

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

## CONTENTS

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Financial Activities	4
Consolidated Statement of Change in Net Financial (Liabilities) Assets	5
Consolidated Statement of Cash Flows	6
Consolidated Schedule of Tangible Capital Assets	7-8
Consolidated Schedule of Accumulated Surplus	9
Consolidated Schedule of Change in Accumulated Surplus	10
Consolidated Schedule of Segmented Disclosure	11
Notes to the Consolidated Financial Statements	12-28
Five Year Financial Review	29-31

# Independent Auditor's Report

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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
<b>NET FINANCIAL (LIABILITIES) ASSETS</b>		
<b>Assets</b>		
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
	<b>93,709,536</b>	<b>95,150,955</b>
<b>Liabilities</b>		
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
	<b>97,277,165</b>	<b>81,517,056</b>
<b>Net Financial (Liabilities) Assets</b>	<b>(3,567,629)</b>	<b>13,633,899</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	416,749,493	406,009,786
Inventory	419,583	387,767
Prepaid expenses	1,752,849	1,869,886
<b>Non-Financial Assets</b>	<b>418,921,925</b>	<b>408,267,439</b>
<b>ACCUMULATED SURPLUS</b>		
<b>Accumulated Surplus</b>	<b>\$ 415,354,296</b>	<b>\$ 421,901,338</b>

See Accompanying Notes

# 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
<b>REVENUE</b>			
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
<b>EXPENDITURE</b>			
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
<b>NET (DEFICIT) SURPLUS BEFORE OTHER ITEMS</b>	2,880,337	(13,756,285)	5,794,307
<b>OTHER REVENUE FOR CAPITAL AND OTHER PURPOSES</b>			
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
<b>ANNUAL (DEFICIT) SURPLUS</b>	7,859,037	(6,547,042)	18,633,269
<b>ACCUMULATED SURPLUS, beginning of year</b>	421,901,338	421,901,338	403,268,069
<b>ACCUMULATED SURPLUS, end of year</b>	\$ 429,760,375	\$ 415,354,296	\$ 421,901,338

See Accompanying Notes

**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
<b>CASH FROM OPERATING ACTIVITIES</b>		
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
	<b>30,092,512</b>	<b>40,677,109</b>
<b>CASH USED IN FINANCING ACTIVITIES</b>		
Proceeds received from long-term liabilities	3,045,000	3,425,000
Payments on long-term liabilities	(4,906,816)	(4,535,120)
	<b>(1,861,816)</b>	<b>(1,110,120)</b>
<b>CASH USED IN INVESTING ACTIVITIES</b>		
Net change in long-term investments	(3,549,813)	(15,374,081)
<b>CASH USED IN CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(27,568,920)	(26,684,493)
<b>DECREASE IN CASH</b>	<b>(2,888,037)</b>	<b>(2,491,585)</b>
<b>CASH, beginning of year</b>	<b>20,619,415</b>	<b>23,111,000</b>
<b>CASH, end of year</b>	<b>\$ 17,731,378</b>	<b>\$ 20,619,415</b>

See Accompanying Notes



# 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
<b>Cost</b>												
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
<b>Accumulated Amortization</b>												
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
<b>Net Book Value</b>	<b>\$ 13,996,260</b>	<b>\$ 7,421,848</b>	<b>\$ 104,517,572</b>	<b>\$ 99,965,505</b>	<b>\$ 136,962,637</b>	<b>\$ 38,273,823</b>	<b>\$ 2,168,180</b>	<b>\$ 10,685,658</b>	<b>\$ 1,849,427</b>	<b>\$ 908,583</b>	<b>\$ 416,749,493</b>	<b>\$ 406,009,786</b>

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
<b>Cost</b>									
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
<b>Accumulated Amortization</b>									
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
<b>Net Book Value</b>	<b>\$ 1,228,628</b>	<b>\$ 7,977,894</b>	<b>\$ 125,000,627</b>	<b>\$ 3,802,317</b>	<b>\$ 199,614,334</b>	<b>\$ 41,186,127</b>	<b>\$ 37,939,566</b>	<b>\$ 416,749,493</b>	<b>\$ 406,009,786</b>

See Accompanying Notes

# CORPORATION OF THE CITY OF CORNWALL

## CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2019

	2019	2018
<b>Operating surpluses (deficits)</b>		
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)
<b>Total operating surpluses (deficits)</b>	<b>(14,733,523)</b>	<b>3,326,945</b>
<b>Reserves and reserve funds</b>		
Reserves (Note 15)	19,434,475	20,848,195
Reserve funds (Note 16)	34,214,386	33,681,272
<b>Total reserves and reserve funds</b>	<b>53,648,861</b>	<b>54,529,467</b>
<b>Invested in tangible capital assets</b>		
Tangible capital assets	416,749,493	406,009,786
Less: net long-term liabilities	(40,310,535)	(41,964,860)
<b>Total invested in tangible capital assets</b>	<b>376,438,958</b>	<b>364,044,926</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 415,354,296</b>	<b>\$ 421,901,338</b>

