



Consolidated financial statements

Corporation of the City of Welland

December 31, 2023

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# Independent auditor's report

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To the Members of Council of the  
**Corporation of The City of Welland**

## Opinion

We have audited the consolidated financial statements of the **Corporation of The City of Welland** ("the City"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations, change in net financial assets and cash flow 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 financial position of the **Corporation of The City of Welland** as at December 31, 2023, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

As part of 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 management.
- Conclude on the appropriateness of management'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 City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Mississauga, Canada  
July 9, 2024

Chartered Professional Accountants  
Licensed Public Accountants

# Corporation of the City of Welland

## Consolidated Statement of Financial Position

December 31

2023

2022  
(Restated –  
Note 3)

### Financial assets

|   |                    |                    |
|---|--------------------|--------------------|
| Cash  | \$ 20,146,402      | \$ 25,656,573      |
| Taxes and grants-in-lieu receivable (Note 20) | 9,517,208          | 7,501,313          |
| Accounts receivable                           | 19,436,470         | 11,481,016         |
| Interest receivable                           | 1,961,464          | 1,748,448          |
| Investments (Note 5)                          | 103,844,625        | 127,838,894        |
| Investment in subsidiary (Note 6)             | <u>27,126,987</u>  | <u>26,280,734</u>  |
|   | <u>182,033,156</u> | <u>200,506,978</u> |

### Liabilities

|  |                    |                    |
|--|--------------------|--------------------|
| Accounts payable and accrued liabilities | 33,879,487         | 27,204,012         |
| Deferred revenue (Note 8)                | 34,740,848         | 34,261,147         |
| Accrued interest on long-term debt       | 534,445            | 597,450            |
| Obligations under capital lease          | 8,885              | 13,495             |
| Asset retirement obligation (Note 9)     | 432,270            | 416,267            |
| Long-term debt (Schedule 5) (Note 10)    | 61,060,765         | 70,820,988         |
| Employee future benefits (Note 11)       | <u>8,609,935</u>   | <u>8,329,218</u>   |
|  | <u>139,266,635</u> | <u>141,642,577</u> |

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| Net financial assets | <u>42,766,521</u> | <u>58,864,401</u> |
|----------------------|-------------------|-------------------|

### Non-financial assets

|  |                    |                    |
|--|--------------------|--------------------|
| Tangible capital assets (Schedule 6) (Note 12) | 359,642,047        | 318,075,549        |
| Other assets (Note 13)                         | <u>187,242</u>     | <u>227,396</u>     |
|  | <u>359,829,289</u> | <u>318,302,945</u> |

|                                      |                              |                              |
|--------------------------------------|------------------------------|------------------------------|
| <b>Accumulated surplus (Note 14)</b> | <b><u>\$ 402,595,810</u></b> | <b><u>\$ 377,167,346</u></b> |
|--------------------------------------|------------------------------|------------------------------|

Contingencies (Note 20)

Approved by:

\_\_\_\_\_ Chief Administrator Officer

\_\_\_\_\_ General Manager of Corporate and Enterprise Services, CFO

The accompanying notes are an integral part of the consolidated financial statements.

# Corporation of the City of Welland

## Consolidated Statement of Operations

December 31, 2023

|   | Budget<br>2023<br>(Note 21) | Actual<br>2023        | Actual<br>2022<br>(Restated –<br>Note 3) |
|---|-----------------------------|-----------------------|--|
| <b>Revenue</b>  |                             |                       |  |
| Taxation (Schedule 2)   | \$ 48,433,800               | \$ 49,269,711         | \$ 50,194,204                            |
| User charges (Schedule 3)                                       | 40,636,630                  | 39,879,783            | 39,676,189                               |
| Grants (Schedule 3)   | 8,754,067                   | 14,300,271            | 16,176,615                               |
| Other (Schedule 4)  | 15,299,796                  | 23,092,060            | 19,884,906                               |
| Revenue recognized on contributed<br>subdivision infrastructure | -                           | 10,932,550            | 3,821,383                                |
| Equity earnings in subsidiary (Note 6)                          | -                           | 846,253               | 2,780,417                                |
|   | <u>113,124,293</u>          | <u>138,320,628</u>    | <u>132,533,714</u>                       |
| <b>Expenses (Note 19)</b>                                       |                             |                       |  |
| General government  | 15,910,972                  | 20,876,375            | 18,758,627                               |
| Protection to persons and property                              | 15,480,361                  | 16,504,394            | 12,499,555                               |
| Transportation services   | 14,314,828                  | 19,308,241            | 24,361,259                               |
| Environmental services  | 31,635,730                  | 33,366,997            | 30,991,692                               |
| Health services   | 153,260                     | 174,145               | 153,038                                  |
| Social and family services                                      | 695,341                     | 735,957               | 646,750                                  |
| Recreational and cultural services                              | 15,025,158                  | 19,235,011            | 15,770,939                               |
| Planning and development  | 2,378,239                   | 2,691,044             | 7,609,655                                |
|   | <u>95,593,889</u>           | <u>112,892,164</u>    | <u>110,791,515</u>                       |
| Annual surplus  | 17,530,404                  | 25,428,464            | 21,742,199                               |
| Accumulated surplus, beginning of year<br>As previously stated  | 377,505,299                 | 377,167,346           | 355,763,100                              |
| PSAS adjustment (Note 3)  | (337,953)                   | -                     | (337,953)                                |
| Accumulated surplus, beginning of year<br>As restated           | <u>377,167,346</u>          | <u>377,167,346</u>    | <u>355,425,147</u>                       |
| Accumulated surplus, end of year                                | <u>\$ 394,697,750</u>       | <u>\$ 402,595,810</u> | <u>\$ 377,167,346</u>                    |

The accompanying notes are an integral part of the consolidated financial statements.

# Corporation of the City of Welland

## Consolidated Statement of Change in Net Financial Assets

December 31, 2023

|   | Budget<br>2023<br>(Note 18) | Actual<br>2023       | Actual<br>2022<br>(Restated –<br>Note 3) |
|---|-----------------------------|----------------------|--|
| <b>Annual surplus</b>   | \$ 17,530,404               | \$ 25,428,464        | \$ 21,742,199                            |
| Amortization of tangible capital assets                             | 11,481,873                  | 11,554,860           | 10,995,506                               |
| Acquisition of tangible capital assets                              | (197,000)                   | (59,747,161)         | (39,345,725)                             |
| Proceeds on the disposition of<br>tangible capital assets           | -                           | 2,406,198            | 573,384                                  |
| Loss (gain) on disposal of tangible<br>capital assets               | -                           | 4,219,605            | (264,641)                                |
|   | <u>28,815,277</u>           | <u>(16,138,034)</u>  | <u>(6,299,277)</u>                       |
| Acquisition of other assets   | (43,120)                    | (59,842)             | 264,864                                  |
| Use of other assets   | 56,100                      | 99,996               | 66,993                                   |
|   | <u>12,980</u>               | <u>40,154</u>        | <u>331,857</u>                           |
| Change in net financial assets                                      | 28,828,257                  | (16,097,880)         | (5,967,420)                              |
| Net financial assets, beginning of the year<br>As previously stated | 58,864,401                  | 58,864,401           | 65,232,920                               |
| PSAS adjustments (Note 3)   | -                           | -                    | (401,099)                                |
| Net financial assets, beginning of year<br>As restated              | <u>58,864,401</u>           | <u>58,864,401</u>    | <u>64,831,821</u>                        |
| <b>Net financial assets, end of year</b>                            | <u>\$ 87,692,658</u>        | <u>\$ 42,766,521</u> | <u>\$ 58,864,401</u>                     |

The accompanying notes are an integral part of the consolidated financial statements.

# Corporation of the City of Welland

## Consolidated Statement of Cash Flows

December 31

2023

2022  
(Restated –  
Note 3)

### Operating activities

|  |                   |                   |
|--|-------------------|-------------------|
| Annual surplus   | \$ 25,428,464     | \$ 21,742,199     |
| Non-cash items   |                   |                   |
| Amortization   | 11,554,860        | 10,995,506        |
| Accretion of asset retirement obligation                     | 16,003            | 15,168            |
| Increase in investment in subsidiary                         | (1,846,253)       | (3,780,417)       |
| Revenue recognized on contributed subdivision infrastructure | (10,932,550)      | (3,821,383)       |
| Loss (gain) on disposal of tangible capital assets           | 4,219,605         | (264,641)         |
| Changes in the following balances                            |                   |                   |
| Taxes and grants-in-lieu receivable                          | (2,015,895)       | 201,777           |
| Accounts receivable  | (8,531,195)       | (2,102,929)       |
| Interest receivable  | (213,016)         | (305,300)         |
| Accounts payable and accrued liabilities                     | 6,608,581         | 3,266,810         |
| Deferred revenue   | 479,701           | 4,006,387         |
| Accrued interest on long-term debt                           | (63,005)          | 176,375           |
| Employee future benefits                                     | 280,717           | (849,957)         |
| Other assets   | 40,154            | 331,857           |
|  | <u>25,026,171</u> | <u>29,611,452</u> |

### Capital activities

|   |                     |                     |
|---|---------------------|---------------------|
| Proceeds from sale of tangible capital assets | 2,406,198           | 573,384             |
| Acquisition of tangible capital assets        | (48,814,612)        | (35,524,342)        |
|   | <u>(46,408,414)</u> | <u>(34,950,958)</u> |

### Investing activity

|  |                   |                     |
|--|-------------------|---------------------|
| Decrease (increase) in investments – net | <u>23,994,269</u> | <u>(20,328,003)</u> |
|--|-------------------|---------------------|

### Financial activities

|   |                    |                  |
|---|--------------------|------------------|
| Dividends received from investment in subsidiary (Note 4) | 1,000,000          | 1,000,000        |
| Proceeds on issuance of long-term debt                    | 330,000            | 15,768,000       |
| Repayment of long-term debt                               | (9,447,587)        | (7,965,828)      |
| Repayment of capital lease obligation                     | (4,610)            | (4,450)          |
|   | <u>(8,122,197)</u> | <u>8,797,722</u> |

|                      |             |              |
|----------------------|-------------|--------------|
| Net decrease in cash | (5,510,171) | (16,869,787) |
|----------------------|-------------|--------------|

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Cash, beginning of year | <u>25,656,573</u> | <u>42,526,360</u> |
|-------------------------|-------------------|-------------------|

|                   |                      |                      |
|-------------------|----------------------|----------------------|
| Cash, end of year | <u>\$ 20,146,402</u> | <u>\$ 25,656,573</u> |
|-------------------|----------------------|----------------------|

The accompanying notes are an integral part of the consolidated financial statements.



