member levy (note 4)	10,000	10,070	9,761
Donations	-	-	565
Interest	-	8	3
Miscellaneous	-	-	5
	10,000	10,078	10,334
Expenses:			
Administration	1,250	1,248	-
Amortization	-	1,710	1,818
Bank charges	100	-	113
Donation	-	500	-
Insurance	2,300	2,379	2,222
Professional fees	1,250	3,260	1,119
Promotional and advertising	9,300	2,596	969
Special events	100	497	-
Streetscaping and beautification	-	726	529
Supplies	-	60	100
	14,300	12,976	6,870
Annual (deficit) surplus	(4,300)	(2,898)	3,464
Accumulated surplus, beginning of year	18,689	18,689	15,225
Accumulated surplus, end of year	\$ 14,389	\$ 15,791	\$ 18,689

See accompanying notes to financial statements.

PORT DALHOUSIE BUSINESS ASSOCIATION

Statement of Changes in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual (deficit) surplus	\$ (2,898)	\$ 3,464
Amortization of tangible assets	1,710	1,818
Acquisition of tangible capital assets	(4,042)	-
Change in prepaid expenses	85	(70)
Change in net financial assets	(5,145)	5,212
Net financial assets, beginning of year	15,399	10,187
Net financial assets, end of year	\$ 10,254	\$ 15,399

See accompanying notes to financial statements.

PORT DALHOUSIE BUSINESS ASSOCIATION

Statement of Cash Flows

Year ended December 31, 2018, with comparative figures for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual (deficit) surplus	\$ (2,898)	\$ 3,464
Items not involving cash:		
Amortization of intangible assets	1,710	1,818
Change in non-cash assets and liabilities:		
Increase in due from the City of St. Catharines	(309)	(2,237)
Increase in HST recoverable	(265)	389
Increase in accounts payable and accrued liabilities	1,777	384
Decrease in prepaid expenses	85	(70)
Cash used in operating activities	100	3,748
Investing activities:		
Increase in tangible capital assets	(4,042)	-
Net (decrease) increase in cash	(3,942)	3,748
Cash, beginning of year	11,833	8,085
Cash, end of year	\$ 7,891	\$ 11,833

See accompanying notes to financial statements.

PORT DALHOUSIE BUSINESS ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2018

The Port Dalhousie Business Association (the "Association"), established in 1986 pursuant to the Ontario Municipal Act, operates to revitalize and promote the Port Dalhousie business 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 Business Improvement Area 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 revenue 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) 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.

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
Lights	5
Tents	3

PORT DALHOUSIE BUSINESS ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(d) 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 revenue and expenses during the year. Actual results could differ from those estimates.

2. Tangible capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Lights	\$ 8,011	\$ 3,182	\$ 4,829	\$ 1,985
Tents	3,073	3,073	-	512
	\$ 11,084	\$ 6,255	\$ 4,829	\$ 2,497

(a) Contributed tangible capital assets:

The Business Improvement Area received no contributed tangible capital assets in 2018 or 2017.

(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 Business Improvement Area has not recorded write-downs of tangible capital assets during the year or 2017.

3. Accumulated surplus:

	2018	2017
Invested in tangible capital assets	\$ 4,829	\$ 2,497
Operating fund	-	-
Reserve fund – contemporary and heritage	10,962	16,192
	\$ 15,791	\$ 18,689

PORT DALHOUSIE BUSINESS ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Related party transactions:

During the year, the Business Improvement Area recorded the following transactions with the City of St. Catharines:

Revenue:

	2018	2017
Member levy collected on behalf of the Association	\$ 10,000	\$ 10,000
Adjust: Supplementals / Write offs	70	(239)
	\$ 10,070	\$ 9,761

At the end of the year, the Association had a receivable from the City of St. Catharines in the amount of \$5,070 (2017 – \$4,761) for the balance of the member levy net of supplemental member levies and write offs.

5. Budget data:

The budget data presented in these financial statements is based upon the 2018 budget approved by the Board on March 7, 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 financial assets.

6. Reserve fund:

Contemporary and Heritage Reserve Fund

The contemporary and heritage reserve fund is used to accumulate donation and fundraising revenues for the funding of special projects as determined by the Association.

7. Comparative information:

Certain 2017 comparative information has been reclassified to conform to the presentation adopted in the current year. There has been no impact to accumulated surplus.

8. Adoption of new accounting standard:

During the year, the Association adopted PS2200, Related Party Disclosures, which is applicable for entities following Public Sector Accounting Standards for year-ends December 31, 2018 and beyond. Related party disclosures have been summarized in note 4.

Financial Statements of

**ST. CATHARINES DOWNTOWN
ASSOCIATION**

Year ended December 31, 2018



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, 2018
- the statement of operations 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 Downtown Association as at December 31, 2018, 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
February 20, 2019

ST. CATHARINES DOWNTOWN ASSOCIATION

Financial Statements

Year ended December 31, 2018

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ST. CATHARINES DOWNTOWN ASSOCIATION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash	\$ 108,081	\$ 56,303
Accounts receivable (note 3)	99,341	116,481
	<u>207,422</u>	<u>172,784</u>
Financial liabilities		
Accounts payable and accrued liabilities	17,197	20,572
Provision for redemption of parking tokens (note 4)	8,323	8,442
	<u>25,520</u>	<u>29,014</u>
Net financial assets	181,902	143,770
Non-financial assets		
Tangible capital assets (note 2)	3,626	10,475
Prepaid expenses	12,612	12,612
	<u>16,238</u>	<u>23,087</u>
Commitments (note 6)		
Accumulated surplus (note 5)	\$ 198,140	\$ 166,857

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

ST. CATHARINES DOWNTOWN ASSOCIATION

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 7)	2018	2017
Revenue:			
Member levy (note 3)	\$ 384,431	\$ 364,449	\$ 382,160
City of St. Catharines grants (note 3)	-	10,000	10,000
Craft brewery event	-	14,138	-
Ghost walking tours	-	1,760	1,940
Marketing	-	3,770	-
Provincial grant – Summer Jobs	-	2,583	-
Christmas events	-	645	-
Classic car show event	-	-	1,083
Total revenue	384,431	397,345	395,183
Expenses:			
Administration	172,531	171,335	155,556
Amortization	-	6,849	5,883
Development	50,800	27,373	30,232
Events	43,600	67,556	40,254
Media and visual marketing	106,900	83,297	109,767
Tourism	10,500	9,652	10,673
Total expenses	384,331	366,062	352,365
Annual surplus	100	31,283	42,818
Accumulated surplus, beginning of year	166,857	166,857	124,039
Accumulated surplus, end of year	\$ 166,957	\$ 198,140	\$ 166,857

See accompanying notes to financial statements.

