
CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017



CORPORATION OF THE CITY OF CORNWALL

December 31, 2017

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the City of Cornwall, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of financial activities, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Administration's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by administration, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of Cornwall as at December 31, 2017, and its results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Cornwall, Ontario
April 23, 2018

Chartered Professional Accountants
Licensed Public Accountants

CORPORATION OF THE CITY OF CORNWALL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	2017	2016
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 23,111,000	\$ 19,167,693
Taxes receivable	3,510,552	3,091,790
Accounts receivable	9,890,359	6,940,249
User charges receivable	1,080,739	1,070,307
Due from other municipalities and school boards	1,477,943	1,682,689
Land inventory for resale	5,181,346	5,191,345
Long-term investments (Note 5)	41,500,711	41,551,909
	85,752,650	78,695,982
Liabilities		
Temporary borrowings	-	2,219,000
Accounts payable	22,942,055	21,286,455
Deferred revenue	2,339,979	2,227,946
Deferred revenue, obligatory reserve funds (Note 6)	1,794,818	1,265,010
Future employment benefits (Note 7)	6,486,030	6,736,422
Accrued landfill closure and post closure costs (Note 10)	1,868,662	1,652,385
Net long-term liabilities (Note 11)	44,184,885	41,644,916
	79,616,429	77,032,134
Net Financial Assets	6,136,221	1,663,848
NON-FINANCIAL ASSETS		
Tangible capital assets	394,854,202	389,346,056
Inventory	378,364	392,174
Prepaid expenses	1,899,282	1,951,868
Non-Financial Assets	397,131,848	391,690,098
ACCUMULATED SURPLUS		
Accumulated Surplus	\$ 403,268,069	\$ 393,353,946

See Accompanying Notes



CORPORATION OF THE CITY OF CORNWALL
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2017

	(Unaudited) BUDGET 2017	ACTUAL 2017	ACTUAL 2016
REVENUE			
Taxation and payments in lieu	\$ 69,014,111	\$ 68,050,204	\$ 67,714,260
Government grants and transfers	68,444,832	62,037,776	60,128,804
Revenue from other municipalities	7,368,837	7,636,784	7,311,669
Fees and services	40,950,883	42,783,270	40,689,105
Investment income	1,140,700	1,245,575	1,085,114
Licences and permits	945,460	723,764	1,122,732
Fines and penalties	597,000	634,049	604,123
Other revenue	10,000	163,943	62,000
	188,471,823	183,275,365	178,717,807
EXPENDITURE			
General government	8,948,761	8,754,822	8,628,052
Protection to persons and property	30,932,784	31,122,218	30,794,894
Transportation services	23,101,704	23,002,998	23,330,027
Environmental services	18,012,142	18,550,202	18,431,302
Health services	13,463,771	14,379,183	13,723,630
Social and family services	51,520,939	46,429,536	47,191,050
Social housing	26,049,687	22,061,938	21,381,913
Recreation and cultural services	15,662,536	16,194,562	16,098,301
Planning and development	2,111,482	2,535,007	2,164,290
	189,803,806	183,030,466	181,743,459
NET SURPLUS (DEFICIT) BEFORE OTHER ITEMS	(1,331,983)	244,899	(3,025,652)
OTHER REVENUE FOR CAPITAL AND OTHER PURPOSES			
Government grants	7,562,267	8,690,603	5,181,313
Fees, services and other	217,800	219,442	559,770
Contribution from developers	-	1,187,382	4,718,354
Disposal and write-down of tangible capital assets	-	(428,203)	(735,227)
	7,780,067	9,669,224	9,724,210
ANNUAL SURPLUS	6,448,084	9,914,123	6,698,558
ACCUMULATED SURPLUS, beginning of year	393,353,946	393,353,946	386,655,388
ACCUMULATED SURPLUS, end of year	\$ 399,802,030	\$ 403,268,069	\$ 393,353,946

See Accompanying Notes



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

For the year ended December 31, 2017

	(Unaudited) BUDGET 2017	ACTUAL 2017	ACTUAL 2016
Annual surplus	\$ 6,448,084	\$ 9,914,123	\$ 6,698,558
Amortization of tangible capital assets	14,834,885	15,243,915	14,772,926
Acquisition of tangible capital assets	(22,964,172)	(21,180,264)	(28,745,875)
Disposal and write-down of tangible capital assets	-	428,203	735,227
Change in inventory	-	13,810	60,400
Change in prepaid expenses	-	52,586	(247,561)
Increase (decrease) in net financial assets	(1,681,203)	4,472,373	(6,726,325)
Net financial assets, beginning of year	1,663,848	1,663,848	8,390,173
Net financial assets, end of year	\$ (17,355)	\$ 6,136,221	\$ 1,663,848

