

Financial Statements

City of Port Colborne

December 31, 2023

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City of Port Colborne

Consolidated Statement of Financial Position

As at December 31, 2023

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents (Note 3)	\$ 3,507,690	\$ 1,296,349
Portfolio investments (Note 4)	23,029,057	25,971,745
Taxes receivable	3,504,933	3,242,420
User charges receivable	1,858,746	1,846,245
Other receivables	7,052,872	6,619,524
Asset held for sale	<u>266,417</u>	<u>266,417</u>
	<u>39,219,715</u>	<u>39,242,700</u>
Liabilities		
Payables and accruals	6,397,088	5,862,969
Other liabilities	3,854,778	3,992,597
Deferred revenue (Note 6)	2,794,328	3,406,337
Asset retirement obligations (Note 7)	1,737,310	-
Long term debt (Note 8)	26,242,743	27,416,116
Employee benefit obligations (Notes 9 and 18)	<u>8,380,400</u>	<u>8,426,300</u>
	<u>49,406,647</u>	<u>49,104,319</u>
Net debt	<u>(10,186,932)</u>	<u>(9,861,619)</u>
Non-financial assets		
Tangible capital assets (Note 10)	139,510,200	134,222,756
Prepaid expenses	<u>64,316</u>	<u>957,989</u>
	<u>139,574,516</u>	<u>135,180,745</u>
Accumulated surplus (Note 11)	<u>\$ 129,387,584</u>	<u>\$ 125,319,126</u>

Contingencies (Notes 22 and 23)
Commitments (Note 24)

Approved by

Chief Administrative Officer

Director, Corporate Services/Treasurer

See accompanying notes to the consolidated financial statements

City of Port Colborne Consolidated Statement of Operations

For the Year Ended December 31, 2023

	Budget <u>2023</u> (Note 26)	Actual <u>2023</u>	Actual <u>2022</u>
Revenues			
Taxation (Note 13)	\$ 23,733,100	\$ 23,863,750	\$ 22,563,927
User charges (Note 15)	16,841,190	17,287,613	16,082,853
Government transfers (Note 16)	5,269,649	7,093,825	6,256,036
Penalties and interest	468,400	570,737	611,247
Investment income	800,000	1,713,603	483,612
Other (Note 17)	2,129,013	1,708,527	3,914,237
	<u>49,241,352</u>	<u>52,238,055</u>	<u>49,911,912</u>
Expenses			
General government	5,978,241	7,605,292	5,099,876
Protection to persons and property	5,472,142	5,561,567	5,571,003
Transportation services	7,835,270	8,075,729	7,772,130
Environmental services	13,350,258	12,943,592	11,529,245
Health services	260,921	129,152	294,052
Recreation and culture services	12,091,301	11,926,454	10,912,221
Planning and development	1,734,082	1,927,811	1,928,499
	<u>46,722,215</u>	<u>48,169,597</u>	<u>43,107,026</u>
Annual surplus	2,519,137	4,068,458	6,804,886
Accumulated surplus (Note 11)			
Beginning of year	<u>125,319,126</u>	<u>125,319,126</u>	<u>118,514,240</u>
End of year	<u>\$ 127,838,263</u>	<u>\$ 129,387,584</u>	<u>\$ 125,319,126</u>

See accompanying notes to the consolidated financial statements.

City of Port Colborne

Consolidated Statement of Changes in Net Debt

For the Year Ended December 31, 2023

	Budget <u>2023</u> (Note 26)	Actual <u>2023</u>	Actual <u>2022</u>
Annual surplus	\$ 2,519,137	\$ 4,068,458	\$ 6,804,886
Amortization of tangible capital assets	6,116,144	7,635,296	5,858,724
Acquisition of tangible capital assets	(9,757,948)	(13,002,327)	(6,684,729)
Proceeds from disposal of tangible capital assets	-	329,118	-
(Gain) loss on disposal of tangible capital assets	-	(249,531)	12,781
	(1,122,667)	(1,218,986)	5,991,662
Usage (acquisition) of prepaid expenses	-	893,673	(471,544)
(Increase) decrease in net debt	(1,122,667)	(325,313)	5,520,118
Net debt			
Beginning of year	<u>(9,861,619)</u>	<u>(9,861,619)</u>	<u>(15,381,737)</u>
End of year	<u>\$ (10,984,286)</u>	<u>\$ (10,186,932)</u>	<u>\$ (9,861,619)</u>

See accompanying notes to the consolidated financial statements.