ST. CATHARINES DOWNTOWN ASSOCIATION

Statement of Changes in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus	\$ 31,283	\$ 42,818
Acquisition of tangible capital assets	-	(744)
Amortization of tangible capital assets	6,849	5,883
Prepaid expenses	-	3,210
Change in net financial assets	38,132	51,167
Net financial assets, beginning of year	143,770	92,603
Net financial assets, end of year	\$ 181,902	\$ 143,770

See accompanying notes to financial statements.

ST. CATHARINES DOWNTOWN ASSOCIATION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 31,283	\$ 42,818
Items not involving cash:		
Amortization	6,849	5,883
Changes in non-cash assets and liabilities:		
Accounts payable and accrued liabilities	(3,375)	(6,003)
Accounts receivable	17,140	(26,991)
Provision for redemption of parking tokens	(119)	(6)
Prepaid expenses	-	3,210
Net change in cash from operating activities	51,778	18,911
Capital activities:		
Cash used to acquire tangible capital assets	-	(744)
Net increase in cash	51,778	18,167
Cash, beginning of year	56,303	38,136
Cash, end of year	\$ 108,081	\$ 56,303

See accompanying notes to financial statements.

ST. CATHARINES DOWNTOWN ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2018

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, 2018

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, 2018

2. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Computers	\$ 744	\$ -	\$ -	\$ 744
Garbage receptacles	12,818	-	-	12,818
Holiday decor	26,595	-	-	26,595
Kiosks	12,423	-	-	12,423
Total	\$ 52,580	\$ -	\$ -	\$ 52,580

Accumulated amortization	Balance at December 31, 2017	Disposals	Amortization expense	Balance at December 31, 2018
Computers	\$ 165	\$ -	\$ 248	\$ 413
Garbage receptacles	8,556	-	1,282	9,838
Holiday decor	20,961	-	5,319	26,280
Kiosks	12,423	-	-	12,423
Total	\$ 29,548	\$ -	\$ 6,849	\$ 48,954

	Net book value December 31, 2017	Net book value December 31, 2018
Computers	\$ 579	\$ 331
Garbage receptacles	4,262	2,980
Holiday decor	5,634	315
Kiosks	-	-
Total	\$ 10,475	\$ 3,626

(a) Contributed tangible capital assets:

The Association received no contributed tangible capital assets in 2018 or 2017.

(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 2017.

ST. CATHARINES DOWNTOWN ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Related party transactions:

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

Revenue:

	2018	2017
Member levy collected on behalf of the Association	\$ 384,431	\$384,431
Supplemental taxes	5,611	11,580
Taxes written-off	(25,593)	(13,851)
	<u>\$ 364,449</u>	<u>\$382,160</u>

The City of St. Catharines has also contributed \$10,000 (2017 - \$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 of \$86,126 (2017 - \$103,836) which includes \$76,126 related to outstanding member levies to be received as well as the annual Christmas grant of \$10,000.

During the year, the Association transacted with members of key management in the amount of \$15,886 (2017 - \$14,923) for leased premises.

4. Provision for redemption of parking tokens:

The provision for redemption of parking tokens in the amount of \$8,323 (2017 - \$8,442) 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:

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 3,626	\$ 10,475
Reserve fund	194,514	156,382
Accumulated surplus	<u>\$ 198,140</u>	<u>\$166,857</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, 2018

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:

2019	\$ 17,142
2020	17,250
2021	17,359
2022	10,163
	<hr/>
	\$ 61,914

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

2019	\$ 6,947
2020	6,947
2021	1,737
	<hr/>
	\$ 15,631

7. Budget data:

The budget data presented in these financial statements is based upon the 2018 budget approved by the Board on February 27, 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 financial assets.

ST. CATHARINES DOWNTOWN ASSOCIATION

Schedule of Expenses

Year ended December 31, 2018

	Budget	2018	2017
Administration:			
Banking charges	\$ -	\$ 1,207	\$ 920
Communications equipment	8,500	8,278	8,161
Insurance	1,100	1,098	1,093
Professional fees	6,500	7,182	5,241
Rent	15,431	15,886	14,923
Salaries and payroll taxes	137,500	131,385	121,383
Supplies and other	3,500	6,299	3,835
	<u>\$ 172,531</u>	<u>\$ 171,335</u>	<u>\$ 155,556</u>
Development:			
Annual general meeting	\$ 1,500	\$ 1,032	\$ 1,680
Business development program	1,500	1,644	1,594
Committee/board/staff development	5,000	4,620	4,404
Façade/streetscape improvements	5,000	10,500	10,500
Membership/resources	6,300	5,716	6,512
Newsletter/supplements	1,000	1,481	902
Safety	30,000	-	3,588
Website	500	2,380	1,052
	<u>\$ 50,800</u>	<u>\$ 27,373</u>	<u>\$ 30,232</u>
Events:			
Christmas	15,000	\$ 30,899	\$ 14,609
Historical ghost walking tours	100	892	109
Craft brewery	20,000	21,933	-
Downtown D'Lish	8,500	7,267	9,839
My downtown	-	4,026	-
Art city	-	2,539	-
Classic Car show	-	-	15,697
	<u>\$ 43,600</u>	<u>\$ 67,556</u>	<u>\$ 40,254</u>
Media and Visual Marking:			
Beautification/maintenance/identification	\$ 30,900	\$ 18,535	\$ 16,795
General marketing	55,000	57,664	58,314
Kiosks	1,000	417	780
Marketing campaign	20,000	6,681	28,878
Mini-lights	-	-	-
Sponsorship	-	-	5,000
	<u>\$ 106,900</u>	<u>\$ 83,297</u>	<u>\$ 109,673</u>
Tourism:			
Advertising	\$ 10,500	\$ 9,652	\$ 10,673
	<u>\$ 10,500</u>	<u>\$ 9,652</u>	<u>\$ 10,673</u>

Financial Statements of

**ST. CATHARINES PUBLIC LIBRARY
BOARD**

Year ended December 31, 2018

ST. CATHARINES PUBLIC LIBRARY BOARD

Financial Statements

December 31, 2018, with comparative information for 2017

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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, 2018
- 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, 2018, 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.



Other Matter – Comparative Information

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 5, 2018.

