

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

December 31, 2018

CORPORATION OF THE CITY OF CORNWALL

December 31, 2018

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the Corporation of the City of Cornwall (the "City") which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of financial activities, change in net financial 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, 2018, 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 Auditors' 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.

Other Matter

The consolidated financial statements of the City for the year ended December 31, 2017 were audited by CKDM LLP of Cornwall, Ontario, Canada prior to its merger with MNP LLP. CKDM LLP expressed an unqualified opinion on those consolidated financial statements dated April 23, 2018.

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.

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

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.

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



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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 auditors' 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.

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

April 11, 2019
Cornwall, Ontario

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

MNP
LLP

CORPORATION OF THE CITY OF CORNWALL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	2018	2017
NET FINANCIAL ASSETS		
Assets		
Cash	\$ 20,619,415	\$ 23,111,000
Taxes receivable	2,741,759	3,510,552
Accounts receivable	7,375,413	9,890,359
User charges receivable	1,136,920	1,080,739
Due from other municipalities and school boards	1,025,978	1,477,943
Land inventory for resale	5,376,678	5,181,346
Long-term investments (Note 5)	56,874,792	41,500,711
	95,150,955	85,752,650
Liabilities		
Accounts payable	24,645,796	22,942,055
Deferred revenue	2,648,801	2,339,979
Deferred revenue, obligatory reserve funds (Note 6)	2,705,946	1,794,818
Future employment benefits (Note 7)	6,540,030	6,486,030
Accrued landfill closure and post closure costs (Note 9)	1,901,718	1,868,662
Net long-term liabilities (Note 10)	43,074,765	44,184,885
	81,517,056	79,616,429
Net Financial Assets	13,633,899	6,136,221
NON-FINANCIAL ASSETS		
Tangible capital assets	406,009,786	394,854,202
Inventory	387,767	378,364
Prepaid expenses	1,869,886	1,899,282
Non-Financial Assets	408,267,439	397,131,848
ACCUMULATED SURPLUS		
Accumulated Surplus	\$ 421,901,338	\$ 403,268,069

See Accompanying Notes

CORPORATION OF THE CITY OF CORNWALL
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31, 2018

	(Unaudited) BUDGET 2018	ACTUAL 2018	ACTUAL 2017
REVENUE			
Taxation and payments in lieu	\$ 71,632,274	\$ 72,597,164	\$ 68,050,204
Government grants and transfers	68,388,405	64,297,795	62,037,776
Revenue from other municipalities	7,394,960	7,314,326	7,636,784
Fees and services	43,031,747	44,266,672	42,783,270
Investment income	1,091,567	1,711,525	1,245,575
Licences and permits	931,960	836,097	723,764
Fines and penalties	601,700	605,460	634,049
Other revenue	10,000	21,987	163,943
	193,082,613	191,651,026	183,275,365
EXPENDITURE			
General government	9,244,578	9,354,095	8,754,822
Protection to persons and property	31,994,112	31,735,051	31,122,218
Transportation services	23,940,597	22,912,179	23,002,998
Environmental services	18,715,421	18,741,113	18,550,202
Health services	13,892,141	14,105,171	14,379,183
Social and family services	53,781,174	48,722,965	46,429,536
Social housing	23,152,174	21,530,202	22,061,938
Recreation and cultural services	15,468,343	16,193,887	16,194,562
Planning and development	2,598,598	2,562,056	2,535,007
	192,787,138	185,856,719	183,030,466
NET SURPLUS BEFORE OTHER ITEMS	295,475	5,794,307	244,899
OTHER REVENUE FOR CAPITAL AND OTHER PURPOSES			
Government grants	5,691,247	4,729,884	8,690,603
Fees, services and other	180,750	154,235	219,442
Contributions from developers and donations	-	8,173,193	1,187,382
Disposal and write-down of tangible capital assets	-	(218,350)	(428,203)
	5,871,997	12,838,962	9,669,224
ANNUAL SURPLUS	6,167,472	18,633,269	9,914,123
ACCUMULATED SURPLUS, beginning of year	403,268,069	403,268,069	393,353,946
ACCUMULATED SURPLUS, end of year	\$ 409,435,541	\$ 421,901,338	\$ 403,268,069