City of Port Colborne

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2023

	<u>2023</u>	<u>2022</u>
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 4,068,458	\$ 6,804,886
Non-cash items:		
Amortization of tangible capital assets	7,635,296	5,858,724
(Gain) loss on disposal of tangible capital assets	(249,531)	12,781
Accretion of asset retirement obligations	82	-
(Increase) decrease in taxes receivable	(262,513)	585,352
Increase in user charges receivable	(12,501)	(164,695)
Increase in other receivables	(433,348)	(1,174,699)
Increase in payables and accruals	534,119	729,127
(Decrease) increase in other liabilities	(137,819)	1,390,699
(Decrease) increase in deferred revenue	(612,009)	403,396
Increase in asset retirement obligations	1,737,228	-
Decrease (increase) in prepaid expenses	893,673	(471,544)
	<u>13,161,135</u>	<u>13,974,027</u>
Capital activities		
Proceeds from disposal of tangible capital assets	329,118	-
Acquisition of tangible capital assets	(13,002,327)	(6,684,729)
	<u>(12,673,209)</u>	<u>(6,684,729)</u>
Financing activities		
Issue of long term debt	116,843	-
Repayment of long term debt	(1,288,785)	(1,419,178)
Issue of capital lease obligation	162	-
Repayment of capital lease obligation	(1,593)	(20,655)
Decrease in employee benefit obligation	(45,900)	(1,378,600)
	<u>(1,219,273)</u>	<u>(2,818,433)</u>
Investing activities		
Disposal (acquisition) of portfolio investments, net	2,942,688	(21,451,346)
Net increase (decrease) in cash and cash equivalents	2,211,341	(16,980,481)
Cash and cash equivalents (Note 3)		
Beginning of year	<u>1,296,349</u>	<u>18,276,830</u>
End of year	<u>\$ 3,507,690</u>	<u>\$ 1,296,349</u>

See accompanying notes to the consolidated financial statements.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

1. Significant accounting policies

Management responsibility

The consolidated financial statements of the City of Port Colborne (the "Municipality") are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

(a) Reporting entity

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

Port Colborne Public Library Board
Port Colborne Downtown Development Board
Port Colborne Main Street Business Improvement Area
Niagara's South Coast Tourism Association

Interdepartmental and organizational transactions and balances are eliminated.

The following joint local board is proportionally consolidated:

Niagara Central Dorothy Rungeling Airport Commission (Joint Board)

Related party transactions are eliminated (Note 19).

The statements exclude trust assets that are administered for the benefit of external parties (Note 20).

(b) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

(c) Cash and cash equivalents

Cash and temporary investments include cash on hand, balances with banks and guaranteed investment certificates that mature within three months.

(d) Portfolio investments

Portfolio investments are valued at the lower of cost and market value. Interest income is reported as revenue in the period earned.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

1. Significant accounting policies (continued)

(e) Deferred revenue

Resources restricted by agreement with an external party are recognized as revenue in the entity's financial statements in the period in which the resources are used for the purpose or purposes specified. An externally restricted inflow received before this criterion has been met is recorded as a liability until the resources are used for the purpose or purposes specified.

(f) Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service.

(g) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Municipality:
 - is directly responsible; or
 - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(h) 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. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition. The Municipality does not capitalize interest as part of the costs of its capital assets.