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

June 20, 2019

ST. CATHARINES PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash	\$ 4,287,435	\$ 4,368,329
Accounts receivable	133,391	70,011
Investments (note 3)	1,477,803	1,599,887
	<u>5,898,629</u>	<u>6,038,227</u>
Financial liabilities		
Accounts payable and accrued liabilities	557,897	451,933
Deferred income (note 4)	8,604	16,800
Post-employment benefits (note 2)	332,719	352,495
Long-term liabilities (note 5)	1,149,294	1,224,643
	<u>2,048,514</u>	<u>2,045,871</u>
Net financial assets	3,850,115	3,992,356
Non-financial assets		
Prepaid expenses	33,222	33,331
Tangible capital assets (Schedule)	8,199,427	8,208,737
	<u>8,232,649</u>	<u>8,242,068</u>
Commitments (note 7)		
Accumulated surplus (note 8)	<u>\$ 12,082,764</u>	<u>\$ 12,234,424</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, 2018, with comparative information for 2017

	Budget 2018 (note 9)	Actual 2018	Actual 2017
Revenue:			
Municipal contribution	\$ 5,398,960	\$ 5,398,960	\$ 5,491,200
Province of Ontario regular grant	228,600	228,616	228,616
Special grants	-	23,126	68,536
Other (Schedule)	163,700	256,929	427,594
	5,791,260	5,907,631	6,215,946
Expenditures:			
Salaries, wages and payroll taxes (Schedule)	4,065,700	3,909,233	3,652,258
Library materials (Schedule)	352,500	366,460	227,123
Occupancy (Schedule)	589,360	371,422	476,115
General and administration (Schedule)	298,200	367,052	251,819
Interest	-	50,598	53,400
Amortization	-	994,526	950,347
	5,305,760	6,059,291	5,611,062
Annual (deficit) surplus	485,500	(151,660)	604,884
Accumulated surplus, beginning of year	12,234,424	12,234,424	11,629,540
Accumulated surplus, end of year	\$ 12,719,924	\$ 12,082,764	\$ 12,234,424

See accompanying notes to financial statements.

ST. CATHARINES PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual (deficit) surplus	\$ (151,660)	\$ 604,884
Purchase of tangible capital assets	(985,216)	(1,327,859)
Amortization of tangible capital assets	994,526	950,347
Change in prepaid expenses	109	(31,108)
	(142,241)	196,264
Net financial assets, beginning of year	3,992,356	3,796,092
Net financial assets, end of year	\$ 3,850,115	\$ 3,992,356

See accompanying notes to financial statements.

ST. CATHARINES PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual (deficit) surplus	\$ (151,660)	\$ 604,884
Items not involving cash:		
Amortization	994,526	950,347
Change in non-cash assets and other liabilities:		
Accounts receivable	(63,380)	(36,355)
Prepaid expenses	109	(31,108)
Deferred income	(8,196)	(39,469)
Post-employment benefits	(19,776)	(18,752)
Accounts payable and accrued liabilities	105,964	112,992
	857,587	1,542,539
Capital activities:		
Purchase of tangible capital assets	(985,216)	(1,327,859)
Financing activities:		
Long-term liabilities repaid	(75,349)	(72,565)
Investing activities:		
Change in investments	122,084	(111,935)
Net change in cash	(80,894)	30,180
Cash, beginning of year	4,368,329	4,338,149
Cash, end of year	\$ 4,287,435	\$ 4,368,329

See accompanying notes to financial statements.

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

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

1. Significant account policies:

Significant accounting policies adopted by the Board 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. Expenditures 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 federal and provincial governments 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 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, 2018

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-Employee 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, 2018

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 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 expenditures 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 benefits:

In accordance with Canadian public sector accounting standards, the Board is required to report obligations for retirement benefits earned over the employment period of its employees. Retirement benefits have been determined by an actuarial valuation completed December 31, 2018.

Employees who have retired either under the OMERS early retirement provisions or otherwise are eligible to receive drug, extended health services and dental benefits for the lifetime of the retiree. Effective January 1, 2002 new retirees only receive benefits until age sixty-five.

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

Accrued benefit obligation:

	2018	2017
Vested sick leave liability	\$ 47,876	\$ 47,876
Retirement benefits	284,843	304,619
	<u>\$ 332,719</u>	<u>\$ 352,495</u>

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Liability for future benefits (continued):

The continuity of employee future benefits and other obligations is summarized as follows:

	2018	2017
Liability for employee future benefits and other obligations		
balance at beginning of the year	\$ 304,619	\$ 324,528
Expense	16,813	16,680
Amortization of actuarial loss	(13,310)	(13,310)
Benefit payments	(23,279)	(23,279)
Liability for employee future benefits and other obligations		
balance at end of the year	\$ 284,843	\$ 304,619

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 employed for the valuation are as follows:

The accrued benefit liability for post-employment benefits was determined by actuarial valuation as at December 31, 2018 using a discount rate of 3.50% (2017 – 3.50%).

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

Medical Costs - Medical costs were assumed to increase at a rate of 5.99 reducing 0.21% per year to 4.50% in 2025 and thereafter.

Dental Costs - Dental costs were assumed to increase at a rate of 4.50%.

3. Investments:

Investments of \$1,477,803 (2017 - \$1,599,887) are carried at cost which approximates market value due to the nature of investments held at the end of the year. The market value represents the realizable value of investments if they were to be sold at December 31, 2018.

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2018

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	2018	2017
Balance, beginning of year	\$ 16,800	\$ -
Add:		
Funds received	8,522	16,800
Less:		
Amounts recognized in revenue	(16,718)	-
	\$ 8,604	\$ 16,800

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	2018	2017
110-2011	Grantham Branch	3.8%	2031	\$ 1,149,294	\$ 1,224,643

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

2019	\$ 78,240
2020	81,241
2021	84,357
2022	87,594
2023	90,954
2024 and thereafter	726,908
	\$ 1,149,294

Total interest on long-term liabilities which are reported on the statement of operations amounted to \$50,598 (2017 - \$53,400).

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2018

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, 2018 reported a funding deficit of \$4.8 billion (2017 - \$5.4 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 2018 calendar year at rates ranging from 9.0% to 14.6% depending on the level of earnings. As a result, \$228,966 was contributed to OMERS (2017 - \$198,668) for current service.

7. Commitments:

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

2019	\$ 45,610
2020	45,610
2021	14,795
2022	4,524
2023	4,197
2024 and thereafter	600
	<hr/>
	\$115,336

ST. CATHARINES PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2018

8. Accumulated surplus:

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

	2018	2017
Reserves and reserve funds	\$ 4,046,363	\$ 4,211,739
Funds set aside – (schedule)	1,398,987	1,391,086
Amounts to be recovered – long-term liabilities	(1,149,294)	(1,224,643)
Amounts to be recovered – post-employment benefit	(332,719)	(352,495)
Tangible capital assets	8,119,427	8,208,737
Balance, end of year	\$ 12,082,764	\$ 12,234,424

9. Budget data

The budget data presented in these financial statements is based upon the 2018 operating and capital budgets approved by Council on December 18, 2017. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

Revenues:	
Operating budget	\$ 6,171,260
Capital budget	-
Less:	
Transfers in – reserves	(380,000)
Total revenue	5,791,260
Expenses:	
Operating budget	5,305,760
Capital budget	865,500
Less:	
Capital expenses	(790,150)
Principal repayments	(75,350)
Total expenses	5,305,760
Annual surplus	\$ 485,500