See Accompanying Notes



CORPORATION OF THE CITY OF CORNWALL
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	2017	2016
CASH FROM OPERATING ACTIVITIES		
Annual surplus for the year	\$ 9,914,123	\$ 6,698,558
Items not affecting cash or equivalent		
Amortization expense	15,243,915	14,772,926
Disposal and write-down of tangible capital assets	428,203	735,227
Changes in non-cash working capital balances		
Taxes receivable	(418,762)	(112,041)
Accounts receivable	(2,950,110)	524,370
User charges receivable	(10,432)	(29,278)
Due from other municipalities and school boards	204,746	(814,151)
Land inventory for resale	9,999	(2,223,363)
Inventory	13,810	60,400
Prepaid expenses	52,586	(247,561)
Accounts payable	1,655,600	(1,611,689)
Deferred revenue	112,033	80,306
Deferred revenue, obligatory reserve funds	529,808	(779,838)
Future employment benefits	(250,392)	998,915
Accrued landfill closure and post closure costs	216,277	(99,371)
	24,751,404	17,953,410
CASH FROM FINANCING ACTIVITIES		
Proceeds received from long-term liabilities	6,503,198	18,225,000
Payments on long-term liabilities	(3,963,229)	(2,776,619)
	2,539,969	15,448,381
CASH FROM INVESTING ACTIVITIES		
Net change in long-term investments	51,198	41,723
CASH USED IN CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(21,180,264)	(28,745,875)
INCREASE IN CASH AND EQUIVALENT	6,162,307	4,697,639
CASH AND EQUIVALENT, beginning of year	16,948,693	12,251,054
CASH AND EQUIVALENT, end of year	\$ 23,111,000	\$ 16,948,693
REPRESENTED BY :		
Cash	\$ 23,111,000	\$ 19,167,693
Temporary borrowings	-	(2,219,000)
	\$ 23,111,000	\$ 16,948,693

See Accompanying Notes



CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017

	Land	Yard	Buildings	Road Network Infrastructure	Water and Wastewater Infrastructure	Machinery Equipment	Computer Hardware and Software	Vehicles	Office Furniture	Other	2017	2016
Cost												
Balance, beginning of year	\$ 12,253,104	\$ 13,058,715	\$ 173,828,074	\$ 148,779,494	\$ 161,039,223	\$ 120,774,038	\$ 4,366,617	\$ 21,385,226	\$ 5,427,272	\$ 2,027,758	\$ 662,939,521	\$ 641,554,405
Additions during the year	210,968	816,347	1,006,699	7,210,874	7,797,765	1,898,967	641,177	2,526,408	326,377	209,306	22,644,888	25,680,251
Disposals during the year	-	76,182	-	1,582,688	191,104	157,121	309,174	2,231,241	-	196,924	4,744,434	4,295,135
Assets in service, end of year	12,464,072	13,798,880	174,834,773	154,407,680	168,645,884	122,515,884	4,698,620	21,680,393	5,753,649	2,040,140	680,839,975	662,939,521
Assets under construction	-	-	1,596,079	265,194	704,021	1,170,588	90,633	1,699,974	-	-	5,526,489	6,991,113
Balance, end of year	12,464,072	13,798,880	176,430,852	154,672,874	169,349,905	123,686,472	4,789,253	23,380,367	5,753,649	2,040,140	686,366,464	669,930,634
Accumulated Amortization												
Balance, beginning of year	74,176	2,811,221	66,986,274	69,768,730	40,544,462	80,897,648	2,894,188	12,002,266	3,554,340	1,051,273	280,584,578	269,371,560
Amortization during the year	1,594	3,184,759	3,680,398	736,123	1,743,603	3,052,103	490,977	1,869,581	245,723	239,054	15,243,915	14,772,926
Amortization on disposals	-	76,182	-	1,326,563	92,152	147,572	309,174	2,167,664	-	196,924	4,316,231	3,559,908
Balance, end of year	75,770	5,919,798	70,666,672	69,178,290	42,195,913	83,802,179	3,075,991	11,704,183	3,800,063	1,093,403	291,512,262	280,584,578
Net Book Value	\$ 12,388,302	\$ 7,879,082	\$ 105,764,180	\$ 85,494,584	\$ 127,153,992	\$ 39,884,293	\$ 1,713,262	\$ 11,676,184	\$ 1,953,586	\$ 946,737	\$ 394,854,202	\$ 389,346,056