See Accompanying Notes

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

For the year ended December 31, 2018

	(Unaudited) BUDGET 2018	ACTUAL 2018	ACTUAL 2017
Annual surplus	\$ 6,167,472	\$ 18,633,269	\$ 9,914,123
Amortization of tangible capital assets	15,223,030	15,310,559	15,243,915
Acquisition of tangible capital assets	(25,117,974)	(26,684,493)	(21,180,264)
Disposal and write-down of tangible capital assets	-	218,350	428,203
Change in inventory	-	(9,403)	13,810
Change in prepaid expenses	-	29,396	52,586
Increase (decrease) in net financial assets	(3,727,472)	7,497,678	4,472,373
Net financial assets, beginning of year	6,136,221	6,136,221	1,663,848
Net financial assets, end of year	\$ 2,408,749	\$ 13,633,899	\$ 6,136,221

See Accompanying Notes

CORPORATION OF THE CITY OF CORNWALL
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018	2017
CASH FROM OPERATING ACTIVITIES		
Annual surplus for the year	\$ 18,633,269	\$ 9,914,123
Items not affecting cash or equivalent		
Amortization expense	15,310,559	15,243,915
Disposal and write-down of tangible capital assets	218,350	428,203
Changes in non-cash working capital balances		
Taxes receivable	768,793	(418,762)
Accounts receivable	2,514,946	(2,950,110)
User charges receivable	(56,181)	(10,432)
Due from other municipalities and school boards	451,965	204,746
Land inventory for resale	(195,332)	9,999
Inventory	(9,403)	13,810
Prepaid expenses	29,396	52,586
Accounts payable	1,703,741	1,655,600
Deferred revenue	308,822	112,033
Deferred revenue, obligatory reserve funds	911,128	529,808
Future employment benefits	54,000	(250,392)
Accrued landfill closure and post closure costs	33,056	216,277
	40,677,109	24,751,404
CASH (USED IN) FROM FINANCING ACTIVITIES		
Proceeds received from long-term liabilities	3,425,000	6,503,198
Payments on long-term liabilities	(4,535,120)	(3,963,229)
	(1,110,120)	2,539,969
CASH (USED IN) FROM INVESTING ACTIVITIES		
Net change in long-term investments	(15,374,081)	51,198
CASH USED IN CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(26,684,493)	(21,180,264)
(DECREASE) INCREASE IN CASH AND EQUIVALENT	(2,491,585)	6,162,307
CASH AND EQUIVALENT, beginning of year	23,111,000	16,948,693
CASH AND EQUIVALENT, end of year	\$ 20,619,415	\$ 23,111,000
REPRESENTED BY :		
Cash	\$ 20,619,415	\$ 23,111,000

See Accompanying Notes

CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2018

	Land	Yard	Buildings	Road Network Infrastructure	Water and Wastewater Infrastructure	Machinery Equipment	Computer Hardware and Software	Vehicles	Office Furniture	Other	2018	2017
Cost												
Balance, beginning 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
Additions during the year	403,452	124,842	3,100,275	7,983,171	6,859,317	3,811,958	511,594	3,608,880	72,903	222,209	26,698,601	22,644,888
Disposals during the year	-	-	-	128,254	1,178,941	1,179,638	-	653,089	-	197,418	3,337,340	4,744,434
Assets in service, end 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
Assets under construction	37,311	6,156	1,168,528	2,605,074	1,372,596	96,912	225,804	-	-	-	5,512,381	5,526,489
Balance, end of year	12,904,835	13,929,878	179,103,576	164,867,671	175,698,856	125,245,116	5,436,018	24,636,184	5,826,552	2,064,931	709,713,617	686,366,464
Accumulated Amortization												
Balance, beginning 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
Amortization during the year	1,595	374,553	3,831,686	3,254,305	1,839,055	3,140,224	519,884	1,871,728	236,342	241,187	15,310,559	15,243,915
Amortization on disposals	-	-	-	1,090,075	48,702	1,136,372	-	646,423	-	197,418	3,118,990	4,316,231
Balance, end 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
Net Book Value	\$ 12,827,470	\$ 7,635,527	\$ 104,605,218	\$ 93,525,151	\$ 131,712,590	\$ 39,439,085	\$ 1,840,143	\$ 11,706,696	\$ 1,790,147	\$ 927,759	\$ 406,009,786	\$ 394,854,202