ST. CATHARINES PUBLIC LIBRARY BOARD

Schedule of Fund Activities

Year ended December 31, 2018

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

	Architects Fund	Internal Fund	2018 Total	2017 Total
Revenues				
Book revenue	\$ -	\$ -	\$ -	\$ 9,797
Donations	-	33,037	33,037	228,488
Interest	-	22,011	22,011	17,146
	-	55,048	55,048	255,431
Expenditures				
Library materials	-	47,147	47,147	4,750
Net revenues	-	47,147	47,147	250,681
Financing and transfers				
Transfers to operating fund	-	-	-	(130,577)
Net change in funds	-	7,901	7,901	120,104
Funds, beginning of year	760	1,390,326	1,391,086	1,270,982
Funds, end of year	\$ 760	\$ 1,398,227	\$ 1,398,987	\$ 1,391,086

ST. CATHARINES PUBLIC LIBRARY BOARD

Schedule of Other Revenue

Year ended December 31, 2018

	(Unaudited)		
	Budget 2018	Actual 2018	Actual 2017
Fines and memberships	\$ 86,000	\$ 76,884	\$ 83,242
Interest	28,500	98,939	61,128
Photocopying	5,100	4,483	4,312
Programming fees	10,000	5,850	8,024
Sundry	22,000	24,726	21,350
Meeting room rental	11,000	11,327	9,463
AV services	1,100	1,683	1,790
Donations	-	33,037	228,488
Book revenue	-	-	9,797
	\$ 163,700	\$ 256,929	\$ 427,594

ST. CATHARINES PUBLIC LIBRARY BOARD

Schedule of Expenses

Year ended December 31, 2018

	(Unaudited) Budget 2018	Actual 2018	Actual 2017
Salaries, wages and payroll taxes			
Library and clerical	\$ 3,342,800	\$ 3,258,149	\$ 3,052,289
Payroll taxes	722,900	651,084	599,969
	4,065,700	3,909,233	3,652,258
Library materials			
Audio	43,000	29,693	29,693
Binding	3,500	1,062	2,620
Microfilm	15,000	11,867	11,516
Periodicals	267,000	300,443	159,132
Processing	24,000	23,395	24,162
	352,500	366,460	227,123
Occupancy			
Communications	39,500	37,125	36,511
Insurance	29,500	29,063	28,468
Rent and taxes	118,200	59,410	64,058
Repairs and maintenance	144,000	38,987	147,945
Security	15,160	18,343	15,000
Utilities	243,000	188,494	184,133
	589,360	371,422	476,115
General and administration			
Audio visual supplies	1,000	2,692	1,824
Data processing	18,400	11,394	9,720
Equipment rental	9,400	8,153	9,128
Equipment repairs and maintenance	131,300	163,665	111,328
Library supplies	44,800	39,110	38,707
Printing and stationery	2,000	1,801	2,931
Professional fees	36,000	33,563	22,847
Programming	9,300	4,074	7,955
Sundry	3,500	60,442	13,584
Training and development	17,500	19,098	10,577
Transportation and postage	25,000	23,060	23,218
	\$ 298,200	\$ 367,052	\$ 251,819

ST. CATHARINES PUBLIC LIBRARY BOARD

Schedule of Tangible Capital Assets

for the year ended December 31, 2018

	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	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
Land	25,138	-	-	25,138	-	-	-	-	25,138
Buildings	7,128,200	-	-	7,128,200	2,833,549	87,865	-	2,921,414	4,206,786
Building improvements	518,489	62,872	-	581,361	75,867	22,592	-	98,459	482,902
Collection	5,043,593	757,309	721,532	5,079,370	2,511,772	723,069	721,532	2,513,309	2,566,061
Furniture and equipment	741,073	97,701	26,487	812,287	320,223	40,096	26,487	333,832	478,455
IT equipment	554,745	409,977	385,600	579,122	438,602	76,725	385,600	129,727	449,395
December 31, 2017	14,011,238	1,327,859	1,133,619	14,205,478	6,180,013	950,347	1,133,619	5,996,741	8,208,737

Financial Statements of

**ST. CATHARINES TRANSIT
COMMISSION**

Year ended December 31, 2018

ST. CATHARINES TRANSIT COMMISSION MANAGEMENT REPORT

December 31, 2018

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.



Christopher Fullerton
Acting Chair



Graham Morrison
General Manager



KPMG LLP
80 King Street, Suite 620
St. Catharines ON L2R 7G1
Canada
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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 accompanying financial statements of the St. Catharines Transit Commission (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- 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 St. Catharines Transit Commission as at December 31, 2018, 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 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.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 26, 2018.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
St. Catharines, Canada
May 16, 2019

ST. CATHARINES TRANSIT COMMISSION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 1,132,518	\$ 958,206
Accounts receivable	943,713	869,015
Total financial assets	2,076,231	1,827,221
Financial Liabilities		
Accounts payable and accrued liabilities	1,438,022	949,766
Deferred income (note 4)	964,056	427,416
Due to City of St. Catharines	162,583	504,478
Employee future benefits (note 2)	3,766,325	2,338,219
Long-term liabilities (note 3)	403,730	445,000
	6,734,716	4,664,879
Net debt	(4,658,485)	(2,837,658)
Non-financial assets		
Tangible capital assets (schedule 1)	33,150,435	24,065,575
Inventories	632,464	692,471
Prepaid expenses	210,094	155,800
	33,992,993	24,913,846
Accumulated surplus (note 5)	\$ 29,334,508	\$ 22,076,188

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, 2018, with comparative information for 2017

	Budget (note 9)	2018	2017
Revenues:			
Municipal contribution - City of St. Catharines	\$ 11,164,914	\$ 11,164,914	\$ 10,912,726
Government transfers	–	13,159,421	2,346,249
Conventional farebox income	8,906,881	9,420,331	8,830,627
Paratransit farebox income	94,536	90,448	93,174
Thorold service municipal contribution	683,220	726,272	666,558
Thorold Paratransit contract services	110,400	111,402	109,863
Intown charters	48,000	112,366	51,802
School Board farecard income	96,000	43,875	90,675
Downtown terminal	257,136	225,898	233,454
Inter-municipal transit contract	1,451,712	1,638,786	1,449,237
Bus advertising	120,000	120,000	118,333
Shelter advertising	121,000	154,007	215,555
Other income	38,200	200,355	69,034
Paratransit donations	–	9,538	2,500
Paratransit interest	–	–	558
	23,091,999	37,177,613	25,190,345
Expenses (schedule of expenses):			
Transportation	10,785,598	12,094,832	10,472,723
Fuel	2,497,392	2,826,999	2,258,200
Equipment and vehicle maintenance	3,988,477	3,969,102	3,996,799
Premises and plant	645,220	698,578	614,638
Downtown terminal	567,654	714,900	613,610
General and administration	3,011,556	3,396,403	3,147,928
Paratransit operating	1,306,767	1,457,941	1,295,391
Paratransit taxi contract	129,760	113,234	128,007
Thorold Paratransit services	110,400	111,402	109,863
Amortization of tangible capital assets	–	4,007,356	3,757,375
Loss on disposal of assets	–	365,964	–
Interest on due to City of St. Catharines	–	162,582	–
	23,042,824	29,919,293	26,394,534
Annual surplus (deficit)	49,175	7,258,320	(1,204,189)
Accumulated surplus, beginning of year	22,076,188	22,076,188	23,280,377
Accumulated surplus, end of year	22,125,363	\$ 29,334,508	\$ 22,076,188

See accompanying notes to financial statements.