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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 1. Nature of operations

The Corporation of the City of Welland (“the City”) is a city in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, the Municipal Affairs Act and related legislation.

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### 2. Summary of significant accounting policies

The consolidated financial statements of the Corporation of the City of Welland are the representations of management prepared in accordance with Canadian public sector accounting standards (“PSAS”). Significant aspects of the accounting policies adopted by the City are as follows:

#### Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, non-financial assets, revenues, and expenses of the City. The consolidated financial statements are comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax supported operations, they include the following:

- Welland Public Library Board
- Welland Downtown Business Improvement Area
- North Welland Business Improvement Area
- Youngs Sportsplex

Interdepartmental and organizational transactions and balances are eliminated.

The following joint local board is proportionately consolidated as the City has a non-controlling interest of 55%:

- Niagara Central Dorothy Rungeling Airport Commission (Joint Board)

Related party transactions are eliminated.

Welland Hydro-Electric Holding Corp. is a subsidiary corporation of the City and is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAS for government business enterprises (Note 4). Under the modified equity basis, the business enterprise’s accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated.

These consolidated financial statements exclude trust funds that are administered for the benefit of external parties (Note 15).

#### Basis of accounting

The consolidated financial statements are reported on the accrual basis of accounting.

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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 2. Summary of significant accounting policies (continued)

#### Basis of accounting (continued)

The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of the legal obligation to pay.

#### Deferred revenue

Receipts which are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenses are incurred, restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenses which will be incurred in a later period are deferred.

#### Employee future benefits

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care and dental costs. Actuarial gains or losses are amortized on a straight line basis over the expected average remaining service life of all employees covered.

#### Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

The City does not capitalize interest as part of the costs of its tangible capital assets.

Works of art for display in City property are not recorded as tangible capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The cost of art is not determinable or relevant to their significance. No valuation of the collection has been conducted or disclosed in the consolidated financial statements.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the consolidated statement of operations as "other revenue". Amortization is based on six months for the year of acquisition regardless of the month purchased and annually thereafter until the asset is fully depreciated, disposed of or replaced. Assets under construction are not amortized until the asset is available for productive use.

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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 2. Summary of significant accounting policies (continued)

#### Tangible capital assets (continued)

Amortization is based on the following classifications and useful lives:

| <u>Classification</u>                | <u>Useful Life</u> |
|--------------------------------------|--------------------|
| Land improvements                    | 10 to 25 years     |
| Buildings                            | 20 to 50 years     |
| Roads and bridges                    | 15 to 75 years     |
| Water and waste water infrastructure | 15 to 80 years     |
| Vehicles                             | 5 to 15 years      |
| Computer hardware and software       | 1 to 5 years       |
| Machinery and equipment              | 5 to 20 years      |

#### Leased equipment

Equipment taken on lease with terms which transfer substantially all of the benefits and risks of ownership to the City are accounted for as capital leases, as though an asset has been purchased and a liability incurred. The assets are amortized on a straight line basis at the lesser of the lease term and expected useful life commencing in the month of purchase. All other items of equipment held on lease are accounted for as operating leases.

Capital lease obligations are recorded at the present value of the minimum lease payments. The discount rate used to determine the present value of the lease payments is the lower of the City's rate of incremental borrowing or the interest rate implicit in the lease.

#### Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure is required to be provided by subdivision developers. Upon completion they are turned over to the City. The City is not involved in the construction. Subdivision infrastructure provided is recorded at its fair value at the date of receipt and is also recorded as revenue.

#### Reserves for future expenses

Certain amounts, as approved by City Council, are set aside in reserves and reserve funds for future operating and capital expenses.

#### Government transfer payments

Government transfers are recognized as revenues by the City in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions or programs to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 2. Summary of significant accounting policies (continued)

#### Taxation revenue

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenue is recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Assessments of the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined, and the effect shared with the Region of Niagara and school boards, as appropriate.

#### Investment income

Investment income earned on operating surplus funds and reserves and reserve funds (other than obligatory reserve funds) are recorded as revenue in the period earned. Investment income earned on obligatory reserve funds are recorded directly to each respective fund balance and forms part of the deferred revenue balance.

#### Region and school board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the Region of Niagara are not reflected in the accumulated surplus balance of these consolidated financial statements.

#### Contaminated sites

Contaminated sites are the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceed an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met: a) an environmental standard exists; b) contamination exceeds the environmental standard; c) the organization is directly responsible or accepts responsibility for the liability; d) future economic benefits will be given up; and e) a reasonable estimate of the liability can be made. Changes in this estimate are recorded in the City's statement of operations.

#### Management estimates

The preparation of financial statements in accordance with PSAS requires management 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 expenses during the report period. Significant estimates relate to the allowance for taxes and accounts receivable, accrued liabilities, employee future benefits, contaminated sites and the useful lives of tangible capital assets. Actual results could differ from those estimates.

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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 2. Summary of significant accounting policies (continued)

#### Financial instruments

All financial instruments are recorded at their cost or amortized cost except for portfolio investments in equity instruments quoted in an active market and derivatives which are recorded at their fair value with unrealized remeasurement gains and losses recorded in the statement of remeasurement gains and losses. Once realized, remeasurement gains and losses are transferred to the statement of operations. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the statement of operations.

Financial liabilities (or part of a financial liability) are removed from the statement of financial position when, and only when, they are discharged or cancelled or expire.

#### Asset retirement obligations

A liability for an asset retirement obligation is recognized when all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is measured at the City's best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date. The estimate includes costs directly attributable to the asset retirement activities. The costs also include post-retirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset and the costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.

Upon initial recognition of the liability for an asset retirement obligation, the carrying amount of the corresponding tangible capital asset (or component thereof) is increased by the same amount. The capitalized asset retirement cost is expensed in a rational and systematic manner over the useful life of the tangible capital asset (or a component thereof). For obligations for which there is no tangible capital asset recognized or for tangible capital assets that are no longer in productive use, the asset retirement costs are expensed immediately. Subsequently, the liability is reviewed at each financial statement reporting date and adjusted for (1) changes as a result of the passage of time with corresponding accretion expense and (2) adjusted for any revisions to the timing, amount of the original estimate of undiscounted cash flows, or the discount rate. Adjustments to the liability as a result of revisions to the timing, amount of the estimate of undiscounted cash flows or the discount rate are adjusted to the cost of the related tangible capital asset and the revised carrying amount of the related tangible capital asset is amortized except for adjustments related to tangible capital assets that are not recognized or no longer in productive use, which are expensed in the period they are incurred.

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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 2. Summary of significant accounting policies (continued)

#### Asset retirement obligations (continued)

The asset retirement costs are amortized on a straight-line basis over the estimated useful life of the related asset.

A recovery related to asset retirement obligation is recognized when the recovery can be appropriately measured; reasonably estimated and it is expected that future economic benefits will be obtained. The recovery is not netted against the liability.

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### 3. Change in accounting policies

The City adopted the following standards concurrently beginning January 1, 2023 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments* and PS 3450 *Financial Instruments*. There were no adjustments required and there are no remeasurement gains or losses or embedded derivatives requiring the presentation of a statement of remeasurement gains or losses.

PS1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses. In accordance with PS 2601 *Foreign Currency*, the City has made the irrevocable election to directly recognize foreign exchange gains/losses in the statement of operations.

PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary* no longer applies.

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 3. Change in accounting policies (continued)

#### *Establishing fair value*

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

#### *Fair value hierarchy*

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

PS 3280 *Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on January 1, 2022 on a modified retroactive basis with prior period restatement. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded. Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

The asset retirement obligations result from the removal and disposal of designated substances such as asbestos from City buildings. The City reports liabilities related to the legal obligations where the City is obligated to incur costs to retire a tangible capital asset.

# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 3. Change in accounting policies (continued)

The City's ongoing efforts to assess the extent to which designated substances exist in City assets, and new information obtained through regular maintenance and renewal of City assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes to in the estimated cost to fulfil the obligation. The measurement of asset retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in revisions to the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense

As a result of applying this accounting standard, an asset retirement obligation of \$432,270 (2022 – \$416,267) was recognized as a liability in the Statement of Financial Position. These obligations represent estimated retirement costs to City-owned buildings and equipment, related to asbestos and fuel tanks, for example. The City has restated the prior period based on the modified retroactive approach.

The adoption of PS 3280 ARO was applied to the comparative period as follows:

| 2022  | As previously reported | Adjustments | As restated    |
|---|------------------------|-------------|----------------|
| <b>Statement of Financial Position</b>                    |                        |             |                |
| Tangible capital assets                                   | \$ 318,014,530         | \$ 63,019   | \$ 318,075,549 |
| Asset retirement obligation liability                     | -                      | 416,267     | 416,267        |
| <b>Statement of Change in Net Financial Assets (Debt)</b> |                        |             |                |
| Annual surplus  | 21,759,494             | (17,295)    | 21,742,199     |
| Accretion of ARO  | -                      | 15,168      | 15,168         |
| Amortization  | 10,993,379             | 2,127       | 10,995,506     |
| <b>Statement of Operations</b>                            |                        |             |                |
| Transportation services                                   | 24,360,015             | 1,244       | 24,361,259     |
| Recreation and cultural services                          | 15,754,888             | 16,051      | 15,770,939     |
| Annual surplus  | 21,759,494             | (17,295)    | 21,742,199     |
| Accumulated surplus,<br>at beginning of the year          | 355,763,100            | (337,953)   | 355,425,147    |



# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 4. Financial instruments

Financial instruments are classified into three categories: fair value, amortized cost or cost.

**Fair value:** The City manages and reports performance for groups of financial assets on a fair-value basis. Investments traded in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

**Amortized cost:** Amounts are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. It is applied to financial assets or financial liabilities that are not in the fair value category and is now the method that must be used to calculate amortized cost.

