

Financial Statements

December 31, 2020

July 12, 2021

Tracey Bailey
GM Financial Services and Treasurer



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

Summary

General Surplus (To: Working Reserves \$48,427) (To: Tax Stabilization Reserve \$265,000)	\$ 313,427
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Water Works Surplus (Water Works Reserve)	313,396
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Wastewater Works Surplus (Wastewater Works Reserve)	<u>228,633</u>
	\$ 855,456

Supplementary Taxation:

Did not meet budget in 2020, therefore no contribution to Reserves was made.

Consolidated Statement of Financial Position

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(thousands of \$)

	2020	2019	2018	2017
Financial Assets	97,793	93,710	95,151	85,753
Liabilities	152,626	135,128	81,517	79,616
Net Financial Assets	(54,832)	(41,419)	13,634	6,136
Non-Financial Assets	451,290	418,922	408,267	397,132
Accumulated Surplus	396,458	377,503	421,901	403,268

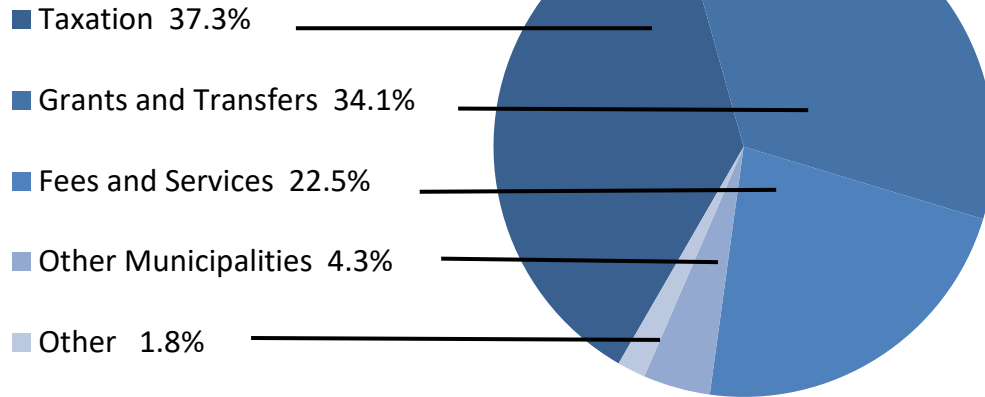
Accumulated surplus is an indicator of the City's overall financial health that reflects the net economic resources the City has built over time.

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

The City ended 2020 with a total accumulated surplus of \$396 million.

Consolidated Statement of Financial Activities

2020 REVENUE



	2020 Actual	2019 Actual	Variance
Taxation	74,110,778	69,006,130	5,104,648
Grants and Transfers	67,614,181	63,210,039	4,404,142
Fees and Services	44,702,432	47,057,751	-2,355,319
Other Municipalities	8,607,348	7,792,742	814,606
Other	3,645,459	4,887,164	-1,241,705
	<u>198,680,198</u>	<u>191,953,826</u>	6,726,372

Taxation Variance

In 2020, Council approved a levy increase of 2.08% or \$1.5M. Supplemental taxation was \$600K higher in 2020 while tax refunds were \$3.0M lower than in 2019.