ST. CATHARINES TRANSIT COMMISSION

Statement of Changes in Net Debt

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus (deficit)	\$ 7,258,320	\$ (1,204,189)
Acquisition of tangible capital assets	(13,458,180)	(2,824,523)
Amortization of tangible capital assets	4,007,356	3,757,375
Loss on disposal of tangible capital assets	365,964	–
Change in inventories	60,007	(7,463)
Change in prepaid expenses	(54,294)	9,244
Increase in net debt	(1,820,827)	(269,556)
Net debt, beginning of year	(2,837,658)	(2,568,102)
Net debt, end of year	\$ (4,658,485)	\$ (2,837,658)

See accompanying notes to financial statements.

ST. CATHARINES TRANSIT COMMISSION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Annual surplus (deficit) for the year	\$ 7,258,320	\$ (1,204,189)
Item not involving cash:		
Amortization of tangible capital assets	4,007,356	3,757,375
Loss on disposal of tangible capital assets	365,964	–
	11,631,640	2,553,186
Changes in non-cash working capital		
Increase in accounts receivable	(74,698)	(100,952)
Decrease in Inventories	60,007	(7,463)
Increase in accounts payable and accrued liabilities	488,256	(54,744)
Increase in deferred income	536,640	(39,974)
Decrease in due to City of St. Catharines	(341,895)	(3,043)
Increase in Prepaid expenses	(54,294)	9,244
Increase in Employee future benefits	1,428,106	281,917
	13,673,762	2,638,171
Investing:		
Acquisition of tangible capital assets	(13,458,180)	(2,824,523)
Financing:		
Long-term debt issued	–	445,000
Repayment of long-term debt	(41,270)	–
	(41,270)	445,000
Increase in cash	174,312	258,648
Cash, beginning of year	958,206	699,558
Cash, end of year	\$ 1,132,518	\$ 958,206

See accompanying notes to financial statements.

ST. CATHARINES TRANSIT COMMISSION

Notes to Financial Statements

Year ended December 31, 2018

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 accrual method of reporting revenue and expenses has been used. 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 grant 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, 2018

1. Significant accounting policies:

(e) 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

(f) Inventories:

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

(g) 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, 2018

1. Significant accounting policies:

(h) 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.

(i) 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, 2018

2. Employee future benefits:

	2018	2017
Vacation pay	\$ –	\$ 7,311
Post-employment benefits	3,766,325	2,330,908
	<u>\$ 3,766,325</u>	<u>\$ 2,338,219</u>

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, 2016 using a discount rate of 3.50% (2017 - 3.50%).

	2018	2017
Accrued benefit obligation, beginning of year	\$ 2,330,908	\$ 2,022,602
Expense for the year	320,222	305,510
Amortization	–	92,022
Adjustment	828,197	–
Benefits paid during the year	(89,226)	(89,226)
Accrued benefit obligation, end of year	3,390,101	2,330,908
Unamortized actuarial gain	376,224	–
Liability, end of year	<u>\$ 3,766,325</u>	<u>\$ 2,330,908</u>

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, 2018 using a discount rate of 3.50% (2017 – 3.50%).

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

Medical Costs - Medical costs were assumed to increase at a rate of 5.99 reducing 0.21% per year to 4.50% in 2025 and thereafter.

Dental Costs - Dental costs were assumed to increase at a rate of 4.50%.

ST. CATHARINES TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Long-term liabilities:

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

	2018	2017
Long-term liabilities incurred by the Service which bear interest at 2.229%	403,730	\$ 445,000

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

2019	\$	41,780
2020		42,315
2021		42,949
2022		43,689
2023		44,411
Thereafter		188,586
		403,730

(c) Interest expense on long-term liabilities amounted to \$8,000 (2017 - \$nil) for the year.

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

4. Deferred revenue:

	2018	2017
Balance, beginning of year	\$ 427,416	\$ 467,390
Contributions received	2,820,280	2,137,078
Revenue earned	(2,283,640)	(2,177,052)
Balance, end of year	\$ 964,056	\$ 427,416

5. Accumulated surplus:

	2018	2017
Invested in tangible capital assets	\$ 33,150,435	\$ 24,065,575
Operating reserve funds	354,128	793,832
Amount to be recovered - employee future benefits	(3,766,325)	(2,338,219)
Amount to be recovered - long-term liabilities	(403,730)	(445,000)
Accrued benefit obligation, end of year	\$ 29,334,508	\$ 22,076,188

ST. CATHARINES TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2018

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:

	2018	2017
Data processing	\$ 11,394	\$ 9,720
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 2018, the City provided \$11,164,914 (2017 - \$10,912,726) in funding. The City also provides grant funding through various Provincial and Federal grants. In 2018, the City provided \$13,159,421 (2017 - \$2,346,249) in grant funding.

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 amount contributed to OMERS for 2018 was \$ 1,108,454 (2017 - \$ 1,051,542) for current service and is included as an expense on the Statement of Operations and Accumulated Surplus.

ST. CATHARINES TRANSIT COMMISSION

Notes to Financial Statements (continued)

Year ended December 31, 2018

8. Pension agreement (continued):

On January 1, 2018, the yearly maximum pension earnings increased to \$ 55,900 from \$ 55,300 in 2017. The contributions are calculated at a rate of 9% (2017 - 9%) for amounts up to the yearly maximum pension earnings stated above and at a rate of 14.6% (2017 -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 2018 budget approved by the Service on October 26, 2017. 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.

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.

ST. CATHARINES TRANSIT COMMISSION

Schedule of Tangible Capital Assets

For the year ended December 31, 2018, with comparative information for 2017

	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			Disposals
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	\$33,150,435
Land	\$ 357,225	\$ –	\$ –	\$ 357,225	\$ –	\$ –	\$ –	\$ 357,225	
Land improvements	809,293	37,296	–	846,589	645,681	49,714	–	151,194	
Buildings	7,449,288	–	–	7,449,288	2,453,267	115,997	–	4,880,024	
Structures	1,217,987	–	–	1,217,987	278,532	68,026	–	871,429	
Equipment	4,089,484	–	(13,149)	4,076,335	1,811,617	207,988	(13,149)	2,069,879	
Furniture	11,036	–	–	11,036	2,484	551	–	8,001	
IT equipment – Conventional	2,551,025	1,574,811	(60,295)	4,065,541	973,398	364,971	(60,295)	2,787,467	
IT equipment – Paratransit	243,378	70,701	–	314,079	52,152	40,406	–	221,521	
Vehicles – Conventional	39,262,120	755,800	–	40,017,920	25,220,953	2,803,893	–	11,993,074	
Vehicles – Paratransit	1,056,290	–	–	1,056,290	610,615	105,829	–	339,846	
Work in progress	–	385,915	–	385,915	–	–	–	385,915	
December 31, 2017	\$57,047,126	\$ 2,824,523	\$ (73,444)	\$59,798,205	\$32,048,699	\$ 3,757,375	\$ (73,444)	\$35,732,630	\$24,065,575