**Cost:** Amounts are measured at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt.

The following table provides the carrying amount information of the City's financial instruments by category. The maximum exposure to credit risk for the financial assets would be the carrying values shown below.

|  | 2023                   | 2023          | 2022                   | 2022          |
|--|------------------------|---------------|------------------------|---------------|
|  | Amortized<br>cost/cost | Fair<br>Value | Amortized<br>cost/cost | Fair<br>Value |
|  | \$                     | \$            | \$                     | \$            |
| Cash and cash equivalents                | 20,146,402             |               | 25,656,573             |               |
| Long-term investments                    | 103,844,625            |               | 127,838,894            |               |
| Accounts receivable                      | 19,436,470             |               | 11,481,016             |               |
| Accounts payable and accrued liabilities | (33,879,487)           |               | (27,204,012)           |               |
| Long-term debt                           | (61,060,765)           |               | (70,820,988)           |               |
| Employee benefits payable                |                        | (8,609,935)   |                        | (8,329,218)   |

### Credit risk

The City's principal financial assets are cash and cash equivalents, accounts receivable and long-term investments, which are subject to credit risk. The City holds its cash accounts with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation. The City's investment policy operates within the constraints of the investment guidelines laid out in the Municipal Act, 2001. For accounts receivable, the City measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the City's historical experience regarding collections.

# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 4. Financial instruments (continued)

#### Liquidity risk

Liquidity risk is the risk that the City will not be able to meet all cash outflow obligations as they come due. The City mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining sufficient cash on hand if unexpected cash outflows arise. The following table sets out the expected maturities, representing undiscounted cash-flows of its financial liabilities.

|   | Within<br>1 year    | 1 to 2<br>years   | 2 to 5<br>years     | Over 5<br>years     | Total               |
|---|---------------------|-------------------|---------------------|---------------------|---------------------|
| Accounts payables<br>and accrued<br>liabilities | \$ 33,879,487       | \$ -              | \$ -                | \$ -                | \$ 33,879,487       |
| Employee benefits<br>payable                    | 827,878             | 827,878           | 2,483,635           | 4,470,544           | 8,609,935           |
|   | <u>\$34,707,365</u> | <u>\$ 827,878</u> | <u>\$ 2,483,635</u> | <u>\$ 4,470,544</u> | <u>\$42,489,422</u> |

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure that risk.

#### Market risk

##### Foreign currency risk

Foreign currency risk is the risk that an investment loses value based on exchange rate fluctuations upon. The City is exposed to foreign currency risk with regard to cash balances denominated in U.S. dollars (USD). As at December 31, 2023, City held USD \$117,417 (2022 – USD \$479,582). Additionally, the City holds U.S. denominated investments of USD \$300,000 (2022 - USD \$Nil). It is the City's opinion that the City is not exposed to significant foreign currency risk arising from cash balances denominated in U.S. dollars.

##### Interest rate risk

Interest rate risk is the risk that its fixed income investments decline in value in response to an increase in interest rates. The investment strategy at the City is based on the City's Investment policy which operates within the constraints of the investment guidelines laid out in the Municipal Act, 2001. The purchases are made through varying lengths of maturities to balance investment term exposures, to mitigate the effects of interest rate volatility, as investments mature at face value. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure that risk. The City is also exposed to interest rate risk on its long-term debts which are regularly monitored.

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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 5. Investments

Investments in the consolidated statement of financial position are reported at cost with the exception of equity investments that are traded in the active market being reported at market value. Investments consist of guaranteed investment certificates ("GICs") with various chartered banks, bonds, as well as mutual funds and other principal protected investment instruments. As at December 31, 2023, the City does not hold any equity investments that are traded in the active market, therefore all of the City's investments are recorded at cost.

The market value of the investments at December 31, 2023 was \$90,389,559 (2022 - \$126,891,753). Management does not believe the cost base of investments that are higher than market value are permanently impaired, and therefore no write-down is required in accordance with PSAS.

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### 6. Subsidiary operations

Welland Hydro-Electric Holding Corp. ("Welland Hydro"), established by City council under municipal By-law 2000-90, is wholly owned by the City, and provides regulated and unregulated electric utility services.

The following table provides condensed supplementary financial information for Welland Hydro:

|                           | <u>2023</u>                 | <u>2022</u>          |
|---------------------------|-----------------------------|----------------------|
| <b>Financial position</b> |                             |                      |
| Current assets            | <b>\$ 16,414,000</b>        | \$ 11,826,000        |
| Capital assets            | <b>45,664,000</b>           | 43,378,000           |
| Regulatory assets         | <b><u>2,765,000</u></b>     | <u>2,967,000</u>     |
| Total assets              | <b><u>64,843,000</u></b>    | <u>58,171,000</u>    |
| Current liabilities       | <b>10,327,000</b>           | 7,824,000            |
| Long-term debt other      | <b>19,836,000</b>           | 17,755,000           |
| Long-term liabilities     | <b>7,655,000</b>            | 6,018,000            |
| Regulatory balances       | <b><u>2,031,000</u></b>     | <u>2,402,000</u>     |
| Total liabilities         | <b><u>39,849,000</u></b>    | <u>33,999,000</u>    |
| Net assets                | <b><u>\$ 24,994,000</u></b> | <u>\$ 24,172,000</u> |

# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 6. Subsidiary operations (continued)

|  | <u>2023</u>       | <u>2022</u>         |
|--|-------------------|---------------------|
| Revenues   | \$ 57,770,000     | \$ 58,135,000       |
| Operating expenses   | (54,480,000)      | (56,253,000)        |
| Financing expenses   | (654,000)         | (559,000)           |
| Other income   | 288,000           | 81,000              |
| Net movement in regulatory balances, net of tax                              | 169,000           | 1,186,000           |
| Income tax (expense) recovery  | <u>(774,000)</u>  | <u>(619,000)</u>    |
| Net earnings from operations and increase in equity investment in subsidiary | 2,319,000         | 1,971,000           |
| Dividends  | (1,000,000)       | (1,000,000)         |
| Other comprehensive loss   | <u>(497,000)</u>  | <u>1,785,000</u>    |
| Change in equity   | <u>\$ 822,000</u> | <u>\$ 2,756,000</u> |

The City has a 51% share ownership in Welland Solar Joint Venture. The remaining 49% interest is held by Welland Hydro-Electric Holding Corp. (included in the above charts).

The City's investment in Welland Hydro and Welland Solar Joint Venture is comprised of the following:

|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| Net assets – Welland Hydro                                | \$ 24,994,000        | \$ 24,172,000        |
| City of Welland investment in Welland Solar Joint Venture | <u>2,132,987</u>     | <u>2,108,734</u>     |
|   | <u>\$ 27,126,987</u> | <u>\$ 26,280,734</u> |

The financial position information is as reported by Welland Hydro at December 31, 2023. The results of operations information is as reported by Welland Hydro for the year ended December 31, 2023.

In 2017, Welland Solar Joint Venture (“the company”) obtained a 10 year promissory note from the City of Welland in the amount of \$2,000,000. The note bears interest at 4.3%, calculated and paid semi-annually with the full principal balance due at the end of the ten year term. The company will have the option to renew the loan for an additional eight years within six months of the note maturing.

#### Contingencies

- a) As of May 1, 2002, in order for Welland Hydro to obtain the electricity it requires to distribute to its customers, Welland Hydro was required to provide security to the Independent Electricity System Operator (“IESO”) based on its usage. The security obtained was a letter of credit from a financial institution which requires an interest coverage ratio of more than 1.5 and a debt capitalization ratio less than 0.6. The letter is in the amount of \$2,539,000 and incurs interest at 0.6% annually.

The following summarizes the City's related party transactions with Welland Hydro for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 6. Subsidiary operations (continued)

|   | <u>2023</u>  | <u>2022</u>  |
|---|--------------|--------------|
| Electricity purchased                   | \$ 1,101,000 | \$ 1,092,000 |
| Rent paid                               | 10,000       | 28,000       |
| Dividends received                      | 1,000,000    | 1,000,000    |
| Property taxes and other taxes received | 62,000       | 59,000       |
| Leases and miscellaneous                | 16,000       | 12,000       |
| Water user charges received             | 4,000        | 4,000        |

As at December 31, 2023, the City has an outstanding receivable from Welland Hydro of \$884,000 (2022 - \$838,000).

### 7. Credit facility

An operating line of credit of \$9,000,000 has been established with a financial institution, of which \$Nil was used at December 31, 2023 (2022 – \$Nil). Interest is calculated at prime minus an agreed upon percentage. There is no security on this line of credit.

### 8. Deferred revenue

A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation restricts how these funds may be used and under certain circumstances these funds may be refunded.

The net change during the year in the legislatively restricted deferred revenue balances is as follows:

|  | Balance,<br>beginning<br>of year | Restricted<br>funds<br>received | Interest<br>earned         | Revenue<br>recognized        | Balance,<br>end of year     |
|--|----------------------------------|---------------------------------|----------------------------|------------------------------|-----------------------------|
| Development Charges Act                    | \$ 18,976,641                    | \$ 2,621,789                    | \$ 592,112                 | \$(5,460,804)                | <b>\$ 16,729,738</b>        |
| Lot levies and<br>subdivider contributions | 4,126,699                        | 2,458,306                       | 194,028                    | (573,568)                    | <b>6,205,465</b>            |
| Recreational land (planning act)           | 4,500,001                        | 1,525,353                       | 187,640                    | (102,269)                    | <b>6,110,725</b>            |
| Canada Community Building Fund             | 3,683,861                        | 1,730,588                       | 38,860                     | (2,706,766)                  | <b>2,746,543</b>            |
| Building provision replacement             | 2,751,098                        | 412,832                         | 96,160                     | (529,582)                    | <b>2,730,508</b>            |
| Youngs Sportsplex                          | <u>222,847</u>                   | <u>217,869</u>                  | -                          | <u>(222,847)</u>             | <b><u>217,869</u></b>       |
| 2023 Total                                 | <b><u>\$ 34,261,147</u></b>      | <b><u>\$ 8,966,737</u></b>      | <b><u>\$ 1,108,800</u></b> | <b><u>\$(9,595,836)</u></b>  | <b><u>\$ 34,740,848</u></b> |
| 2022 Total                                 | <b><u>\$ 30,254,760</u></b>      | <b><u>\$13,574,940</u></b>      | <b><u>\$ 710,883</u></b>   | <b><u>\$(10,279,436)</u></b> | <b><u>\$ 34,261,147</u></b> |

# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 9. Asset retirement obligation

The City has recorded an asset retirement obligation as of the January 1, 2022 implementation date on a modified retroactive basis, with a simplified restatement of prior year amounts.

The City discounts significant obligations where there is a high degree of confidence on the amount and timing of cash flows and the obligation will not be settled for at least five years from the reporting date. The discount and inflation rate is reflective of the risks specific to the asset retirement liability.

As at December 31, 2023, all liabilities for asset retirement obligations are reported at estimated present value.