Grants Variance

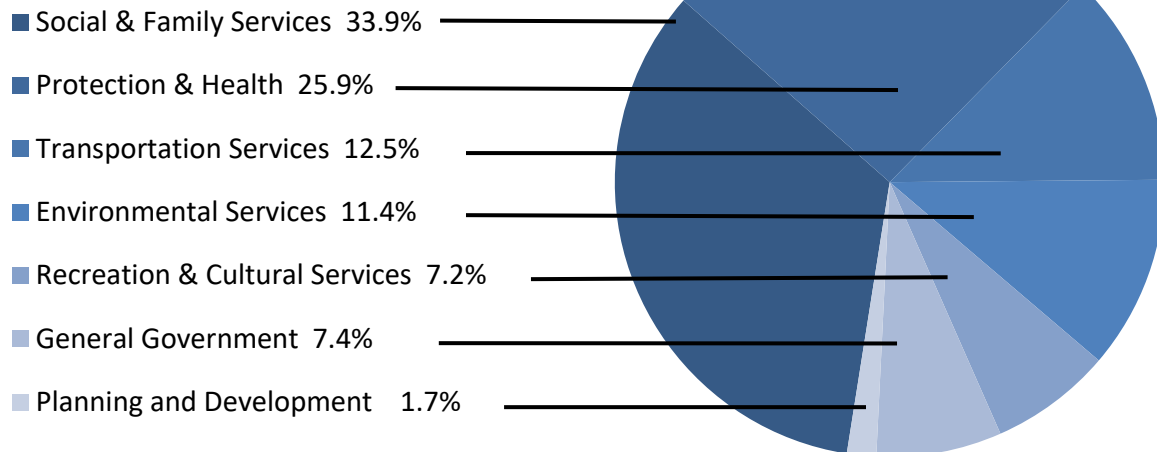
The increase in Grants is related to COVID-19 related funding (\$8.2M). Additional service funding for EMS (\$559K) and Social Housing (\$423K). These are offset by decreases for Childcare (\$2.9M), Ontario Works (\$1.8M), and Provincial Offences (\$237K).

Fees & Services

An increase in Water Billings (\$60K), Wastewater Billings (\$424K), Recoveries for COVID-19 Clinics (\$347K) and Childcare Fees (\$230K). A reduction in Recreation (\$1.7M), Transit Fees (\$461K), Complex Power Outage Recovery (\$386K), Tipping Fees (\$313K), MAT Revenue (\$314K) and Parking Revenue (\$292K).

Consolidated Statement of Financial Activities

2020 EXPENDITURES



	2020 Actual	2019 Actual	Variance
Social & Family Services	66,124,970	68,888,377	-2,763,407
Protection & Health	50,357,776	49,458,469	899,307
Transportation Services	24,272,090	23,649,021	623,069
Environmental Services	22,129,098	34,505,712	-12,376,614
Recreation & Cultural Services	13,927,053	16,898,484	-2,971,431
General Government	14,357,131	9,940,798	4,416,333
Planning and Development	3,351,992	3,249,810	102,182
	194,520,110	206,590,671	-12,070,561

Social and Family Services

The decrease is related to reductions in provincially funded programs for Ontario Works (\$2.2M) and Child Care (\$3.1M). These are offset by an increase in Social Housing (\$1.9M) and GSDL (\$487K).

Environmental Services

The decrease is related to Landfill Post-Closure Liability (\$13.5M). The City saw increases in Waste Management contracts for curbside collection and recycling (\$445K).

Recreation and Cultural Services

The change in expenditures is related to the COVID-19 pandemic. Though City parks continued to be crucial space for safe outdoor activities most other recreational opportunities were limited.

General Government

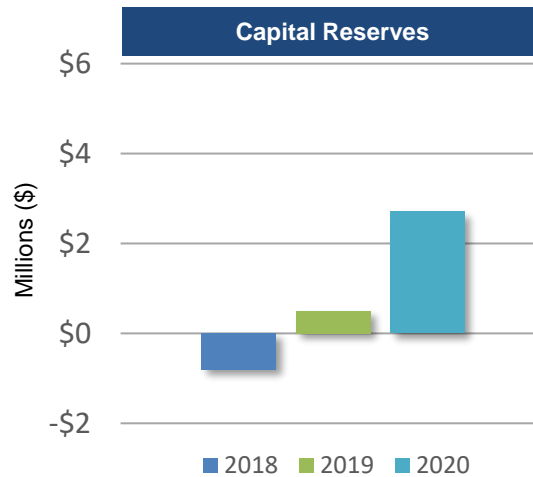
Increase costs are related to COVID-19 related expenditures (\$2.8M) and a transfer to the DC reserve (\$1.8M).