ST. CATHARINES TRANSIT COMMISSION

Schedule of Expenses

For the year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Transportation			
Operator wages	\$ 7,721,237	\$ 8,716,363	\$ 7,477,593
Payroll taxes	2,623,677	2,936,582	2,577,584
	10,344,914	11,652,945	10,055,177
Thorold transcab service	221,116	211,910	209,845
Uniforms	48,530	56,247	56,876
Licenses	69,120	75,761	63,113
Fare media	55,000	55,038	49,344
Safety and training	46,918	42,931	38,368
	\$ 10,785,598	\$ 12,094,832	\$ 10,472,723
	Budget	2018	2017
Fuel			
Diesel fuel	\$ 2,362,392	\$ 2,687,582	\$ 2,184,081
Gasoline fuel	30,000	36,175	25,883
Lubricants	105,000	103,242	48,236
	\$ 2,497,392	\$ 2,826,999	\$ 2,258,200
	Budget	2018	2017
Equipment and Vehicle Maintenance			
Mechanics wages	\$ 1,181,304	\$ 1,331,110	\$ 1,196,729
Servicemen wages	516,856	485,879	491,868
Mechanics payroll taxes	437,079	422,835	431,188
Servicemen payroll taxes	203,327	219,246	198,666
	2,338,566	2,459,070	2,318,451
Tires	120,000	137,010	133,862
Materials	1,463,911	1,292,828	1,478,030
Two way radios	13,000	35,000	8,283
Service and staff vehicles	12,000	7,238	8,083
Mechanics tool replacements	13,000	14,418	16,335
Miscellaneous	28,000	23,538	33,755
	\$ 3,988,477	\$ 3,969,102	\$ 3,996,799

ST. CATHARINES TRANSIT COMMISSION

Schedule of Expenses (continued)

For the year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Premises and Plant			
Utilities	\$ 150,000	\$ 148,849	\$ 146,847
Garage supplies	50,000	86,536	50,350
Building and janitorial	240,000	251,318	215,340
Bus shelters	20,000	40,576	36,786
Property taxes	178,220	164,303	158,535
Fire and boiler insurance	7,000	6,996	6,780
	\$ 645,220	\$ 698,578	\$ 614,638
Downtown Terminal			
Salaries	\$ 156,965	\$ 195,893	\$ 171,198
Payroll taxes	47,089	61,880	40,670
	204,054	257,773	211,868
Office supplies	5,600	2,409	3,334
Telephone	42,000	31,831	40,747
Building and janitorial	60,000	127,987	115,839
Rent and utilities	106,000	102,266	101,413
Contracted services	150,000	192,634	140,409
	\$ 567,654	\$ 714,900	\$ 613,610
General and Administration			
Salaries	\$ 1,430,106	\$ 1,524,465	\$ 1,371,966
Payroll taxes	494,315	817,680	758,051
	1,924,421	2,342,145	2,130,017
Insurance	580,766	602,509	517,110
Information technology	178,809	204,797	199,265
Office and other	236,560	172,837	223,245
Professional fees	31,000	19,161	16,703
Advertising	60,000	54,954	61,588
	\$ 3,011,556	\$ 3,396,403	\$ 3,147,928

ST. CATHARINES TRANSIT COMMISSION

Schedule of Expenses (continued)

For the year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Paratransit Operating			
Operator wages	\$ 543,883	\$ 656,875	\$ 556,316
Administrative salaries	128,166	206,548	130,724
Mechanics wages	72,363	72,360	70,212
Servicemen wages	58,843	58,848	57,060
Operator payroll taxes	197,708	143,627	193,340
Administrative payroll taxes	44,669	49,204	41,522
Mechanic payroll taxes	25,969	25,968	25,464
Servicemen payroll taxes	22,319	22,320	21,888
	1,093,920	1,235,750	1,096,526
Uniforms	6,000	6,000	6,000
Licenses	660	—	—
Diesel fuel	60,060	75,099	63,545
Lubricants	1,104	1,104	1,104
Materials	18,000	13,895	5,691
Two way radios	1,394	1,392	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	11,520	11,520	11,520
Fire and boiler insurance	756	756	756
Insurance	80,000	80,004	75,600
Advertising	888	—	443
Office	2,760	3,091	3,000
Telephone	1,800	1,800	2,400
Professional fees	2,520	2,520	2,520
Miscellaneous office	600	206	90
	\$ 1,306,786	\$ 1,457,941	\$ 1,295,391

*crawford
smith &
swallow*

NIAGARA DISTRICT AIRPORT COMMISSION

Financial Statements

December 31, 2018



NIAGARA DISTRICT AIRPORT COMMISSION

Financial Statements

December 31, 2018

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NIAGARA DISTRICT AIRPORT COMMISSION MANAGEMENT REPORT

December 31, 2018

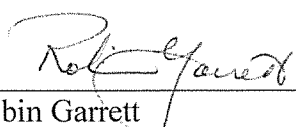
The accompanying financial statements of the Niagara District Airport Commission (the "Commission") are the responsibility of the Commission's management and have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered 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
Acting Chair
March 28, 2019



Daniel Pilon
CEO
March 28, 2019

Crawford Smith & Swallow
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Niagara-on-the-Lake
Port Colborne



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, 2018, 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, 2018, 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

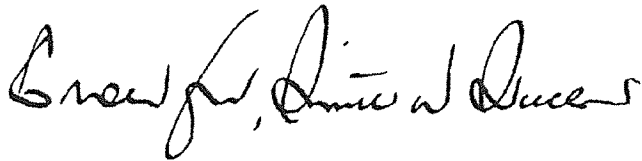
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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
March 28, 2019

CRAWFORD SMITH & SWALLOW
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS

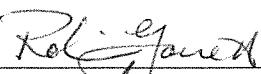
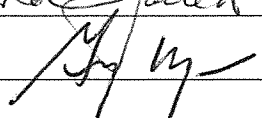
NIAGARA DISTRICT AIRPORT COMMISSION

STATEMENT OF FINANCIAL POSITION

December 31, 2018

Assets	2018	2017
	\$	\$
Current Assets		
Cash	584,442	447,238
Temporary investments		85,000
Portfolio investments at fair value (cost - \$717,107)	701,575	705,268
Accounts receivable - note 2	46,147	78,464
Sales tax recoverable	14,190	
Prepaid expenses	19,390	20,447
	1,365,744	1,336,417
Capital Assets - note 13, schedules 7 and 8	9,612,774	10,053,083
	10,978,518	11,389,500
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities - note 2	87,635	153,180
Government remittances payable	1,188	11,708
Deferred revenue - note 5	588,172	499,081
	676,995	663,969
Deferred Capital Contributions - note 6	9,114,600	9,505,821
	9,791,595	10,169,790
Net Assets		
Invested in tangible capital assets	498,174	547,262
Internally restricted	548,598	560,000
Unrestricted	155,683	117,842
	1,202,455	1,225,104
Accumulated Remeasurement Losses	(15,532)	(5,394)
	10,978,518	11,389,500