See Accompanying Notes

CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2018

	General Government	Protection and Health	Municipal Works	Environmental Services	Water and Wastewater	Recreation and Cultural	Social and Family Services	2018	2017
Cost									
Balance, beginning of year	\$ 2,551,209	\$ 17,238,786	\$ 195,271,558	\$ 4,711,313	\$ 300,875,096	\$ 73,115,827	\$ 87,076,186	\$ 680,839,975	\$ 662,939,521
Additions during the year	271,956	1,396,938	13,154,077	4,345	7,708,971	1,558,383	2,603,931	26,698,601	22,644,888
Disposals during the year	-	568,255	1,488,940	-	128,257	1,151,888	-	3,337,340	4,744,434
Assets in service, end 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
Assets under construction	110,104	72,369	3,390,397	96,912	1,373,054	261,879	207,666	5,512,381	5,526,489
Balance, end of year	2,933,269	18,139,838	210,327,092	4,812,570	309,828,864	73,784,201	89,887,783	709,713,617	686,366,464
Accumulated Amortization									
Balance, beginning of year	1,871,797	10,179,812	89,397,496	1,159,265	109,385,577	30,336,497	49,181,818	291,512,262	280,584,578
Amortization during the year	277,876	1,335,192	5,156,782	146,542	4,144,415	2,188,814	2,060,938	15,310,559	15,243,915
Amortization on disposals	-	561,589	1,356,812	-	48,702	1,151,887	-	3,118,990	4,316,231
Balance, end 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
Net Book Value	\$ 783,596	\$ 7,186,423	\$ 117,129,626	\$ 3,506,763	\$ 196,347,574	\$ 42,410,777	\$ 38,645,027	\$ 406,009,786	\$ 394,854,202

See Accompanying Notes

CORPORATION OF THE CITY OF CORNWALL
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS

For the year ended December 31, 2018

	2018	2017
Operating surpluses (deficits)		
Operating surplus (Note 13)	\$ -	\$ -
Water works and wastewater works surplus (Note 13)	-	-
Le Village Business Improvement Area surplus	27,845	43,384
Downtown Business Improvement Area surplus	26,254	35,022
Cornwall and Area Housing Corporation surplus	241,036	240,395
Cornwall Harbour Development Corporation surplus	187,662	-
Land inventory for resale surplus	5,376,678	5,181,346
Capital surplus	9,052,624	6,899,506
Liabilities to be recovered from future revenues (Note 12)		
Accrued interest on net long-term liabilities	(33,501)	(31,399)
Future employment benefits payable	(6,540,030)	(6,486,030)
Accrued landfill closure and post closure costs	(1,901,718)	(1,868,662)
Net-long term liabilities (Note 10f)	(1,109,905)	(1,310,625)
Internal loan for reserves	(2,000,000)	(2,000,000)
Total operating surpluses (deficits)	3,326,945	702,937
Reserves and reserve funds		
Reserves (Note 14)	20,848,195	17,636,216
Reserve funds (Note 15)	33,681,272	32,948,974
Total reserves and reserve funds	54,529,467	50,585,190
Invested in tangible capital assets		
Tangible capital assets	406,009,786	394,854,202
Less: net long-term liabilities	(41,964,860)	(42,874,260)
Total invested in tangible capital assets	364,044,926	351,979,942
ACCUMULATED SURPLUS	\$ 421,901,338	\$ 403,268,069

See Accompanying Notes

CORPORATION OF THE CITY OF CORNWALL

CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the year ended December 31, 2018

	Operating Surpluses (Deficits)	Reserves and Reserve Funds	Invested in Tangible Capital Assets	2018	2017
Balance, beginning of year	\$ 702,937	\$ 50,585,190	\$ 351,979,942	\$ 403,268,069	\$ 393,353,946
Annual surplus	17,966,948	666,321	-	18,633,269	9,914,123
Current year funds transferred to reserves and reserve funds	(7,486,256)	7,486,256	-	-	-
Reserves and reserve funds used for operating	1,319,364	(1,319,364)	-	-	-
Reserves and reserve funds used for tangible capital assets	-	(2,888,936)	2,888,936	-	-
Current year funds used for tangible capital assets	(25,948,711)	-	25,948,711	-	-
Prior year funds used for tangible capital assets	2,153,154	-	(2,153,154)	-	-
Annual amortization expense	15,310,559	-	(15,310,559)	-	-
Disposal of tangible capital assets	218,350	-	(218,350)	-	-
Proceeds from long-term debt for capital purposes	3,425,000	-	(3,425,000)	-	-
Long-term debt repaid for tangible capital assets	(4,334,400)	-	4,334,400	-	-
Change in accumulated surplus	2,624,008	3,944,277	12,064,984	18,633,269	9,914,123
Balance, end of year	\$ 3,326,945	\$ 54,529,467	\$ 364,044,926	\$ 421,901,338	\$ 403,268,069