City Reserves & Reserve Funds

Category of Reserves	2019 Year End	2020 Year End	Commentary
Operating Reserves	\$3,722,284	\$4,489,352	Operating Reserves had a net increase of \$767K. Operating Reserves consist of discretionary reserves that have been established to provide flexibility and liquidity to protect against the consequences of unexpected events, losses of income and large unbudgeted expenses.
Capital Reserves	\$506,595	\$2,709,644	Capital Reserves had a net increase of \$2.2M. Capital Reserves are monies set aside for the repair and major maintenance costs of capital infrastructure and for large capital expenditures such as facility upgrades or road reconstruction.
Restricted Reserves (Municipal Funding)	\$44,285,759	\$47,273,771	Reserves restricted for certain uses; such as, the Water and Wastewater Works Reserves, Downtown Investment Fund and the Progress Fund.
Restricted Reserves (Funded Externally)	\$11,299,060	\$9,426,736	These reserves have been funded by senior levels of government or third parties for specific uses.

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

City Reserves & Reserve Funds



Collectively, reserve and the reserve fund balances have grown over several years (\$56.7M in 2018 to \$63.9M in 2020). This represents a decrease in Operating Reserves of \$4.1M, an increase in Capital Reserves of \$3.5M, and an increase in Restricted Reserves of \$7.7M.

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

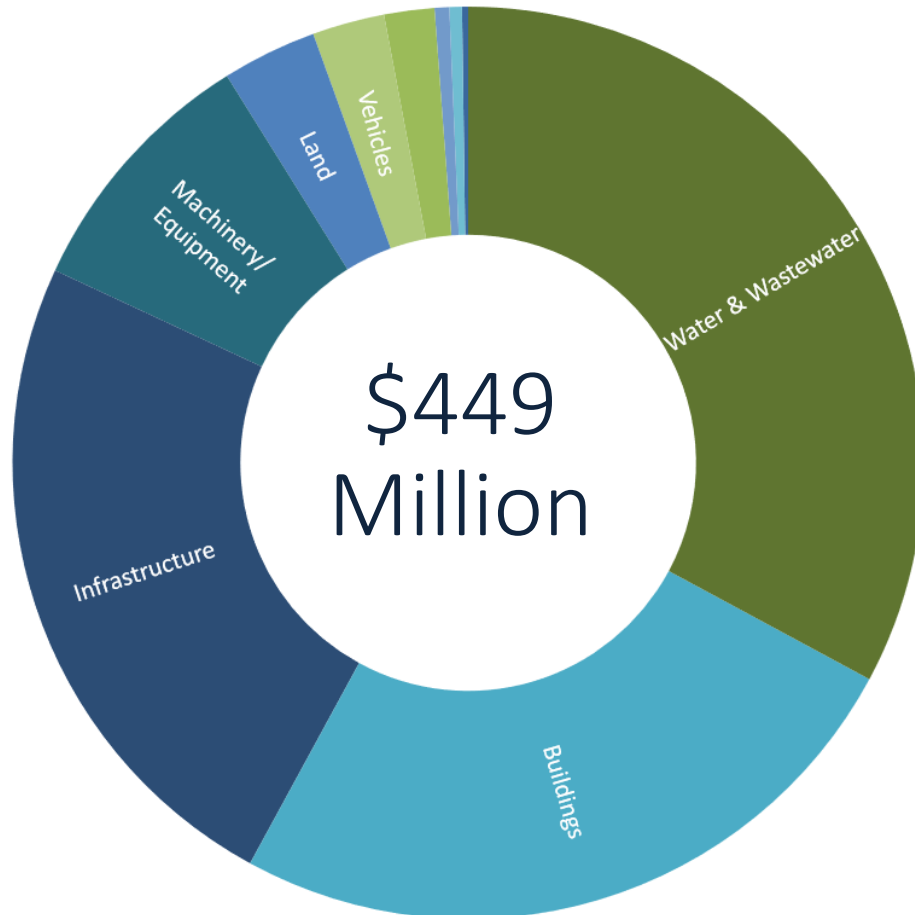
Following recommended practices, the City has planned and put strategies in place to build the City’s reserve and reserve funds.