See Accompanying Notes



CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017

	General Government	Protection and Health	Public Works	Environmental Services	Water and Wastewater	Recreation and Cultural	Social and Family Services	2017	2016
Cost									
Balance, beginning of year	\$ 2,646,330	\$ 16,285,062	\$ 189,001,504	\$ 4,708,810	\$ 292,432,201	\$ 72,739,425	\$ 85,126,189	\$ 662,939,521	\$ 641,554,405
Additions during the year	194,561	1,638,631	9,594,968	2,503	8,634,000	630,228	1,949,997	22,644,888	25,680,251
Disposals during the year	289,682	684,907	3,324,915	-	191,105	253,825	-	4,744,434	4,295,135
Assets in service, end of year	2,551,209	17,238,786	195,271,557	4,711,313	300,875,096	73,115,828	87,076,186	680,839,975	662,939,521
Assets under construction	90,633	-	2,582,292	63,656	732,408	886,478	1,171,022	5,526,489	6,991,113
Balance, end of year	2,641,842	17,238,786	197,853,849	4,774,969	301,607,504	74,002,306	88,247,208	686,366,464	669,930,634
Accumulated Amortization									
Balance, beginning of year	1,916,905	9,482,719	87,057,425	1,017,338	105,469,164	28,447,584	47,193,443	280,584,578	269,371,560
Amortization during the year	244,574	1,357,401	5,360,335	141,927	4,008,564	2,142,739	1,988,375	15,243,915	14,772,926
Amortization on disposals	289,682	660,308	3,020,265	-	92,151	253,825	-	4,316,231	3,559,908
Balance, end of year	1,871,797	10,179,812	89,397,495	1,159,265	109,385,577	30,336,498	49,181,818	291,512,262	280,584,578
Net Book Value	\$ 770,045	\$ 7,058,974	\$ 108,456,354	\$ 3,615,704	\$ 192,221,927	\$ 43,665,808	\$ 39,065,390	\$ 394,854,202	\$ 389,346,056

See Accompanying Notes



CORPORATION OF THE CITY OF CORNWALL
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2017

	2017	2016
Operating surpluses (deficits)		
Operating surplus (Note 14)	\$ -	\$ -
Water works and wastewater works surplus (Note 14)	-	-
Le Village Business Improvement Area surplus	43,384	39,407
Downtown Business Improvement Area surplus	35,022	49,854
Cornwall and Area Housing Corporation surplus	240,395	205,336
Land inventory for resale surplus	5,181,346	5,191,345
Capital surplus	6,899,506	1,022,561
Liabilities to be recovered from future revenues (Note 13)		
Accrued interest on net long-term liabilities	(31,399)	(27,363)
Future employment benefits payable	(6,486,030)	(6,736,422)
Accrued landfill closure and post closure costs	(1,868,662)	(1,652,385)
Net-long term liabilities (Note 11f)	(1,310,625)	(1,504,933)
Long-term accounts payable (Note 9)	-	(227,735)
Internal loan for reserves	(2,000,000)	(2,000,000)
Total operating surpluses (deficits)	702,937	(5,640,335)
Reserves and reserve funds		
Reserves (Note 15)	17,636,216	17,095,008
Reserve funds (Note 16)	32,948,974	32,693,200
Total reserves and reserve funds	50,585,190	49,788,208
Invested in tangible capital assets		
Tangible capital assets	394,854,202	389,346,056
Less: net long-term liabilities	(42,874,260)	(40,139,983)
Total invested in tangible capital assets	351,979,942	349,206,073
ACCUMULATED SURPLUS	\$ 403,268,069	\$ 393,353,946

See Accompanying Notes



CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2017

	Operating Surpluses (Deficits)	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2017	2016
Balance, beginning of year	\$ (5,640,335)	\$ 49,788,208	\$ 349,206,073	\$ 393,353,946	\$ 386,655,388
Annual surplus	9,262,577	651,546	-	9,914,123	6,698,558
Current year funds transferred to reserves and reserve funds	(5,077,442)	5,077,442	-	-	-
Reserves and reserve funds used for operating	2,530,755	(2,530,755)	-	-	-
Reserves and reserve funds used for tangible capital assets	-	(2,401,251)	2,401,251	-	-
Current year funds used for tangible capital assets	(24,655,947)	-	24,655,947	-	-
Prior year funds used for tangible capital assets	5,876,934	-	(5,876,934)	-	-
Annual amortization expense	15,243,915	-	(15,243,915)	-	-
Disposal of tangible capital assets	428,203	-	(428,203)	-	-
Proceeds from long-term debt for capital purposes	6,503,198	-	(6,503,198)	-	-
Long-term debt repaid for tangible capital assets	(3,768,921)	-	3,768,921	-	-
Change in accumulated surplus	6,343,272	796,982	2,773,869	9,914,123	6,698,558
Balance, end of year	\$ 702,937	\$ 50,585,190	\$ 351,979,942	\$ 403,268,069	\$ 393,353,946