See Accompanying Notes

CORPORATION OF THE CITY OF CORNWALL
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the year ended December 31, 2018

	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	2018	2017
REVENUE										
Taxation	\$ 3,996,995	\$ 32,599,903	\$ 12,957,093	\$ 1,759,682	\$ -	\$ 8,990,811	\$ 10,718,978	\$ 1,573,702	\$ 72,597,164	\$ 68,050,204
Government grants	4,437,890	8,340,760	603,099	580,160	-	49,956,487	96,135	283,264	64,297,795	62,037,776
Revenue from other municipalities	-	4,321,115	53,223	-	-	2,939,988	-	-	7,314,326	7,636,784
Fees and service	641,443	407,176	7,242,386	2,500,976	18,020,336	11,175,604	3,548,538	730,213	44,266,672	42,783,270
Investment income	1,574,033	-	-	-	-	-	137,492	-	1,711,525	1,245,575
Licenses and permits	154,764	681,333	-	-	-	-	-	-	836,097	723,764
Fines and penalties	537,811	-	-	-	67,649	-	-	-	605,460	634,049
Other revenue	10,342	6,404	-	-	-	3,891	1,350	-	21,987	163,943
	11,353,278	46,356,691	20,855,801	4,840,818	18,087,985	73,066,781	14,502,493	2,587,179	191,651,026	183,275,365
EXPENSES										
Wages, salaries and benefits	4,421,795	38,720,416	8,935,978	307,959	3,835,844	18,459,445	6,887,825	1,105,166	82,674,428	81,967,651
Interest on long-term liabilities	3,826	88,180	233,163	-	511,765	220,619	303,467	-	1,361,020	1,356,425
Materials and services	1,198,184	2,281,756	4,882,735	90,588	2,990,236	11,023,177	2,988,087	476,568	25,931,331	25,217,798
Contracts and sub-contracts	1,096,095	1,093,723	2,314,691	4,101,013	1,311,836	4,370,997	1,866,119	307,567	16,462,041	13,793,707
Rents and financial expenses	2,325,766	1,031,246	1,675,651	233,698	1,040,022	19,712,647	1,169,225	155,022	27,343,277	28,721,197
Transfers to external parties	32,016	1,289,705	(286,821)	-	27,197	14,405,347	790,350	516,270	16,774,064	16,729,773
Amortization	276,413	1,335,196	5,156,782	146,542	4,144,413	2,060,935	2,188,814	1,463	15,310,558	15,243,915
	9,354,095	45,840,222	22,912,179	4,879,800	13,861,313	70,253,167	16,193,887	2,562,056	185,856,719	183,030,466
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	1,999,183	516,469	(2,056,378)	(38,982)	4,226,672	2,813,614	(1,691,394)	25,123	5,794,307	244,899
OTHER ITEMS	-	(6,665)	4,597,754	-	(79,556)	65,692	391,543	7,870,194	12,838,962	9,669,224
ANNUAL SURPLUS (DEFICIT) \$	1,999,183	\$ 509,804	\$ 2,541,376	\$ (38,982)	\$ 4,147,116	\$ 2,879,306	\$ (1,299,851)	\$ 7,895,317	\$ 18,633,269	\$ 9,914,123

See Accompanying Notes

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

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.
Cornwall Harbour Development Corporation - 50%

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 \$2,358,072 (2017 - \$2,599,155).

(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.

(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, 2018

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 legalisation.

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, 2018

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, 2018

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, 2018

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 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.

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:

	2018	2017
Taxation and user charges	\$ 15,942,154	\$ 15,947,616
Payments in lieu of taxes	4,234	3,848
	\$ 15,946,388	\$ 15,951,464

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

For the year ended December 31, 2018

3. CONTRIBUTIONS TO JOINT BOARDS

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

	2018	2017
Eastern Ontario Health Unit	\$ 715,734	\$ 726,656
Raisin River Conservation Authority	492,489	480,603
	\$ 1,208,223	\$ 1,207,259

4. TRUST FUNDS

Trust funds administered by the City amounting to \$5,398,995 (2017 - \$5,532,931) 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 \$55,136,507 as at December 31, 2018 (2017 - \$39,925,538).