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, 2018

	Invested in Capital Assets \$	Internally Restricted Net Assets \$	Unrestricted \$
Balance, Beginning of Year	547,262	560,000	117,842
Excess (Deficiency) of Revenue over Expenses for the Year	(53,488)		30,839
Internally Imposed Restrictions - note 10	4,400	(11,402)	7,002
Balance, End of Year	498,174	548,598	155,683

	Total 2018 \$	Total 2017 \$
Balance, Beginning of Year	1,225,104	1,007,428
Excess (Deficiency) of Revenue over Expenses for the Year	(22,649)	217,676
Internally Imposed Restrictions - note 10		
Balance, End of Year	1,202,455	1,225,104

STATEMENT OF REMEASUREMENT LOSSES

for the year ended December 31, 2018

	2018 \$	2017 \$
Accumulated Remeasurement Losses, Beginning of Year	(5,394)	
Unrealized Losses Attributable to Portfolio Investments	(10,138)	(5,394)
Accumulated Remeasurement Losses, End of Year	(15,532)	(5,394)

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

STATEMENT OF OPERATIONS

for the year ended December 31, 2018

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
Revenue			
Events	3,000	8,417	600
Fuel operations	18,000	24,286	25,678
Interest	3,000	4,709	2,596
Landing and parking fees	59,000	67,466	45,068
Miscellaneous	24,300	31,753	21,787
Municipal grants - schedule 1	425,500	396,064	435,326
Deferred revenue recognized - note 5		622	12,996
Rentals	201,200	178,520	220,400
	734,000	711,837	764,451
Operating Expenses			
Maintenance, building and property - schedule 2	54,500	59,663	50,279
Maintenance, vehicles and equipment- schedule 3	64,500	65,764	50,492
Operations - schedule 4	188,600	178,877	265,084
Personnel - schedule 5	450,400	404,983	413,059
	758,000	709,287	778,914
Excess (Deficiency) of Revenues over Expenses before Undernoted Items	(24,000)	2,550	(14,463)
Other			
Portfolio investment income - schedule 6	24,000	7,904	1,497
Gain on disposal of capital assets		20,385	288,821
Deferred capital contribution amortization		496,976	488,942
Amortization		(550,464)	(547,121)
	24,000	(25,199)	232,139
Excess (Deficiency) of Revenue over Expenses for the Year		(22,649)	217,676

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

STATEMENT OF CASH FLOWS

for the year ended December 31, 2018

	2018	2017
	\$	\$
Operating Activities		
Excess (deficiency) of revenue over expenses for the year	(22,649)	217,676
Amortization	550,464	547,121
Deferred capital contribution amortization	(496,976)	(488,942)
Gain on disposal of capital assets	(20,385)	(288,821)
Portfolio investments	(6,445)	
Working capital provided (used) by operations	4,009	(12,966)
Changes in working capital components		
Accounts receivable	32,317	(57,565)
Sales tax recoverable	(14,190)	
Prepaid expenses	1,057	(14,336)
Accounts payable and accrued liabilities	(65,545)	38,112
Government remittances payable	(10,520)	3,301
Deferred revenue	(57,704)	44,086
	(114,585)	13,598
Funds provided (used) by operating activities	(110,576)	632
Investing Activities		
(Increase) decrease in temporary investments	85,000	(85,000)
Portfolio investments		(710,662)
Proceeds on disposals of capital assets	885	558,449
Capital expenditures	(118,405)	(296,392)
Funds used by investing activities	(32,520)	(533,605)
Financing Activities		
Deferred capital contribution received	280,300	274,500
Increase (Decrease) in Cash Position	137,204	(258,473)
Cash Position, Beginning of Year	447,238	705,711
Cash Position, End of Year	584,442	447,238

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

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 revenue includes unused grants received from the municipal entities listed, that are designated to be used to fund capital expenditures or repair type expenses, exclusive rights to lease and prepayment of leases. Amounts designated as capital grants are credited to deferred capital contributions and recognized as revenue on the same basis as the amortization of the related capital assets once an asset has been acquired. Other funds received for expenses of future periods are recognized as revenue in the period when the expenses are incurred. Unrestricted contributions 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, 2018

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 earned. 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 gain 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.

Capital assets and amortization

Capital assets are recorded at cost. Expenditures for maintenance and repairs are charged to operating expenses.

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

Land improvements	4 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.

NIAGARA DISTRICT AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

1. Significant Accounting Policies - continued

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.

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.

2. Related Party Transactions and Balances

During the year, the Commission paid accounting fees of \$12,000 (2017 - \$12,000) to the Town of Niagara-on-the-Lake. Accounts receivable includes \$nil (2017 - \$15,067) receivable from the City of Niagara Falls, \$nil (2017 - \$15,067) receivable from the Town of Niagara-on-the-Lake and \$nil (2017 - \$15,067) receivable from the City of St. Catharines. Accounts payable and accrued liabilities includes \$10,207 (2017 - \$17,218) payable to the Town of Niagara-on-the-Lake and \$5,637 (2017 - \$11,572) payable to the City of St. Catharines.

3. 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.

4. Budget figures

The budget figures presented on the statement of operations are based on the 2018 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, 2018

5. Deferred Revenue

	2018	2017
	\$	\$
Capital Grants		
Balance, beginning of year	366,999	391,887
City of St. Catharines	156,315	156,961
City of Niagara Falls	103,422	99,143
Town of Niagara-on-the-Lake	20,563	18,396
Less: capital grant utilized	(133,505)	(296,392)
Less: capital grant utilized, recognized in operations	(622)	(2,996)
Balance, end of year	513,172	366,999
Apron Deficiency - note 8		
Balance, beginning of year	75,000	85,000
Less: deferred revenue recognized in operations		(10,000)
Balance, end of year	75,000	75,000
Other Deferred Revenue		
Balance, beginning of year	57,082	
Lease payments paid in advance		10,000
Exclusive right to lease - note 9	(50,000)	50,000
Less: deferred revenue recognized in rentals	(7,082)	(2,918)
Balance, end of year		57,082
	588,172	499,081

6. Deferred Capital Contributions

	2018	2017
	\$	\$
Balance, beginning of year	9,505,821	9,698,371
Add: capital grant utilized	133,505	296,392
Less: capital asset disposals during the year	(27,750)	
Less: charged to revenue during the year	(496,976)	(488,942)
Balance, End of Year	9,114,600	9,505,821

NIAGARA DISTRICT AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

7. 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 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 2018 was \$17,696 (2017 - \$30,631) for current services and is included as an expense on the statement of operations.