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation liability is below.

|  | <u>2023</u>       | <u>2022</u><br>(Restated) |
|--|-------------------|---------------------------|
| Liabilities for asset retirement obligations at beginning of year                      | \$ 416,267        | \$ 401,099                |
| Liabilities incurred during the year   | -                 | -                         |
| Increase in liabilities reflecting changes in the estimate of liabilities <sup>1</sup> | -                 | -                         |
| Increase in liabilities due to accretion <sup>2</sup>                                  | 16,003            | 15,168                    |
| Liabilities settled during the year  | <u>-</u>          | <u>-</u>                  |
| Liabilities for asset retirement obligations at end of year                            | <u>\$ 432,270</u> | <u>\$ 416,267</u>         |

<sup>1</sup> Reflecting changes in the estimated cash flows and the discount rate

<sup>2</sup> Increase in the carrying amount of a liability due to the passage of time

### 10. Long-term debt

a) The balance for long-term debt reported on the consolidated statement of financial position is comprised of the following:

|  | <u>2023</u>   | <u>2022</u>   |
|--|---------------|---------------|
| The City has assumed responsibility for the payment of principal and interest charges on certain long-term debt issued by the Regional Municipality of Niagara (Note 10(b)). | \$ 61,009,328 | \$ 70,759,032 |
| Due to the City of Port Colborne, bearing interest of 4.3% per annum repayable in annual instalments of \$4,113 commencing August 24, 2019, due August 24, 2028.             | 10,139        | 11,923        |
| Due to the City of Port Colborne, bearing interest of 3.5% per annum repayable in annual instalments of \$6,012 commencing June 15, 2018, due June 15, 2027.                 | 12,377        | 15,215        |

# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 10. Long-term debt (continued)

|  |                             |                             |
|--|-----------------------------|-----------------------------|
| Due to the Town of Pelham, bearing interest of 4.3% per annum repayable in annual instalments of \$3,897 commencing June 15, 2019, due June 15, 2028.        | <b>9,683</b>                | 11,387                      |
| Due to the Town of Pelham, bearing interest of 3.5% per annum repayable in annual instalments of \$5,411 commencing June 15, 2018, due June 15, 2027.        | <b>11,140</b>               | 13,677                      |
| Due to the Township of Wainfleet, bearing interest of 4.3% per annum repayable in annual instalments of \$1,515 commencing June 15, 2019, due June 15, 2028. | <b>3,766</b>                | 4,429                       |
| Due to the Township of Wainfleet, bearing interest of 3.5% per annum repayable in annual instalments of \$2,190 commencing June 15, 2018, due June 15, 2027. | <u><b>4,332</b></u>         | <u>5,325</u>                |
|  | <u><b>\$ 61,060,765</b></u> | <u><b>\$ 70,820,988</b></u> |

b) Long-term debt issued by the Regional Municipality of Niagara is comprised of:

| Debenture number | Purpose          | Interest rates | Maturity dates | 2023 \$                  | 2022 \$           |
|------------------|------------------|----------------|----------------|--------------------------|-------------------|
| 85-2004          | Civic Square     | 5.57           | 2024           | <b>843,514</b>           | 1,641,742         |
| 40-2014          | LED Streetlights | 3.00           | 2024           | <b>117,123</b>           | 351,379           |
| 78-2014          | Various          | 1.20-3.30      | 2024           | <b>349,091</b>           | 687,517           |
| 115-2013         | River Rd MSC     | 4.00           | 2038           | <b>9,480,000</b>         | 10,112,000        |
| 75-2015          | Various          | 1.15-2.80      | 2025           | <b>612,000</b>           | 1,007,000         |
| 85-2015          | WIFC             | 3.12           | 2025           | <b>3,038,220</b>         | 3,291,405         |
| 73-2016          | LED Streetlights | 2.29           | 2026           | <b>428,429</b>           | 564,858           |
| 35-2016          | Various          | 1.20-2.40      | 2026           | <b>1,310,872</b>         | 1,729,960         |
| 51-2017          | Various          | 1.20-2.45      | 2027           | <b>1,470,918</b>         | 2,250,994         |
| 58-2018          | Various          | 2.05-3.15      | 2028           | <b>5,347,000</b>         | 6,328,000         |
| 14-2019          | Various          | 1.95-2.45      | 2029           | <b>2,851,300</b>         | 3,743,177         |
| 59-2020          | Various          | 0.55-1.56      | 2030           | <b>3,705,000</b>         | 4,212,000         |
| 52-2021          | Various          | 0.40-2.10      | 2031           | <b>17,051,000</b>        | 19,071,000        |
| 61-2022          | Various          | 4.06           | 2032           | <b>14,404,861</b>        | 15,768,000        |
|                  |                  |                |                | <u><b>61,009,328</b></u> | <u>70,759,032</u> |

c) Principal repayments in each of the next five years are due as follows:

|                     |                             |
|---------------------|-----------------------------|
| 2024                | \$ 8,932,402                |
| 2025                | 7,552,435                   |
| 2026                | 7,482,189                   |
| 2027                | 7,027,392                   |
| 2028                | 6,777,495                   |
| 2029 and thereafter | <u>23,288,852</u>           |
|                     | <u><b>\$ 61,060,765</b></u> |

d) The City paid \$1,940,015 (2022 - \$2,125,385) interest on long-term debt during the year.

# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 11. Employee future benefits

|                          | <u>2023</u>         | <u>2022</u>         |
|--------------------------|---------------------|---------------------|
| Post-retirement benefits | \$ 8,333,400        | \$ 8,050,700        |
| Other                    | <u>276,535</u>      | <u>278,518</u>      |
|                          | <u>\$ 8,609,935</u> | <u>\$ 8,329,218</u> |

Employees who retire under the Ontario Municipal Employee Retirement System Act ("OMERS Act") early retirement provisions are eligible to receive medical and dental benefits to the age of sixty-five and life insurance benefits to age seventy. Total benefit payments for retirees during the year were \$164,806 (2022 - \$221,596).

In addition, under the sick leave benefit plan, for firefighters and grandfathered full time employees, unused sick leave can accumulate, and employees may become entitled to a cash payment when they leave the City's employment. The liability is for these accumulated days, to the extent they have vested and could be taken in cash by an employee on terminating employment. An amount of \$26,370 (2022 - \$194,286) was paid to employees who left the City's employment during the current year for sick leave benefits.

The most recent actuarial valuation of the post-employment benefits was performed at December 31, 2023 using the projected unit credit method.

The post-employment benefit liability at December 31 includes the following components:

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| Actuarial determined accrued benefit obligation | \$ 6,561,600        | \$ 6,090,400        |
| Unamortized actuarial gains                     | <u>1,771,800</u>    | <u>1,960,300</u>    |
|   | <u>\$ 8,333,400</u> | <u>\$ 8,050,700</u> |

The current actuarial valuation is based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates; however actual experience may vary from these estimates. The main actuarial assumptions employed for the valuation are as follows:

#### Salary increase

|                                    |                |
|------------------------------------|----------------|
| Salary increase                    |                |
| Firefighters                       | 2.5% per annum |
| Non-firefighters                   | 2.0% per annum |
| Discount rate at January 1, 2023   | 4.6%           |
| Discount rate at December 31, 2023 | 4.6%           |
| Medical cost increases             |                |
| First year                         | 8.0%           |
| Decreasing 1% per annum to         | 5.0%           |



# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 11. Employee future benefits (continued)

|                                       |      |
|---------------------------------------|------|
| Expected rate of dental cost increase |      |
| First year                            | 6.0% |
| Decreasing 1% per annum to            | 3.0% |

|   |            |
|---|------------|
| Estimated average remaining service life<br>of the employee group | 10.4 years |
|---|------------|

The post-employment benefit (income) expense is reported on the consolidated statement of operations in the various functional categories. Composition of the amount is as follows:

|                                    | <u>2023</u>       | <u>2022</u>         |
|------------------------------------|-------------------|---------------------|
| Current year benefit cost          | \$ 443,500        | \$ 487,100          |
| Curtailment gain                   | -                 | (743,600)           |
| Amortization of actuarial gains    | (188,500)         | (373,100)           |
| Interest on post benefit liability | <u>294,400</u>    | <u>235,800</u>      |
|                                    | <u>\$ 594,400</u> | <u>\$ (393,800)</u> |

As at December 31, 2023, the City has a sick leave reserve of \$40,304 (2022 – \$40,304) (Note 15).

### 12. Tangible capital assets

The net book values of tangible capital assets are as follows:

|                                      | <u>2023</u>           | <u>2022</u><br>(Restated –<br>Note 3) |
|--------------------------------------|-----------------------|---------------------------------------|
| Land and land improvements           | \$ 30,768,968         | \$ 30,262,336                         |
| Buildings                            | 72,792,038            | 73,153,028                            |
| Roads and bridges                    | 106,716,270           | 79,191,206                            |
| Water and waste water infrastructure | 134,840,922           | 117,105,643                           |
| Vehicles                             | 8,886,197             | 11,779,600                            |
| Computer hardware and software       | 1,357,121             | 1,659,265                             |
| Machinery and equipment              | 4,260,564             | 4,900,859                             |
| Assets under capital lease           | <u>19,967</u>         | <u>23,612</u>                         |
|                                      | <u>\$ 359,642,047</u> | <u>\$ 318,075,549</u>                 |

# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 13. Other assets

|                  | <u>2023</u>       | <u>2022</u>       |
|------------------|-------------------|-------------------|
| Prepaid expenses | \$ 102,514        | \$ 151,060        |
| Inventory        | <u>84,728</u>     | <u>76,336</u>     |
|                  | <u>\$ 187,242</u> | <u>\$ 227,396</u> |

### 14. Accumulated surplus

|  | <u>2023</u>           | <u>2022</u>            |
|--|-----------------------|------------------------|
|  |                       | (Restated –<br>Note 3) |
| Surplus                                    |                       |                        |
| City                                       | \$ 12,427,623         | \$ 41,727,858          |
| Welland Public Library                     | 785,939               | 969,552                |
| North Welland Business Improvement Area    | 152,825               | 120,255                |
| Welland Downtown Business Improvement Area | 100,207               | 91,240                 |
| Niagara Central Airport Commission         | (325,134)             | (52,323)               |
| Youngs Sportsplex                          | <u>178,031</u>        | <u>178,031</u>         |
|  | <u>13,319,491</u>     | 43,034,613             |
| Investment in tangible capital assets      | <u>359,642,047</u>    | <u>318,075,549</u>     |
| Investment in subsidiary                   | <u>27,126,987</u>     | <u>26,280,734</u>      |
| Unfunded                                   |                       |                        |
| Long-term debt                             | (61,060,765)          | (70,820,988)           |
| Obligations under capital lease            | (8,885)               | (13,495)               |
| Employee benefit obligations               | <u>(8,609,935)</u>    | <u>(8,329,218)</u>     |
|  | <u>(69,679,585)</u>   | (79,163,701)           |
| Reserve and reserve funds (Note 15)        | <u>72,186,870</u>     | <u>68,940,151</u>      |
|  | <u>\$ 402,595,810</u> | <u>\$ 377,167,346</u>  |

# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 15. Reserve and reserve funds

|  | <u>2023</u>          | <u>2022</u>          |
|--|----------------------|----------------------|
| Reserves set aside for specific purposes by Council                    |                      |                      |
| Integrated library systems   | \$ 808,597           | \$ 457,179           |
| Bequests   | <u>10,000</u>        | <u>16,000</u>        |
|  | <u>818,597</u>       | <u>473,179</u>       |
| Reserve funds set aside for specific purposes by Council               |                      |                      |
| Sick leave   | 40,304               | 40,304               |
| Workers' Safety Insurance Board  | 668,044              | 668,044              |
| Capital expenditure  |                      |                      |
| Courthouse maintenance   | 98,372               | 98,349               |
| Parks and recreation   | 104,553              | 156,001              |
| Economic development   | 9,035,842            | 5,818,465            |
| Fire   | 8,337                | 8,337                |
| Airport  | 86,646               | 86,646               |
| Fleet  | 558,592              | 519,359              |
| Parking  | 12,657               | 22,657               |
| Sports and culture   | 905,292              | 905,292              |
| Municipal incentive grants   | 966,994              | 966,994              |
| Recreational canal lands   | 14,048,667           | 13,873,739           |
| Water/wastewater surplus   | 5,089,689            | 4,691,543            |
| Operating surplus  | 7,202,568            | 7,046,483            |
| Insurance  | 1,490,948            | 1,490,948            |
| YSP sustainability   | 7,314,402            | 7,189,779            |
| Downtown Brownfield  | 1,329,417            | 1,329,417            |
| Capital surplus  | 5,080,461            | 3,637,573            |
| Infrastructure renewal   | 12,418,649           | 12,773,413           |
| Atlas landfill   | 3,260,066            | 3,340,694            |
| Tax reduction  | 786,929              | 3,638,450            |
| Clerks   | 184,844              | 164,485              |
| Affordable housing   | 676,000              | -                    |
|  | <u>71,368,273</u>    | <u>68,466,972</u>    |
|  | <u>72,186,870</u>    | <u>68,940,151</u>    |
| Continuity of reserves and reserve funds balance,<br>Beginning of year | <u>68,940,151</u>    | <u>72,715,474</u>    |
| Other revenue  | 6,266,433            | 5,759,478            |
| Transfers in from  |                      |                      |
| Operating revenue  | 7,986,577            | 5,153,579            |
| Capital purposes   | <u>1,239,661</u>     | <u>1,194,163</u>     |
|  | <u>15,492,671</u>    | <u>12,272,220</u>    |
| Transfers out for  |                      |                      |
| Operational purposes   | 6,785,956            | 3,963,934            |
| Capital purposes   | <u>5,459,996</u>     | <u>12,083,609</u>    |
|  | <u>12,245,952</u>    | <u>16,047,543</u>    |
| Balance, end of year   | <u>\$ 72,186,870</u> | <u>\$ 68,940,151</u> |

# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 16. Collections for the Region of Niagara and school boards

Total taxation, user charges and development charges received or receivable on behalf of the Region of Niagara and the school boards were as follows:

|                                | <u>2023</u>          | <u>2022</u>          |
|--------------------------------|----------------------|----------------------|
| Region of Niagara (Schedule 2) | \$ 51,486,233        | \$ 41,217,539        |
| School boards (Schedule 2)     | <u>12,765,504</u>    | <u>12,365,294</u>    |
|                                | <u>\$ 64,251,737</u> | <u>\$ 53,582,833</u> |

The City is required to levy and collect taxes on behalf of the Region of Niagara and the school boards. These taxes are recorded as revenue at the amounts levied. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

The City also collects development charges on behalf of the Region of Niagara amounting to \$7,389,805 in 2023 (2022 - \$7,402,769). Development charges collected in excess of those paid to the Region are recorded as accounts payable.

### 17. Niagara Central Dorothy Rungeling Airport Commission

Niagara Central Dorothy Rungeling Airport Commission operates a two runway airport offering a year round fixed base operation. The Commission is funded by the four nearby municipalities: City of Welland, City of Port Colborne, Town of Pelham and the Township of Wainfleet. The City of Welland has a non-controlling interest in the airport of 55%.

The following table provides condensed supplementary financial information for Niagara Central Dorothy Rungeling Airport Commission:

|                           | <u>2023</u>         | <u>2022</u><br>(Restated –<br>Note 3) |
|---------------------------|---------------------|---------------------------------------|
| <b>Financial position</b> |                     |                                       |
| Financial assets          | \$ 365,907          | \$ 325,781                            |
| Financial liabilities     | <u>879,891</u>      | <u>359,983</u>                        |
| Net assets (debt)         | <u>(513,984)</u>    | <u>(34,202)</u>                       |
| Non-financial assets      | <u>2,153,378</u>    | <u>1,633,710</u>                      |
| Accumulated surplus       | <u>\$ 1,639,394</u> | <u>\$ 1,629,508</u>                   |
| Revenues                  | \$ 321,928          | \$ 600,843                            |
| Expenses                  | <u>(312,042)</u>    | <u>(288,555)</u>                      |
| Investment in subsidiary  | <u>\$ 9,886</u>     | <u>\$ 312,288</u>                     |

The financial position information is as reported by the Niagara Central Dorothy Rungeling Airport Commission as at December 31, 2023 and the results of operations are as reported for the year ended December 31, 2023.

# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

### 17. Niagara Central Dorothy Rungeling Airport Commission (continued)

The City has recorded in the financial statements its 55% share of the Niagara Central Dorothy Rungeling Airport Commissions' assets, liabilities, accumulated surplus, revenues, expenses, and annual surplus.

The following summarizes the City's related party transactions with the Niagara Central Dorothy Rungeling Airport Commission for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

|   | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| Note payable, bearing interest at 3.75% per annum, repayable in annual blended installments of \$4,363 commencing July 1, 2023, due July 1, 2038. | \$ 584,213  | \$ -        |
| Note payable, bearing interest at 4.3% per annum, repayable in annual instalments of \$12,123 commencing June 15, 2019, due June 15, 2028.        | 54,774      | 64,412      |
| Note payable, bearing interest of 3.5% per annum, repayable in annual instalments of \$16,533 commencing June 15, 2018, due June 15, 2027.        | 61,887      | 76,073      |
| Grants  | 85,123      | 86,671      |

### 18. Trust fund

The trust fund administered by the City, amounting to \$692,450 (2022 - \$667,301), has not been included in the consolidated statement of financial position, nor have their financial activities been included in the consolidated statement of operations.

### 19. Classification of expenditures by object

The Consolidated Statement of Operations presents the expenditures by function, whereas the following classifies those same expenditures by object:

|  | <u>2023</u>           | <u>2022</u><br>(Restated –<br>Note 3) |
|--|-----------------------|---------------------------------------|
| Salaries, wages and employee benefits    | \$ 41,072,861         | \$ 40,781,804                         |
| Net long-term debt charges               | 2,738,615             | 2,131,619                             |
| Materials, services and other            | 53,897,584            | 52,340,871                            |
| Rents and finance expenses               | 2,745,286             | 3,808,261                             |
| External transfers                       | 866,955               | 718,286                               |
| Accretion of asset retirement obligation | 16,003                | 15,168                                |
| Amortization                             | <u>11,554,860</u>     | <u>10,995,506</u>                     |
|  | <u>\$ 112,892,164</u> | <u>\$ 110,791,515</u>                 |

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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 20. Contingencies

Certain property owners in the City of Welland have been successful in appealing their tax assessments with the result that previous years' taxes will eventually be refunded. Based on the results of these appeals it is likely that additional taxes for years up to 2023 will also be subject to appeal and it is further likely that these taxes will be refunded.

Although an estimate cannot be made of the contingent liability, the City has provided \$500,000 (2022 - \$500,000) as a reserve for doubtful accounts. The amount of loss will be recorded in the year in which the settlement occurs.

#### *Litigation*

The City is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the City believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation, therefore no provision has been made in these consolidated financial statements.

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### 21. Budget amounts

The operating budget, the tax rate supported capital budgets to establish the tax rates for the year and the water and wastewater operating budget were approved by Council on February 9, 2023.

An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original council approved budget.

Amounts included in the original council approved capital budget which are not recognized as tangible capital assets are included in consolidated statement of operations under the appropriate functional expense category, while those recognized as tangible capital assets are include in the consolidated statement of change in net financial assets.

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### 22. Liability for contaminated sites

The City has recorded a liability of \$125,000 (2022 - \$125,000) in accounts payable and accrued liabilities for City owned sites which contained elevated levels of elements in the soil. The liability estimate of \$125,000 for the sites identified were based on the environmental assessment conducted by a third party engineering firm and cost of possible remediation alternatives. Estimated recoveries are expected to be \$Nil.

#### *Landfill*

The City owns and monitors one closed landfill site and is legally required to perform post-closure maintenance and monitoring activities. Currently, an area of this landfill has been remediated to prepare the site for a future park. The remaining area of the site is under post-closure maintenance and monitoring activities. The costs for any further remediation cannot be reasonably estimated at this time and, therefore, no liability has been recorded related to the remediation costs in the consolidated statement of financial position as of December 31, 2023.

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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 23. Segmented information

#### General government

The City of Welland is known officially as “The Rose City”, Welland is home to over 50,000 residents who represent a blend of many different cultures. Our community is the proud host of an abundance of investment and recreational opportunities and conveniently located in the centre of Niagara Region. The City of Welland is a truly unique canal city blessed with post-secondary opportunities, health care facilities, and commercial amenities that offer big city resources with small town charm.

Our vision is to be the municipality that other municipalities measure themselves by; to be the benchmark. Our mission is to plan and provide for a vibrant, safe community that promotes healthy living and supports business growth; to respond to the needs of our diverse community in a timely, innovative and effective manner, through teamwork and partnerships; and to advocate for strong livable cities on issues impacting Welland. Welland embraces progress, and its historical significance in Ontario’s past.