The progress reserve fund of \$25,529,243 (2017 - \$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, 2018 is \$24,229,111 (2017 - \$24,040,917).

6. DEFERRED REVENUE, OBLIGATORY RESERVE FUNDS

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

	Development			2018	2017
	Charges	Gas Tax	Parkland		
Balance, beginning of year	\$ -	\$ 1,649,489	\$ 145,329	\$ 1,794,818	\$ 1,265,010
Grants received	-	3,601,079	-	3,601,079	3,491,927
Charges to developers	480,988	-	64,709	545,697	23,791
Interest earned	664	29,718	2,614	32,996	10,045
Transfer from (to) operations	209,376	(603,099)	-	(393,723)	(575,815)
Transfer to capital acquisitions	-	(2,844,921)	(30,000)	(2,874,921)	(2,420,140)
Balance, end of year	\$ 691,028	\$ 1,832,266	\$ 182,652	\$ 2,705,946	\$ 1,794,818

For the 2019 fiscal year, the expected development charges to be collected is \$800,000 and the committed funds to be utilized is \$2,114,900 over the term of the by-law for capital purposes. The expected federal and provincial gas tax funding to be received is \$3,481,710 and the committed funds to be utilized from the gas tax reserve fund is \$5,131,794 for specific projects. The expected contribution to the parkland reserve fund is \$10,824.

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

For the year ended December 31, 2018

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.

	2018	2017
Accumulated sick leave benefits	\$ 2,035,321	\$ 1,930,025
Vacation pay	1,186,481	1,219,758
Workplace Safety and Insurance Board benefits	3,318,228	3,336,247
	\$ 6,540,030	\$ 6,486,030

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:

	2018	2017
Basic services	\$ 5,802,262	\$ 5,565,211

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 14 years, which represents 56% 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 2018 budget and inflation adjusted at 2.5% per annum to the estimated year of closure. These costs were then discounted to December 31, 2018 using a discount rate of 5%.

The liability for closure and post-closure care as at December 31, 2018 is \$1,901,718 (2017 - \$1,868,662). Estimated expenditures for closure and post-closure care are \$2,806,998, after discounting total estimated future costs of \$6,100,000. The liability remaining to be recognized is \$905,280.

A portion of the liability is currently funded by the landfill reserve of \$459,561 (2017 - \$393,024). The remaining portion of the liability is expected to be funded through budget allocations over the remaining life of the landfill.

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

For the year ended December 31, 2018

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:

	2018	2017
Bank loans (Note 10f)	\$ 38,808,909	\$ 39,272,423
Capital lease obligations (Note 10c)	101,375	166,323
Cornwall and Area Housing Corporation (Note 10d)	4,164,481	4,746,139
Internal loans from reserve funds (Note 10e)	3,860,550	3,944,466
	46,935,315	48,129,351
Less: Internal loans from reserve funds	(3,860,550)	(3,944,466)
	\$ 43,074,765	\$ 44,184,885

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

	2019	\$ 4,909,000
	2020	5,502,000
	2021	4,479,000
	2022	4,503,000
	2023	3,887,000
	Thereafter	19,794,765
		\$ 43,074,765

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

	2019 to 2023	Thereafter
General taxation revenues	\$ 15,185,463	\$ 5,232,001
User fees	2,350,445	8,179,102
Provincial grant revenues	3,302,805	861,676
Progress reserve fund	2,441,287	5,521,986
	\$ 23,280,000	\$ 19,794,765

(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 \$4,164,481 as at December 31, 2018. 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, 2018 is \$1,860,550.

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, 2018

10. NET LONG-TERM LIABILITIES (Continued)

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

	2018	2017
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	\$ 7,963,273	\$ 8,402,928
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	1,002,778	1,100,196
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	1,109,905	1,310,625
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	396,634	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 November 2019 and April 2023, secured by general security agreements	17,806,772	17,012,980
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	10,529,547	10,953,564
	\$ 38,808,909	\$ 39,272,423

11. CHARGES FOR NET LONG-TERM LIABILITIES

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

	2018	2017
Principal payments	\$ 4,535,120	\$ 3,963,229
Interest	1,361,020	1,356,425
	\$ 5,896,140	\$ 5,319,654

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

For the year ended December 31, 2018

12. LIABILITIES TO BE RECOVERED FROM FUTURE REVENUES

Liabilities to be recovered from future revenues are as follows:

