

Agenda
Cornwall City Council

Meeting #: 2020-16
Date: Monday, June 29, 2020, 6:00 PM
Location: Cornwall Civic Complex, 100 Water Street East, Cornwall, Ontario, K6H 6G4, Salon B, Lower Level
Chair: Bernadette Clement, Mayor
Prepared By: Manon L. Levesque, City Clerk

Pages

Roll Call

Opening

We acknowledge that we are gathering on the traditional territory of the Mohawk people of Akwesasne.

Adoption of Agenda

The following Agenda is being presented for adoption as presented.

Disclosure of Interest

Committee of the Whole

Presentations and Reports

- | | | |
|------------|---|-----------|
| 6.1 | Presentation - 2019 Financial Statements by Tracey Bailey, General Manager, Financial Services and Jamie Pollock, MNP LLP, 2020-309-Financial Services | 1 |
| 6.2 | 2019 Financial Statements, 2020-308-Financial Services | 17 |
| | Action Recommended
That Council approve the 2019 Audited Financial Statements. | |
| 6.3 | 2019 Annual Report on the Status of City Reserves, 2020-305-Financial Services | 57 |
| | Action Recommended
That Council receive Report 2020-305-Financial Services on City's | |

reserves and reserve funds as at December 31, 2019.

6.4 2019 Annual Report on Development Charges Reserve Fund, 2020-306-Financial Services

69

Action Recommended

That Council receive Report No. 2020-306-Financial Services prepared in accordance with Section 12 of O.Reg.82/98 of the *Development Charges Act, 1997* (Act).

6.5 2019 Annual Report on Municipal Debt Limits, 2020-307-Financial Services

77

Action Recommended

That Council adopt Report 2020-307-Financial Services as required under the *Municipal Act, 2001*, Ontario Regulation 403/02.

Adjournment

The next regular public meeting of Council will be held on Monday, July 13, 2020.



The Corporation of the City of Cornwall
Regular Meeting of Council
Report

Department: Financial Services
Division: Finance
Report Number: 2020-309-Financial Services
Prepared By: Tracey Bailey, General Manager
Meeting Date: June 29, 2020
Subject: **2019 Financial Statements Presentations by Tracey Bailey, General Manager, Financial Services and Jamie Pollock, MNP LLP**

Presentations

Tracey Bailey, General Manager Financial Services & Treasurer will provide an overview presentation of the City's 2019 Year End.

Jamie Pollock from MNP, LLP will provide a review of the audited 2019 Financial Statements and Management Letter.

Document Title:	Presentation of the 2019 Financial Statements - 2020-309-Financial Services.docx
Attachments:	- 2019 Year End Presentation.pdf
Final Approval Date:	Jun 25, 2020

This report and all of its attachments were approved and signed as outlined below:

Tracey Bailey - Jun 25, 2020 - 8:53 AM

Maureen Adams - Jun 25, 2020 - 9:10 AM

Financial Statements

December 31, 2019

June 29, 2020

Tracey Bailey
GM Financial Services and Treasurer



Operating & Water Works & Wastewater Contributions to/(from) Reserves

Summary

General Surplus (To: Working Reserves \$251,356)	\$ 277,075
(To: Tax Stabilization Reserve \$300,000)	
(From: Winter Control Reserve \$274,281)	

Water Works Surplus (Water Works Reserve)	442,737
Wastewater Works Surplus (Wastewater Works Reserve)	<u>228,350</u>
	\$ 671,087

Other Transfers to/(from) Reserves:

Parking Reserve Fund (YE Operating Deficit)	\$ (90,646)
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Supplementary Taxation:

Did not meet budget in 2019, therefore no contribution to Reserves was made.

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position

(thousands of \$)

	2019	2018	2017	2016
Assets	\$93,710	\$95,151	\$85,753	\$78,696
Liabilities	97,277	81,517	79,616	77,032
Net Financial Assets	(3,568)	13,634	6,136	1,664
Non-Financial Assets	418,922	408,267	397,132	391,690
Accumulated Surplus	\$415,354	\$421,901	\$403,268	\$393,354

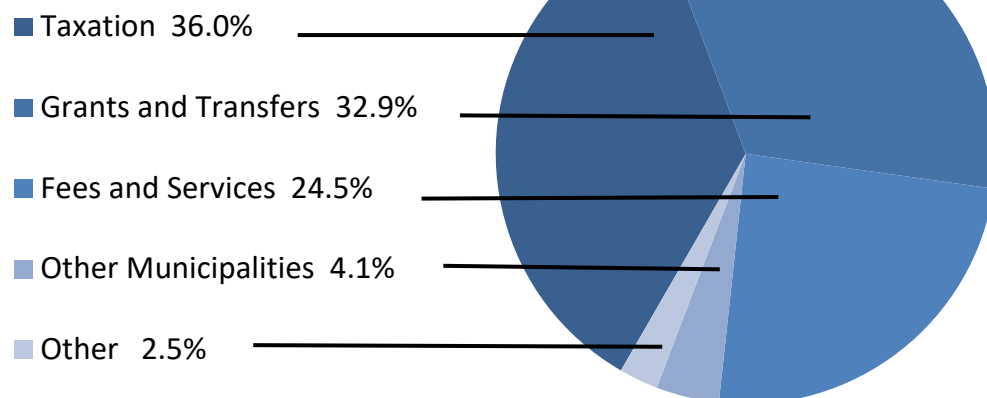
Accumulated surplus is an indicator of the City's overall financial health that reflects the net economic resources the City has built up over time.

Accumulated surplus is the amount of Net Financial Assets, assets (including reserves) and liabilities and Non-Financial Assets, the majority of which are capital assets; such as, municipal buildings, recreation facilities, vehicles, roads, land held for resale, and a small amount in inventory of supplies and prepaid expenses.

The City ended 2019 with a total accumulated surplus of \$415 million.

Consolidated Statement of Financial Activities

2019 REVENUE



	2019 Actual	2018 Actual	Variance
Taxation	69,006,130	72,597,164	-3,591,034
Grants and Transfers	63,210,039	64,297,795	-1,087,756
Fees and Services	47,057,751	44,266,672	2,791,079
Other Municipalities	7,792,742	7,314,326	478,416
Other	4,887,164	3,175,069	1,712,095
	191,953,826	191,651,026	302,800

Taxation Variance

In 2019, Council approved a levy increase of 3.11% or \$2.2M. Tax refunds in 2019 were \$6.5M higher than in 2018.

Grants Variance

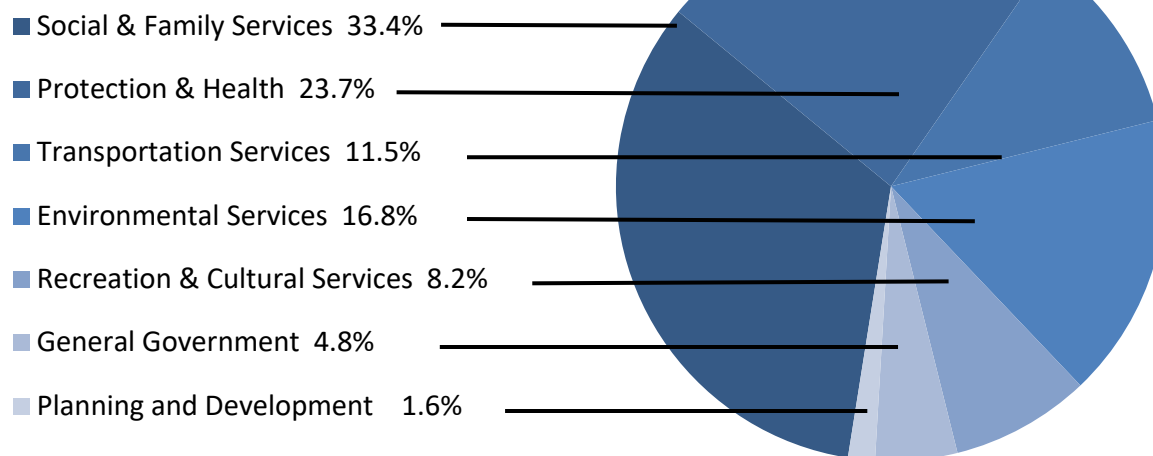
The decrease in Grants is related to a reduction in funding for Social Housing (\$721K), Ontario Works (\$593K), Child Care Programs (\$192K), and Paramedic Services (\$47K). These are offset by increases for Police Services (\$226K), GSDL (\$146K), and in OMPF funding (\$133K).

Fees & Services

An increase in water billings (\$437K), wastewater billings (\$529K), Complex Power Outage Recovery (\$339K), Recreation Facilities (\$200K), City Equipment Rental (\$265K), Marina 200 (\$202K), Police WSIB Recoveries (\$200K), M.A.T. (\$146K), Tipping Fees/Recycled Materials (\$113K) and GSDL Resident Fees (\$98K).

Consolidated Statement of Financial Activities

2019 EXPENDITURES



Social and Family Services

The decrease is related to reductions in provincially funded programs for Social Housing (\$955K), Ontario Works (\$506K) and Child Care (\$166K).

Protection and Health

Increase costs are related to salaries and benefits for Police, Fire, and Paramedic Services; including future liabilities related to WSIB, sick leave, accrued vacation.

Environmental Services

The increase is related to Landfill Post-Closure Liability (\$14.8M) and Waste Management contracts for curbside collection and recycling (\$715K).

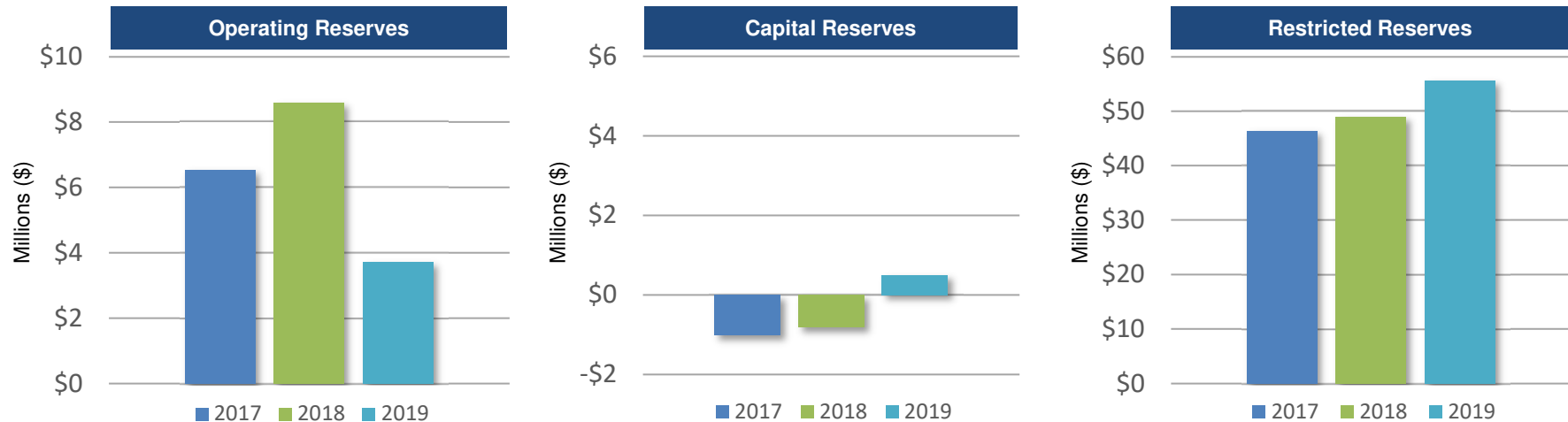
	2019 Actual	2018 Actual	Variance
Social & Family Services	68,809,798	70,253,167	-1,443,369
Protection & Health	48,772,483	45,840,222	2,932,261
Transportation Services	23,598,346	22,912,178	686,168
Environmental Services	34,489,125	18,741,113	15,748,012
Recreation & Cultural Services	16,888,089	16,193,888	694,201
General Government	9,909,673	9,354,095	555,578
Planning and Development	3,242,597	2,562,056	680,541
	205,710,111	185,856,719	19,853,392

City Reserves & Reserve Funds

Category of Reserves	2018 Year End	2019 Year End	Commentary
Operating Reserves	\$8,577,342	\$3,722,286	Operating Reserves had a net decrease of \$4.86M. Operating Reserves consist of discretionary reserves that have been established to provide flexibility and liquidity to protect against the consequences of unexpected events, losses of income and large unbudgeted expenses.
Capital Reserves	(\$ 813,765)	\$ 506,595	Capital Reserves had a net increase of \$1.3M. Capital Reserves are monies set aside for the repair and major maintenance costs of capital infrastructure and for large capital expenditures such as facility upgrades or road reconstruction.
Restricted Reserves (Municipal Funding)	\$42,228,227	\$44,285,758	Reserves restricted for certain uses; such as, the Water and Wastewater Works Reserves, Downtown Investment Fund and the Progress Fund.
Restricted Reserves (Funded Externally)	\$6,750,228	\$11,299,060	These reserves have been funded by senior levels of government or third parties for specific uses.

A report on the status of City Reserves is provided to Council annually at the same time that the City's Financial Statements are presented. The report will provide Council details on the status of Reserves and how they are performing to target balances.

City Reserves & Reserve Funds



Collectively, reserve and the reserve fund balances have grown over several years (\$52M in 2017 to \$60M in 2019). This increase is represented by an increase of \$3.6M in Federal Gas Tax of which approximately \$895,000 remains uncommitted; \$1.3M in the CAHC Operating Reserve; \$1.1M in Development Charges; and \$700K in the Building Surplus Reserve.

The ability to maintain target balances was identified as a challenge in the City's Long-Term Financial Plan (June 2017) and the Financial Condition Assessment (June 2019).

Following recommended practices, the City has planned and put strategies in place to build the City's reserve and reserve funds.

2019 City Capital Fund Summary

	Roads Infrastructure	Transit & MW Garage	Waste Management	Facilities	Parks	Protective Services	Technology GSDL	Upgrade	Water & Wastewater	Total
Capital Fund Jan 1, 2019	447,466	(825,203)	431,706	3,085	270,628	43,845	407,684	217,435	7,742,284	8,738,930
Taxation	545,024	86,753	300,000	292,297	265,858	401,008	273,577	186,250		2,350,767
Water Billings				-					3,176,309	3,176,309
Sewer Billings				-					3,089,839	3,089,839
Fed/Prov Gax Tax	2,002,202		279,206							2,281,408
Reserves	103,385	20,000		520,671	20,000	790,534		597,177	704,000	2,755,766
Development Charges	114,065			105,357		124,264			123,168	466,854
Debt Financing	750,000	2,295,000								3,045,000
Fed/Prov Funding	2,402,915					8,000			151,305	2,562,220
United Counties							120,522			120,522
Recoveries	97,906					24,153				122,059
Misc								85,950		85,950
TOTAL Revenue	6,015,497	2,401,753	579,206	918,324	285,858	1,347,959	394,099	869,377	7,244,622	20,056,694
2019 Expenses	(7,635,592)	(668,215)	(454,183)	(2,936,330)	(531,653)	(2,224,655)	(352,408)	(605,748)	(8,400,449)	(23,809,233)
Capital Fund Dec 31, 2019	(1,172,629)	908,335	556,729	(2,014,921)	24,833	(832,851)	449,375	481,064	6,586,457	4,986,392

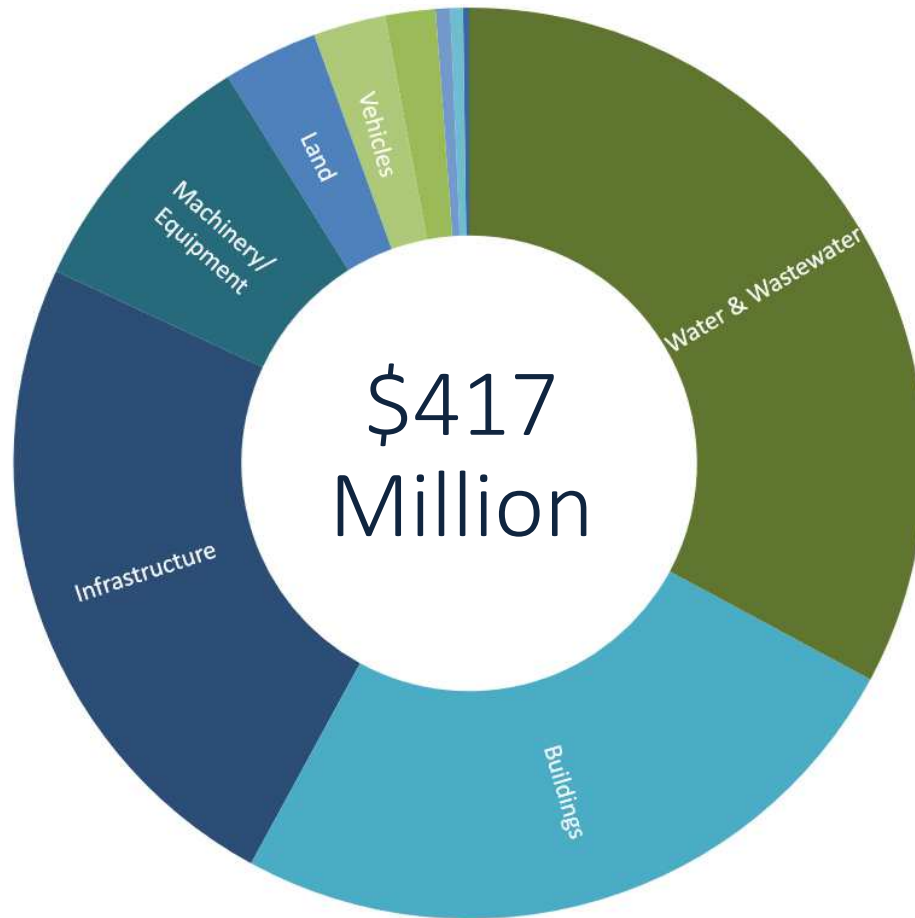
During 2019, funding in the amount of \$5.0M was brought forward to the 2020 fiscal year for on-going capital projects.