See Accompanying Notes



CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2017

	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	2017	2016
REVENUE										
Taxation	\$ 3,300,584	\$ 30,733,890	\$ 11,708,779	\$ 1,737,772	\$ -	\$ 9,019,807	\$ 9,940,032	\$ 1,609,340	\$ 68,050,204	\$ 67,714,260
Government grants	4,791,942	7,821,149	575,838	565,516	-	47,905,842	115,584	261,905	62,037,776	60,128,804
Revenue from other municipalities	500	4,573,162	-	-	-	3,062,622	-	500	7,636,784	7,311,669
Fees and service	610,814	598,803	6,681,442	3,065,251	16,953,096	11,023,259	3,622,983	227,622	42,783,270	40,689,105
Investment income	1,245,575	-	-	-	-	-	-	-	1,245,575	1,085,114
Licenses and permits	166,989	556,775	-	-	-	-	-	-	723,764	1,122,732
Fines and penalties	567,235	-	-	-	66,814	-	-	-	634,049	604,123
Other revenue	159,555	-	-	-	-	4,088	300	-	163,943	62,000
	10,843,194	44,283,779	18,966,059	5,368,539	17,019,910	71,015,618	13,678,899	2,099,367	183,275,365	178,717,807
EXPENSES										
Wages, salaries and benefits	4,430,017	38,124,490	8,941,887	241,799	4,006,522	18,280,394	6,838,223	1,104,319	81,967,651	81,556,507
Interest on long-term liabilities	1,727	102,509	200,355	-	496,694	241,380	313,760	-	1,356,425	1,015,833
Materials and services	1,237,673	2,432,508	4,147,860	85,812	2,903,083	10,860,336	3,028,694	522,144	25,218,110	26,763,582
Contracts and sub-contracts	750,465	1,112,717	2,151,351	3,856,284	1,155,367	2,868,909	1,662,987	235,627	13,793,707	13,499,673
Rents and financial expenses	2,038,592	1,078,856	2,102,652	411,478	1,214,466	20,405,684	1,297,756	171,401	28,720,885	28,010,989
Transfers to external parties	53,071	1,292,920	98,558	-	28,206	13,846,396	910,403	500,219	16,729,773	16,123,949
Amortization	243,277	1,357,401	5,360,335	141,927	4,008,564	1,988,375	2,142,739	1,297	15,243,915	14,772,926
	8,754,822	45,501,401	23,002,998	4,737,300	13,812,902	68,491,474	16,194,562	2,535,007	183,030,466	181,743,459
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	2,088,372	(1,217,622)	(4,036,939)	631,239	3,207,008	2,524,144	(2,515,663)	(435,640)	244,899	(3,025,652)
OTHER ITEMS	95,947	(24,600)	7,021,743	1,345,461	(98,954)	109,821	32,424	1,187,382	9,669,224	9,724,210
ANNUAL SURPLUS (DEFICIT)	\$ 2,184,319	\$ (1,242,222)	\$ 2,984,804	\$ 1,976,700	\$ 3,108,054	\$ 2,633,965	\$ (2,483,239)	\$ 751,742	\$ 9,914,123	\$ 6,698,558

See Accompanying Notes



CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

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
Downtown Business Improvement Area
Cornwall and Area Housing Corporation
Cornwall Regional Airport Commission Inc.

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 \$2,599,155 (2016 - \$2,467,131).

(ii) Non-consolidated entities

The Eastern Ontario Health Unit, the Raisin River Conservation Authority and the Cornwall Harbour Development Corporation, 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.

(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.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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

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) Government transfer payments

Government 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

CORPORATION OF THE CITY OF CORNWALL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Long-term investments

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

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

CORPORATION OF THE CITY OF CORNWALL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) 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.

(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 of 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.

CORPORATION OF THE CITY OF CORNWALL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Non-financial assets (Continued)

(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.

(iv) Inventory

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

(r) 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 of Cornwall is directly responsible, or accepts responsibility to remediate the site;
- iv. the municipality 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.

CORPORATION OF THE CITY OF CORNWALL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

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:

	2017	2016
Taxation and user charges	\$ 15,947,616	\$ 16,691,014
Payments in lieu of taxes	3,848	3,180
	\$ 15,951,464	\$ 16,694,194

3. CONTRIBUTIONS TO JOINT BOARDS

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

	2017	2016
Eastern Ontario Health Unit	\$ 726,656	\$ 748,638
Raisin River Conservation Authority	480,603	472,044
	\$ 1,207,259	\$ 1,220,682

4. TRUST FUNDS

Trust funds administered by the City amounting to \$5,532,931 (2016 - \$5,449,350) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities.

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 \$39,925,538 as at December 31, 2017 (2016 - \$38,410,072).

The progress reserve fund of \$25,529,243 (2016 - \$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, 2017 is \$24,040,617 (2016 - \$24,465,596) which includes \$42,127 (2016 - \$46,589) of operating cash.