2020 City Capital Fund Summary

	Roads Infrastructure	Transit & MW Garage	Waste Management	Facilities	Parks	Protective Services	Technology GSDL	Upgrade	Water & Wastewater	Total
Capital Fund Jan 1, 2020	(1,172,629)	908,335	556,729	(1,935,921)	79,832	(832,851)	449,375	481,064	6,452,424	4,986,358
Taxation	221,660	4,952	-	606,413	52,917	99,023	291,450	6,355	127,700	1,410,470
Water Billings	-	-	-	-	-	-	-	-	3,263,265	3,263,265
Sewer Billings	-	-	-	-	-	-	-	-	3,275,000	3,275,000
Fed/Prov Gax Tax	4,092,549	-	-	302,221	-	-	-	-	-	4,394,770
Reserves	702,880	79,000	300,000	172,464	-	1,081,487	-	-	322,378	2,658,208
Development Charges	685,079	-	-	344,790	-	26,020	-	-	3,566,703	4,622,592
Debt Financing	563,000	600,000	-	5,300,000	500,000	-	-	-	-	6,963,000
Fed/Prov Funding	1,082,340	707,068	-	-	-	-	142,091	75,000	-	2,006,499
United Counties	-	-	-	-	-	-	86,104	-	-	86,104
Recoveries	-	42,358	-	-	30,000	25,139	-	18,579	-	116,075
Misc	-	-	-	(104,291)	104,291	-	-	13,788	(13,788)	0
TOTAL Revenue	7,347,509	1,433,378	300,000	6,621,596	687,208	1,231,669	519,645	113,721	10,541,258	28,795,983
2020 Expenses	(7,256,017)	(3,245,813)	(1,436,061)	(9,338,349)	(766,605)	(1,413,802)	(401,440)	(259,093)	(19,606,019)	(43,723,198)
Capital Fund Dec 31, 2020	(1,081,138)	(904,099)	(579,332)	(4,652,673)	435	(1,014,985)	567,580	335,692	(2,612,337)	(9,940,857)

During 2020, funding in the amount of \$5.0M was brought forward from the 2019 fiscal year for on-going capital projects. The City added \$28.8M in funding and incurred expenses in the amount of \$43.7M, resulting in a \$9.9M unfunded capital outlay.

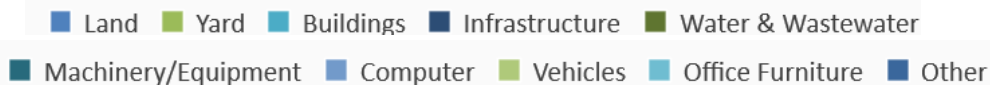
Net Book Value of Tangible Capital Assets (by category)



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

Overall, the Net Book Value of City assets are 60% of the original asset cost.

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



Consolidated Schedule of Tangible Capital Assets (by category)

	Assets In Service (original cost)	Accumulated Amortization	Assets Under Construction	Net Book Value	% of Org Cost
Land	\$ 14,716,873	\$ (80,555)	\$ -	\$ 14,636,318	99.45%
Yard	15,055,833	(7,029,555)	71,868	8,098,146	53.79%
Buildings	182,691,828	(82,494,165)	9,689,710	109,887,373	60.15%
Infrastructure	177,836,861	(76,117,126)	2,928,733	104,648,468	58.85%
Water & Wastewater	189,892,806	(47,686,753)	12,854,318	155,060,371	81.66%
Machinery/Equipment	129,057,552	(91,768,471)	2,448,620	39,737,701	30.79%
Computer	5,847,215	(4,392,298)	799,426	2,254,343	38.55%
Vehicles	25,559,608	(14,130,140)	696,585	12,126,053	47.44%
Office Furniture	6,296,019	(4,529,491)	-	1,766,528	28.06%
Other	2,091,922	(1,229,113)	-	862,809	41.24%
Total	\$ 749,046,517	\$ (329,457,667)	\$ 29,489,260	\$ 449,078,110	59.95%

The Net Book Value is the original cost of an asset less any accumulated amortization.
Overall, the Net Book Value of City assets are 60% of the original asset cost.