Consolidated Schedule of Tangible Capital Assets (by category)

	Assets In Service (original cost)	Accumulated Amortization	Assets Under Construction	Net Book Value	% of Org Cost
Land	\$ 14,075,220	\$ (78,960)	\$ -	\$ 13,996,260	99.44%
Yard	14,049,630	(6,642,643)	14,861	7,421,848	52.83%
Buildings	179,669,988	(78,305,348)	3,152,932	104,517,572	58.17%
Infrastructure	172,235,651	(73,491,722)	1,221,576	99,965,505	58.04%
Water & Wastewater	179,558,070	(45,802,008)	3,206,575	136,962,637	76.28%
Machinery/Equipment	126,745,653	(88,832,280)	360,450	38,273,823	30.20%
Computer	5,337,769	(3,879,014)	709,425	2,168,180	40.62%
Vehicles	23,881,745	(13,218,322)	22,235	10,685,658	44.74%
Office Furniture	6,138,001	(4,288,574)	-	1,849,427	30.13%
Other	2,098,180	(1,189,597)	-	908,583	43.30%
Total	\$ 723,789,907	\$ (315,728,468)	\$ 8,688,054	\$ 416,749,493	57.58%

The Net Book Value is the original cost of an asset less any accumulated amortization.
Overall, the Net Book Value of City assets are 58% of the original asset cost.

Net Book Value of Tangible Capital Assets (by category)



The Net Book Value is the original cost of an asset less any accumulated amortization.

Overall, the Net Book Value of City assets are 58% of the original asset cost.

Infrastructure, Buildings, and Water/Wastewater Assets continue to be the largest asset categories.

■ Land ■ Yard ■ Buildings ■ Infrastructure ■ Water & Wastewater
■ Machinery/Equipment ■ Computer ■ Vehicles ■ Office Furniture ■ Other

Long Term Liabilities

Consolidated long-term liabilities at December 31, 2019 includes:

Bank Loans	\$37,602,109
Capital Leases (Computer Equipment)	46,733
Cornwall Area Housing Corporation (mortgages funded from MMAH)	3,564,107
PSAB Liabilities (Future employment benefits (\$7.3M); Landfill Closure/Post-Closure Costs (\$16.7M); Accrued interest (\$34K)	24,036,981
Internal Loan - Land in the Business Park	2,000,000
	<u>\$67,249,930</u>

Sources of future revenues to finance liabilities are as follows:

General municipal revenue	\$33,880,504
User fees	\$15,116,743
Proceeds from the sale of land	2,000,000
Reserves and reserve funds	10,492,181
Provincial grant revenues	5,760,502
	<u>\$67,249,930</u>

Long Term Liabilities – Bank Loans

Bank Loans at December 31, 2019 includes:

Vehicles and Equipment

Municipal Works	\$3,752,800	
Fire Services	1,230,192	
Police Services	56,310	
Paramedic Services	298,513	
Transit Services	2,436,394	
Parks and Landscaping	<u>\$755,906</u>	\$8,530,115

Municipal Facilities

Wastewater Treatment Plant	\$10,088,587	
Benson Centre	7,509,794	
EMS Facility	902,421	
Library HVAC	615,469	
Municipal Works Yard	<u>\$298,884</u>	\$19,415,155

Police Post-Employment Loan

LED Streetlighting 1,271,126

Brookdale Ave North Channel Bridge 2,786,921

Roadways and Structures 2,455,154

Flood Reduction Initiative 2,241,224

Total \$37,602,109

In 2019, annual repayment on principal for long-term debt is approximately \$4.3M, of which \$2.2M is funded from the tax base.

Annual interest for bank loans is estimated to be \$1.1M, of which \$270K is funded from the tax base.

2019 Summary

- The City had an operating surplus of \$277,075. This surplus was contributed to the Working Reserve (\$251,356), to the Tax Stabilization Reserve (\$300,000), and from the Winter Control Reserve (\$274,281).
- The City had a surplus in Water Services of \$442,737. This surplus was transferred to the Water Works Reserve.
- The City had a surplus in Wastewater Services of \$228,350. This surplus was transferred to the Wastewater Works Reserve.
- The City entered into Financing Agreements (long-term debt) for the sum of \$3,045,000 for traffic signals and streetlighting, as well as equipment and fleet requirements for MW and Transit.
- City Reserves and Reserve Funds totaled \$59.8M.
- A financial condition assessment was completed by BMA Management Consulting Inc. in 2019.
- Though the City had a decrease in its Accumulated Surplus, the City's financial position continues to be strong.

2020 Initiatives

- Financial Services began upgrading the City's Accounting system in 2019, including the water and wastewater billing system. The project continues in 2020.
- ITT Services is continuing to review new and emerging reliable technologies related to network, infrastructure, bandwidth, privacy, security, and service levels. ITT Services will undertake an ITT Master Plan for the Corporation in 2020.
- In support of its financial planning, through its LTFP, the City has identified the need for enhanced/updated financial policies relating to Capital, Debt Management, Reserves, and Investments. Policy reviews will take place over the next two years.

The Corporation of the City of Cornwall
Regular Meeting of Council
Report

Department: Financial Services
Division: Finance
Report Number: 2020-308-Financial Services
Prepared By: Paul Scrimshaw, Accounting Manager and Deputy Treasurer
Meeting Date: June 29, 2020
Subject: 2019 Financial Statements

Purpose

To present to Council the results from the 2019 Year End financial audit.

Recommendation

That Council approve the 2019 Audited Financial Statements.

Financial Implications

The 2019 surplus has been transferred to the respective reserves as of December 31, 2019 as per corporate policy.

Background / Discussion

The City's Financial Statements have been prepared in accordance with the Municipal Act and based on the accounting standards set by the Public Sector Accounting Board (PSAB).

The City's auditor's MNP LLP have completed their financial audit for the period ending December 31, 2019.

On June 22, 2020, the Audit Committee reviewed the 2019 Financial Statements and Management Letter with the City's Auditors and City Administration, and approved a Motion to recommend the 2019 Financial Statements to Council for approval.

The financial position of the City of Cornwall for the year ending December 31, 2019 resulted in an operating surplus of \$277,075 and a surplus for water and wastewater of \$671,087. City policy stipulates that any surplus/deficit generated in a given year is to be applied to/funded from reserves. City Council approved the transfer to/from reserves at its meeting of May 11, 2020. The net result of this policy increased/(decreased) the respective reserves as follows:

Operating Reserves	
Working Reserve	251,356
Tax Stabilization Reserve	300,000
Winter Control Reserve	(274,281)
Restricted Reserves (Municipal Funding)	
Water Works Reserve	442,737
Wastewater Works Reserve	228,350

The City's 2019 Financial Statements includes two items to note. Both items are included on the City's Management Letter.

Operating Reserves/Tax Refunds

Due to the utilization of reserves to fund tax refunds from Minutes of Settlement, the City's Operating Reserves are below the target balance. To prepare for the tax refunds, over the past several years, the City made contributions to the Tax Stabilization Reserve. The additional monies (\$1,899,263) required from the Working Reserve are to be paid back to the Working Reserve through the annual budget process. In 2020, the City budgeted its first contribution of \$500,000 to the Working Reserve. With continued annual contributions, the City plans to grow its Operating Reserves over the next several years.

Accrued Landfill Closure and Post-Closure Liability

Following a study completed by DFA Infrastructure International Inc. in 2019, the City revised the estimate of the accrued landfill closure and post closure liability from \$1,901,718 to \$16,705,319. This entry is recorded pursuant to PSAB requirements. It is a non-cash accounting entry that records the liability in order

to derive actual cash flow totals on the Statement of Financial Position and an accounting expense for Environmental Services. In future years, only the change in liability will be recorded.

Both entries reduced the City's Accumulated Surplus at December 31, 2019.

The financial statements for the 2019 Year End reflect that the City continues to be in a strong financial position.

Document Title:	2019 Financial Statements - 2020-308-Financial Services.docx
Attachments:	- City of Cornwall - FS for Council.pdf - City of Cornwall - Management Letter - Final- 2019.pdf
Final Approval Date:	Jun 25, 2020

This report and all of its attachments were approved and signed as outlined below:

No Signature found

Paul Scrimshaw - Jun 23, 2020 - 4:30 PM

Tracey Bailey - Jun 24, 2020 - 7:41 PM

Maureen Adams - Jun 25, 2020 - 7:48 AM

DRAFT - FOR COUNCIL APPROVAL

**CORPORATION OF THE CITY OF CORNWALL
CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2019

CORPORATION OF THE CITY OF CORNWALL

December 31, 2019

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the City of Cornwall

Opinion

We have audited the consolidated financial statements of the Corporation of the City of Cornwall (the "City") which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of financial activities, change in net financial (liabilities) assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2019, and the results of its consolidated operations 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Administration and Those Charged with Governance for the Consolidated Financial Statements

Administration is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards, and for such internal control as Administration determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Administration is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Administration either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 consolidated financial statements.

As part 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Administration.
- Conclude on the appropriateness of Administration'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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Cornwall, Ontario
June 29, 2020

Chartered Professional Accountants
Licensed Public Accountants

DRAFT - FOR COUNCIL APPROVAL

CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	2019	2018
NET FINANCIAL (LIABILITIES) ASSETS		
Assets		
Cash	\$ 17,731,378	\$ 20,619,415
Taxes receivable	2,634,964	2,741,759
Accounts receivable	6,054,240	7,375,413
User charges receivable	1,194,260	1,136,920
Due from other municipalities and school boards	148,152	1,025,978
Land inventory for resale	5,521,937	5,376,678
Long-term investments (Note 5)	60,424,605	56,874,792
	93,709,536	95,150,955
Liabilities		
Accounts payable	22,414,417	24,836,386
Deferred revenue	2,928,654	2,458,211
Deferred revenue, obligatory reserve funds (Note 6)	6,717,665	2,705,946
Future employment benefits (Note 7)	7,298,161	6,540,030
Accrued landfill closure and post closure costs (Note 9)	16,705,319	1,901,718
Net long-term liabilities (Note 10)	41,212,949	43,074,765
	97,277,165	81,517,056
Net Financial (Liabilities) Assets	(3,567,629)	13,633,899
NON-FINANCIAL ASSETS		
Tangible capital assets	416,749,493	406,009,786
Inventory	419,583	387,767
Prepaid expenses	1,752,849	1,869,886
Non-Financial Assets	418,921,925	408,267,439
ACCUMULATED SURPLUS		
Accumulated Surplus	\$ 415,354,296	\$ 421,901,338

CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2019

	(Note 14) BUDGET 2019	ACTUAL 2019	ACTUAL 2018
REVENUE			
Taxation and payments in lieu	\$ 74,252,527	\$ 69,006,130	\$ 72,597,164
Government grants and transfers (Note 17)	67,571,282	63,210,039	64,297,795
Revenue from other municipalities	7,953,107	7,792,742	7,314,326
Fees and services	44,025,566	47,057,751	44,266,672
Investment income	1,729,572	1,994,519	1,711,525
Licences and permits	998,100	2,226,269	836,097
Fines and penalties	580,000	576,130	605,460
Other revenue	5,300	90,246	21,987
	197,115,454	191,953,826	191,651,026
EXPENDITURE			
General government	9,154,595	9,909,673	9,354,095
Protection to persons and property	32,658,217	33,865,597	31,735,051
Transportation services	24,068,098	23,598,346	22,912,178
Environmental services	19,293,009	34,489,125	18,741,113
Health services	14,982,973	14,906,886	14,105,171
Social and family services	52,662,977	48,235,406	48,722,965
Social housing	22,811,975	20,574,392	21,530,202
Recreation and cultural services	15,809,577	16,888,089	16,193,888
Planning and development	2,793,696	3,242,597	2,562,056
	194,235,117	205,710,111	185,856,719
NET (DEFICIT) SURPLUS BEFORE OTHER ITEMS	2,880,337	(13,756,285)	5,794,307
OTHER REVENUE FOR CAPITAL AND OTHER PURPOSES			
Government grants and transfers (Note 17)	4,745,000	4,843,629	4,729,884
Fees, services and other	119,700	709,435	154,235
Contributions from developers and donations	114,000	2,237,647	8,173,193
Loss on disposal and write-down of tangible capital assets	-	(581,468)	(218,350)
	4,978,700	7,209,243	12,838,962
ANNUAL (DEFICIT) SURPLUS	7,859,037	(6,547,042)	18,633,269
ACCUMULATED SURPLUS, beginning of year	421,901,338	421,901,338	403,268,069
ACCUMULATED SURPLUS, end of year	\$ 429,760,375	\$ 415,354,296	\$ 421,901,338

CORPORATION OF THE CITY OF CORNWALL
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL
(LIABILITIES) ASSETS

For the year ended December 31, 2019

	(Note 14) BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Annual (deficit) surplus	\$ 7,859,037	\$ (6,547,042)	\$ 18,633,269
Amortization of tangible capital assets	15,317,197	15,997,745	15,310,559
Acquisition of tangible capital assets	(32,576,289)	(27,568,920)	(26,684,493)
Disposal and write-down of tangible capital assets	-	581,468	218,350
Transfer of tangible capital assets to land inventory held for resale	-	250,000	-
Change in inventory	-	(31,816)	(9,403)
Change in prepaid expenses	-	117,037	29,396
(Decrease) increase in net financial assets	(9,400,055)	(17,201,528)	7,497,678
Net financial assets, beginning of year	13,633,899	13,633,899	6,136,221
Net financial (liabilities) assets, end of year	\$ 4,233,844	\$ (3,567,629)	\$ 13,633,899

CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	2019	2018
CASH FROM OPERATING ACTIVITIES		
Annual (deficit) surplus	\$ (6,547,042)	\$ 18,633,269
Items not affecting cash or equivalent		
Amortization expense	15,997,745	15,310,559
Disposal and write-down of tangible capital assets	581,468	218,350
Transfer of tangible capital assets to land inventory held for resale	250,000	-
Changes in non-cash working capital balances		
Taxes receivable	106,795	768,793
Accounts receivable	1,321,173	2,514,946
User charges receivable	(57,340)	(56,181)
Due from other municipalities and school boards	877,826	451,965
Land inventory for resale	(145,259)	(195,332)
Inventory	(31,816)	(9,403)
Prepaid expenses	117,037	29,396
Accounts payable	(2,421,969)	1,894,331
Deferred revenue	470,443	118,232
Deferred revenue, obligatory reserve funds	4,011,719	911,128
Future employment benefits	758,131	54,000
Accrued landfill closure and post closure costs	14,803,601	33,056
	30,092,512	40,677,109
CASH USED IN FINANCING ACTIVITIES		
Proceeds received from long-term liabilities	3,045,000	3,425,000
Payments on long-term liabilities	(4,906,816)	(4,535,120)
	(1,861,816)	(1,110,120)
CASH USED IN INVESTING ACTIVITIES		
Net change in long-term investments	(3,549,813)	(15,374,081)
CASH USED IN CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(27,568,920)	(26,684,493)
DECREASE IN CASH	(2,888,037)	(2,491,585)
CASH, beginning of year	20,619,415	23,111,000
CASH, end of year	\$ 17,731,378	\$ 20,619,415

CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2019

	Land	Yard	Buildings	Road Network Infrastructure	Water and Wastewater Infrastructure	Machinery Equipment	Computer Hardware and Software	Vehicles	Office Furniture	Other	2019	2018
Cost												
Balance, beginning of year	\$ 12,867,524	\$ 13,923,722	\$ 177,935,048	\$ 162,262,597	\$ 174,326,260	\$ 125,148,204	\$ 5,210,214	\$ 24,636,184	\$ 5,826,552	\$ 2,064,931	\$ 704,201,236	\$ 680,839,975
Additions during the year	1,564,164	143,029	1,734,940	12,018,023	5,397,136	1,615,247	372,136	1,017,278	311,449	219,845	24,393,247	26,698,601
Disposals during the year	356,468	17,121	-	2,044,969	165,326	17,798	244,581	1,771,717	-	186,596	4,804,576	3,337,340
Assets in service, end of year	14,075,220	14,049,630	179,669,988	172,235,651	179,558,070	126,745,653	5,337,769	23,881,745	6,138,001	2,098,180	723,789,907	704,201,236
Assets under construction	-	14,861	3,152,932	1,221,576	3,206,575	360,450	709,425	22,235	-	-	8,688,054	5,512,381
Balance, end of year	14,075,220	14,064,491	182,822,920	173,457,227	182,764,645	127,106,103	6,047,194	23,903,980	6,138,001	2,098,180	732,477,961	709,713,617
Accumulated Amortization												
Balance, beginning of year	77,365	6,294,351	74,498,358	71,342,520	43,986,266	85,806,031	3,595,875	12,929,488	4,036,405	1,137,172	303,703,831	291,512,262
Amortization during the year	1,595	365,413	3,806,990	3,831,990	1,900,436	3,044,047	527,720	2,028,364	252,169	239,021	15,997,745	15,310,559
Amortization on disposals	-	17,121	-	1,682,788	84,694	17,798	244,581	1,739,530	-	186,596	3,973,108	3,118,990
Balance, end of year	78,960	6,642,643	78,305,348	73,491,722	45,802,008	88,832,280	3,879,014	13,218,322	4,288,574	1,189,597	315,728,468	303,703,831
Net Book Value	\$ 13,996,260	\$ 7,421,848	\$ 104,517,572	\$ 99,965,505	\$ 136,962,637	\$ 38,273,823	\$ 2,168,180	\$ 10,685,658	\$ 1,849,427	\$ 908,583	\$ 416,749,493	\$ 406,009,786

See Accompanying Notes

CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2019

	General Government	Protection and Health	Municipal Works	Environmental Services	Water and Wastewater	Recreation and Cultural	Social and Family Services	2019	2018
Cost									
Balance, beginning of year	\$ 2,823,165	\$ 18,067,469	\$ 206,936,695	\$ 4,715,658	\$ 308,455,810	\$ 73,522,322	\$ 89,680,117	\$ 704,201,236	\$ 680,839,975
Additions during the year	101,641	2,255,890	13,109,848	177,033	5,786,008	1,112,914	1,849,913	24,393,247	26,698,601
Disposals during the year	230,388	432,583	3,525,490	14,193	165,326	186,596	250,000	4,804,576	3,337,340
Assets in service, end of year	2,694,418	19,890,776	216,521,053	4,878,498	314,076,492	74,448,640	91,280,030	723,789,907	704,201,236
Assets under construction	709,425	2,235	4,369,110	360,450	3,206,576	40,258	-	8,688,054	5,512,381
Balance, end of year	3,403,843	19,893,011	220,890,163	5,238,948	317,283,068	74,488,898	91,280,030	732,477,961	709,713,617
Accumulated Amortization									
Balance, beginning of year	2,149,673	10,953,415	93,197,466	1,305,807	113,481,290	31,373,424	51,242,756	303,703,831	291,512,262
Amortization during the year	255,930	1,394,285	5,716,724	145,017	4,272,138	2,115,943	2,097,708	15,997,745	15,310,559
Amortization on disposals	230,388	432,583	3,024,654	14,193	84,694	186,596	-	3,973,108	3,118,990
Balance, end of year	2,175,215	11,915,117	95,889,536	1,436,631	117,668,734	33,302,771	53,340,464	315,728,468	303,703,831
Net Book Value	\$ 1,228,628	\$ 7,977,894	\$ 125,000,627	\$ 3,802,317	\$ 199,614,334	\$ 41,186,127	\$ 37,939,566	\$ 416,749,493	\$ 406,009,786

See Accompanying Notes

CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2019

	2019	2018
Operating surpluses (deficits)		
Operating surplus (Note 13)	\$ -	\$ -
Water works and wastewater works surplus (Note 13)	-	-
Le Village Business Improvement Area surplus	26,007	27,845
Downtown Business Improvement Area surplus	68,322	26,254
Cornwall and Area Housing Corporation surplus	303,999	241,036
Cornwall Harbour Development Corporation surplus	312,605	187,662
Tourism Development Corporation of Cornwall	339,476	-
Land inventory for resale surplus	5,521,937	5,376,678
Capital surplus	5,633,526	9,052,624
Liabilities to be recovered from future revenues (Note 12)		
Accrued interest on net long-term liabilities	(33,501)	(33,501)
Future employment benefits payable	(7,298,161)	(6,540,030)
Accrued landfill closure and post closure costs	(16,705,319)	(1,901,718)
Net-long term liabilities (Note 10f)	(902,414)	(1,109,905)
Internal loan for reserves	(2,000,000)	(2,000,000)
Total operating surpluses (deficits)	(14,733,523)	3,326,945
Reserves and reserve funds		
Reserves (Note 15)	19,434,475	20,848,195
Reserve funds (Note 16)	34,214,386	33,681,272
Total reserves and reserve funds	53,648,861	54,529,467
Invested in tangible capital assets		
Tangible capital assets	416,749,493	406,009,786
Less: net long-term liabilities	(40,310,535)	(41,964,860)
Total invested in tangible capital assets	376,438,958	364,044,926
ACCUMULATED SURPLUS	\$ 415,354,296	\$ 421,901,338

CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2019

	Operating Surpluses (Deficits)	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2019	2018
Balance, beginning of year	\$ 3,326,945	\$ 54,529,467	\$ 364,044,926	\$ 421,901,338	\$ 403,268,069
Annual surplus	(7,256,290)	709,248	-	(6,547,042)	18,633,269
Current year funds transferred to reserves and reserve funds	(8,235,348)	8,235,348	-	-	-
Reserves and reserve funds used for operating	7,069,434	(7,069,434)	-	-	-
Reserves and reserve funds used for tangible capital assets	-	(2,755,768)	2,755,768	-	-
Current year funds used for tangible capital assets	(21,394,051)	-	21,394,051	-	-
Prior year funds used for tangible capital assets	(3,419,101)	-	3,419,101	-	-
Annual amortization expense	15,997,745	-	(15,997,745)	-	-
Transfer of land to land inventory held for resale	250,000	-	(250,000)	-	-
Disposal of tangible capital assets	581,468	-	(581,468)	-	-
Proceeds from long-term debt for capital purposes	3,045,000	-	(3,045,000)	-	-
Long-term debt repaid for tangible capital assets	(4,699,325)	-	4,699,325	-	-
Change in accumulated surplus	(18,060,468)	(880,606)	12,394,032	(6,547,042)	18,633,269
Balance, end of year	\$ (14,733,523)	\$ 53,648,861	\$ 376,438,958	\$ 415,354,296	\$ 421,901,338

See Accompanying Notes

CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2019

	General Government	Protection and Health Services	Transportation Services	Environmental Services	Water and Waste- Water Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2019	2018
REVENUE										
Taxation	\$ 3,574,998	\$ 30,866,317	\$ 12,353,933	\$ 2,340,453	\$ -	\$ 8,178,764	\$ 10,267,843	\$ 1,423,822	\$ 69,006,130	\$ 72,597,164
Government grants	4,517,848	8,517,344	671,425	589,787	-	48,591,479	110,443	211,713	63,210,039	64,297,795
Revenue from other municipalities	-	4,720,180	15,185	-	-	3,057,377	-	-	7,792,742	7,314,326
Fees and service	581,485	714,999	6,908,326	2,614,404	18,960,613	11,619,213	4,752,204	906,507	47,057,751	44,266,672
Investment income	1,907,323	-	-	-	-	-	87,196	-	1,994,519	1,711,525
Licenses and permits	178,906	2,047,363	-	-	-	-	-	-	2,226,269	836,097
Fines and penalties	508,408	-	-	-	67,722	-	-	-	576,130	605,460
Other revenue	85,950	500	-	-	-	3,796	-	-	90,246	21,987
	11,354,918	46,866,703	19,948,869	5,544,644	19,028,335	71,450,629	15,217,686	2,542,042	191,953,826	191,651,026
EXPENSES										
Wages, salaries and benefits	4,758,174	41,220,150	9,245,265	324,675	3,945,914	18,745,430	7,020,126	1,218,199	86,477,933	82,674,428
Interest on long-term liabilities	2,170	82,198	245,297	-	475,913	198,944	313,218	-	1,317,740	1,361,020
Materials and services	1,662,268	2,468,434	4,014,388	214,711	2,901,694	5,941,646	2,953,351	509,434	20,665,926	21,250,921
Contracts and sub-contracts	1,075,512	1,308,093	2,557,012	4,885,297	1,296,327	4,063,202	2,730,582	311,592	18,227,617	16,462,041
Rents and financial expenses	2,113,826	1,058,357	1,946,792	14,956,873	1,037,140	21,600,491	922,120	157,160	43,792,759	30,060,920
Transfers to external parties	43,491	1,179,140	(65,305)	-	33,425	16,162,378	832,747	1,044,516	19,230,392	18,736,831
Amortization	254,232	1,456,111	5,654,897	145,018	4,272,138	2,097,707	2,115,945	1,696	15,997,744	15,310,558
	9,909,673	48,772,483	23,598,346	20,526,574	13,962,551	68,809,798	16,888,089	3,242,597	205,710,111	185,856,719
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	1,445,245	(1,905,780)	(3,649,477)	(14,981,930)	5,065,784	2,640,831	(1,670,403)	(700,555)	(13,756,285)	5,794,307
OTHER ITEMS	-	-	4,449,259	-	(187,100)	120,522	491,007	2,335,555	7,209,243	12,838,962
ANNUAL SURPLUS (DEFICIT) \$	1,445,245	\$ (1,905,780)	\$ 799,782	\$ (14,981,930)	\$ 4,878,684	\$ 2,761,353	\$ (1,179,396)	\$ 1,635,000	\$ (6,547,042)	\$ 18,633,269

See Accompanying Notes

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

DESCRIPTION OF ORGANIZATION

The City of Cornwall is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the City of Cornwall (the "City") are prepared by management in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

The basis of accounting under PSAB states that revenue and expenditures are reported on the accrual basis of accounting, which recognizes revenue as they are earned and measurable; expenditures are recognized as they are incurred and measurable, as a result of receipt of goods or services.

Significant aspects of the accounting policies adopted by the City are as follows:

(a) Reporting entity

(i) Consolidated financial statements

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations, committees, corporations and local boards accountable for the administration of their financial affairs and resources to the City and which are controlled by the City. These financial statements include the following local boards:

The Cornwall Police Commission
The Cornwall Public Library Board
Glen-Stor-Dun Lodge
Association Le Village Business Improvement Area
Cornwall Downtown Business Improvement Area
Cornwall and Area Housing Corporation
Cornwall Regional Airport Commission Inc.
Cornwall Harbour Development Corporation
Tourism Development Corporation of Cornwall

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of charges to current and capital operations for use of city-owned equipment and facilities by various departments. These equipment charges and related interest charges amounted to approximately \$2,610,448 (2018 - \$2,358,072).

(ii) Non-consolidated entities

The Eastern Ontario Health Unit and the Raisin River Conservation Authority, which are joint boards, are not consolidated.

(iii) School boards

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, are not reflected in the municipal fund balances of these financial statements.

(iv) Trust funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Fund accounting

Funds within the consolidated financial statements consists of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(c) Taxation and related revenues

Property tax billings are issued by the City based on assessment rolls prepared by the Municipal Property Assessment Corporation ("MPAC") and collects property tax revenue for municipal purposes, provincial education taxes on behalf of the Province of Ontario, payment in lieu of taxation, local improvements and other charges. The authority to levy and collect property taxes is established under the *Municipal Act 2001*, the *Assessment Act*, the *Education Act* and other legislation.

Taxation revenue consists of non-exchange transactions and is recognized in the period to which the assessment relates and a reasonable estimate of the amounts can be made. Annual taxation revenue also includes adjustments related to reassessments and appeals to prior years' assessments. The City is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

(d) Government grants and transfer payments

Government grants and transfer payments, which include legislative grants, are recognized in the financial statements in the period which the events giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimated of the amount can be determined. Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

(e) Fees and services and other revenues

Fees and services and other revenues are recognized when the activity is performed or when the services are rendered. Examples include, but are not limited to, transit fees, water and wastewater charges, solid waste tipping fees, licensing fees, permits, rent for geared-to-income housing and homes for the aged and other fees from various recreation programs and facilities.

(f) Investment income

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as parkland allowances and gas tax funds is added to the associated funds and forms part of the respective deferred revenue, obligatory reserve fund balances.

(g) Cash and cash equivalents

Cash consists of balances held at financial institutions and any investments with maturity dates of three months or less and temporary borrowings due within one year.

(h) Land inventory for resale

Land inventory for resale is recorded at the lower of cost or net realizable value. Cost includes improvements to prepare the land for sale or servicing.

(i) Long-term investments

Long-term investments are recorded at cost. Temporary declines in the market value of these investments are not adjusted.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Deferred revenue

Deferred revenues 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.

(k) Deferred revenue, obligatory reserve funds

The City receives restricted contributions under the authority of federal and provincial legislation and City by-laws. These funds by their nature are restricted in their use and are recorded as deferred revenue until applied to applicable costs. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

(l) Future employment benefits

The City accrues its obligations for post-employment benefits when an event that obligates the City occurs such as short-term sick leave, vacation, banked and overtime and future Workers Safety and Insurance Board compensation payments while as a Schedule 2 employer.

(m) Accrued landfill closure and post closure costs

The City accrues landfill closure costs which includes final covering and landscaping of the site, pumping of ground water and leachates from the site and ongoing environmental monitoring, site inspection and maintenance. The reported liabilities have been recognized based on the landfill site's capacity usage, management's best estimate of future expenditures, long-term inflation rates and discount rates. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liabilities, which would be recognized prospectively, as a change in estimates, when applicable.

(n) Reserves and reserve funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council and funds set aside for specific purposes by legislation, regulation or agreement. For financial reporting purposes, reserve funds set aside by legislation, regulation or agreement are reported as deferred revenue, obligatory reserve funds on the statement of financial position. Other reserve funds and reserves are presented as part of the City's accumulated surplus.

(o) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires administration 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 expenditures during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Significant items subject to such estimates and assumptions include the estimated useful life of tangible capital assets, the valuation of allowances for doubtful taxes and accounts receivable, the valuation of inventories, the estimated future landfill closure and post closure costs, and the estimated liability for remediation of contaminated sites. Actual results could differ from these estimates.

(p) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Non-financial assets (Continued)

Non-financial assets consist of the following:

(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. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Yard improvements	7 to 55 years
Buildings	15 to 60 years
Machinery and equipment	4.5 to 60 years
Office furniture	10 to 20 years
Vehicles	4 to 20 years
Computer hardware and software	3 to 10 years
Water and wastewater plants and networks	
underground networks	50 to 120 years
sewage treatment plants	50 to 75 years
water pumping stations and reservoirs	50 to 75 years
flood stations and other infrastructure	50 to 75 years
Transportation	
road base	100 years
road surface	18 to 22 years
bridges and structures	10 to 75 years
Landfill site	43 years
Leased assets	3 to 8 years

Amortization is charged against operations commencing in the month of acquisition and ceased being charged against operations in the month of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The City has a capitalization threshold of \$5,000 so that individual tangible capital assets of lesser value are expensed, unless they are pooled with a threshold of \$50,000, because collectively they have significant value or for operational reasons. Examples of pooled assets are desktop computer systems, utility poles and defibrillators.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of the transfer.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Non-financial assets (Continued)

(iv) Inventory

Inventory held for consumption is recorded at the lower of cost or replacement cost.

(q) Liability for contaminated sites

A liability for contaminated sites arises when contamination is being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

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

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites. The liability estimate includes costs that are directly attributable to the remediation activities and includes integral post-remediation operation, maintenance and monitoring costs that are a part of the remediation strategy for the contaminated site. The costs that would be included in a liability are:

- costs directly attributable to remediation activities (for example, payroll and benefits, equipment and facilities, materials, and legal and other professional services); and
- costs of tangible capital assets acquired as part of remediation activities to the extent they have no other alternative use.

The measurement of a liability is based on estimates and professional judgment. The liability is recorded net of any expected recoveries. The carrying amount of a liability is reviewed at each financial reporting date with any revisions to the amount previously recognized accounted for in the period in which revisions are made.

A contingency is disclosed if all of the above criteria are not met.

(r) Future accounting pronouncements

Standards effective beginning on or after April 1, 2021

Financial instruments

PS 3450 established recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard required fair value measurement of derivatives and equity instruments that are quoted in an active market; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of remeasurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

This standard is effective for fiscal years beginning on or after April 1, 2021. Early adoption is permitted.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Future accounting pronouncements (Continued)

Asset Retirement Obligations

PS 3280 establishes standards on how to account for and report a liability for asset retirement obligations ("ARO"). As asset retirement obligations associated with landfills are included in the scope of PS 3280, PS 3270 Solid Waste Landfill Closure and Post-Closure Liability will be withdrawn. The main features of this standard are as follows:

- An ARO represents a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner.
- When an asset is no longer in productive use, the associated asset retirement costs are expensed.
- Measurement of the ARO liability should result in the best estimate of the amount required to retire a tangible capital asset at the financial statement date.
- Subsequent measurement of the ARO liability results in either a change in the carrying amount of the related tangible capital asset or an expense. The accounting treatment depends on the nature of the remeasurement and whether the asset remains in productive use.