CORPORATION OF THE CITY OF CORNWALL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

6. DEFERRED REVENUE, OBLIGATORY RESERVE FUNDS

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

	Gas Tax	Parkland	2017	2016
Balance, beginning of year	\$ 1,144,896	\$ 120,114	\$ 1,265,010	\$ 2,044,848
Grants received	3,491,927	-	3,491,927	3,423,113
Prepaid special charges	-	23,791	23,791	49,961
Interest earned	8,621	1,424	10,045	11,454
Transfer to operations	(575,815)	-	(575,815)	(570,756)
Transfer to capital acquisitions	(2,420,140)	-	(2,420,140)	(3,693,610)
Balance, end of year	\$ 1,649,489	\$ 145,329	\$ 1,794,818	\$ 1,265,010

For the 2018 fiscal year, the expected federal and provincial gas tax funding to be received is \$3,554,827 and the committed funds to be utilized from the gas tax reserve fund is \$5,129,216. The expected contribution to the parkland reserve fund is \$10,612 and the committed funds to be transferred from the parkland reserve fund are \$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.

	2017	2016
Accumulated sick leave benefits	\$ 1,930,025	\$ 1,938,885
Vacation pay	1,219,758	1,098,861
Workplace Safety and Insurance Board benefits	3,336,247	3,698,676
	\$ 6,486,030	\$ 6,736,422

Accumulated sick leave benefits have been vested with employees of the Fire department in accordance with their negotiated employment contracts.

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:

	2017	2016
Basic services	\$ 5,565,211	\$ 5,686,047

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

9. PUBLIC LIABILITY INSURANCE

For the period of 2002 to 2006, the City was insured with the Ontario Municipal Insurance Exchange ("OMEX"), an insurance reciprocal whose members pool their insurance coverage. As a member of the reciprocal, the City assumed a certain percentage of the entire group's liabilities and losses for the period of time that the City was a member. In the event that an annual premium funding becomes insufficient to cover claims and claim reserves, the reciprocal has the ability to re-assess each member to appropriately fund the difference. As the claims for the above-noted period are settled, the City may either incur new liabilities or receive funds. In 2014, the City was assessed the sum of \$683,205 to cover claims and claim reserves by OMEX. The liability is scheduled to be paid in three equal installments in 2015, 2016 and 2017. The outstanding amount as at December 31, 2017 is \$nil.

10. 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 15 years, which represents 66% of total estimated 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 2017 budget and inflation adjusted at 2.5% per annum to the estimated year of closure. These costs were then discounted to December 31, 2017 using a discount rate of 5%.

The liability for closure and post-closure care as at December 31, 2017 is \$1,868,662 (2016 - \$1,652,385). Estimated expenditures for closure and post-closure care are \$2,838,134, after discounting total estimated future costs of \$6,100,000. The liability remaining to be recognized is \$969,472.

A portion of the liability is currently funded by the landfill reserve of \$393,024 (2016 - \$388,997). The remaining portion of the liability is expected to be funded through budget allocations over the remaining life of the landfill.

11. 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:

	2017	2016
Bank loans (Note 11f)	\$ 39,272,423	\$ 36,277,280
Capital lease obligations (Note 11c)	166,323	57,728
Cornwall and Area Housing Corporation (Note 11d)	4,746,139	5,309,908
Internal loans from reserve funds (Note 11e)	3,944,466	4,025,634
	48,129,351	45,670,550
Less: Internal loans from reserve funds	(3,944,466)	(4,025,634)
	\$ 44,184,885	\$ 41,644,916

CORPORATION OF THE CITY OF CORNWALL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

11. NET LONG-TERM LIABILITIES (Continued)

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

	2018	\$	4,451,000
	2019		4,386,400
	2020		4,963,044
	2021		3,923,000
	2022		3,933,200
	Thereafter		22,528,241
			\$ 44,184,885

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

	2018 to 2022	Thereafter
General taxation revenues	\$ 13,554,800	\$ 6,527,454
User fees	2,275,200	8,678,364
Provincial grant revenues	3,466,644	1,279,495
Progress reserve fund	2,360,000	6,042,928
		\$ 21,656,644
		\$ 22,528,241

(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 \$4,746,139 as at December 31, 2017. 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 with its 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, 2017 is \$1,944,466.

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 removed within these financial statements.

CORPORATION OF THE CITY OF CORNWALL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

11. NET LONG-TERM LIABILITIES (Continued)

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

	2017	2016
Bank loan, Benson Centre, interest at 3.41%, repayable in monthly blended payments of \$59,951, due November 2027, secured by a general security agreement	\$ 8,402,928	\$ 8,827,854
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	1,100,196	1,194,188
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	1,310,625	1,504,933
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	492,130	-
Capital loans, interest between 1.52% and 4.35%, repayable in blended monthly payments between \$4,645 and \$22,766, due dates between October 2017 and April 2023, secured by general security agreements	17,012,980	13,384,482
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	10,953,564	11,365,823
	\$ 39,272,423	\$ 36,277,280

12. CHARGES FOR NET LONG-TERM LIABILITIES

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

	2017	2016
Principal payments	\$ 3,963,229	\$ 2,776,619
Interest	1,356,425	1,015,833
	\$ 5,319,654	\$ 3,792,452