This segment includes general revenues and expenses as well as the Mayor and Council operations and the Chief Administrative Officer (“CAO”), City Clerks, Finance, and Human Resources Departments.

The CAO’s Office is responsible for corporate leadership and direction of the general management of the corporation as well as participating in the overall stewardship of the City.

The Corporate Services Department directs all Finance, Purchasing and Transit operations; performs statutory duties of the City Treasurer under the Ontario Municipal Act, Municipal By-laws and Council policies; provides financial analysis and reporting services to Council; and the department imparts financial and purchasing assistance to all departments, residents and Welland City Council. It also provides and/or manages tax and utility billing services to the residents and businesses of the City. The Finance Division administers all the accounting and financial services for the City.

Responsibilities of the Human Resources Department are to foster consistent, fair and equitable employee and labour relations in the workplace. Human Resources defines, implements and monitors activities which positively influence the effectiveness of employees as they work towards achieving organizational goals and objectives. The Human Resources Department is also part of the CAO Department.

Information Services Division is a part of the CAO’s Office. The Information Services Division of the City of Welland offers innovative system solutions, robust modern technology, strong data management, reliable telephones and telecommunication infrastructure, and helps City Departments meet their information processing and communication needs.

The Office of the City Clerk is part of the CAO’s Office and is responsible for various corporate and administrative functions and is in frequent contact with all City departments, elected officials, other levels of government and the general public.

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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 23. Segmented information (continued)

#### General government (continued)

The Communications Division is part of the CAO's Office and oversees communications with community and internal and external stakeholders, facilitates increased awareness of issues that affect the community, and fosters community involvement through the development of communications strategies.

The Legal Division is part of the CAO's Office. The Legal Division oversees legal support services and liaises with external legal counsel, all City Departments, the registry office, courts, tribunals, and other boards or agencies that deal with legal proceedings affecting the Corporation.

#### Protection to persons and property

Protection is the City of Welland Fire and Emergency Services department's responsibility. The men and women of the Welland Fire Department are dedicated professionals whose mission is to protect the residents, employers, and visitors of the City of Welland from the consequences of fires and other emergencies. This mission encompasses the "Three Lines of Defense" which are Education, Enforcement and development of fire safety codes, and Emergency Response.

Part of Planning and Development Services, the Building and Inspection Division reviews plans and conducts inspections for permits, unsafe buildings and property standards complaints in accordance with the Ontario Building Code Act. By-law complaints, licensing for plumbers and businesses and administration of the SWAP and LASSR programs are also handled by this Division.

#### Transportation services

This segment maintains and provides services for roadways, sidewalks, street lighting, traffic & parking control and transit.

The Roads Section repairs and maintains City roadways, curbs, catch basins, culverts, and sidewalks. It also deals with drainage concerns in ditches and watercourses. This Section also provides winter plowing and sand/salt applications.

The Fleet Maintenance Section provides for all of the vehicle and equipment needs for the City. This involves licensed mechanics for repairs, parts and stores operations, as well as the preparation of specifications and tenders for equipment purchasing.

Traffic Operations and Safety primarily deals with the evaluation of existing roadways. Staff reviews roadways for safety and operational issues including traffic signals. Other areas of review include speeding, all-way stop requests, collisions, traffic and parking signage, traffic and parking bylaw administration and the traffic data collection and analysis.



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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 23. Segmented information (continued)

Parking Operations oversees all maintenance and operations of the City's Parking Lots and on-street parking locations. In addition, staff reviews requests for on-street parking regulations.

Street Lighting is the responsibility of the City. Staff reviews existing and new street light locations.

Parking Enforcement staff issue infractions under the Traffic and Parking Bylaw 89-2000. These infractions include violations relating to Disabled Parking, Private Property, Fire Routes, Restricted.

Parking Zones and enforcement within the Municipal Parking Lots and on-street paid parking locations.

School Crossing Guard Operations consist of numerous locations throughout the City and 45 staff members. Staff reviews existing and new locations to identify the need for added protection for pedestrians.

Transportation Planning reviews the impacts on existing and new roadways and the roadway design requirements needed through Commercial and Residential Development.

#### **Environmental services**

This division includes waterworks, wastewater and storm sewers, including the maintenance of watermain and wastewater sewers and the operation of the water system, water metering and the wastewater system.

The Water/Wastewater Section operates the water and wastewater system with provincially-licensed operators to maintain water quality and sampling, repair watermain breaks, flush watermains, clean and unplug sewers, replace water/wastewater service connections, and maintain water meters.

#### **Health services**

This segment includes the cemeteries operated by the City.

#### **Social and family services**

This segment includes the Welland Community Wellness Complex (WCWC).

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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 23. Segmented information (continued)

#### Recreation and cultural services

This Division delivers Parks, Facilities and Leisure Programs and Services to the City. The Division is committed to working together to protect, support and enrich the quality of life of the people who live with and play in the City of Welland.

Tourism Division is responsible for development, coordination and promotion of tourism attraction.

Facilities Division is responsible for the physical amenities including repairs and maintenance of 26 facilities, including the Civic Square, Museum, Fire Halls, Courthouse, WCWC, Arenas and Community Halls; maintain and repair of numerous playgrounds and multiple swimming pools, splash pad and wading pools; and responsible for building operations including security, caretaking and energy management.

The Parks Division is responsible for care and maintenance of numerous community parks and parkettes, sports fields and horticulture displays. The Parks Division also operates two City owned cemeteries. Winter operations include outdoor rinks and snow removal at numerous City owned Parks and Facilities. Forestry Crew take care of planting, trimming and removing dead dying or diseased trees on City boulevards, parks and naturalization areas throughout the City.

The Leisure Services Division includes Recreation Program Development, Community Development, Community Arenas, Playing Fields, Playgrounds, Halls and Market Square, and Marketing, Promotion and Public Awareness.

The functions of Recreation Program Development include Children, Youth, Adult, Older Adults; Aquatic; Summer Camp and Special Interest; Community Development includes Accessibility Advisory Committee and Consultation with Community Groups.

#### Planning and development

The Planning Division is responsible for the administration, review and processing of various Applications submitted under the Planning Act to include preparation of various Agreements and By-laws for approval of Council. Mapping, Property matters and various other studies/programs are also dealt with by the Division.

The Welland Development Commission (WDC) was established in 1963 as a non-profit economic development corporation that is an arm of the City. The WDC is funded by the City and corporate sponsors and is composed of chamber appointees, citizen appointees, members of council and two full time staff.

The WDC actively recruits new businesses and industries interested in establishing or expanding their enterprises in the City, as well as building working relationships with local businesses. It also promotes new business and investment opportunities within the City and will provide the business community with information and assistance with their respective needs and concerns.

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# Corporation of the City of Welland

## Notes to the Consolidated Financial Statements

December 31, 2023

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### 23. Segmented information (continued)

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Taxation revenue is allocated to segments based on the portion of taxation dollars budgeted to each segment.

The accounting policies used in these segments are consistent with those followed in the preparation of the unconsolidated financial statements as disclosed in Note 2.

# Corporation of the City of Welland

## Schedules to Consolidated Statement of Operations

Schedule 1 – Segment information

Year ended December 31, 2023

|   | General<br>government | Protection to<br>persons and<br>property | Transportation<br>services | Environmental<br>services | Health<br>services | Social<br>and family<br>services | Recreational<br>and cultural<br>services | Planning and<br>development | 2023<br>Consolidated |
|---|-----------------------|--|----------------------------|---------------------------|--------------------|----------------------------------|--|-----------------------------|----------------------|
| <b>Revenue</b>  |                       |  |                            |                           |                    |                                  |  |                             |                      |
| Taxation  | \$ 8,400,486          | \$ 12,677,097                            | \$ 16,608,820              | \$ 211,860                | \$ 19,708          | \$ 1,128,276                     | \$ 8,425,121                             | \$ 1,798,343                | \$ 49,269,711        |
| User charges  | 624,641               | 2,874,370                                | 304,403                    | 33,954,268                | 103,051            | 48                               | 1,268,261                                | 750,741                     | 39,879,783           |
| Grants  | 3,948,900             | -  | 6,980,385                  | 1,189,765                 | -                  | -                                | 2,081,138                                | 100,083                     | 14,300,271           |
| Other   | 8,110,949             | (193,077)                                | (224,780)                  | 3,248,054                 | 33,030             | 13,983                           | 4,859,845                                | 7,244,056                   | 23,092,060           |
| Revenue recognized on contributed<br>subdivision infrastructure | -                     | -  | 10,932,550                 | -                         | -                  | -                                | -  | -                           | 10,932,550           |
| Equity earnings in subsidiary                                   | 846,253               | -  | -                          | -                         | -                  | -                                | -  | -                           | 846,253              |
|   | <u>29,931,229</u>     | <u>15,358,390</u>                        | <u>34,601,378</u>          | <u>38,603,947</u>         | <u>155,789</u>     | <u>1,142,307</u>                 | <u>16,634,365</u>                        | <u>9,893,223</u>            | <u>138,320,628</u>   |
| <b>Expenses</b>   |                       |  |                            |                           |                    |                                  |  |                             |                      |
| Salaries, wages and<br>employee benefits                        | 6,636,788             | 12,646,185                               | 8,166,464                  | 3,033,704                 | 117,330            | 73,439                           | 8,923,162                                | 1,475,789                   | 41,072,861           |
| Net long-term debt charges                                      | 1,646,647             | -  | 10,921                     | 680,381                   | -                  | -                                | 400,666                                  | -                           | 2,738,615            |
| Materials, services and other                                   | 7,944,779             | 3,006,825                                | 6,769,831                  | 27,120,036                | 16,128             | 394,648                          | 7,473,212                                | 1,172,125                   | 53,897,584           |
| Rents and finance expenses                                      | 2,714,878             | -  | -                          | -                         | -                  | -                                | 30,408                                   | -                           | 2,745,286            |
| External transfers  | 866,955               | -  | -                          | -                         | -                  | -                                | -  | -                           | 866,955              |
| Accretion of Asset retirement<br>obligation                     | -                     | -  | 853                        | -                         | -                  | -                                | 15,150                                   | -                           | 16,003               |
| Amortization  | 1,066,328             | 851,383                                  | 4,360,172                  | 2,532,876                 | 40,687             | 267,871                          | 2,392,413                                | 43,130                      | 11,554,860           |
|   | <u>20,876,375</u>     | <u>16,504,394</u>                        | <u>19,308,241</u>          | <u>33,366,997</u>         | <u>174,145</u>     | <u>735,957</u>                   | <u>19,235,011</u>                        | <u>2,691,044</u>            | <u>112,892,164</u>   |
| <b>Annual surplus (deficit)</b>                                 | <u>\$ 1,054,854</u>   | <u>\$ (1,146,004)</u>                    | <u>\$ 15,293,137</u>       | <u>\$ 5,236,950</u>       | <u>\$ (18,356)</u> | <u>\$ 406,350</u>                | <u>\$ (2,600,646)</u>                    | <u>\$ 7,202,179</u>         | <u>\$ 25,428,464</u> |