Long Term Liabilities

Consolidated long-term liabilities at December 31, 2020 includes:

Bank Loans	\$39,799,134
Cornwall Area Housing Corporation (mortgages funded from MMAH)	2,946,037
Internal Loan - Land in the Business Park	<u>2,000,000</u>
Total Long-Term Liabilities	44,745,171
PSAB Liabilities (Future employment benefits (\$47.1M); Landfill Closure/Post-Closure Costs (\$18.0M); Accrued interest (\$34K)	65,131,813
Total Liabilities	<u>\$109,876,984</u>

Sources of future revenues to finance liabilities are as follows:

General municipal revenue	\$16,293,804
User fees	\$13,882,222
Proceeds from the sale of land	2,000,000
Reserves and reserve funds	4,797,074
Provincial grant revenues	7,772,071
	<u>\$44,745,171</u>

Long Term Liabilities – Bank Loans

Bank Loans at December 31, 2020 includes:

Vehicles and Equipment

Municipal Works	\$3,576,654	
Fire Services	972,599	
Paramedic Services	202,106	
Transit Services	\$2,012,994	
Parks and Landscaping	<u>\$1,042,965</u>	\$7,807,318

Municipal Facilities

Wastewater Treatment Plant	\$9,634,083	
Benson Centre	7,038,462	
Municipal Works Yard	5,058,083	
EMS Facility	799,082	
Library HVAC	531,504	
Complex and Benson LED Lighting	<u>300,000</u>	\$23,361,215

Police Post-Employment Loan

688,020

LED Streetlighting

1,023,768

Brookdale Ave North Channel Bridge

2,434,715

Roadways and Structures

2,670,674

Flood Reduction Initiative

1,813,424

Total

\$39,799,134

In 2020, annual repayment on principal for long-term debt is approximately \$4.8M, of which \$2.5M is funded from the tax base.

Annual interest for bank loans is estimated to be \$1.1M, of which \$360K is funded from the tax base.

2020 Summary

- The City had an operating surplus of \$313,427. This surplus was contributed to the Working Reserve (\$48,427) and the Municipal Buildings Reserve (\$265,000).
- The City had a surplus in Water Services of \$313,396. This surplus was transferred to the Water Works Reserve.
- The City had a surplus in Wastewater Services of \$228,633. This surplus was transferred to the Wastewater Works Reserve.
- The City entered into Financing Agreements (long-term debt) for the sum of \$6,963,000 for the Lemay St. reconstruction, Municipal Works yard, Municipal Works fleet, Emerald Ash Borer, and LED lighting replacement at the Civic Complex and Benson Centre.
- City Reserves and Reserve Funds totaled \$63.9M.
- An actuarial review was completed by Dixon Actuarial Services in 2020.
- The City's financial position continues to be strong.

2021 Initiatives

- The Accounting department is in the process of implementing new accounting software. To date the following modules have been completed: taxation, utility billing, accounts receivable, cashier, and payroll. In 2021, the Accounting staff will be implementing the final modules: general ledger, accounts payable, purchasing, and fixed assets.
- ITT Services is continuing to review new and emerging reliable technologies related to network, infrastructure, bandwidth, privacy, security, and service levels. ITT Services will present an ITT Master Plan for the Corporation at a subsequent Council meeting.
- In support of its financial planning, through its LTFP, the City has identified the need for enhanced/updated financial policies relating to Capital, Debt Management, Reserves, and Investments. Policy reviews will take place over the next two years.