CORPORATION OF THE CITY OF CORNWALL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

13. LIABILITIES TO BE RECOVERED FROM FUTURE REVENUES

Liabilities to be recovered from future revenues are as follows:

	2017	2016
Accrued interest on net long-term liabilities	\$ 31,399	\$ 27,363
Future employment benefits payable	6,486,030	6,736,422
Accrued landfill closure and post closure costs	1,868,662	1,652,385
Net long-term liabilities	44,184,885	41,644,916
Long-term accounts payable (Note 9)	-	227,735
Internal loans	2,000,000	2,000,000
	\$ 54,570,976	\$ 52,288,821

Sources of future revenues to finance liabilities are as follows:

	2017	2016
General taxation revenues	\$ 26,462,062	\$ 22,977,637
User fees	10,953,564	11,365,823
Proceeds from the sale of land	2,000,000	2,000,000
Reserves and reserve funds	10,409,211	10,635,453
Provincial grant revenues	4,746,139	5,309,908
	\$ 54,570,976	\$ 52,288,821

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

The operating surplus for the fiscal year ending December 31, 2017 was \$99,165 (2016 - deficit of \$879,759), of which the balance was transferred to the working fund reserve.

The water works and wastewater works surplus for the fiscal year ending December 31, 2017 was \$435,911 (2016 - deficit of \$191,520), of which \$255,339 was transferred to the water works working fund reserve and \$180,572 was transferred to the wastewater works working fund reserve.

CORPORATION OF THE CITY OF CORNWALL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

15. RESERVES

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

	2017	2016
Operating reserves		
Working funds	\$ 4,236,892	\$ 4,242,508
Tax stabilization	1,307,096	1,412,766
Winter control	300,000	300,000
Health and safety awareness	76,022	76,022
Municipal elections	120,000	80,000
Renaissance	88,827	40,185
Medical recruitment	409,323	141,542
Solid waste management	18,160	18,160
	6,556,320	6,311,183
Capital reserves		
Road infrastructure	214,347	322,133
Recreation facilities	145,313	159,341
Fire equipment	50,202	99,306
Land ambulance	645,838	596,492
Land reserve	(2,105,634)	(2,227,786)
Equipment and vehicles	(132,077)	(247,947)
Municipal buildings	161,449	(165,053)
Social housing	111,232	120,346
	(909,330)	(1,343,168)
Restricted reserves (Municipal funded)		
Water works	4,217,375	4,082,288
Wastewater works	3,572,323	3,968,445
Brownfields	101,271	169,185
Heart of the City	(232,829)	(194,100)
WSIB	1,613,259	1,418,602
Building reserve	127,287	126,190
Downtown BIA	50,000	83,000
	9,448,686	9,653,610
Restricted reserves (Externally funded)		
Employment Assistance	651,997	651,997
Social housing providers	1,749,469	1,675,958
Child care	99,147	105,501
Consolidated homelessness	39,927	39,927
	2,540,540	2,473,383
	\$ 17,636,216	\$ 17,095,008

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

15. RESERVES (Continued)

For the 2018 fiscal year, the committed funds to be transferred from reserves are \$4,228,529 and the committed funds to be transferred to reserves are \$4,317,229.

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, 2017 Balance	Current Year Transactions	December 31, 2017 Balance
Progress Fund			
Balance of proceeds on sale of Cornwall Electric (1998)	\$ 25,000,000	\$ -	\$ 25,000,000
Interest revenue	19,178,696	546,323	19,725,019
Transfers to current fund, current operations	(8,377,973)	(546,323)	(8,924,296)
Transfers to capital fund, acquisition of tangible capital assets	(10,271,480)	-	(10,271,480)
	25,529,243	-	25,529,243
Other Reserve Funds			
Social Housing	3,034,626	(17,280)	3,017,346
Parking	116,062	40,224	156,286
Library	97,257	226,986	324,243
Landfill	388,997	4,027	393,024
Cornwall Regional Airport Commission	15,310	-	15,310
Downtown Investment	3,511,705	1,817	3,513,522
	\$ 32,693,200	\$ 255,774	\$ 32,948,974

For the 2018 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 \$719,407 in 2018. The committed funds to be transferred from the parking reserve fund is \$57,451.

17. 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 not been audited.

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, 2017

18. EXPENDITURES BY OBJECT

Operating expenditures is summarized as follows:

	(Unaudited) BUDGET 2017	ACTUAL 2017	ACTUAL 2016
Wages, salaries and benefits	\$ 81,786,323	\$ 81,967,651	\$ 81,556,507
Interest on long-term liabilities	1,409,534	1,356,425	1,015,833
Materials and services	25,579,183	25,218,110	26,763,582
Contracts and sub-contracts	14,918,608	13,793,707	13,499,673
Rents and financial expenses	32,612,057	28,720,885	28,010,989
Transfers to external parties	18,663,216	16,729,773	16,123,949
Amortization	14,834,885	15,243,915	14,772,926
	\$189,803,806	\$183,030,466	\$181,743,459

19. 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 firefighters. The estimated future benefit with administrative costs if claims are made is estimated at \$621,000. As at December 31, 2017, 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 \$1,159,286, which would only become a liability if awarded by the WSIB.