This standard is effective for fiscal years beginning on or after April 1, 2021. Early adoption is permitted.

2. OPERATION OF SCHOOL BOARDS

Further to note 1 (a) (iii), the City is required to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted, net of taxation write-offs and charity rebates, are summarized below:

	2019	2018
Taxation and user charges	\$ 12,921,584	\$ 15,942,154
Payments in lieu of taxes	4,303	4,234
	\$ 12,925,887	\$ 15,946,388

3. CONTRIBUTIONS TO JOINT BOARDS

Further to note 1 (a) (ii), the following contributions were made by the City to these boards:

	2019	2018
Eastern Ontario Health Unit	\$ 742,853	\$ 715,734
Raisin River Conservation Authority	524,941	492,489
	\$ 1,267,794	\$ 1,208,223

4. TRUST FUNDS

Further to note 1 (a) (iv), trust funds administered by the City were \$5,591,068 (2018 - \$5,398,995).

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

5. LONG-TERM INVESTMENTS

Long-term investments are recorded at cost. The premium or discount on the purchase price is amortized over the life of the investments. The investments had a market value of \$58,931,166 as at December 31, 2019 (2018 - \$55,136,507).

The progress reserve fund of \$25,649,612 (2018 - \$25,529,243) includes restricted investments and cash that are invested in financial instruments in accordance with the Ontario Municipal Act, Regulation 438/97. The fair market value of the investments held in the progress fund at December 31, 2019 is \$24,403,272 (2018 - \$24,040,917).

6. DEFERRED REVENUE, OBLIGATORY RESERVE FUNDS

The balances in the obligatory reserve funds of the City are summarized below:

	Development				
	Charges	Gas Tax	Parkland	2019	2018
Balance, beginning of year	\$ 691,028	\$ 1,832,266	\$ 182,652	\$ 2,705,946	\$ 1,794,818
Grants received	-	6,494,920	-	6,494,920	3,601,079
Charges to developers	834,791	-	20,356	855,147	545,697
Interest earned	50,951	26,290	4,098	81,339	32,996
Transfer from (to) operations	-	(671,425)	-	(671,425)	(393,723)
Transfer to capital acquisitions	(466,854)	(2,281,408)	-	(2,748,262)	(2,874,921)
Balance, end of year	\$ 1,109,916	\$ 5,400,643	\$ 207,106	\$ 6,717,665	\$ 2,705,946

For the 2020 fiscal year, the expected development charges to be collected is \$800,000 and the committed funds to be utilized is \$1,071,431 over the term of the by-law for capital purposes. The expected federal and provincial gas tax funding to be received is \$3,448,669 and the committed funds to be utilized from the gas tax reserve fund is \$5,653,509 for specific projects. The expected contribution to the parkland reserve fund is \$30,000.

7. FUTURE EMPLOYMENT BENEFITS

The City provides certain employment 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.

	2019	2018
Accumulated sick leave benefits	\$ 2,201,492	\$ 2,035,321
Vacation pay and banked overtime	1,275,201	1,186,481
Workplace Safety and Insurance Board benefits	3,821,468	3,318,228
	\$ 7,298,161	\$ 6,540,030

Accumulated sick leave benefits have been vested with employees of the Fire department in accordance with their negotiated employment contracts. In addition, the City has a defined supplementary health benefit plan that provides medical, dental and life insurance to certain eligible employees who retire from current employment but still receive benefits from the plan during retirement up to the age of 65. The post-employment health benefit liability has not been recorded in these financial statements since no actuary report has been prepared. The City's portion of the supplementary health benefit plan costs in 2019 was \$1,090,419 (2018 - \$1,051,986). The budgeted expense in 2020 is expected to be \$1,156,800.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

8. PENSION AGREEMENTS

The City makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of approximately 600 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. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the City does not recognize any share of the OMERS pension surplus or deficit in these financial statements.

The following amounts were contributed to OMERS during the year and are included as expenditures on the consolidated statement of financial activities:

	2019	2018
Basic services	\$ 5,613,312	\$ 5,802,262

9. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The City records and presents future landfill closure and post-closure costs as a liability pursuant to the the public sector accounting standards. This standard states that the costs related to closing of the solid waste landfill sites and post-closure care are to be accrued as the sites' capacities are used.

The City owns and operates one open landfill site and it owns and monitors one closed landfill site. The open site has an estimated remaining life of 13 years, which represents 35% of total estimated remaining capacity. Post-closure care is estimated to be required for 50 years from the date of site closure. The liability for closure of the open site and post-closure care has been recognized based on the usage of the site's capacity during the year. The costs were based upon the 2019 budget and inflation adjusted at 2% per annum to the estimated year of closure. These costs were then discounted to December 31, 2019 using a discount rate of 3.5% after considering the City's borrowing rate of 3% over a term of 15 years.

The liability for closure and post-closure care as at December 31, 2019 is \$16,705,319 (2018 - \$1,901,718) based on the capacity utilized. Estimated expenditures for closure and post-closure care is expected to be \$37,881,362 and the remaining liability to be recognized is \$21,176,043.

A portion of the liability is funded by the landfill reserve fund of \$NIL (2018 - \$459,561). The remaining portion of the liability is expected to be funded through budget allocations over the remaining life of the landfill.

The reported liability is based on estimates and assumptions using the best information available at the end of the reporting period. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total liability and will be recognized prospectively, as a change in estimate, when applicable. See Note 22.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

10. NET LONG-TERM LIABILITIES

(a) The total long-term liabilities reported on the consolidated statement of financial position are those incurred by the City, including municipal enterprises. Net long-term liabilities, issued in the name of the City of Cornwall, include the following amounts:

	2019	2018
Bank loans (Note 10f)	\$ 37,602,109	\$ 38,808,909
Capital lease obligations (Note 10c)	46,733	101,375
Cornwall and Area Housing Corporation (Note 10d)	3,564,107	4,164,481
Internal loans from reserve funds (Note 10e)	3,769,808	3,860,550
	44,982,757	46,935,315
Less: Internal loans from reserve funds	(3,769,808)	(3,860,550)
	\$ 41,212,949	\$ 43,074,765

Repayment of long-term debt, assuming the loans are renewed under the same terms and conditions, is as follows:

	2020	\$ 5,249,300
	2021	5,207,500
	2022	5,247,600
	2023	4,447,800
	2024	4,394,907
	Thereafter	16,665,842
	\$ 41,212,949	

(b) Of the net long-term liabilities reported in (a) of this note, principal payments are payable from the following sources:

	2020 to 2024	Thereafter
General taxation revenues	\$ 9,849,242	\$ 2,062,694
User fees	6,287,163	8,829,570
Provincial grant revenues	5,138,335	622,167
Reserves and reserve funds	3,272,367	5,151,411
	\$ 24,547,107	\$ 16,665,842

(c) Capital lease obligations are for computer equipment that bear an interest rate of 2.9% and are due October 2020.

(d) Net long-term liabilities of Cornwall and Area Housing Corporation pertaining to the amalgamation with Cornwall Non-Profit Housing Corporation is \$3,564,107 as at December 31, 2019. The annual debt payments of the net long-term liabilities are to be funded from the Province of Ontario's Ministry of Municipal Affairs and Housing. Terms and conditions for these liabilities range from 1.12% to 6.13% with maturity dates due between February 2020 and April 2024 and are secured by specific assets.

(e) The City established two internal debt obligations by borrowing from reserve funds which are described as follows:

The City provided a mortgage to Cornwall and Area Housing Corporation in 2010 for \$2,403,333 and created an internal debt obligation from its reserve funds to finance the mortgage for the same amount, terms and conditions. The outstanding debt as at December 31, 2019 is \$1,769,808.

The City established an internal debt obligation from the reserve funds of \$2,000,000 to decrease the land reserve deficit by \$2,000,000 in 2014. The internal loans have been eliminated from these financial statements.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

10. NET LONG-TERM LIABILITIES (Continued)

(f) The bank loans reported in (a) of this note are as follows:

	2019	2018
Bank loan, Benson Centre, interest at 3.41%, repayable in monthly blended payments of \$59,951, due November 2032, secured by a general security agreement	\$ 7,509,794	\$ 7,963,273
Bank loan, Emergency Medical Service building, interest at 3.09%, repayable in monthly blended payments of \$10,820, due October 2027, secured by a general security agreement	902,421	1,002,778
Bank loan, post-employment payments, interest at 3.32%, repayable in monthly blended payments of \$20,099, due December 2023, secured by a general security agreement	902,414	1,109,905
Bank loan, municipal yard redevelopment, interest at 2.375%, repayable in monthly blended payments of \$8,846, due November 2022, secured by a general security agreement	298,884	396,634
Capital loans, interest between 1.57% and 4.35%, repayable in blended monthly payments between \$4,571 and \$16,822, due dates between June 2020 and November 2027, secured by general security agreements	17,900,009	17,806,772
Bank loan, Wastewater Treatment Plant, interest at 3.26%, repayable in blended monthly payments of \$64,707, due November 2036, secured by a general security agreement	10,088,587	10,529,547
	\$ 37,602,109	\$ 38,808,909

11. CHARGES FOR NET LONG-TERM LIABILITIES

Total charges for the year for net long-term liabilities are as follows:

	2019	2018
Principal payments	\$ 4,906,816	\$ 4,535,120
Interest	1,317,740	1,361,020
	\$ 6,224,556	\$ 5,896,140

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

12. LIABILITIES TO BE RECOVERED FROM FUTURE REVENUES

Liabilities to be recovered from future revenues are as follows:

	2019	2018
Accrued interest on net long-term liabilities	\$ 33,501	\$ 33,501
Future employment benefits payable	7,298,161	6,540,030
Accrued landfill closure and post closure costs	16,705,319	1,901,718
Net long-term liabilities	41,212,949	43,074,765
Internal loans	2,000,000	2,000,000
	\$ 67,249,930	\$ 53,550,014

Sources of future revenues to finance liabilities are as follows:

	2019	2018
General taxation revenues	\$ 33,880,504	\$ 26,595,948
User fees	15,116,743	10,529,547
Proceeds from the sale of land	2,000,000	2,000,000
Reserves and reserve funds	10,492,181	10,260,038
Provincial grant revenues	5,760,502	4,164,481
	\$ 67,249,930	\$ 53,550,014

13. OPERATING AND WATER WORKS AND WASTEWATER WORKS SURPLUSES AND DEFICITS

The operating surplus for the fiscal year ending December 31, 2019 was \$277,075 (2018 - surplus of \$1,571,003), of which \$251,356 was transferred to the working fund reserve, \$300,000 was transferred to the tax stabilization reserve and \$274,281 was transferred from the winter control reserve .

The water works and wastewater works surplus for the fiscal year ending December 31, 2019 was \$671,087 (2018 - surplus of \$486,030), of which \$442,737 was transferred to the water works working fund reserve and \$228,350 was transferred to the wastewater works working fund reserve.

14. CAPITAL, RESERVE AND RESERVE FUNDS BUDGET FIGURES

Budgets established for capital funds, reserves and reserve funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. Although they are not directly comparable with current year actual amounts, they have been reflected on the consolidated statement of operations. The budget figures have been approved by Council of the Corporation of the City of Cornwall on February 28, 2019.

The charges for long-term liabilities assumed by the non-consolidated entities are not reflected in these statements.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

15. RESERVES

Reserves set aside for specific purposes by Council and are as follows:

	2019	2018
Operating reserves		
Working funds	\$ 2,275,221	\$ 4,610,564
Tax stabilization	300,000	2,794,085
Winter control	325,719	600,000
Health and safety awareness	76,022	76,022
Municipal elections	45,000	-
Renaissance	88,827	88,827
Medical recruitment	611,495	407,841
	3,722,284	8,577,339
Capital reserves		
Waste management	487,755	18,160
Road infrastructure	320,167	51,928
Recreation facilities	220,082	203,176
Fire equipment	74,321	58,016
Land ambulance	465,545	615,172
Land reserve	(2,206,666)	(2,138,240)
Equipment and vehicles	274,434	159,953
Municipal buildings	870,958	218,068
Social housing	249,467	121,056
	756,063	(692,711)
Restricted reserves (Municipal funded)		
Water works	4,484,436	4,154,231
Wastewater works	3,781,510	3,724,346
Brownfields	576,468	189,573
Heart of the City	(132,722)	(206,721)
WSIB	2,068,404	1,837,204
Building reserve	813,353	112,325
Waterfront development	240,000	240,000
Downtown and Le Village business improvement areas	30,000	70,000
	11,861,449	10,120,958
Restricted reserves (Externally funded)		
Employment Assistance	641,357	651,997
Social housing providers	2,318,002	2,055,292
Child care	95,393	95,393
Consolidated homelessness	39,927	39,927
	3,094,679	2,842,609
	\$ 19,434,475	\$ 20,848,195

For the 2020 fiscal year, the committed funds to be transferred from reserves are \$3,298,434 and the committed funds to be transferred to reserves are \$5,867,591.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

16. RESERVE FUNDS

Reserve funds are set aside for specific purposes by Council, regulation or agreement. The activity during the year is as follows:

	January 1, 2019 Balance	Current Year Transactions	December 31, 2019 Balance
Progress Fund			
Balance of proceeds on sale of Cornwall Electric (1998)	\$ 25,000,000	\$ -	\$ 25,000,000
Interest revenue	20,279,613	481,475	20,761,088
Net transfers to current fund, current operations	(9,478,890)	(361,106)	(9,839,996)
Net transfers to capital fund, acquisition of tangible capital assets	(10,271,480)	-	(10,271,480)
	25,529,243	120,369	25,649,612
Other Reserve Funds			
Social Housing	3,650,283	875,939	4,526,222
Parking	208,231	(86,085)	122,146
Library	302,390	86,253	388,643
Landfill	459,561	(459,561)	-
Cornwall Regional Airport Commission	15,310	-	15,310
Downtown investment	3,516,254	(3,801)	3,512,453
	\$ 33,681,272	\$ 533,114	\$ 34,214,386

For the 2020 fiscal year, the expected interest income from the progress fund is committed to finance the principal and interest payments of the bank loan related to the construction of the Benson Centre. The principal and interest payments are expected to be \$493,600 in 2020. The committed funds to be transferred from the parking reserve fund is \$66,331.

17. GOVERNMENT GRANTS AND TRANSFER PAYMENTS

Government grants and transfer payments comprise of the following

	(Note 14) BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Operating purposes			
Federal	\$ 3,193,420	\$ 3,182,534	\$ 3,285,716
Provincial	64,377,861	60,027,505	61,012,079
	\$ 67,571,281	\$ 63,210,039	\$ 64,297,795
Capital purposes			
Federal	\$ 3,975,000	\$ 2,281,408	\$ 3,642,409
Provincial	770,000	2,562,221	1,087,475
	\$ 4,745,000	\$ 4,843,629	\$ 4,729,884

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

18. EXPENDITURES BY OBJECT

Operating expenditures is summarized as follows:

	(Note 14) BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Wages, salaries and benefits	\$ 87,043,950	\$ 86,477,933	\$ 82,674,428
Interest on long-term liabilities	1,413,667	1,317,740	1,361,020
Materials and services	21,321,174	20,665,926	21,250,921
Contracts and sub-contracts	17,130,539	18,227,617	16,462,041
Rents and financial expenses	30,881,013	43,792,759	30,060,920
Transfers to external parties	21,127,577	19,230,392	18,736,831
Amortization	15,317,197	15,997,744	15,310,558
	\$194,235,117	\$205,710,111	\$185,856,719

19. BUDGET AND OPERATING SURPLUS

The budget figures presented in these financial statements are based upon the 2019 operating and capital budgets that have been approved by Council of the Corporation of the City of Cornwall on February 28, 2019. Adjustments to the budgeted amounts were required to provide comparative budget amounts based on the full accrual basis of accounting under PSAB. The following schedule reconciles the budget and actual results presented in these financial statements to the approved operating budget for the year.