	2018	2017
Accrued interest on net long-term liabilities	\$ 33,501	\$ 31,399
Future employment benefits payable	6,540,030	6,486,030
Accrued landfill closure and post closure costs	1,901,718	1,868,662
Net long-term liabilities	43,074,765	44,184,885
Internal loans	2,000,000	2,000,000
	\$ 53,550,014	\$ 54,570,976

Sources of future revenues to finance liabilities are as follows:

	2018	2017
General taxation revenues	\$ 26,595,948	\$ 26,462,062
User fees	10,529,547	10,953,564
Proceeds from the sale of land	2,000,000	2,000,000
Reserves and reserve funds	10,260,038	10,409,211
Provincial grant revenues	4,164,481	4,746,139
	\$ 53,550,014	\$ 54,570,976

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

The operating surplus for the fiscal year ending December 31, 2018 was \$1,571,003 (2017 - surplus of \$99,165), of which \$224,014 was transferred to the working fund reserve, \$986,989 was transferred to the tax stabilization reserve, \$300,000 was transferred to the winter control reserve and \$60,000 was transferred to the landfill reserve fund.

The water works and wastewater works surplus for the fiscal year ending December 31, 2018 was \$486,030 (2017 - surplus of \$435,911), of which \$186,059 was transferred to the water works working fund reserve and \$299,971 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, 2018

14. RESERVES

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

	2018	2017
Operating reserves		
Working funds	\$ 4,610,564	\$ 4,236,892
Tax stabilization	2,794,085	1,307,096
Winter control	600,000	300,000
Health and safety awareness	76,022	76,022
Municipal elections	-	120,000
Renaissance	88,827	88,827
Medical recruitment	407,841	409,323
Solid waste management	18,160	18,160
	8,595,499	6,556,320
Capital reserves		
Road infrastructure	51,928	214,347
Recreation facilities	203,176	145,313
Fire equipment	58,016	50,202
Land ambulance	615,172	645,838
Land reserve	(2,138,240)	(2,105,634)
Equipment and vehicles	159,953	(132,077)
Municipal buildings	218,068	161,449
Social housing	121,056	111,232
	(710,871)	(909,330)
Restricted reserves (Municipal funded)		
Water works	4,154,231	4,217,375
Wastewater works	3,724,346	3,572,323
Brownfields	189,573	101,271
Heart of the City	(206,721)	(232,829)
WSIB	1,837,204	1,613,259
Building reserve	112,325	127,287
Waterfront development	240,000	-
Downtown BIA	70,000	50,000
	10,120,958	9,448,686
Restricted reserves (Externally funded)		
Employment Assistance	651,997	651,997
Social housing providers	2,055,292	1,749,469
Child care	95,393	99,147
Consolidated homelessness	39,927	39,927
	2,842,609	2,540,540
	\$ 20,848,195	\$ 17,636,216

For the 2019 fiscal year, the committed funds to be transferred from reserves are \$4,688,652 and the committed funds to be transferred to reserves are \$4,184,051.

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

For the year ended December 31, 2018

15. 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, 2018 Balance	Current Year Transactions	December 31, 2018 Balance
Progress Fund			
Balance of proceeds on sale of Cornwall Electric (1998)	\$ 25,000,000	\$ -	\$ 25,000,000
Interest revenue	19,725,019	554,594	20,279,613
Transfers to current fund, current operations	(8,924,296)	(554,594)	(9,478,890)
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	3,017,346	632,937	3,650,283
Parking	156,286	51,945	208,231
Library	324,243	(21,853)	302,390
Landfill	393,024	66,537	459,561
Cornwall Regional Airport Commission	15,310	-	15,310
Downtown Investment	3,513,522	2,732	3,516,254
	\$ 32,948,974	\$ 732,298	\$ 33,681,272

For the 2019 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 2019. The committed funds to be transferred from the parking reserve fund is \$59,031.