Contaminated sites

The City's *Municipal Real Property Registrar* identifies 357 roll numbers representing either individual or multiple land parcels owned by the City, of which 43 roll numbers were deemed to be non-productive or partially productive for PS 3260 purposes. On the basis of former land uses, 28 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 \$1,516,750. 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 43 municipal properties cannot be determined.

CORPORATION OF THE CITY OF CORNWALL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

19. CONTINGENT LIABILITIES (Continued)

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.

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.

Amounts refunded related to the Minutes of Settlements for property assessment appeals, and vacancies and tax adjustments during the year are as follows:

	2017	2016
Tax refunds related to Minutes of Settlements	\$ 1,591,557	\$ 1,585,332
Tax refunds related to vacancies and adjustments	513,122	737,163
	\$ 2,104,679	\$ 2,322,495

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.

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:

	2018	\$ 1,688,857			
	2019	\$ 1,092,643			
	2020	\$ 533,764			
	2021	\$ 13,439			
	2022	\$ 7,562			
		\$ 3,336,265			

In 2010, the City committed a \$1,000,000 investment in the support of the St. Lawrence College - Cornwall Campus redevelopment project. This contribution will be funded from the tax base in ten equal installments over a ten year period starting in 2010. The remaining commitment as of December 31, 2017 is \$200,000.

In 2012, the City committed a \$258,580 investment to the Eastern Ontario Regional Network ("EORN"). This contribution will be funded from the tax base in ten equal installments over a ten year period starting in 2013. The remaining commitment as of December 31, 2017 is \$129,290.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

21. BUDGET AND OPERATING SURPLUS

The unaudited budget figures presented in these financial statements are based upon the 2017 operating and capital budgets that have been approved by Council of the Corporation of the City of Cornwall. 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.

	(Unaudited) BUDGET 2017	ACTUAL 2017	ACTUAL 2016
Annual Surplus, Statement of Financial Activities	\$ 6,448,084	\$ 9,914,123	\$ 6,698,558
Change in local board's surpluses for the year	-	(24,204)	(41,982)
Issuance of external long-term liabilities	5,655,000	6,503,198	18,225,000
Change in land inventory for resale surplus	-	9,999	(2,223,363)
Net transfers from reserves and reserve funds for capital acquisitions	2,741,233	2,401,251	1,770,117
Net transfer (to) from reserves and reserve funds for operating	(1,799,519)	(2,011,611)	195,849
Acquisition of tangible capital assets	(22,964,172)	(21,180,264)	(28,745,875)
Amortization of tangible capital assets	14,834,885	15,243,915	14,772,926
Disposal and write-down of tangible capital assets	-	428,203	735,227
Repayment of long-term liabilities	(4,474,428)	(3,963,229)	(2,776,619)
Change in surplus for future capital acquisitions	199,617	(5,876,945)	(9,689,318)
Revenue earned in reserves and reserve funds	(640,700)	(651,546)	(663,564)
Change in accrued landfill closure and post closure costs	-	216,276	(99,371)
Change in retirement benefits and accrued interest	-	(246,355)	998,871
Change in long-term accounts payable	-	(227,735)	(227,735)
Operating (deficit) surplus for the year	-	535,076	(1,071,279)
Transfer of operating (surplus to) deficit from reserves	-	(99,165)	879,759
Transfer of water works and wastewater works (surplus to) deficit from reserves	-	(435,911)	191,520
Operating surplus for the year	\$ -	\$ -	\$ -

22. 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.

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:

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

22. SEGMENTED INFORMATION (Continued)

(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, 2017

FINANCIAL ACTIVITIES (000's)