Works of art for display in municipal property are not included as 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.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

1. Significant accounting policies (continued)

(h) Tangible capital assets (continued)

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

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 revenues". Assets under construction are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Land improvements	10-100 years
Buildings	20-50 years
Leasehold improvements	20-50 years
Vehicles	10-20 years
Office equipment and furniture and fixtures	5-10 years
Machinery and equipment	3-30 years
Infrastructure	10-100 years

(i) Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the Municipality and recorded as tangible capital assets. The Municipality is not involved in the construction.

(j) Revenue recognition

i) Taxation

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 revenues are 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.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

1. Significant accounting policies (continued)

(j) Revenue recognition (continued)

i) Taxation (continued)

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 school boards, as appropriate.

ii) User charges

User charges are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

iii) Government transfers

Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met. Government transfers to individuals and other entities are recognized as an expense when the transfers are authorized and all eligibility criteria have been met.

iv) Other

Other revenue is recorded when it is earned and collection is reasonably assured.

(k) Reserves for future expenses

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

(l) Local improvements

The Municipality records capital expenses funded by local improvement agreements as they are incurred. Revenues are recognized in the year they become payable.

(m) 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 of these consolidated financial statements.

(n) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards 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 reporting period. Actual results could differ from those estimates. Two areas in which management make estimates are with regards to an allowance for uncollectible taxes receivable and obligations for employee benefits.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

1. Significant accounting policies (continued)

(o) 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.

Transaction costs related to financial instruments measured at cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs related to financial instruments recorded at their fair values are expensed as incurred.

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.

Financial assets measured at amortized cost include cash and cash equivalents, portfolio investments and other receivables.

Financial liabilities measured at amortized cost include payables and accruals, other liabilities and long term debt.

(p) 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 Municipality'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.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

1. Significant accounting policies (continued)

(p) Asset retirement obligations (continued)

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.

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.

2. Adoption of new guidance

Effective January 1, 2023, the Municipality adopted new public sector accounting standards sections PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments and PS 3450 Financial Instruments along with the related amendments.

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 Municipality has made the irrevocable election to directly recognize foreign exchange gains/losses in the Statement of Operations.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

2. Adoption of new guidance (continued)

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 Investments 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 (using the effective interest method), or, by policy choice, at fair value when the Municipality defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

The measurement requirements were applied prospectively. The recognition, derecognition, and measurement policies followed in the comparative period were not reversed and the comparative figures have not been restated. The Municipality elected to account for embedded derivatives required to be reported in accordance with the Section on a prospective basis.

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.

Effective January 1, 2023, the Municipality adopted new public sector accounting standard section PS 3280 Asset Retirement Obligations ("ARO") which recognizes legal obligations associated with the retirement of tangible capital assets. As this standard includes solid waste landfill sites active and post-closing obligations, upon adoption of this new standard, existing Section PS 3270 Solid Waste Landfill Closure and Post-Closure Liability was withdrawn. The financial statements of the comparative year have not been restated to reflect this change in the accounting policy, which has been applied prospectively. Under the prospective application method, all ARO incurred before and after the transition date have been recognized/adjusted in accordance with the standard. For those tangible capital assets in productive use, there was a related increase in the carrying amount of the related tangible capital asset by the same amount; for those tangible capital assets no longer in productive use, an expense was recognized for the same amount as the liability.

As a result of the adoption of this new accounting policy, the following amounts were recognized in the financial statements as at January 1, 2023:

Increase in carrying amount of tangible capital assets	\$ 1,730,817
Increase in asset retirement obligation	\$ 1,737,228
Increase in transportation expense on adoption of standard	\$ 6,411

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

3. Cash and cash equivalents

	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 3,125	\$ 3,475
Bank balances	<u>3,504,565</u>	<u>1,292,874</u>
	<u>\$ 3,507,690</u>	<u>\$ 1,296,349</u>

4. Portfolio investments

Guaranteed investment certificates carry an effective interest rate from 2.00% to 6.38% with maturity dates ranging between January, 2024 to October, 2026. Interest is receivable on maturity. Carrying value approximates market value.