16. 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, 2018

17. EXPENDITURES BY OBJECT

Operating expenditures is summarized as follows:

	(Unaudited) BUDGET 2018	ACTUAL 2018	ACTUAL 2017
Wages, salaries and benefits	\$ 84,361,706	\$ 82,674,428	\$ 81,967,651
Interest on long-term liabilities	1,550,929	1,361,020	1,356,425
Materials and services	26,907,394	25,931,331	25,217,798
Contracts and sub-contracts	16,850,949	16,462,041	13,793,707
Rents and financial expenses	30,036,360	27,343,277	28,721,197
Transfers to external parties	17,856,770	16,774,064	16,729,773
Amortization	15,223,030	15,310,558	15,243,915
	\$192,787,138	\$185,856,719	\$183,030,466

18. 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, 2018, 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 353 roll numbers representing either individual or multiple land parcels owned by the City, of which 59 roll numbers were deemed to be non-productive or partially productive for PS 3260 purposes. On the basis of former land uses, 39 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 39 municipal properties cannot be determined.

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

For the year ended December 31, 2018

18. 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:

	2018	2017
Tax refunds related to Minutes of Settlements	\$ 164,513	\$ 1,591,557
Tax refunds related to vacancies and adjustments	348,497	513,122
	\$ 513,010	\$ 2,104,679

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.

19. 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:

	2019	\$ 3,406,128	
	2020	\$ 3,625,092	
	2021	\$ 3,107,937	
	2022	\$ 3,100,831	
	2023	\$ 3,100,026	
	Thereafter	\$ 6,974,449	
		\$ 23,314,463	

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, 2018 is \$100,000.

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, 2018 is \$103,432.

CORPORATION OF THE CITY OF CORNWALL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

20. BUDGET AND OPERATING SURPLUS

The unaudited budget figures presented in these financial statements are based upon the 2018 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 2018	ACTUAL 2018	ACTUAL 2017
Annual Surplus, Statement of Financial Activities	\$ 6,167,472	\$ 18,633,269	\$ 9,914,123
Change in local board's surpluses for the year	13,879	(163,996)	(24,204)
Issuance of external long-term liabilities	7,872,000	3,425,000	6,503,198
Change in land inventory for resale surplus	-	(195,332)	9,999
Net transfers from reserves and reserve funds for capital acquisitions	3,394,053	2,888,936	2,401,251
Net transfer (to) from reserves and reserve funds for operating	(2,102,212)	(4,109,859)	(2,011,611)
Acquisition of tangible capital assets	(25,117,974)	(26,684,493)	(21,180,264)
Amortization of tangible capital assets	15,223,030	15,310,559	15,243,915
Disposal and write-down of tangible capital assets	-	218,350	428,203
Repayment of long-term liabilities	(5,176,094)	(4,535,120)	(3,963,229)
Change in surplus for future capital acquisitions	317,413	(2,153,118)	(5,876,945)
Revenue earned in reserves and reserve funds	(591,567)	(666,321)	(651,546)
Change in accrued landfill closure and post closure costs	-	33,056	216,276
Change in retirement benefits and accrued interest	-	56,102	(246,355)
Change in long-term accounts payable	-	-	(227,735)
Operating (deficit) surplus for the year	-	2,057,033	535,076
Transfer of operating surplus to reserves	-	(1,571,003)	(99,165)
Transfer of water works and wastewater works surplus to reserves	-	(486,030)	(435,911)
Operating surplus for the year	\$ -	\$ -	\$ -

21. 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, 2018

21. 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, 2018

FINANCIAL ACTIVITIES (000's)

	2018	2017	2016	2015	2014
Revenues					
Taxation	\$ 72,597	\$ 68,050	\$ 67,714	\$ 66,547	\$ 62,539
Government grants and transfers	64,298	62,038	60,129	60,433	58,761
Revenue from other municipalities	7,314	7,636	7,312	7,052	7,014
Fees and service charges	44,267	42,783	40,689	40,364	40,039
Investment income	1,712	1,246	1,085	1,301	1,159
Licenses and permits	836	724	1,123	1,083	982
Fines and penalties	605	634	604	615	540
Donations and other revenue	22	164	61	53	127
	191,651	183,275	178,717	177,448	171,161
Expenditures					
General government	9,354	8,755	8,628	8,069	8,209
Protection to persons and property	31,735	31,122	30,795	29,825	30,024
Transportation services	22,912	23,003	23,330	22,550	22,769
Environmental	18,741	18,550	18,431	17,627	14,483
Health services	14,105	14,379	13,724	12,972	12,700
Social and family services	48,723	46,430	47,191	47,374	45,803
Social housing	21,530	22,062	21,382	20,632	19,604
Recreation and cultural services	16,194	16,195	16,098	15,405	14,889
Planning and development	2,562	2,535	2,164	2,260	2,415
	185,856	183,031	181,743	176,714	170,896
Net surplus (deficit) before other items	5,795	244	(3,026)	734	265
Revenue for capital and other purposes	12,839	9,669	9,724	3,924	9,332
Annual surplus	\$ 18,634	\$ 9,913	\$ 6,698	\$ 4,658	\$ 9,597