	2017	2016	2015	2014	2013
Revenues					
Taxation	\$ 68,050	\$ 67,714	\$ 66,547	\$ 62,539	\$ 59,055
Government grants and transfers	62,038	60,129	60,433	58,761	57,340
Revenue from other municipalities	7,637	7,311	7,052	7,014	7,079
Fees and service charges	42,783	40,689	40,364	40,039	39,011
Investment income	1,245	1,085	1,301	1,159	1,398
Licenses and permits	724	1,123	1,083	982	812
Fines and penalties	634	604	615	540	526
Donations and other revenue	164	62	53	127	35
	183,275	178,717	177,448	171,161	165,256
Expenditures					
General government	8,755	8,628	8,069	8,209	6,786
Protection to persons and property	31,122	30,795	29,825	30,024	30,790
Transportation services	23,003	23,330	22,550	22,769	22,251
Environmental	18,550	18,431	17,627	14,483	14,910
Health services	14,379	13,724	12,972	12,700	11,893
Social and family services	46,430	47,191	47,374	45,803	44,018
Social housing	22,062	21,382	20,632	19,604	19,093
Recreation and cultural services	16,195	16,098	15,405	14,889	14,896
Planning and development	2,535	2,164	2,260	2,415	2,428
	183,031	181,743	176,714	170,896	167,065
Net surplus (deficit) before other items	244	(3,026)	734	265	(1,809)
Revenue for capital and other purposes	9,669	9,724	3,924	9,332	14,309
Annual surplus	\$ 9,913	\$ 6,698	\$ 4,658	\$ 9,597	\$ 12,500

PROPERTY TAXES BILLED (000's)

	2017	2016	2015	2014	2013
Own purposes	\$ 68,050	\$ 67,714	\$ 66,547	\$ 62,539	\$ 59,055
School boards	15,951	16,694	16,752	15,726	14,257
	\$ 84,001	\$ 84,408	\$ 83,299	\$ 78,265	\$ 73,312

CORPORATION OF THE CITY OF CORNWALL

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2017

WEIGHTED TAXABLE ASSESSMENT (000's)

	2017	2016	2015	2014	2013
Residential and multi-residential	\$ 2,951,331	\$ 2,872,756	\$ 2,703,693	\$ 2,547,783	\$ 2,406,080
Commercial and industrial	1,848,128	1,981,683	1,779,439	1,653,828	1,317,529
	\$ 4,799,459	\$ 4,854,439	\$ 4,483,132	\$ 4,201,611	\$ 3,723,609
Residential and multi-residential	61.49%	59.18%	60.31%	60.64%	64.62%
Commercial and industrial	38.51%	40.82%	39.69%	39.36%	35.38%
	100.00%	100.00%	100.00%	100.00%	100.00%
Municipal residential tax rate	1.409%	1.438%	1.463%	1.511%	1.554%

FINANCIAL INDICATORS

	2017	2016	2015	2014	2013
Tax arrears					
Percentage of current levy	5 %	5 %	4 %	4 %	5 %
Percentage of total levy	4 %	4 %	4 %	3 %	4 %
Municipal debt	\$44,184,885	\$41,644,916	\$26,196,535	\$23,783,173	\$25,406,542
Municipal debt charges	\$ 5,078,272	\$ 3,531,235	\$ 2,948,384	\$ 2,867,507	\$ 2,191,417
Sustainability					
Financial assets to liabilities	1.08	1.02	1.14	0.97	1.07
Financial assets to liabilities excluding long-term liabilities	2.42	2.22	2.00	1.54	1.75
Long-term debt to tangible capital assets	11.19 %	10.70 %	6.97 %	6.41 %	7.13 %
Flexibility					
Debt charges to operating revenue	2.77 %	1.98 %	1.66 %	1.68 %	1.33 %
Total operating revenue to taxable assessment	3.82 %	3.68 %	3.96 %	4.07 %	4.44 %
Vulnerability					
Operating grants and transfers to operating revenue	33.85 %	33.64 %	34.06 %	34.33 %	34.70 %
Total grants and transfers to total revenues	35.39 %	31.49 %	34.30 %	36.73 %	38.15 %
Reserve coverage					
Reserves to operating expenditures	9.64 %	9.41 %	10.90 %	9.38 %	8.75 %
Reserves to working capital	0.90	1.76	2.10	1.75	1.47

CORPORATION OF THE CITY OF CORNWALL

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2017

SUMMARY OF ACCUMULATED SURPLUS

	2017	2016	2015	2014	2013
Operating surpluses (deficits)					
General operations	\$ -	\$ -	\$ -	\$ -	\$ -
Water and wastewater operations	-	-	-	-	-
Local boards	318,801	294,597	252,614	142,220	130,761
Land inventory held for resale	5,181,346	5,191,345	2,967,982	3,209,787	3,312,432
Capital surplus (Unfinanced capital outlay)	6,899,506	1,022,561	(8,666,757)	(7,674,084)	(3,507,289)
Liabilities to be recovered from future revenues	(11,696,716)	(12,148,838)	(11,664,626)	(12,143,834)	(8,484,284)
	702,937	(5,640,335)	(17,110,787)	(16,465,911)	(8,548,380)
Reserves	17,636,216	17,095,008	19,265,227	16,033,412	14,620,276
Reserve funds	32,948,974	32,693,200	32,896,662	33,077,118	33,145,990
Invested in tangible capital assets	351,979,942	349,206,073	351,604,286	349,351,632	333,178,897
	\$ 403,268,069	\$ 393,353,946	\$ 386,655,388	\$ 381,996,251	\$ 372,396,783