	BUDGET 2019	ACTUAL 2019	ACTUAL 2018
Annual Surplus, Statement of Financial Activities	\$ 7,859,037	\$ (6,547,042)	\$ 18,633,269
Change in local board's surpluses for the year	(181,920)	(567,610)	(163,996)
Issuance of external long-term liabilities	13,707,700	3,045,000	3,425,000
Change in land inventory for resale surplus	-	(145,259)	(195,332)
Net transfers from reserves and reserve funds for capital acquisitions	4,613,700	2,755,767	2,888,936
Net transfer (to) from reserves and reserve funds for operating	(2,785,100)	(217,752)	(4,109,859)
Acquisition of tangible capital assets	(32,576,289)	(27,568,920)	(26,684,493)
Amortization of tangible capital assets	15,317,197	15,997,745	15,310,559
Loss on disposal and write-down of tangible capital assets	-	581,468	218,350
Transfer of tangible capital assets to land inventory for resale	-	250,000	-
Repayment of long-term liabilities	(5,475,405)	(4,906,816)	(4,535,120)
Change in surplus for future capital acquisitions	313,652	3,419,098	(2,153,118)
Revenue earned in reserves and reserve funds	(879,572)	(709,248)	(666,321)
Change in accrued landfill closure and post closure costs	33,000	14,803,601	33,056
Change in retirement benefits and accrued interest	54,000	758,130	56,102
Operating (deficit) surplus for the year	-	948,162	2,057,033
Transfer of operating surplus to reserves	-	(277,075)	(1,571,003)
Transfer of water works and wastewater works surplus to reserves	-	(671,087)	(486,030)
Operating surplus for the year	\$ -	\$ -	\$ -

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

20. COMMITMENTS

The corporation has entered into various operating leases for vehicles, equipment and services. Anticipated payments over the next five years for operating lease commitments are:

2020	\$ 3,983,682
2021	\$ 3,577,649
2022	\$ 3,216,832
2023	\$ 3,186,214
2024	\$ 3,130,405
Thereafter	\$ 3,906,416
<hr/>	
	\$ 21,001,198
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21. CONTINGENT LIABILITIES

Legal action

The City is involved in various legal actions in the normal course of business. The City and its insurers are defending all actions against the City. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material adverse effect on the City's financial position. Losses, if any, will be accounted for in the period they become determinable.

WSIB disability

As a result of recent changes to the Workplace Safety and Insurance Act, the City could be responsible to reimburse WSIB for disability payments under the revised regulations for work-related disabilities for emergency services. The estimated future benefit with administrative costs if claims are made is estimated at \$1,740,562. As at December 31, 2019, no claims have been filed. The WSIB has calculated a provision for benefits not yet awarded based on the current benefits liability. The amount with administration costs is estimated at \$1,337,036, which would only become a liability if awarded by the WSIB. Therefore, no liability has been recorded for these amounts in these consolidated financial statements.

Contaminated sites

The City's *Municipal Real Property Registrar* identifies 347 roll numbers representing either individual or multiple land parcels owned by the City, of which 61 roll numbers were deemed to be non-productive or partially productive for PS 3260 purposes. On the basis of former land uses, 40 roll numbers were identified as having a possible environmental concern and 1 roll number which includes 4 land parcels known to be environmentally impacted. The estimated potential liability cost that includes undertaking various types of Environmental Site Assessments ("ESA") and remediation of the known impacted land is \$1,796,750. A liability has not been recorded in these financial statements because the City's expectation of future economic benefits being given up to remediate these sites is unlikely and the liability cost of remediation all 40 municipal properties cannot be determined.

Property assessment appeals and tax write-offs

The City prepares tax billings based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which taxes are levied, net of any current year settlements and write-offs. The vacancy rebate and tax adjustment program Sections 357 and 364 of the *Municipal Act, 2001* provides tax relief to property owners where a building, or a portion of a building is vacant, is eligible for reclassification within the prescribed commercial and industrial property classes. These rebates and write-offs are recorded in the year the application is made and have been approved by all parties.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

21. CONTINGENT LIABILITIES (Continued)

Each reassessment cycle and every taxation year, a number of appeals are filed by property owners with respect to the MPAC assigned current value assessment or property classification. Decisions from these appeals are known as Minutes of Settlements. Commercial and industrial appeals involve much higher assessments, require longer time frames to settle, and have a higher degree of complexity and risk. At any time, up to ten per cent of the City's assessment base can be involved in property tax appeals which may represent a significant financial risk. Adjustments made necessary by the determination of such appeals are recognized in the year that the property valuation is determined and the tax liability is agreed upon by all parties. In this same year, the effect is shared with the appropriate school boards.

Actual amounts refunded related to the Minutes of Settlements for property assessment appeals, and vacancies and tax adjustments during the year, which were budgeted at \$1,500,000 (2018 - \$1,500,000) are as follows:

	2019	2018
Tax refunds related to Minutes of Settlements	\$ 6,854,843	\$ 164,513
Tax refunds related to vacancies and adjustments	138,326	348,497
	\$ 6,993,169	\$ 513,010

These amounts have been recorded against taxation revenue on the statement of financial activities. As a contingency to the exposure of property assessment at risk, the City budgets annually for tax write-offs and has set up a Tax Stabilization Reserve as a means to add consistency to the level of taxation.

22. CHANGE IN ESTIMATE

Effective January 1, 2019, the City revised the estimate of the accrued landfill closure and post closure liability from \$1,901,718 to \$16,705,319. The change in estimate is prospectively applied based on new information that became available to the City during the year. The current year effect of the change in estimate increases the liability and the material and services expenses for environmental services by \$14,803,601.

23. SUBSEQUENT EVENT

Subsequent to the year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the City as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the City's business and financial condition.

24. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to current year's financial statement presentation.

25. SEGMENTED INFORMATION

The City is responsible for providing a range of services to its citizens. For management reporting purposes the City's operations and activities are organized and reported by department. These departments are reported by functional area in the body of the financial statements similar to reporting reflected in the Ontario Financial Information Return. These functional areas represent segments for the City and expended disclosure by object has been reflected in the schedule of segmented disclosure.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

25. SEGMENTED INFORMATION (Continued)

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1. A brief description of each segment follows:

(a) General government

General government includes corporate services and governance of the City. Administration as a segment includes operating and maintaining city-owned buildings, human resource management, legal, communications, information systems and technology, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.

(b) Protection services

Protection services include police, fire protection, conservation authority, protective inspection and control and emergency measures. Fire protection includes inspection, extinguishing and suppression services, emergency medical first response, and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

(c) Transportation services

Transportation services include administration and operation of traffic, parking, transit and airport services for the City. In addition, services are provided for the winter and summer road maintenance along with the repair and construction of the City roads system including bridges and culverts, as well as operation and maintenance of a fleet of vehicles and equipment for use in providing services to the City.

(d) Environmental services

Environmental services include solid waste collection, disposal, recycling, and storm sewer services. Environmental services also include the operation of water and wastewater facilities and infrastructure for the collection and distribution of both water and wastewater services within the City.

(e) Health services

Health services provide emergency medical services, land ambulance and funding for local public health organizations.

(f) Social and family services

Social and family services provide a long-term care home at the Glen-Stor-Dun Lodge, and administration of provincial programs such as social assistance and subsidized child care.

(g) Social housing

Social and family services provide housing services for geared to income individuals in the City and for the United Counties of Stormont, Dundas and Glengarry.

(h) Recreation and cultural services

Recreation and cultural services provide services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including parks, recreation programs, recreation facilities, libraries, museums and other cultural services and activities.

(i) Planning and development

Planning and development manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the zoning by-law and official plan.

CORPORATION OF THE CITY OF CORNWALL

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2019

FINANCIAL ACTIVITIES (000's)

	2019	2018	2017	2016	2015
Revenues					
Taxation	\$ 69,006	\$ 72,597	\$ 68,050	\$ 67,714	\$ 66,547
Government grants and transfers	63,210	64,298	62,038	60,129	60,433
Revenue from other municipalities	7,793	7,314	7,637	7,312	7,052
Fees and service charges	47,058	44,267	42,783	40,689	40,364
Investment income	1,995	1,712	1,246	1,085	1,301
Licenses and permits	2,226	836	724	1,123	1,083
Fines and penalties	576	605	634	604	615
Donations and other revenue	90	22	163	61	53
	191,954	191,651	183,275	178,717	177,448
Expenditures					
General government	9,910	9,354	8,755	8,628	8,069
Protection to persons and property	33,866	31,735	31,122	30,795	29,825
Transportation services	23,598	22,912	23,003	23,330	22,550
Environmental	34,489	18,741	18,550	18,431	17,627
Health services	14,907	14,105	14,379	13,724	12,972
Social and family services	48,235	48,723	46,430	47,191	47,374
Social housing	20,574	21,530	22,062	21,382	20,632
Recreation and cultural services	16,888	16,194	16,195	16,098	15,405
Planning and development	3,243	2,562	2,535	2,164	2,260
	205,710	185,856	183,031	181,743	176,714
Net surplus (deficit) before other items	(13,756)	5,795	244	(3,026)	734
Revenue for capital and other purposes	7,209	12,839	9,669	9,724	3,924
Annual surplus	\$ (6,547)	\$ 18,634	\$ 9,913	\$ 6,698	\$ 4,658

PROPERTY TAXES BILLED (000's)

	2019	2018	2017	2016	2015
Own purposes	\$ 69,006	\$ 72,597	\$ 68,050	\$ 67,714	\$ 66,547
School boards	12,926	15,946	15,951	16,694	16,752
	\$ 81,932	\$ 88,543	\$ 84,001	\$ 84,408	\$ 83,299

CORPORATION OF THE CITY OF CORNWALL

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2019

WEIGHTED TAXABLE ASSESSMENT (000's)

	2019	2018	2017	2016	2015
Residential and multi-residential	\$ 3,093,201	\$ 3,014,971	\$ 2,951,331	\$ 2,872,756	\$ 2,703,693
Commercial and industrial	1,965,134	1,931,620	1,848,128	1,981,683	1,779,439
	\$ 5,058,335	\$ 4,946,591	\$ 4,799,459	\$ 4,854,439	\$ 4,483,132
Residential and multi-residential	61.15%	60.95%	61.49%	59.18%	60.31%
Commercial and industrial	38.85%	39.05%	38.51%	40.82%	39.69%
	100.00%	100.00%	100.00%	100.00%	100.00%
Municipal residential tax rate	1.467%	1.447%	1.409%	1.438%	1.463%

FINANCIAL INDICATORS

	2019	2018	2017	2016	2015
Tax arrears					
Percentage of current levy	4 %	4 %	5 %	5 %	4 %
Percentage of total levy	3 %	3 %	4 %	4 %	4 %
Municipal debt	\$41,212,949	\$43,074,765	\$44,184,885	\$41,644,916	\$26,196,535
Municipal debt charges	\$ 6,025,612	\$ 5,675,544	\$ 5,078,272	\$ 3,531,235	\$ 2,948,384
Sustainability					
Financial assets to liabilities	0.96	1.17	1.08	1.05	1.18
Financial assets to liabilities excluding long-term liabilities	1.67	2.48	2.42	2.22	2.01
Long-term debt to tangible capital assets	9.89 %	10.61 %	11.19 %	10.70 %	6.97 %
Flexibility					
Debt charges to operating revenue	3.14 %	2.96 %	2.77 %	1.98 %	1.66 %
Total operating revenue to taxable assessment	3.79 %	3.87 %	3.82 %	3.68 %	3.96 %
Vulnerability					
Operating grants and transfers to operating revenue	32.93 %	33.55 %	33.85 %	33.64 %	34.06 %
Total grants and transfers to total revenues	33.56 %	33.17 %	35.39 %	31.49 %	34.30 %
Reserve coverage					
Reserves to operating expenditures	9.45 %	11.22 %	9.64 %	9.41 %	10.90 %
Reserves to working capital	2.37	1.79	0.90	1.76	2.10

CORPORATION OF THE CITY OF CORNWALL

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2019

SUMMARY OF ACCUMULATED SURPLUS

	2019	2018	2017	2016	2015
Operating surpluses (deficits)					
General operations	\$ -	\$ -	\$ -	\$ -	\$ -
Water and wastewater operations	-	-	-	-	-
Local boards	1,050,409	482,797	318,801	294,597	252,614
Land inventory held for resale	5,521,937	5,376,678	5,181,346	5,191,345	2,967,982
Capital surplus (Unfinanced capital outlay)	5,633,526	9,052,624	6,899,506	1,022,561	(8,666,757)
Liabilities to be recovered from future revenues	(26,939,395)	(11,585,154)	(11,696,716)	(12,148,838)	(11,664,626)
	(14,733,523)	3,326,945	702,937	(5,640,335)	(17,110,787)
Reserves	19,434,475	20,848,195	17,636,216	17,095,008	19,265,227
Reserve funds	34,214,386	33,681,272	32,948,974	32,693,200	32,896,662
Invested in tangible capital assets	376,438,958	364,044,926	351,979,942	349,206,086	351,604,286
	\$ 415,354,296	\$ 421,901,338	\$ 403,268,069	\$ 393,353,959	\$ 386,655,388

June 22, 2020

Corporation of the City of Cornwall
360 Pitt Street
Cornwall, Ontario
K6H 5T9

Attention: The Audit Committee

Dear Members of the Audit Committee:

We have completed the audit of the financial statements for the Corporation of the City of Cornwall ("City") for the year ended December 31, 2019. In conjunction therewith, we would like to set out certain findings and recommendations which we feel might be useful as a means of strengthening your system of internal financial control. Please be advised that these points are not intended as criticisms of any of your staff or accounting policies but are set out here for information purposes. We have included Administration's responses regarding our findings and recommendations from the previous years in this letter.

Operating reserves

The operating reserves were \$3,722,284 as at December 31, 2019 (December 31, 2018 - \$8,577,339). The decrease was due to the utilization of the reserves to finance the tax refunds from the Minutes of Settlement decisions in 2019 of approximately \$7 million. We commend Administration for adequately preparing for this outcome by increasing the amount of reserves to the December 31, 2018 level. We recommend that Administration continue to increase the amount of operating reserves to meet the City's reserve and reserve fund policy's minimum requirement of ten percent of the prior years' tax levy, which is approximately \$7.2 million.

Administration's Response:

In 2019, the City funded the amount for tax refunds over budget from the Working Reserve (\$1,899,263) and from the Tax Stabilization Reserve (\$3,294,085). At the 2019 Year End, the City contributed \$300,000 of the surplus to the Tax Stabilization Reserve. Through the annual budget, the City will pay back the Working Reserve at \$500,000 per year starting in 2020. The City will continue to budget contributions to both Reserves until each Reserve reaches its target balance.

Reserve for Future Landfill Closure and Post Closure Costs

The estimated future landfill closure and post closure costs of its landfill site is approximately \$38 million when it is expected to close in 2032. The current liability based on its capacity utilized to date is approximately \$16.7 million. The Landfill Reserve Fund is at zero as at December 31, 2019.

Council should establish a financial plan to minimize any large increases on future taxation when the costs are incurred to close the landfill site in approximately 12 years. We recommend that an optimum level of reserves and reserve funds be determined and the timeline and plan to reach this optimum level be implemented. This was also recommended by the City's waste management consultant in their report addressed to Administration and Council dated December 16, 2019.

Administration's Response: *Administration concurs with the recommendations from the DFA Infrastructure International report and with the Auditor's review of such.*

RECOMMENDATIONS FROM PRIOR YEARS

Progress Fund

The Progress Fund investments are recorded at cost of \$25,908,467 but the fair market value was \$24,229,111 as of December 31, 2018, resulting in an unrealized loss of \$1,679,356 due to current market conditions. One particular investment of the portfolio, the bond fund, holds over twenty million dollars of the Progress Fund and accounts for the majority of the unrealized loss of approximately \$1,500,000. However, the unrealized loss as of March 31, 2019 was approximately \$1,340,000. We recommend that Administration continue to review their investments to ensure that the desired financial results will be achieved as part of the City's overall financial plan.

The City's Reserve and Reserve Fund policy of 2014 indicates that only 80% of the Progress Fund's investment income can be committed for use if the fair market value of the fund falls below twenty-five million dollars. In 2018, even though the fair market value of the Progress Fund investments was less than twenty-five million dollars, 100% of the income earned from these investments was utilized to finance the Benson Centre debt. This contradicts the Policy. We recommend that only 80% of any year's investment income be utilized as budgeted and the remaining 20% remains with the Progress Fund until the fair value exceeds twenty-five million dollars.

In 2018, the City budgeted \$545,000 of income to be earned in the Progress Fund based on previous years' actual results. The City also budgeted \$719,407 to be transferred from the Progress Fund to be utilized for debt payments of \$719,407 in 2018. The budgeted transfer should reflect the expected transfer amount of occurring, which is the budgeted investment income for the year.

Administration's Response: *The City will budget at 80% of the expected interest starting in 2020. For 2019, Administration could bring a report to Council requesting that \$200,000 be transferred from Working Reserves to the Progress Fund Reserve. As of March 31, 2019, the market value of the Bond Fund increased by \$206,560 when compared to the book value at the 2018 Year End.*

Action Taken: Administration commenced addressing this issue in 2019 with an additional transfer to the progress reserve fund of \$120,368.

Tax ratios

The tax ratio By-law 2018-068 for multi-residential properties was presented with a tax ratio of 2.325 while the actual rate used for calculating and taxation of these properties was 2.221.

This was due to the calculation of the multi-residential tax rate being a two-step process. First, it involves applying the tax ratio provided by the Ontario Property Tax Analysis ("OPTA") of 2.325. Second, the ratio must be reduced based on Ontario Regulation 73/03, resulting in the tax ratio of 2.221 being used. We recommended that the tax rating by-laws states both ratios to reflect the provided ratio of 2.325 and the calculated ratio of 2.221.