5. Bank indebtedness

An operating line of credit of \$ 4,000,000 has been established with the CIBC, of which \$ Nil (2022 - \$ Nil) was used at December 31, 2023. An executed borrowing by-law in form and content satisfactory to CIBC is in effect to a limit of \$ 4,000,000. Interest is calculated at prime minus 0.50%. Overdrafts outstanding under the line of credit are converted to a promissory note at the CIBC's request which has not been enacted.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

6. Deferred revenue	<u>2023</u>	<u>2022</u>
Development Charges Act	\$ 361,652	\$ 242,917
Parkland	906,523	695,519
Canada Community Building Fund	1,422,129	1,917,907
Ontario Community Infrastructure Fund	<u>104,024</u>	<u>549,994</u>
	<u>\$ 2,794,328</u>	<u>\$ 3,406,337</u>

The continuity of deferred revenue is made up of the following:

Balance, beginning of year	<u>\$ 3,406,337</u>	<u>\$ 3,002,941</u>
Contributions from		
Development charges	270,817	266,601
Interest earned	165,574	118,411
Government transfers received		
Federal	605,820	580,578
Provincial	<u>1,035,940</u>	<u>900,817</u>
	<u>2,078,151</u>	<u>1,866,407</u>
Utilized for		
Tangible capital asset acquisitions	<u>(2,690,160)</u>	<u>(1,463,011)</u>
Balance, end of year	<u>\$ 2,794,328</u>	<u>\$ 3,406,337</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

7. Asset retirement obligations

The Municipality has recognized an asset retirement obligation related to the removal and disposal of designated substances such as asbestos and lead paint from Municipality buildings. The Municipality reports liabilities related to the legal obligations where the Municipality is obligated to incur costs to retire a tangible capital asset.

The Municipality's ongoing efforts to assess the extent to which designated substances exist in Municipality assets, and new information obtained through regular maintenance and renewal of Municipality 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 at December 31, 2023, all liabilities for asset retirement obligations are reported at estimated present value.

A reconciliation of the aggregate carrying amount of the liability is as follows:

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 1,737,228	\$ -
Increase in liabilities due to accretion	<u>82</u>	<u>-</u>
	<u>\$ 1,737,310</u>	<u>\$ -</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

8. Long term debt 2023 2022

- (a) The balance of net long term debt reported on the consolidated statement of financial position is made up of the following:

The Municipality has assumed responsibility for the payment of principal and interest charges on certain long term debt issued by the Region of Niagara. At the end of the year, the outstanding principal amount of this debt is

	\$ 26,239,512	\$ 27,411,454
Capital lease obligations	<u>3,231</u>	<u>4,662</u>
Net long term debt	<u>\$ 26,242,743</u>	<u>\$ 27,416,116</u>

- (b) The net long term debt is made up of the following:

<u>Debenture Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2023</u>	<u>2022</u>
Amortizer	2.67%	2023	\$ -	\$ 169,643
Serial	1.15 to 2.80%	2025	598,000	885,000
Amortizer	3.18%	2028	315,513	379,749
Amortizer	3.37%	2033	446,705	485,996
Amortizer	3.46%	2035	1,433,891	1,528,833
Amortizer	3.22%	2037	343,701	362,862
Amortizer	3.70%	2043	1,449,791	1,499,782
Amortizer	3.43%	2047	12,021,606	12,340,141
Amortizer	3.56%	2048	4,874,161	4,997,166
Amortizer	2.29%	2050	4,639,302	4,762,282
Loan to City of Welland	3.75%	2038	116,842	-
Capital leases	Various	2024	<u>3,231</u>	<u>4,662</u>
			<u>\$ 26,242,743</u>	<u>\$ 27,416,116</u>

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

2024	\$ 1,154,607
2025	1,190,995
2026	917,336
2027	947,664
2028	941,107

- (d) The Municipality paid \$ 877,434 (2022 - \$ 902,404) interest on long term debt during the year.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