PROPERTY TAXES BILLED (000's)

	2018	2017	2016	2015	2014
Own purposes	\$ 72,597	\$ 68,050	\$ 67,714	\$ 66,547	\$ 62,539
School boards	15,946	15,951	16,694	16,752	15,726
	\$ 88,543	\$ 84,001	\$ 84,408	\$ 83,299	\$ 78,265

CORPORATION OF THE CITY OF CORNWALL

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2018

WEIGHTED TAXABLE ASSESSMENT (000's)

	2018	2017	2016	2015	2014
Residential and multi-residential	\$ 3,014,971	\$ 2,951,331	\$ 2,872,756	\$ 2,703,693	\$ 2,547,783
Commercial and industrial	1,931,620	1,848,128	1,981,683	1,779,439	1,653,828
	\$ 4,946,591	\$ 4,799,459	\$ 4,854,439	\$ 4,483,132	\$ 4,201,611
Residential and multi-residential	60.95%	61.49%	59.18%	60.31%	60.64%
Commercial and industrial	39.05%	38.51%	40.82%	39.69%	39.36%
	100.00%	100.00%	100.00%	100.00%	100.00%
Municipal residential tax rate	1.447%	1.409%	1.438%	1.463%	1.511%

FINANCIAL INDICATORS

	2018	2017	2016	2015	2014
Tax arrears					
Percentage of current levy	4 %	5 %	5 %	4 %	4 %
Percentage of total levy	3 %	4 %	4 %	4 %	3 %
Municipal debt	\$43,074,765	\$44,184,885	\$41,644,916	\$26,196,535	\$23,783,173
Municipal debt charges	\$ 5,675,544	\$ 5,078,272	\$ 3,531,235	\$ 2,948,384	\$ 2,867,507
Sustainability					
Financial assets to liabilities	1.17	1.08	1.02	1.14	0.97
Financial assets to liabilities excluding long-term liabilities	2.48	2.42	2.22	2.00	1.54
Long-term debt to tangible capital assets	10.61 %	11.19 %	10.70 %	6.97 %	6.41 %
Flexibility					
Debt charges to operating revenue	2.96 %	2.77 %	1.98 %	1.66 %	1.68 %
Total operating revenue to taxable assessment	3.87 %	3.82 %	3.68 %	3.96 %	4.07 %
Vulnerability					
Operating grants and transfers to operating revenue	33.55 %	33.85 %	33.64 %	34.06 %	34.33 %
Total grants and transfers to total revenues	33.17 %	35.39 %	31.49 %	34.30 %	36.73 %
Reserve coverage					
Reserves to operating expenditures	11.22 %	9.64 %	9.41 %	10.90 %	9.38 %
Reserves to working capital	1.79	0.90	1.76	2.10	1.75

CORPORATION OF THE CITY OF CORNWALL

FIVE YEAR FINANCIAL REVIEW

For the year ended December 31, 2018

SUMMARY OF ACCUMULATED SURPLUS

	2018	2017	2016	2015	2014
Operating surpluses (deficits)					
General operations	\$ -	\$ -	\$ -	\$ -	\$ -
Water and wastewater operations	-	-	-	-	-
Local boards	482,797	318,801	294,597	252,614	142,220
Land inventory held for resale	5,376,678	5,181,346	5,191,345	2,967,982	3,209,787
Capital surplus (Unfinanced capital outlay)	9,052,624	6,899,506	1,022,561	(8,666,757)	(7,674,084)
Liabilities to be recovered from future revenues	(11,585,154)	(11,696,716)	(12,148,838)	(11,664,626)	(12,143,834)
	3,326,945	702,937	(5,640,335)	(17,110,787)	(16,465,911)
Reserves	20,848,195	17,636,216	17,095,008	19,265,227	16,033,412
Reserve funds	33,681,272	32,948,974	32,693,200	32,896,662	33,077,118
Invested in tangible capital assets	364,044,926	351,979,942	349,206,086	351,604,286	349,351,632
	\$ 421,901,338	\$ 403,268,069	\$ 393,353,959	\$ 386,655,388	\$ 381,996,251