Administration's Response: *The ratio of 2.325 was as a result of the ratio restriction provisions in sections 9.1. through 9.3 of O. Reg. 395/98. As the ratio of 2.325 exceeds the provincial threshold ratio of 2.000 for multi-res, the tax rate determination in Section 8 of 73/03 also applies to restrict the levy increase to 0 dollars for the multi-res class. Due to the restriction on the multi-res tax class, the taxes levied for this class were at a ratio of 2.221. Administration will request that By-Law 2018-068 to set Tax Ratios is repealed and a paragraph added to include the above.*

Action Taken: Administration requested By-Law 2018-068 to be amended which was approved by Council in 2019. There were no issues regarding the tax ratio calculation and application for 2019.

Revenue from Antenna leases

Revenue from certain antenna leases are being transferred to the parkland reserve fund based on an existing by-law. We recommend that the by-law be revised since the parkland reserve fund has specific guidelines to follow based on provincial legislation.

Administration's Response: *Administration will request that By-law 2014-062 Lease Agreement with Rogers Communications, Clause 2 be repealed and that for 2019 and subsequent years, Recreation Services includes this revenue within its operating budget (approximately \$11,000 per year).*

Action Taken: Administration requested By-Law 2014-62 to be repealed which was approved by Council in 2019.

We thank you for the opportunity to be able to provide services to you. Should you have any questions please call us at your convenience.

Sincerely,

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

cc: Ms. Maureen Adams, Chief Administrative Officer
Ms. Tracey Bailey, General Manager, Finance Services and Treasurer
Mr. Paul Scrimshaw, Accounting Manager and Deputy Treasurer

The Corporation of the City of Cornwall
Regular Meeting of Council
Report

Department: Financial Services
Division: Finance
Report Number: 2020-305-Financial Services
Prepared By: Paul Scrimshaw, Accounting Manager and Deputy Treasurer
Meeting Date: June 29, 2020
Subject: 2019 Annual Report on the Status of City Reserves

Purpose

To provide Council with information on the status of the City's reserves and reserve funds as at December 31, 2019.

Recommendation

That Council receive Report 2020-305-Financial Services on City's reserves and reserve funds as at December 31, 2019.

Financial Implications

Reserves and reserve funds are established by Council to assist with long-term financial stability and are a key element of the City's long-term fiscal strategy.

Reserve levels are planned to provide a measure of financial flexibility. Reserves are used for operating and capital requirements, to react to budget shortfalls or the financial impact of significant unexpected issues in a timely manner.

Reserves are also used to smooth out spending requirements so that there are no significant shifts in taxation or water and wastewater rate charges each year.

A properly balanced approach to the planning and use of reserves and reserve funds is considered good financial management.

The City's Long Term Financial Plan (LTFP) recommended that the Reserves and Reserve Funds Policy be reviewed to determine if balances are adequate, if the need for particular reserve or reserve fund exists, or if new reserves or reserve funds are required. Staff will undertake this policy review over the next two years.

Strategic Priority Implications

Reserves and reserve funds support Council's vision to align spending with identified priorities that delivers valued services and programs to the community.

Background / Discussion

The Reserves and Reserve Fund Policy ensures that annual reporting to Council will occur at the same time that the City's Financial Statements are presented. The annual report is to provide an update on the balances of reserves, how they compare to the targeted funding levels established in the Policy, and recommend to Council a plan to work towards achieving the targeted balances.

The Policy identifies four categories for reserves and reserve funds:

- I. Operating Reserves
- II. Capital Reserves
- III. Restricted Reserves (Municipal Funding)
- IV. Restricted Reserves (Funded Externally)

The following chart summarizes reserve balances in each of the four categories:

	2018 Year End	2019 Year End	Targeted Balance	2020 Estimated	Target Year
Operating Reserve	\$8,577,342	\$3,722,286	\$6,945,783	\$4,299,834	3-5 years*
Capital Reserve	(\$813,765)	\$506,595	\$4,655,002	\$1,280,539	5-7 years
Restricted Reserves (Municipal Funded)	\$42,228,227	\$44,285,758	\$44,093,952	\$45,174,012	Individual targets **
Restricted Reserves (Funded Externally)	\$6,750,228	\$11,299,060	n/a	n/a	n/a

*In 2019, the City settled two large outstanding assessment appeals relating to distribution centers. The City budgeted \$1,500,000 in the 2019 budget for tax refunds. The actual amount of tax refunds including the distribution centers was \$6,993,169. To cover the shortfall in tax refunds \$3,294,085 was utilized from the Tax Stabilization Reserve and \$1,899,263 from the Working Reserve to be repaid over the next 4 years (2020-2023).

** Four of the twelve Restricted Reserves (Municipal Funding) have met their target balance. Three of the reserves do not have a defined target balance.

The City has individual reserves or reserve funds as sub-categories that make up each of the above noted categories. Detailed information can be found in the 2019 Reserve Schedule attached to this report. The 2019 Reserve Schedule provides information on reserve and reserve fund balances as at December 31, 2019, based on Council approved transfers to, and draws from, made during the year. The transfers made to and from reserve and reserve funds are based on amounts approved as part of the 2019 or prior year budget processes, or approved by Council throughout the fiscal year.

Operating Reserves

Operating Reserves consist of discretionary reserves that have been established to provide flexibility and liquidity to protect against the consequences of unexpected events, losses of income, and large unbudgeted expenditures.

The proposed targeted balance for Operating Reserves is 10% of the previous year's tax levy that is used to support the Corporation's operating budgets.

The ending balance of Operating Reserves at December 31, 2019 was \$3,722,286; with a target balance of \$6,945,783. At December 31, 2019, the City's Operating Reserves are below target primarily due to the utilization of reserves to fund tax refunds.

In 2019, the net change to these reserves was a net decrease of \$4,855,056. Contributions to and from Operating Reserves are outlined in the 2019 Reserve Schedule. At Year End, Council approved the transfer the 2019 surplus of \$277,075 to the Working Reserve (\$251,356) and the Tax Stabilization reserve (\$300,000), and from the Winter Control Reserve (\$274,281).

In 2020, budgeted contributions to these reserves include \$254,335 to the Working Reserve for repayments and future projects/initiatives, \$500,000 to the

Working Reserve as the first installment to repay tax refunds, \$190,000 to the Medical Recruitment Reserve, and \$45,000 to the Election Reserve for the 2022 Municipal election. Additionally, there are budgeted withdrawals of \$175,000 for medical recruitment initiatives, \$170,000 for Planning Studies (Zoning Bylaw and Development Charges update), and a carryforward withdrawal of \$496,630.

The target balance for Operating Reserves in 2020 is \$7,198,144. The estimated balance at December 31, 2020 is \$3,869,991.

Capital Reserves

Capital Reserves are monies set aside for the repair and major maintenance costs of capital infrastructure and for large capital expenditures; such as, facility upgrades or road reconstruction. Capital Reserves consist of sub-categories which includes Equipment and Vehicles, Recreation Facilities, Municipal Buildings, Fire Equipment, Land Ambulance, Waste Management, Land Reserve, and Road Infrastructure.

The proposed targeted funding level for the Capital Reserves is 50% of the previous year's amortization cost for the Corporation's tangible capital assets (excluding Water and Wastewater).

The ending balance of Capital Reserves at December 31, 2019 was \$506,595; the targeted balance is \$4,655,002. Amalgamated, these funds are underfunded by \$4,148,407.

In 2016, the City repurchased land in the Business Park from Boundary Properties at a cost of \$2.2M. This purchase put the Land Reserve in a negative balance, the reserve will be repaid when the lands are sold.

In 2019, the net change to these reserves was a net increase of \$1,320,360. Contributions to and from Capital Reserves are outlined in the 2019 Reserve Schedule.

The City continues to make provisions for the replacement of assets and infrastructure. As examples, through the budget process, contributions are made to the Recreation and Municipal Facilities' Reserves by charging a per square foot leasing cost to departments; and, based on fleet use, City departments make contributions to the Equipment and Vehicles Reserve for future asset replacement.

The City's LTFP recommended that a contribution to reserves for a Capital Levy and Life-Cycle Costing be established to help fund asset replacement. The 2020

budget submission includes a contribution of \$348,100 (2019 \$159,820) for the Capital Levy and \$250,000 (2019 \$200,000) for Life-Cycle Costing.

The target balance for Capital Reserves in 2020 is \$5,003,401. The estimated balance at December 31, 2020 is \$1,523,131.

Restricted Reserves (Municipal Funding)

There are reserves that the Corporation has established and funded internally that are deemed to be restricted for certain uses.

These reserves are independent from one another and used to mitigate against the consequences of certain risks specific to their area.

Both the Water Works Reserve and the Wastewater Works Reserve maintain a healthy reserve balance to offset extraordinary and unforeseen expenditure requirements. At Year End, Council approved the transfer the 2019 surplus of \$671,087 for Water and Wastewater to the Water Works Reserve (\$442,737) and the Wastewater Works Reserve (\$228,350).

Annual contributions in the amount of \$250,000 have been made to the Water Works Reserve to assist with future improvements to the plant and linear infrastructure. This contribution continues in 2020.

A targeted balance for the Cornwall Area Housing Corporation (CAHC) Operating Reserve was not defined in the policy. Like the City, CAHC also completed an Asset Management Plan during 2016. CAHC is considering to undertake an analysis of reserves to establish targeted balances for both operating and capital. Currently, the balance of CAHC's operating reserve fund is \$3,170,100.

The City has also set up a reserve for the estimated future value of benefits for employees and a reserve that recognizes unfunded liabilities related to landfill closure and post-closure costs at the City's landfill site.

The liability for closure and post-closure costs at the landfill site is \$16,705,319. Currently, the balance of the Landfill Reserve Fund is \$0. The City undertook a study in 2019 to renew the assumptions and re-evaluate the capacity and remaining life at the landfill. This study provided the City with updated closure and post-closure costs. These updated calculations will assist in developing a financial plan for the closure of the landfill. It was recommended in the report from DFA Infrastructure International Inc., presented to Council at the meeting of January 13, 2020, that the City start contributing to the reserve in the amount of \$250,000 in 2020 and increasing contributions by \$250,000 each year to a

maximum annual contribution of \$2,500,000. The City did not include this contribution to the reserve in the 2020 budget.

The liability for estimated future benefit costs is calculated by the Workplace Safety & Insurance Board (WSIB). As a schedule 2 employer, it is common to establish a reserve based on a reasonable estimate of future payment requirements. WSIB has estimated the City's liability to be \$3,821,468. Currently, this reserve has a balance of \$2,068,404. Contributions of approximately \$190,000 are made to this reserve by City departments each year.

Restricted Reserves (Funded Externally)

There are also several reserves that are funded from senior levels of government or third parties for specific purposes that are defined by legislation or a municipal by-law. These program specific reserves/reserve funds are to be used for their identified purpose and have no defined target balances.

In 2019, the City received a one-time top up to its Federal Gas Tax allocation in the amount of \$2,951,947. At December 31, 2019, the Federal Gas Tax Reserve had a closing balance of \$5,276,940. For the most part, these funds are committed to prior years' on-going capital initiatives. At the time of this report, approximately \$895,000 remains uncommitted.

The Development Charges Reserve is an obligatory reserve fund set up for each service for which a development charge is collected. The development charge funds must be spent on the infrastructure projects for which they were collected. In 2019, the City collected \$834,791 in development charges. Included on this agenda is the annual report for the Development Charges Reserve Fund.

Document Title:	2019 Annual Report on the Status of City Reserves - 2020-305-Financial Services.docx
Attachments:	- Reserves Dec 31 2019.pdf
Final Approval Date:	Jun 25, 2020

This report and all of its attachments were approved and signed as outlined below:

No Signature found

Paul Scrimshaw - Jun 22, 2020 - 4:32 PM

Tracey Bailey - Jun 24, 2020 - 5:30 PM

Maureen Adams - Jun 25, 2020 - 7:38 AM

2019 SUMMARY OF RESERVES
December 31, 2019

	Opening Balance	Net Transactions	Balance at Dec 31/19	Targeted Balance
<u>Operating Reserves</u>				
Working Reserves	4,610,568	(2,335,345)	2,275,223	
Tax Stabilization Reserve	2,794,085	(2,494,085)	300,000	
Winter Control Reserve	600,000	(274,281)	325,719	
Health and Safety Reserve	76,022	0	76,022	
Municipal Elections Reserve	0	45,000	45,000	
Renaissance Reserve	88,826	0	88,826	
Medical Recruitment Reserve	<u>407,841</u>	<u>203,655</u>	<u>611,496</u>	
	8,577,342	(4,855,056)	3,722,286	6,945,783
<u>Capital Reserves</u>				
Equipment and Vehicles Reserve	159,956	114,478	274,434	
Recreation Facilities Reserve	203,177	16,905	220,082	
Municipal Buildings Reserve	218,068	652,890	870,958	
Fire Equipment Reserve	58,015	16,306	74,321	
Land Ambulance Reserve	615,171	(149,626)	465,545	
Waste Management Capital Reserve	18,160	469,595	487,755	
Land Reserve	(2,138,240)	(68,427)	(2,206,667)	
Road Infrastructure Reserve	<u>51,928</u>	<u>268,239</u>	<u>320,167</u>	
	(813,765)	1,320,360	506,595	4,655,002
<u>Restricted Reserves (Municipal Funding)</u>				
Water Works Reserve	4,154,231	330,205	4,484,436	3,155,381
Wastewater Works Reserve	3,724,346	57,164	3,781,510	3,723,702
Building Surplus Reserve (permits)	112,325	701,027	813,352	1,294,924
CAHC Operating Reserve Fund	2,463,977	706,123	3,170,100	Not Defined
Brownfields Reserve	189,574	386,894	576,468	2,000,000
Landfill Reserve Fund	459,562	(459,562)	0	1,901,717
Waterfront Development Fund	240,000	0	240,000	Not Defined
WSIB - Estimated Future Benefit Costs Reserve	1,837,204	231,200	2,068,404	3,318,228
Downtown Investment Reserve Fund	3,516,254	(3,801)	3,512,453	3,500,000
Heart of City Reserve	(206,721)	73,998	(132,723)	200,000
Parking Reserve Fund	208,232	(86,086)	122,146	Not Defined
Progress Fund	<u>25,529,243</u>	<u>120,369</u>	<u>25,649,612</u>	25,000,000
	42,228,227	2,057,531	44,285,758	
<u>Restricted Reserves (Funded Externally)</u>				
(a targeted reserve balance is not applicable)				
Provincial Gas Tax Reserve (Transit)	133,802	(10,099)	123,703	
Federal Gas Tax Reserve (Infrastructure)	1,698,462	3,578,478	5,276,940	
Development Charges Reserve	691,028	418,888	1,109,916	
Social Housing Providers Reserve	2,055,292	262,710	2,318,002	
Social Housing Capital Reserve Fund	1,088,915	21,067	1,109,982	
Employment Assistance Retained Surplus Reserve	651,997	(10,640)	641,357	
Child Care ELCD Reserve	95,394	0	95,394	
Consolidated Homelessness CHPI Reserve	39,927	0	39,927	
Parkland Reserve Fund	182,650	24,456	207,106	
Winter Games/Legacy Trust Fund	61,036	(917)	60,119	
Arts and Culture Trust Fund	<u>51,725</u>	<u>264,889</u>	<u>316,614</u>	
	6,750,228	4,548,832	11,299,060	
TOTAL RESERVES AND RESERVE FUNDS	56,742,032	3,071,667	59,813,699	

2019 DETAIL OF RESERVES
December 31, 2019

	Opening Balance	Withdrawals	Additions	Balance
OPERATING RESERVES				
Working Reserves	4,610,568			
Carry Forward - Police DVRS Map Upgrades		(4,600)		
Carry Forward - ITT Equipment		(45,000)		
Carry Forward - HR Employee Recognition		(20,000)		
Carry Forward 2019 - GSDL Resource Materials			25,000	
Carry Forward 2019 - Recreation - PerfectMind			28,000	
Carry Forward 2019 - Bridge Inspections			30,000	
Carry Forward 2019 - ITT Servers and Applications			91,000	
Carry Forward 2019 - Bunker Gear			16,630	
Street Lighting on Pitt Street		(28,385)		
Streetscape Water Street Gateway Project		(20,000)		
Accounting Software Upgrade		(561,000)		
Fund EORN		(302,005)		
Fire Dispatch Repayment (2017-2019)			62,495	
Repay GSDL Fire Panel Replacement (2014-2024)			18,310	
Repay Refurbished Transit Bus			18,658	
Repay Wall Repair			55,000	
Accounting Software Upgrade			15,000	
Council ITT Requirements for 2022			5,500	
Tax Equipment Upgrade			5,000	
Egenda Software		(20,000)		
Planning Department - Plans Review			90,000	
Waterfront Plan Review		(42,841)		
Financial Condition Assessment - CAO Special Projects		(18,175)		
Dual Stream Recycling - Public Spaces		(43,500)		
Lean Training		(31,566)		
Si Miller Demolition		(10,959)		
Taxes Refunded		(1,899,263)		
Year-End Surplus			251,356	2,275,223
Tax Stabilization Reserve	2,794,085			
Budgeted Contribution			500,000	
Taxes Refunded		(3,294,085)		
Transfer Funds (Year End)			300,000	300,000
Winter Control Reserve	600,000			
Fund Winter Control Deficit		(274,281)		325,719
Health and Safety Reserve	76,022			76,022
Municipal Elections Reserve	-			
2022 Election Contribution			45,000	45,000
Renaissance Reserve	88,826			88,826
Medical Recruitment Reserve	407,841			
Budgeted Contribution			100,000	
Medical Loan Repayments			15,000	
Medical Resident Initiative		(50,000)		
Set up Medical Scholarship Receivables			200,000	
Fund Expenditures		(61,345)		611,496
TOTAL Operating Reserves	8,577,342	(6,727,005)	1,871,949	3,722,286