# 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
<b>Balance, beginning of year</b>	<b>\$ 3,326,945</b>	<b>\$ 54,529,467</b>	<b>\$ 364,044,926</b>	<b>\$ 421,901,338</b>	<b>\$ 403,268,069</b>
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	-	-
<b>Change in accumulated surplus</b>	<b>(18,060,468)</b>	<b>(880,606)</b>	<b>12,394,032</b>	<b>(6,547,042)</b>	<b>18,633,269</b>
<b>Balance, end of year</b>	<b>\$ (14,733,523)</b>	<b>\$ 53,648,861</b>	<b>\$ 376,438,958</b>	<b>\$ 415,354,296</b>	<b>\$ 421,901,338</b>

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
<b>REVENUE</b>										
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
<b>EXPENSES</b>										
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
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS</b>	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
<b>OTHER ITEMS</b>	-	-	4,449,259	-	(187,100)	120,522	491,007	2,335,555	7,209,243	12,838,962
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 1,445,245</b>	<b>\$ (1,905,780)</b>	<b>\$ 799,782</b>	<b>\$ (14,981,930)</b>	<b>\$ 4,878,684</b>	<b>\$ 2,761,353</b>	<b>\$ (1,179,396)</b>	<b>\$ 1,635,000</b>	<b>\$ (6,547,042)</b>	<b>\$ 18,633,269</b>

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
	<b>\$ 12,925,887</b>	<b>\$ 15,946,388</b>

### 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
	<b>\$ 1,267,794</b>	<b>\$ 1,208,223</b>

### 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:

	<b>Development</b>				
	<b>Charges</b>	<b>Gas Tax</b>	<b>Parkland</b>	<b>2019</b>	<b>2018</b>
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.

	<b>2019</b>	<b>2018</b>
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
	<b>\$ 7,298,161</b>	<b>\$ 6,540,030</b>

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
	<b>\$ 67,249,930</b>	<b>\$ 53,550,014</b>

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
	<b>\$ 67,249,930</b>	<b>\$ 53,550,014</b>

### 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
<b>Operating reserves</b>		
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
	<b>3,722,284</b>	<b>8,577,339</b>
<b>Capital reserves</b>		
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
	<b>756,063</b>	<b>(692,711)</b>
<b>Restricted reserves (Municipal funded)</b>		
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
	<b>11,861,449</b>	<b>10,120,958</b>
<b>Restricted reserves (Externally funded)</b>		
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
	<b>3,094,679</b>	<b>2,842,609</b>
	<b>\$ 19,434,475</b>	<b>\$ 20,848,195</b>

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
<b>Progress Fund</b>			
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
<b>Other Reserve Funds</b>			
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
<b>Operating purposes</b>			
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
<b>Capital purposes</b>			
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
	<b>\$194,235,117</b>	<b>\$205,710,111</b>	<b>\$185,856,719</b>

### 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
<b>Annual Surplus, Statement of Financial Activities</b>	\$ 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)
<b>Operating surplus for the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# 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
	<b>\$ 6,993,169</b>	<b>\$ 513,010</b>

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
<b>Revenues</b>					
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
<b>Expenditures</b>					
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
<b>Net surplus (deficit) before other items</b>	(13,756)	5,795	244	(3,026)	734
<b>Revenue for capital and other purposes</b>	7,209	12,839	9,669	9,724	3,924
<b>Annual surplus</b>	\$ (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
<b>Tax arrears</b>					
Percentage of current levy	4 %	4 %	5 %	5 %	4 %
Percentage of total levy	3 %	3 %	4 %	4 %	4 %
<b>Municipal debt</b>	\$41,212,949	\$43,074,765	\$44,184,885	\$41,644,916	\$26,196,535
<b>Municipal debt charges</b>	\$ 6,025,612	\$ 5,675,544	\$ 5,078,272	\$ 3,531,235	\$ 2,948,384
<b>Sustainability</b>					
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 %
<b>Flexibility</b>					
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 %
<b>Vulnerability</b>					
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 %
<b>Reserve coverage</b>					
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
<b>Operating surpluses (deficits)</b>					
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)
<b>Reserves</b>	19,434,475	20,848,195	17,636,216	17,095,008	19,265,227
<b>Reserve funds</b>	34,214,386	33,681,272	32,948,974	32,693,200	32,896,662
<b>Invested in tangible capital assets</b>	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