On January 1, 2018 the yearly maximum pensionable earnings increased to \$55,900 from \$55,300 in 2017. The contributions are calculated at a rate of 9.0% (2017 - 9.0%) for amounts up to the yearly maximum pensionable earnings stated above and at a rate of 14.6% (2017 - 14.6%) for amounts above the yearly maximum pensionable earnings.

8. Airport Renovation Project Holdback Settlement

In previous years, the Regional Municipality of Niagara (the "Region"), as project coordinator, settled an outstanding holdback in the amount of \$164,000 related to the Commission airport renovation project ("ARP") which totaled \$11,870,669 and was completed in July 2011. This agreement between the Region and a specific contractor related to deficiencies discovered after completion of the apron area of the airport. Slight depressions in the apron were discovered by the airport CEO and this was relayed to Region staff. A payment of \$79,000 and applicable HST was made to the contractors with the balance of \$85,000 and applicable HST being forwarded to the Commission for future repairs of the identified depressions. These funds have been recorded in deferred revenue (see note 5) and will be recognized as revenue in the year when the related repairs have been completed. Therefore, \$85,000 had been removed from capital assets and deferred capital contributions in previous years as it is an adjustment to the estimated costs at the time of completion. Apron repairs costing \$10,000 (2017 - \$10,000) have occurred to date.

NIAGARA DISTRICT AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

9. Exclusive Right to Lease

During the prior year, the Commission entered into an agreement which granted an exclusive option to lease and develop a portion of Airport lands identified as the "SW Airpark Lands" to one tenant. The tenant paid the Commission \$50,000 for this option with an expiry date of April 30, 2018. The tenant chose not to exercise their option in the year, and the funds were returned in full.

10. 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 \$11,402 (2017 - nil) was utilized for approved capital expenditures.

11. 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.

Interest Rate Risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Commission holds portfolio investments that bear interest at fixed rates which will mature in future years. Accordingly, the Commission is exposed to the effects of fluctuations in market interest rates when these securities are reinvested.

The extent of the Commission's exposure to interest rate risk did not change during the year.

NIAGARA DISTRICT AIRPORT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 2018

12. Financial Risks - continued

Price Risk

Price risk is the risk that the fair value and future cash flows of a financial instrument will fluctuate due to changes in market values. The Commission holds portfolio investments that fluctuate with changes in market prices. Accordingly, the Commission is exposed to the effects of fluctuations in market prices.

The extent of the Commission's exposure to price risk did not change during the year.

13. 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 \$ 137,905 of which \$ 19,500 was acquired by means of asset trade-in. Cash payments of \$ 118,405 were made to purchase capital assets.

14. 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, 2018

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
City of St Catharines			
Operating Grant	237,289	207,853	207,853
Business Valuation			13,333
Environmental Assessment			10,609
	237,289	207,853	231,795
City of Niagara Falls			
Operating Grant	156,996	156,996	131,287
Business Valuation			13,333
Environmental Assessment			10,609
	156,996	156,996	155,229
Town of Niagara-on-the-Lake			
Operating Grant	31,215	31,215	24,360
Business Valuation			13,333
Environmental Assessment			10,609
	31,215	31,215	48,302
	425,500	396,064	435,326

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 2

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

for the year ended December 31, 2018

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
Building	16,500	26,325	26,354
Property	16,000	16,054	9,637
Runway	22,000	17,284	14,288
	54,500	59,663	50,279

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 3

**SCHEDULE OF EXPENSES - MAINTENANCE, VEHICLES AND
EQUIPMENT**

for the year ended December 31, 2018

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
Equipment rent	3,000	2,979	2,694
Gas and oil	18,000	20,518	21,258
Vehicles	43,500	42,267	26,540
	64,500	65,764	50,492

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 4

SCHEDULE OF EXPENSES - OPERATIONS

for the year ended December 31, 2018

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
Accounting fees - note 2	12,000	12,000	12,000
Advertising	1,000	1,400	2,280
Audit	12,000	14,400	12,600
Bad debt	1,000		44
Commissioners expenses	2,000		813
Conventions	12,000	9,997	7,722
Consulting services	14,000	21,240	79,995
Credit card fees		165	270
Hydro and heating	30,000	27,179	31,129
Insurance	14,000	13,440	13,007
Legal	12,000	4,887	15,770
Miscellaneous	1,600	857	1,659
Office and general	16,000	14,303	14,779
Payment in lieu of taxes	14,000	14,047	10,962
Safety management systems	5,000	5,000	5,000
Telephone and communications	10,000	11,091	11,739
Training	12,000	12,226	1,176
Water and sewage	20,000	16,645	44,139
	188,600	178,877	265,084

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 5

SCHEDULE OF EXPENSES - PERSONNEL

for the year ended December 31, 2018

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
Consultants and subcontractors	107,000	103,873	6,893
Employee benefits	73,400	58,414	89,084
Salary and wages	270,000	242,696	317,082
	450,400	404,983	413,059

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 6

SCHEDULE OF PORTFOLIO INVESTMENT INCOME

for the year ended December 31, 2018

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
Interest earned on investments	24,000	21,303	2,867
Investment management fees		(10,609)	(1,467)
Realized gains (losses) on disposal		(2,790)	97
	24,000	7,904	1,497

See accompanying notes

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 7

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				
December 31, 2018	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

NIAGARA DISTRICT AIRPORT COMMISSION

Schedule 8

SCHEDULE OF CAPITAL ASSETS

for the year ended December 31, 2017

	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		Balance, End of Year
	\$	\$	\$	\$	\$	\$	\$	\$	\$
General									
Land	25,437			25,437					25,437
Land improvements	7,398,911			7,398,911	2,135,056	355,068		2,490,124	4,908,787
Buildings	2,133,932	6,979	315,445	1,825,466	309,428	50,673	45,817	314,284	1,511,182
Equipment	1,338,874	97,850	7,257	1,429,467	241,265	49,711	7,257	283,719	1,145,748
Furniture and fixtures	32,302			32,302	15,895	3,230		19,125	13,177
Computer equipment	25,084	3,230		28,314	12,424	3,749		16,173	12,141
Motor vehicles	365,770		40,507	325,263	133,848	25,102	40,507	118,443	206,820
Signs	50,155			50,155	3,072	2,508		5,580	44,575
	11,370,465	108,059	363,209	11,115,315	2,850,988	490,041	93,581	3,247,448	7,867,867
Infrastructure									
Other machinery and equipment	1,343,989			1,343,989	248,266	33,877		282,143	1,061,846
Linear assets	1,085,456			1,085,456	132,754	23,203		155,957	7,242,954
	2,429,445			2,429,445	381,020	57,080		438,100	1,991,345
Work In Progress	5,538	188,333		193,871					193,871
December 31, 2017	13,805,448	296,392	363,209	13,738,631	3,232,008	547,121	93,581	3,685,548	10,053,083

See accompanying notes