2019 DETAIL OF RESERVES
December 31, 2019

	Opening Balance	Withdrawals	Additions	Balance
CAPITAL RESERVES				
Equipment and Vehicles Reserve	159,956			
Contributions from Sale of Surplus Equipment			36,595	
Police Contribution to Reserve			30,000	
Fire Contribution to Reserve			33,000	
Sale of Fire Truck			20,000	
MW Contribution to Reserve			75,000	
Fire Rescue Boat		(100,154)		
FlexiGuard Supported Ladder System (Transit)		(25,663)		
MW Fleet Renewal		(20,000)		
Record Payment of MW Vehicles			65,700	274,434
Recreation Facilities Reserve	203,177			
Budgeted Contribution - Aquatic Centre			62,000	
Budgeted Contribution - Benson Centre			62,000	
Life Cycle Costing - LTFP			200,000	
Aquatic Centre Pool Lighting			36,809	
Curling Club Property Taxes			2,617	
Complex Barrier Free Entrance Ramp		(56,015)		
Arc Flash Risk Analysis		(125,000)		
Civic Complex - Spectator Seating		(55,000)		
Benson Centre - Duct Work		(80,000)		
Carry Forward 2019 - Benson Centre - Flooring in Automotive Room			25,000	
Complex and Aquatic Centre - Floors		(55,506)		220,082
Municipal Buildings Reserve	218,068			
Contribution from Buildings			429,630	
Contribution for Library			70,000	
Complex Lease Payment			190,686	
Justice Building Repayment			111,696	
EMS HQ Lease Payment			106,956	
Justice Building - Courtyard		(175,000)		
Fund LTD Library		(81,078)		870,958
Fire Equipment Reserve (Fire Marque)	58,015			
Fire Marque Revenue			16,306	74,321
Land Ambulance Reserve	615,171			
Fund Replacement Ambulances		(499,585)		
Fund Toughbook Computers		(58,000)		
Fund Paramedic Response Vehicle		(86,216)		
Fund Defibrillators (PAD Program)		(17,000)		
Fund Defibrillators		(29,579)		
Fund Principal on LTD		(93,487)		
Proceeds from Sale of Surplus Equipment			5,542	
Transfer Amortization			628,699	465,545
Waste Management Capital Reserve	18,160			
Transfer in from Landfill Reserve Fund			469,595	487,755
Land Reserve	(2,138,240)			
Interest Paid on Business Park Land Purchase Loan		(32,250)		
Fund Demolition of Baldwin St Property		(36,177)		(2,206,667)
Road Infrastructure Reserve	51,928			
Marleau Properties Rental Surplus/(Deficit)			32,023	
Capital Levy - LTFP			159,820	
Deposit R.O.W.			1,396	
Traffic Analysis - Brookdale and Ninth		(75,000)		
Lighting Maintenance			50,000	
Budgeted Contribution			100,000	320,167
TOTAL Capital Reserves	(813,765)	(1,700,710)	3,021,070	506,595

2019 DETAIL OF RESERVES
December 31, 2019

	Opening Balance	Withdrawals	Additions	Balance
RESTRICTED RESERVES (Municipal Funding)				
Water Works Reserve	4,154,231			
Budgeted Contribution			250,000	
Interest Earned			91,468	
Watermain Rehabilitation Improvements		(250,000)		
Water Purification Plant Improvements		(204,000)		
Year-End Surplus			442,737	4,484,436
Wastewater Works Reserve	3,724,346			
Wastewater Treatment System Upgrades		(250,000)		
Interest Earned			78,814	
Year-End Surplus			228,350	3,781,510
Building Surplus Reserve (permits)	112,325			
Building Permit Study		(8,090)		
Interest Earned			2,368	
Estimated Year-End Surplus			706,749	813,352
CAHC Operating Reserve Fund	2,463,977			
Interest Earned - on loan to Land Reserve			16,125	
Interest Earned			11,173	
CAHC Payment on Loan			10,487	
CAHC Surplus			668,338	3,170,100
Brownfields Reserve	189,574			
Fund Brownfields Programs		(26,791)		
Budgeted Contribution			400,000	
Interest Earned			13,685	576,468
Landfill Reserve Fund	459,562			
Interest Earned			10,033	
Transfer to Waste Management Capital Reserve		(469,595)		-
Waterfront Development Fund	240,000			240,000
WSIB-Est Future Benefit Costs Reserve	1,837,204			
Bring WSIB Variance into Reserves			188,297	
Interest Earned			42,903	2,068,404
Downtown Reserve Investment Fund	3,516,254			
Interest Earned - CAHC 2nd Mortgage			31,203	
Interest Paid on CAHC 1st Mortgage Trf to HOTC Reserve			5,797	
Record CAHC Interest transferred to HoTC		(37,000)		
Investment income from Scotia Bank			42,237	
Investment income from Scotia Bank TSF HotC Reserve		(58,491)		
Interest Earned not Paid			12,453	3,512,453
Heart of City Reserve	(206,721)			
Capital Outlay			32,250	
Interest Earned - CAHC 2nd Mortgage			31,203	
Interest Paid on CAHC 1st Mortgage Trf to HOTC Reserve			5,797	
Tax Incentive Grant - Non-refundable			75,000	
Investment Income from Scotia Bank			58,491	
Loan Forgiveness		(45,754)		
Fund HOTC Programs		(82,989)		(132,723)
Parking Reserve Fund	208,232			
Fund Program		(90,646)		
Interest Earned			4,560	122,146
Progress Fund	25,529,243			
Benson Centre Debt Payments		(481,474)		
Interest Earned			601,843	25,649,612
TOTAL Restricted Reserves (Municipal Funding)	42,228,227	(2,004,830)	4,062,361	44,285,758

2019 DETAIL OF RESERVES
December 31, 2019

	Opening Balance	Withdrawals	Additions	Balance
RESTRICTED RESERVES (Funded Externally)				
Provincial Gas Tax Reserve (Transit)	133,802			
Gas Tax Funding			661,326	
Fund Transit Operating Expenses		(352,500)		
2014 Handi Transit Buses (Long Term Debt)		(49,679)		
2015/2016 Conventional Buses (Long Term Debt)		(78,589)		
2016/2017 Handi Transit Buses (Long Term Debt)		(82,430)		
2017 Conventional Buses (Long Term Debt)		(108,227)		123,703
Federal Gas Tax Reserve (Infrastructure)	1,698,462			
2019 Gas Tax Allocation			2,826,670	
2019 Gas Tax Top-up Allocation			2,951,947	
Federal Gas Tax Surplus Administration Funds			54,979	
Asphalt Resurfacing		(1,577,070)		
Active Transportation - Sidewalks		(258,877)		
Bicycle Path Asphalt - Bicycle Infrastructure		(166,255)		
Landfill Site - Gas Collection		(279,206)		
Interest Earned			26,290	5,276,940
Development Charges Reserve	691,028			
City-Wide Residential			292,380	
City-Wide Non-Residential			542,411	
Fund from Development Charges - N. Kaneb Dr Ext		(5,490)		
Fund from Development Charges - Municipal Works Yard		(105,357)		
Fund from Development Charges - Fire HQ and Training Ctr		(124,264)		
Fund from Development Charges - WPP System Growth		(95,997)		
Fund from Development Charges - N. Kaneb Dr Ext		(108,575)		
Fund from Development Charges - Brookdale North Sewer		(27,171)		
Interest			50,951	1,109,916
Social Housing Providers Reserve	2,055,292			
Non Profit Surplus			149,759	
Provider 50% Surplus Share			287,659	
Religious Hospitallars of St. Joseph Housing Corp		(81,160)		
Beek Lindsay Seniors Residence		(140,000)		
Interest Earned			46,452	2,318,002
Social Housing Capital Reserve Fund	1,088,915			
Interest Earned			4,942	
Interest Earned on Loan to Land Reserve			16,125	1,109,982
Employment Assistance Retained Surplus Reserve	651,997			
Fund Operating		(10,640)		641,357
Child Care ELCD Reserve	95,394			95,394
Consolidated Homelessness CHPI Reserve	39,927			39,927
Parkland Reserve Fund	182,650			
Interest Earned			4,099	
Payment in Lieu			20,357	207,106
Winter Games/Legacy Trust Fund	61,036			
Legacy Awards		(2,290)		
Interest Earned			1,373	60,119
Arts and Culture Trust Fund	51,725			
Donations Received			263,179	
Interest Earned			1,710	316,614
TOTAL Restricted Reserves (Funded Externally)	6,750,228	(3,653,777)	8,202,609	11,299,060

The Corporation of the City of Cornwall
Regular Meeting of Council
Report

Department: Financial Services
Division: Finance
Report Number: 2020-306-Financial Services
Prepared By: Tracey Bailey, General Manager
Meeting Date: June 29, 2020
Subject: **2019 Annual Report on Development Charges Reserve Fund**

Purpose

The purpose of this report is to present the required 2019 Statement of Development Charges to Council and provide information on financial transactions which occurred during the year in relation to the Development Charges Reserve Fund.

Recommendation

That Council receives Report No. 2020-306-Financial Services prepared in accordance with Section 12 of O.Reg.82/98 of the *Development Charges Act, 1997* (Act).

Financial Implications

A statement of the Development Charge Reserve Fund balance and transactions for 2019, by service area, is listed in Schedule A. Schedule B provides a description of the service for which the fund was established.

In 2018, the City began imposing development charges (DCs) to residential and non-residential development. The residential charge is being phased-in annually under the provisions of the by-law (2019 was the second year of a 5-year phase-in). The implication of providing rules within the DCs by-law to allow for DCs payable to be lower than the fully calculated rate, is that the City is foregoing

potential DC revenue. This is important to note as these policy recommendations in effect, are a loss of revenue to the City which will have to be funded from non-DC sources (e.g. taxes, user fees, reserves or other financial resources). In 2019, the cost of providing exemptions was \$1,441,822 (\$652,381 discretionary, \$789,441 mandatory). To maintain the existing discretionary DC exemption policy and to fund mandatory exemptions the City should plan to budget for the exemptions in future years.

Subsections 18 (3) and 25 (2) and section 36 of the Act, describes the minimum interest rate that a municipality shall use to pay interest to the DC Reserve Fund. The municipality calculates interest earned from the Bank of Canada rate on the day the bylaw comes into force, updated on the first business day of every January, April, July and October. In 2019, the reserve earned \$50,951.

In 2019, the City used funds in the amount of \$466,854 from the DC reserve for various capital projects that qualified for development charges. Through the 2020 budget, additional DCs in the amount of \$1,037,700 have been committed. Funds remaining in the Development Charges Reserve Fund are considered to be committed for projects as identified in the 2017 Development Charges Background Study. The funds will be transferred to the capital projects when growth related costs are incurred.

No amounts have been borrowed from the fund during the year.

Strategic Priority Implications

There is no relationship to the strategic plan as this is a compliance report under the *Development Charges Act*.

Background / Discussion

In 2018, following the completion and adoption of the 2017 Development Charges Background Study, DCs were imposed pursuant to By-law 2018-038 City-Wide Development Charges and By-law 2018-037 Area-Specific Development Charges within the Brookdale Avenue North Corridor.

A summary of the 2019 permit activity and associated development charges is provided as follows:

<u>By-Law 2018-38</u>	<u># of Permits</u>	<u>Sq Ft</u>	<u>Development Charges</u>
Residential			
- Single/Semi-Detached Dwelling	111		218,280.00
- Apartments (2+ bedrooms)	2		47,267.00
- Special Care / Special Dwelling	1		23,722.00
Non-Residential	8	195,793.21	545,521.97
			834,790.97
City Portion of Residential (YR 2 - phase in)			-
Interest Earned			50,951.00
By-Law 2018-38 City-Wide Development Charges			885,741.97

<u>By-Law 2018-37</u>	<u># of Permits</u>	<u>Sq Ft</u>	<u>Development Charges</u>
Non-Residential	0	-	-
Interest Earned			-
By-Law 2018-37 Area-Specific Development Charges within the Brookdale North Corridor			-

Purpose of Development Charges

The general purpose for which the City imposes DCs is to assist in providing the infrastructure required by future development in the municipality through the establishment of available capital funding source to meet the City's financial requirements.

Development charge funds may only be used for the purpose for which they are collected.

Development charges are based on the methodology that existing taxpayers should not be liable for capital costs of new growth. At the same time, new taxpayers should not have to contribute more than the net capital cost attributable to growth in order to maintain current levels of municipal services.

Approval of the By-laws

By-laws 2018-037 and 2018-038 were passed on April 9, 2018 by Cornwall City Council and came into effect April 10, 2018.

Development Charge Rates and Indexing

Development charges imposed pursuant to these by-laws are adjusted annually without amendment to the by-laws on January 1 of each year, in accordance with the prescribed index in the Act.

Bill 108 “More Homes, More Choice Act, 2019”

On May 2, 2019, the Province introduced Bill 108 “More Homes, More Choice Act, 2019”. The Bill proposed a number of changes to the Development Charges Act and the Planning Act. The Bill was amended by the Standing Committee on May 29, 2019 and received royal assent June 6, 2019. The predominant impacts of the provisions that came into force January 1, 2020 after being proclaimed December 10, 2019 are:

Payment in Instalments

Unless the developer and the municipality enter into an agreement to the contrary, not-for-profit rental housing developments will pay DCs in 21 equal annual payments, while rental housing and institutional developments will pay DCs in 6 equal annual payments commencing on the earlier of the date of the issuance of an occupancy permit or the date the building is first occupied. The municipality is entitled to charge interest on the deferred portion of the DC, at a maximum rate not yet prescribed

When the DC Amount is Determined

The DC rate for all developments will be determined based on the rate in effect on the day of application for site plan or zoning amendment. In cases where there are no such applications required, the rate will be based on the rate in effect on the day of the building permit issuance.

The changes listed above are a summary of matters related to DCs and are not an exhaustive list of all changes from Bill 108 and not all changes have been proclaimed.

Statement of Treasurer

In accordance with Section 12 of O.Reg.82/98, of the *Development Charges Act, 1997*, the Treasurer will issue a statement for the preceding year including:

- a) statements of the opening and closing balances of the reserve fund and of the transactions relating to the fund;

- b) statements identifying,
 - i. all assets whose capital costs were funded under a development charge by-law during the year,
 - ii. for each asset mentioned in sub-clause (i), the manner in which any capital cost not funded under the by-law was or will be funded;
- c) a statement as to compliance with subsection 59.1 (1).

The statement provided by the Treasurer is required to be made available to the public and to the Minister of Municipal Affairs and Housing on request. The City will post this report and its attachments to the Development Charges' page of the City's website.

The Treasurer has reviewed this report and confirms that the City is in compliance with subsection 59.1(1) of the *Development Charges Act, 1997*, as amended which states:

A municipality shall not impose, directly or indirectly, a charge related to a development or a requirement to construct a service related to development, except as permitted by this Act or another Act. 2015, c.26, s.8.