# Corporation of the City of Welland

## Schedules to Consolidated Statement of Operations

Schedule 1 – Segment information

Year ended December 31, 2022

|   | General<br>government | Protection to<br>persons and<br>property | Transportation<br>services | Environmental<br>services | Health<br>services | Social<br>and family<br>services | Recreational<br>and cultural<br>services | Planning and<br>development | 2022<br>Consolidated<br>(Restated –<br>Note 3) |
|---|-----------------------|--|----------------------------|---------------------------|--------------------|----------------------------------|--|-----------------------------|--|
| <b>Revenue</b>  |                       |  |                            |                           |                    |                                  |  |                             |  |
| Taxation  | \$ 8,558,112          | \$ 12,914,969                            | \$ 16,920,466              | \$ 215,835                | \$ 20,078          | \$ 1,149,447                     | \$ 8,583,209                             | \$ 1,832,088                | \$ 50,194,204                                  |
| User charges  | 516,546               | 2,717,357                                | 3,534,520                  | 31,327,325                | 93,041             | 191                              | 921,487                                  | 565,722                     | 39,676,189                                     |
| Grants  | 4,680,058             | 7,500                                    | 8,300,310                  | 1,989,313                 | -                  | -                                | 1,040,232                                | 159,202                     | 16,176,615                                     |
| Other   | 7,429,435             | 3,625,503                                | 1,053,260                  | 2,982,967                 | 16,046             | 10,100                           | 4,110,010                                | 657,585                     | 19,884,906                                     |
| Revenue recognized on contributed<br>subdivision infrastructure | -                     | -  | 3,821,383                  | -                         | -                  | -                                | -  | -                           | 3,821,383                                      |
| Equity earnings in subsidiary                                   | <u>2,780,417</u>      | <u>-</u>                                 | <u>-</u>                   | <u>-</u>                  | <u>-</u>           | <u>-</u>                         | <u>-</u>                                 | <u>-</u>                    | <u>2,780,417</u>                               |
|   | <u>23,964,568</u>     | <u>19,265,329</u>                        | <u>33,629,939</u>          | <u>36,515,440</u>         | <u>129,165</u>     | <u>1,159,738</u>                 | <u>14,654,938</u>                        | <u>3,214,597</u>            | <u>132,533,714</u>                             |
| <b>Expenses</b>   |                       |  |                            |                           |                    |                                  |  |                             |  |
| Salaries, wages and<br>employee benefits                        | 5,872,524             | 10,325,630                               | 12,507,814                 | 2,632,938                 | 96,008             | 49,407                           | 7,821,804                                | 1,475,679                   | 40,781,804                                     |
| Net long-term debt charges                                      | 1,232,821             | -  | 36,720                     | 435,627                   | -                  | -                                | 426,451                                  | -                           | 2,131,619                                      |
| Materials, services and other                                   | 6,383,556             | 1,589,280                                | 7,204,850                  | 25,523,121                | 16,343             | 333,982                          | 5,189,914                                | 6,090,825                   | 52,340,871                                     |
| Rents and finance expenses                                      | 3,752,005             | -  | 23,998                     | -                         | -                  | -                                | 32,258                                   | -                           | 3,808,261                                      |
| External transfers  | 718,286               | -  | -                          | -                         | -                  | -                                | -  | -                           | 718,286  |
| Accretion of asset retirement obligation                        | -                     | -  | 602                        | -                         | -                  | -                                | 14,566                                   | -                           | 15,168   |
| Amortization  | <u>799,435</u>        | <u>575,645</u>                           | <u>4,587,275</u>           | <u>2,400,006</u>          | <u>40,687</u>      | <u>263,361</u>                   | <u>2,285,946</u>                         | <u>43,151</u>               | <u>10,995,506</u>                              |
|   | <u>18,758,627</u>     | <u>12,449,555</u>                        | <u>24,361,259</u>          | <u>30,991,692</u>         | <u>153,038</u>     | <u>646,750</u>                   | <u>15,770,939</u>                        | <u>7,609,655</u>            | <u>110,791,515</u>                             |
| Annual surplus (deficit)  | \$ <u>5,205,941</u>   | \$ <u>6,765,774</u>                      | \$ <u>9,268,680</u>        | \$ <u>5,523,748</u>       | \$ <u>(23,873)</u> | \$ <u>512,988</u>                | \$ <u>(1,116,001)</u>                    | \$ <u>(4,395,058)</u>       | \$ <u>21,742,199</u>                           |

# Corporation of the City of Welland

## Schedules to Consolidated Statement of Operations

Schedule 2 – Taxation revenue  
Year ended December 31, 2023

|  | Budget<br>2023<br>(Note 21) | Actual<br>2023        | Actual<br>2022        |
|--|-----------------------------|-----------------------|-----------------------|
| <b>Taxation</b>                            |                             |                       |                       |
| Real property                              | <b>\$ 108,570,505</b>       | <b>\$ 111,939,949</b> | <b>\$ 102,567,652</b> |
| From other governments                     |                             |                       |                       |
| Public Works                               | 30,900                      | 32,938                | 31,517                |
| St. Lawrence Seaway Authority              | 55,800                      | 63,730                | 60,782                |
| Niagara College and Hospital               | 476,500                     | 438,525               | 403,800               |
| Hydro One Networks Inc.                    | 130,600                     | 129,118               | 134,611               |
| Ministry of Government Services            | 152,000                     | 330,897               | 15,125                |
| Municipal enterprises                      | 61,000                      | 62,256                | 59,476                |
| Railways                                   | 127,000                     | 132,141               | 129,064               |
| Regional Municipality of Niagara           | 375,000                     | 391,894               | 375,010               |
|  | <u>1,408,800</u>            | <u>1,581,499</u>      | <u>1,209,385</u>      |
|  | <b>109,979,305</b>          | <b>113,521,448</b>    | <b>103,777,037</b>    |
| Less: taxation collected on behalf of      |                             |                       |                       |
| Region of Niagara                          | (49,281,500)                | (51,486,233)          | (41,217,539)          |
| School boards                              | (12,264,005)                | (12,765,504)          | (12,365,294)          |
| Net taxes available for municipal purposes | <u>\$ 48,433,800</u>        | <u>\$ 49,269,711</u>  | <u>\$ 50,194,204</u>  |
| Residential and farm                       | <b>\$ 36,970,243</b>        | <b>\$ 37,515,277</b>  | <b>\$ 37,486,318</b>  |
| Multi-residential                          | 2,315,661                   | 2,327,034             | 2,493,436             |
| Commercial                                 | 6,135,858                   | 6,326,097             | 7,000,950             |
| Industrial                                 | 2,857,795                   | 2,920,370             | 3,042,340             |
| Local improvements                         | 19                          | 20                    | 20                    |
| Business Improvements Area                 | 154,224                     | 180,913               | 171,140               |
| Net taxes available for municipal purposes | <u>\$ 48,433,800</u>        | <u>\$ 49,269,711</u>  | <u>\$ 50,194,204</u>  |

# Corporation of the City of Welland

## Schedules to Consolidated Statement of Operations

Schedule 3 – User charges & Grants revenue  
Year ended December 31, 2023

|                                     | <u>Budget<br/>2023</u><br>(Note 21) | <u>Actual<br/>2023</u> | <u>Actual<br/>2022</u><br>(Restated –<br>Note 3) |
|-------------------------------------|-------------------------------------|------------------------|--|
| <b>User charges</b>                 |                                     |                        |  |
| Operating                           |                                     |                        |  |
| Fees, service charges and donations | \$ 4,907,786                        | \$ 5,772,394           | \$ 8,180,347                                     |
| Water billings                      | 15,570,192                          | 14,568,404             | 13,793,365                                       |
| Wastewater billings                 | 20,067,652                          | 19,385,778             | 17,533,960                                       |
| Licenses and permits                | 91,000                              | 142,321                | 117,396  |
|                                     | <u>40,636,630</u>                   | <u>39,968,897</u>      | <u>39,625,068</u>                                |
| Capital                             |                                     |                        |  |
| Fees, service charges and donations | -                                   | 10,886                 | 9,824  |
|                                     | <u>\$ 40,636,630</u>                | <u>\$ 39,879,783</u>   | <u>\$ 39,634,892</u>                             |
| <b>Grants</b>                       |                                     |                        |  |
| Operating                           |                                     |                        |  |
| Province of Ontario                 | 4,175,784                           | 4,194,193              | 7,231,364  |
| Government of Canada                | -                                   | 25,000                 | 5,000  |
| Other municipalities                | 220,000                             | 126,389                | 163,656  |
| Other                               | 20,000                              | 31,500                 | 83,200   |
|                                     | <u>4,415,784</u>                    | <u>4,337,082</u>       | <u>7,483,220</u>                                 |
| Capital                             |                                     |                        |  |
| Province of Ontario                 | 2,295,195                           | 4,646,957              | 4,432,809  |
| Government of Canada                | 1,730,588                           | 5,144,851              | 3,981,995  |
| Other                               | 312,500                             | 131,331                | 278,591  |
|                                     | <u>4,338,283</u>                    | <u>9,923,189</u>       | <u>8,693,395</u>                                 |
|                                     | <u>\$ 8,754,067</u>                 | <u>\$ 14,300,271</u>   | <u>\$ 16,176,615</u>                             |

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## Corporation of the City of Welland