Document Title:	Annual Report on 2019 Development Charges Reserve Fund - 2020-306-Financial Services.docx
Attachments:	- Schedule A.pdf - Schedule B.pdf
Final Approval Date:	Jun 25, 2020

This report and all of its attachments were approved and signed as outlined below:

Tracey Bailey - Jun 24, 2020 - 7:51 PM

Maureen Adams - Jun 25, 2020 - 7:42 AM

Schedule A
Development Charges Obligatory Reserve Fund
Annual Continuity Schedule
For the Year Ended December 31, 2019

	Balance at January 1, 2019	Development Charges Residential	Development Charges Non Residential	Development Charges City Portion	Interest	Subtotal	Transfer to Capital ¹	Balance at December 31, 2019
City Wide Development Charges								
Fire Services	17,170	11,416	27,319	-	2,299	58,203	124,264	(66,061)
Transportation Services	295,246	195,780	464,878	-	39,305	995,209	219,422	775,787
Wastewater Services	6,017	4,935	2,096	-	537	13,585	-	13,585
Water Services	17,309	13,981	6,289	-	1,545	39,124	95,997	(56,872)
Library Services	3,710	4,162	-	-	324	8,196	-	8,196
Parks & Recreation Services	38,634	41,550	3,916	-	3,458	87,558	-	87,558
Development Studies	26,263	17,445	41,024	-	3,484	88,217	-	88,217
Waste Diversion	-	-	-	-	-	-	-	-
Subtotal	404,350	289,269	545,522	-	50,951	1,290,092	439,683	850,409
Area Specific Development Charges								
Wastewater	286,678	-	-	-	-	286,678	27,171	259,507
Subtotal	286,678	-	-	-	-	286,678	27,171	259,507
Total	691,028	289,269	545,522	-	50,951	1,576,770	466,854	1,109,916

¹ Transferred to Capital

Development Charges Balance to be funded by:

New Watermain (Power Dam Dr.)	95,997	Water Billings, Reserves
Brookdale North Sewer	27,171	Financing, Municipal Act Charge
Road Construction N. Kanab	114,065	Financing
Municipal Works Yard Redevelopment	105,357	Financing
Fire Station and Training Centre	124,264	Financing
	<u>466,854</u>	

Schedule B

Description of the Service for which each of the funds was established:

a) Fire Services

This fund is used to finance growth-related projects for a new fire station, training centre, and training equipment.

b) Transportation Services

This fund is used to finance growth-related projects for bicycle, sidewalk, roads and bridge infrastructure as well as Municipal Works yard redevelopment.

c) Wastewater Services

This fund is used to finance growth-related projects for combined sewer separation.

d) Water Services

This fund is used to finance growth-related projects for new watermain on Power Dam and the Business Park.

e) Library Services

This fund is used to finance growth-related projects for library collection materials.

f) Parks & Recreation Services

This fund is used to finance growth-related projects for parks and bicycle path improvements, off-leash dog park, splash pad, and soccer fields.

g) Development Studies

This fund is used to finance growth-related projects for feasibility studies, master plans, long-term financial plan, assets management plan, needs studies and Development Charges background study.

e) Waste Diversion

This fund is used to finance growth-related projects for solid waste / recycling implementation.

f) Area Specific Development Charges

This fund is used to finance growth-related project for Brookdale North Corridor sanitary sewer extension.

The Corporation of the City of Cornwall
Regular Meeting of Council
Report

Department: Financial Services
Division: Finance
Report Number: 2020-307-Financial Services
Prepared By: Paul Scrimshaw, Accounting Manager and Deputy Treasurer
Meeting Date: June 29, 2020
Subject: **2019 Annual Report on Municipal Debt Limits**

Purpose

This report is being presented to Council in order to meet the requirements of Regulation 403/02 under the *Municipal Act, 2001*. This report contains information related to the current status of the City's Municipal Debt Limits.

Recommendation

That Council adopt Report 2020-307-Financial Services as required under the *Municipal Act, 2001*, Ontario Regulation 403/02.

Financial Implications

This report provides Council with information with respect to the municipality's existing levels of long-term debt as well as the additional long-term borrowings that would be available as per the provincial guidelines.

Strategic Priority Implications

There is no relationship to the strategic plan as this is a compliance report under the *Municipal Act*.

Background / Discussion

The Ministry of Municipal Affairs and Housing (MMAH) determines the municipality's Annual Repayment Limit (ARL) under Ontario Regulation 403/02 of the *Municipal Act, 2001*.

Attached to this report is a copy of the City's 2020 ARL provided to the municipality by the MMAH in March 2020. The 2020 ARL is based on information from the 2018 Financial Information Return (FIR). As outlined by the regulation, a municipality's ARL is based on a 25% calculation of annual operating revenues excluding certain revenues such as government grants and transfers from reserves and reserve funds.

MMAH calculates the City's estimated annual repayment limit as follows:

	<u>2020 ARL</u>
Net Revenues	<u>\$123,452,219</u>
25% of Net Revenues	30,863,055
Less: Current Total Debt Charges	<u>(5,896,140)</u>
Estimated Annual Repayment Limit	<u><u>\$24,966,915</u></u>

Debt Balances at December 31, 2019

To calculate the City's Municipal Debt Limits, the ARL is adjusted to reflect debt commitments and transactions that have occurred subsequent to December 31, 2018.

The long-term liabilities at December 31, 2019 represented on the consolidated statement of financial position total \$41,166,216 (2018 \$42,973,390) and are reported in the following table:

Bank Loans	2019	2018
<u>City of Cornwall</u>		
Benson Centre, interest at 3.41%, repayable in monthly blended payments of \$59,951, due November 2032	\$7,509,794	\$7,963,273
Emergency Medical Service building, interest at 3.09%, repayable in monthly blended payments of \$10,820, due October 2027	902,421	1,002,778
Post-employment payments, interest at 3.32%, repayable in monthly blended payments of \$20,099, due December 2023	902,414	1,109,905
Municipal yard redevelopment, interest at 2.375%, repayable in monthly blended payments of \$8,846, due November 2022	298,884	396,634
Capital loans, interest between 1.57% and 4.35%, repayable in blended monthly payments between \$4,571 and \$16,822, due dates between June 2020 and November 2027	17,900,009	17,806,772
Wastewater Treatment Plant, interest at 3.26%, repayable in blended monthly payments of \$64,707, due November 2036	10,088,587	10,529,547
	\$37,602,109	\$38,808,909
<u>Cornwall and Area Housing Corporation</u>		
Annual debt payments are funded by MMA. Terms and conditions range from 1.12% to 6.13% with maturity dates due between February 2020 and April 2024	3,564,107	4,164,481
Total Long-Term Liabilities	\$41,166,216	\$42,973,390

Total Approved Debt by Source

The following table provides summary information on the total approved debt, both issued and not yet issued.

	Payable from the following sources					Total Approved Debt
	General Taxation Revenue	Wastewater Billings	Provincial Grant Revenue	Reserves	Progress Fund Reserve	
Debt issued at Dec 31, 2019	\$11,865,205	\$15,116,733	\$5,760,501	\$913,983	\$7,509,794	\$41,166,216
Debt approved but not issued at Dec 31, 2019	18,701,500	7,436,000	-	-	-	26,137,500
	\$30,566,705	\$22,552,733	\$5,760,501	\$913,983	\$7,509,794	\$67,303,716

The calculations reflect adjustments for long-term debt that has been approved but not yet borrowed as of January 1, 2020 in the amount of \$26,137,500. The calculations include adjustments for debt (new and expired) that are not included in the MMAH unadjusted ARL calculation.

Total Debt Capacity at December 31, 2019

At December 31, 2019, the City has \$41.2 million of issued debt as well as \$26.1 million of debt approved but not yet issued.

The maximum long-term borrowings available to the City based on the adjusted ARL limit is approximately \$311.1 million resulting in debt capacity available to the City of approximately \$243.8 million based on provincial guidelines.

However, a financial policy recommendation through the City's Long Term Financial Plan (LTFP) is to remain substantially below the provincial limit using a maximum capacity ceiling that would not exceed 10% of net own-source revenue (approximately \$12.3 million in principal and interest payments annually). Based on this recommendation, the adjusted ARL ceiling is approximately \$153.8 million resulting in debt capacity available to the City of approximately \$86.5 million.

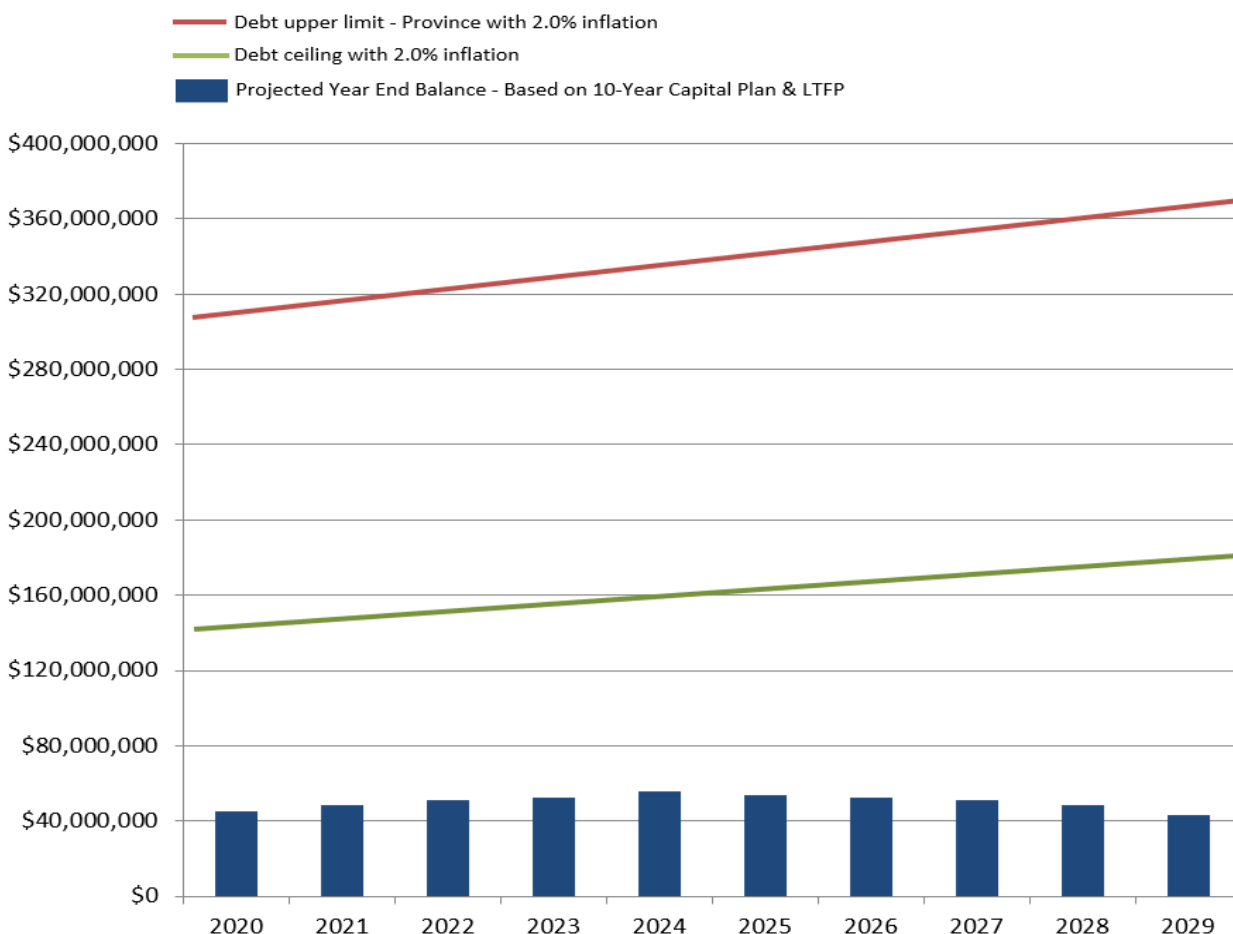
Projected Debt Balances

The graph below provides forecasted information regarding the Province's upper debt limit for the City, the City's recommended debt ceiling, and the City's projected long-term borrowing from 2020 to 2029.

The graph includes a line (red) that reflects the provincial upper limit indexed at the rate of 2% to which the City could borrow and be within its provincial debt capacity level. This limit represents the maximum amount that the municipality has available to commit to additional payments relating to debt and financial obligations.

Also indicated on the graph, is the recommended debt ceiling (green line - indexed at 2% for future years in line with projected inflation) based on the City's LTFP.

The vertical bars depict the level of debt based on the City's 10-Year Capital Plan and the LTFP, which includes assumptions for the expected timing of debt issuance as well as estimated annual repayments.



Assumptions have been made in calculating the estimated debt levels using interest rates and loan periods reflective of the type of borrowing. The rate of interest and term is used for illustration purposes only. The actual rate of interest will fluctuate depending on market conditions and the actual term of the loan.

Capital Lease Financing Agreements

In accordance with Ontario Regulation 653/05 of the *Municipal Act, 2001*, the City is required to report annually on material capital lease financing agreements. As at December 31, 2019 and for the purpose of this report the City has no material capital lease financing agreements that would impact the City's borrowing capacity.

Capital Lease Obligations	2019	2018
Capital lease obligations are for computer equipment that bear an interest rate of 2.9% and are due October 2020	\$46,733	\$101,375

Document Title:	Annual Report on 2019 Municipal Debt Limits - 2020-307-Financial Services.docx
Attachments:	- 2020 ARL.pdf
Final Approval Date:	Jun 25, 2020

This report and all of its attachments were approved and signed as outlined below:

No Signature found

Paul Scrimshaw - Jun 24, 2020 - 11:46 AM

Tracey Bailey - Jun 24, 2020 - 8:29 PM

Maureen Adams - Jun 25, 2020 - 7:46 AM

2020 ANNUAL REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403 / 02)

MMAH CODE:	71101
MUNID:	01012
MUNICIPALITY:	Cornwall C
UPPER TIER:	
REPAYMENT LIMIT:	\$ 24,966,915

The repayment limit has been calculated based on data contained in the 2018 Financial Information Return, as submitted to the Ministry. This limit represents the maximum amount which the municipality had available as of December 31, 2018 to commit to payments relating to debt and financial obligation. Prior to the authorization by Council of a long term debt or financial obligation, this limit must be adjusted by the Treasurer in the prescribed manner. The limit is effective January 01, 2020

FOR ILLUSTRATION PURPOSES ONLY,

The additional long-term borrowing which a municipality could undertake over a 5-year, a 10-year, a 15-year and a 20-year period is shown.

If the municipalities could borrow at 5% or 7% annually, the annual repayment limits shown above would allow it to undertake additional long-term borrowing as follows:

5% Interest Rate			
(a)	20 years @ 5% p.a.	\$	311,142,944
(a)	15 years @ 5% p.a.	\$	259,148,038
(a)	10 years @ 5% p.a.	\$	192,787,898
(a)	5 years @ 5% p.a.	\$	108,093,675
7% Interest Rate			
(a)	20 years @ 7% p.a.	\$	264,499,851
(a)	15 years @ 7% p.a.	\$	227,396,513
(a)	10 years @ 7% p.a.	\$	175,357,162
(a)	5 years @ 7% p.a.	\$	102,369,280

DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT

(UNDER ONTARIO REGULATION 403/02)

MUNICIPALITY:

Cornwall C

MMAH CODE:

71101

Debt Charges for the Current Year

		1 \$
0210	Principal (SLC 74 3099 01)	4,535,120
0220	Interest (SLC 74 3099 02)	1,361,020
0299	Subtotal	5,896,140
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01)	0
9910	Total Debt Charges	5,896,140

Amounts Recovered from Unconsolidated Entities

		1 \$
1010	Electricity - Principal (SLC 74 3030 01)	0
1020	Electricity - Interest (SLC 74 3030 02)	0
1030	Gas - Principal (SLC 74 3040 01)	0
1040	Gas - Interest (SLC 74 3040 02)	0
1050	Telephone - Principal (SLC 74 3050 01)	0
1060	Telephone - Interest (SLC 74 3050 02)	0
1099	Subtotal	0
1410	Debt Charges for Tile Drainage/Shoreline Assistance (SLC 74 3015 01 + SLC 74 3015 02)	0
1411	Provincial Grant funding for repayment of long term debt (SLC 74 3120 01 + SLC 74 3120 02)	0
1412	Lump sum (balloon) repayments of long term debt (SLC 74 3110 01 + SLC 74 3110 02)	0
1420	Total Debt Charges to be Excluded	0
9920	Net Debt Charges	5,896,140

		1 \$
1610	Total Revenue (SLC 10 9910 01)	204,708,338
Excluded Revenue Amounts		
2010	Fees for Tile Drainage / Shoreline Assistance (SLC 12 1850 04)	0
2210	Ontario Grants, including Grants for Tangible Capital Assets (SLC 10 0699 01 + SLC 10 0810 01 + SLC 10 0815 01)	64,175,071
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01)	802,475
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 830 01)	603,099
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 831 01)	2,844,921
2230	Revenue from other municipalities including revenue for Tangible Capital Assets (SLC 10 1098 01 + SLC 10 1099 01)	7,982,128
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01)	0
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01)	0
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01)	30,000
2252	Donated Tangible Capital Assets (SLC 53 0610 01)	8,173,193
2253	Other Deferred revenue earned (SLC 10 1814 01)	0
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01)	0
2255	Other Revenue (SLC 10 1890 01 + SLC 10 1891 01 + SLC 10 1892 01 + SLC 10 1893 01 + SLC 10 1894 01 + SLC 10 1895 01 + SLC 10 1896 01 + SLC 10 1897 01 + SLC 10 1898 01)	0
2299	Subtotal	84,610,887
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged	-3,354,768
2610	Net Revenues	123,452,219
2620	25% of Net Revenues	30,863,055
9930	ESTIMATED ANNUAL REPAYMENT LIMIT	24,966,915
	(25% of Net Revenues less Net Debt Charges)	

* SLC denotes Schedule, Line Column.