### Schedules to Consolidated Statement of Operations

Schedule 4 – Other revenue  
Year ended December 31, 2023

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|   | Budget<br>2023<br>(Note 21) | Actual<br>2023       | Actual<br>2022       |
|---|-----------------------------|----------------------|----------------------|
| <b>Other revenue</b>                                  |                             |                      |                      |
| Operating   |                             |                      |                      |
| Penalties and interest on taxes                       | \$ 1,450,000                | \$ 1,420,729         | \$ 1,308,401         |
| Fines   | 394,534                     | 444,052              | 374,978              |
| Rent and leases                                       | 189,200                     | 819,357              | 784,486              |
| Investment income                                     | 2,670,000                   | 5,974,411            | 5,711,401            |
| Cost sharing  | 155,800                     | 127,079              | 124,029              |
| Other   | <u>1,663,778</u>            | <u>8,127,737</u>     | <u>3,201,247</u>     |
|   | <u>6,523,312</u>            | <u>16,913,365</u>    | <u>11,504,542</u>    |
| Capital   |                             |                      |                      |
| Cost sharing  | 8,279,984                   | 4,743,327            | 610,087              |
| Other   | 496,500                     | 5,654,973            | 7,505,636            |
| (Loss) gain on disposal of tangible<br>capital assets | <u>-</u>                    | <u>(4,219,605)</u>   | <u>264,641</u>       |
|   | <u>8,776,484</u>            | <u>6,178,695</u>     | <u>8,380,364</u>     |
|   | <u>\$ 15,299,796</u>        | <u>\$ 23,092,060</u> | <u>\$ 19,884,906</u> |

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## Corporation of the City of Welland

### Schedule 5 - Consolidated Schedule of Long-Term Debt

Year ended December 31, 2023

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|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| <b>Municipal debt</b>   |                      |                      |
| General government  |                      |                      |
| General government  | \$ 3,510,009         | \$ 4,957,593         |
| Protection to persons and property  |                      |                      |
| Fire  | 982,425              | 1,262,715            |
| Transportation services   |                      |                      |
| Roadways  | 19,273,167           | 21,603,660           |
| Transit   | -                    | 882,260              |
| LED streetlighting  | 545,552              | 916,227              |
| Environmental services  |                      |                      |
| Sanitary sewer system   | 7,209,618            | 8,225,237            |
| Storm sewer system  | 1,044,401            | 1,200,463            |
| Waterworks system   | 9,740,450            | 11,173,002           |
| Recreational and cultural services  |                      |                      |
| Parks and recreation  | 18,703,706           | 20,537,875           |
| Planning and development  |                      |                      |
| Market  | -                    | -                    |
|   | <u>61,009,328</u>    | <u>70,759,032</u>    |
| <b>Other</b>  |                      |                      |
| Due to City of Port Colborne, Town of Pelham and<br>Township of Wainfleet | <u>51,437</u>        | <u>61,956</u>        |
|   | <u>\$ 61,060,765</u> | <u>\$ 70,820,988</u> |

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# Corporation of the City of Welland

## Schedule 6 - Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2023

|                                 | <u>Land and land improvements</u> | <u>Buildings</u>     | <u>Roads and bridges</u> | <u>Water and wastewater infrastructure</u> | <u>Vehicles</u>     | <u>Computer hardware and software</u> | <u>Machinery and equipment</u> | <u>Assets under capital lease</u> | <u>2023 Total</u>     |
|---------------------------------|-----------------------------------|----------------------|--------------------------|--|---------------------|---------------------------------------|--------------------------------|-----------------------------------|-----------------------|
| Cost                            |                                   |                      |                          |  |                     |                                       |                                |                                   |                       |
| Balance, beginning of year      | \$ 52,032,338                     | \$ 89,529,156        | \$ 130,049,839           | \$ 156,593,991                             | \$ 22,268,692       | \$ 4,879,659                          | \$ 16,048,347                  | \$ 49,512                         | \$ 471,451,534        |
| Add: additions during year      | 3,553,187                         | 23,575,551           | 1,469,194                | 1,819,855                                  | 2,897,903           | 666,935                               | 687,038                        | -                                 | 34,669,993            |
| Add: contributed subdivision    |                                   |                      |                          |  |                     |                                       |                                |                                   |                       |
| Infrastructure                  | -                                 | -                    | 2,615,523                | 8,317,027                                  | -                   | -                                     | -                              | -                                 | 10,932,550            |
| Less: disposals during year     | <u>1,063,264</u>                  | <u>3,590,100</u>     | <u>53,527</u>            | <u>-</u>                                   | <u>7,701,685</u>    | <u>398,703</u>                        | <u>2,068,948</u>               | <u>-</u>                          | <u>14,876,227</u>     |
| Balance, end of year            | <u>54,522,261</u>                 | <u>109,514,607</u>   | <u>134,081,029</u>       | <u>166,730,873</u>                         | <u>17,464,910</u>   | <u>5,147,891</u>                      | <u>14,666,437</u>              | <u>49,512</u>                     | <u>502,177,520</u>    |
| Accumulated amortization        |                                   |                      |                          |  |                     |                                       |                                |                                   |                       |
| Balance, beginning of year      | 25,650,452                        | 36,647,994           | 69,775,274               | 51,384,340                                 | 10,489,092          | 4,100,499                             | 11,147,488                     | 25,901                            | 209,221,039           |
| Add: amortization               | 1,008,604                         | 2,406,398            | 3,208,718                | 2,305,972                                  | 1,335,088           | 520,331                               | 766,105                        | 3,644                             | 11,554,860            |
| Less: accumulated amortization- |                                   |                      |                          |  |                     |                                       |                                |                                   |                       |
| of disposals                    | <u>976,911</u>                    | <u>2,140,464</u>     | <u>53,369</u>            | <u>-</u>                                   | <u>3,245,466</u>    | <u>328,367</u>                        | <u>1,507,722</u>               | <u>-</u>                          | <u>8,252,298</u>      |
| Balance, end of year            | <u>25,682,145</u>                 | <u>36,913,927</u>    | <u>72,930,623</u>        | <u>53,690,312</u>                          | <u>8,578,713</u>    | <u>4,292,463</u>                      | <u>10,405,873</u>              | <u>29,545</u>                     | <u>212,523,601</u>    |
| Net book value                  | 28,840,116                        | 72,600,680           | 61,150,406               | 113,040,561                                | 8,886,197           | 855,428                               | 4,260,564                      | 19,967                            | 289,653,919           |
| Assets under construction       | <u>1,928,852</u>                  | <u>191,358</u>       | <u>45,565,864</u>        | <u>21,800,361</u>                          | <u>-</u>            | <u>501,693</u>                        | <u>-</u>                       | <u>-</u>                          | <u>69,988,128</u>     |
|                                 | <u>\$ 30,768,968</u>              | <u>\$ 72,792,038</u> | <u>\$ 106,716,270</u>    | <u>\$ 134,840,922</u>                      | <u>\$ 8,886,197</u> | <u>\$ 1,357,121</u>                   | <u>\$ 4,260,564</u>            | <u>\$ 19,967</u>                  | <u>\$ 359,642,047</u> |

# Corporation of the City of Welland

## Schedule 6 - Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2022

|   | Land<br>and land<br>improvements | Buildings            | Roads<br>and bridges | Water and<br>wastewater<br>infrastructure | Vehicles             | Computer<br>hardware and<br>software | Machinery and<br>equipment | Assets under<br>capital lease | 2022<br>Total<br>(Restated –<br>Note 3) |
|---|----------------------------------|----------------------|----------------------|---|----------------------|--------------------------------------|----------------------------|-------------------------------|---|
| <b>Cost</b>                                     |                                  |                      |                      |   |                      |                                      |                            |                               |   |
| Balance, beginning of year                      | \$ 52,082,893                    | \$ 89,215,629        | \$ 128,334,897       | \$ 152,874,449                            | \$ 19,924,886        | \$ 4,781,406                         | \$ 16,305,085              | \$ 49,512                     | \$ 463,568,757                          |
| Add: additions during year                      | 10,241                           | 402,204              | 564,378              | 1,048,723                                 | 3,469,401            | 258,219                              | 456,928                    | -                             | 6,210,094                               |
| Add: adjustment for PS3280                      | -                                | 91,859               | -                    | -   | -                    | -                                    | 5,792                      | -                             | 97,651                                  |
| Add: contributed subdivision<br>infrastructure  | -                                | -                    | 1,150,564            | 2,670,819                                 | -                    | -                                    | -                          | -                             | 3,821,383                               |
| Less: disposals during year                     | 60,796                           | 180,536              | -                    | -   | 1,125,595            | 159,966                              | 719,458                    | -                             | 2,246,351                               |
| Balance, end of year                            | <u>52,032,338</u>                | <u>89,529,156</u>    | <u>130,049,839</u>   | <u>156,593,991</u>                        | <u>22,268,692</u>    | <u>4,879,659</u>                     | <u>16,048,347</u>          | <u>49,512</u>                 | <u>471,451,534</u>                      |
| <b>Accumulated amortization</b>                 |                                  |                      |                      |   |                      |                                      |                            |                               |   |
| Balance, beginning of year                      | 24,688,814                       | 34,589,067           | 66,625,516           | 49,164,052                                | 10,118,090           | 3,954,054                            | 10,965,699                 | 23,344                        | 200,128,636                             |
| Add: amortization                               | 961,638                          | 2,114,281            | 3,149,758            | 2,220,288                                 | 1,403,233            | 306,411                              | 837,341                    | 2,556                         | 10,995,506                              |
| Add: adjustment for PS3280                      | -                                | 33,926               | -                    | -   | -                    | -                                    | 579                        | -                             | 34,505                                  |
| Less: accumulated amortization-<br>of disposals | -                                | 89,280               | -                    | -   | 1,032,231            | 159,966                              | 656,131                    | -                             | 1,937,608                               |
| Balance, end of year                            | <u>25,650,452</u>                | <u>36,647,994</u>    | <u>69,775,274</u>    | <u>51,384,340</u>                         | <u>10,489,092</u>    | <u>4,100,499</u>                     | <u>11,147,488</u>          | <u>25,900</u>                 | <u>209,221,039</u>                      |
| Net book value                                  | 26,381,886                       | 52,881,162           | 60,274,565           | 105,209,651                               | 11,779,600           | 779,160                              | 4,896,225                  | 23,612                        | 262,230,495                             |
| Assets under construction                       | <u>3,880,450</u>                 | <u>20,271,866</u>    | <u>18,916,641</u>    | <u>11,895,992</u>                         | <u>-</u>             | <u>880,105</u>                       | <u>-</u>                   | <u>-</u>                      | <u>55,845,054</u>                       |
|   | <u>\$ 30,262,336</u>             | <u>\$ 73,153,028</u> | <u>\$ 79,191,206</u> | <u>\$ 117,105,643</u>                     | <u>\$ 11,779,600</u> | <u>\$ 1,659,265</u>                  | <u>\$ 4,900,859</u>        | <u>\$ 23,612</u>              | <u>\$ 318,075,549</u>                   |