9. Employee benefit obligations	<u>2023</u>	<u>2022</u>
Workplace Safety and Insurance Board future benefits	\$ 2,171,500	\$ 2,255,500
Vested sick leave benefits	388,500	370,500
Retirement benefits	<u>5,820,400</u>	<u>5,800,300</u>
	8,380,400	8,426,300
Less: benefits funded by future liabilities reserve	<u>(2,823,350)</u>	<u>(2,188,396)</u>
	<u>\$ 5,557,050</u>	<u>\$ 6,237,904</u>

(a) Workplace Safety and Insurance Board future benefits

The City of Port Colborne is a Workplace Safety and Insurance Board ("WSIB") Schedule 2 employer.

In 2023, an actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. During the year \$ 211,386 (2022 - \$ 169,598) was paid by the Municipality to the WSIB in relation to these benefits.

The accrued benefit obligation at December 31, 2023 of \$ 2,171,500 (2022 - \$ 2,255,500) was determined by an actuarial valuation using a discount rate of 4.60% (2022 - 4.60%).

The most recent actuarial valuation was prepared at December 31, 2022.

The main actuarial assumptions employed above are as follows (where applicable):

(i) Interest (discount) rate

The obligations as at December 31, 2023 of the present value of future liabilities were determined using a discount rate of 4.60% (2022 - 4.60%).

(ii) Future benefit indexing rate

The rates used for loss of earnings benefits and pension and survivors benefits are assumed to be 6.50% in 2023, 5.00% in 2024, 3.50% in 2025 and 2.00% thereafter. The rate for health benefits is assumed to be 4.00% per annum.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

9. Employee benefit obligations (continued)

(a) Workplace Safety and Insurance Board future benefits (continued)

	<u>2023</u>	<u>2022</u>
Accrued benefit obligation		
Beginning of year	\$ 2,255,500	\$ 2,348,000
Benefit payments	(174,600)	(169,500)
Current service cost	103,700	-
Interest cost	66,600	67,800
Amortization of actuarial (gain) loss	<u>(79,700)</u>	<u>9,200</u>
	<u>\$ 2,171,500</u>	<u>\$ 2,255,500</u>
Funded status		
Deficit	\$ 1,426,400	\$ 1,430,700
Unamortized actuarial gain	<u>745,100</u>	<u>824,800</u>
	<u>\$ 2,171,500</u>	<u>\$ 2,255,500</u>
The net benefit expense is as follows:		
Current service cost	\$ 103,700	\$ -
Interest cost	66,600	67,800
Amortization of actuarial (gain) loss	<u>(79,700)</u>	<u>9,200</u>
	<u>\$ 90,600</u>	<u>\$ 77,000</u>

(b) Vested sick leave benefits

Under the sick leave benefit plan for employees of the Port Colborne Firefighters' Association, sick leave can accumulate and employees may become entitled to a cash payment upon leaving the Municipality's employment.

The accrued benefit obligation at December 31, 2023 of \$ 388,500 (2022 - \$ 370,500) was determined by an actuarial valuation using a discount rate of 4.60% (2022 - 4.60%).

The most recent actuarial valuation for the vested sick leave was prepared at December 31, 2022.

The main actuarial assumptions employed for the vested sick leave and retirement benefits valuations above are as follows (where applicable):

(i) Interest (discount) rate

The obligations as at December 31, 2023 of the present value of future liabilities were determined using a discount rate of 4.60% (2022 - 4.60%).

(ii) Salary increase rate

The rate used to increase salaries is assumed to be 3.00% (2022 - 3.00%) per annum. This rate reflects management's best estimate of future salary increases.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

9. Employee benefit obligations (continued)

(b) Vested sick leave benefits (continued)

	<u>2023</u>	<u>2022</u>
Accrued benefit obligation		
Beginning of year	\$ 370,500	\$ 332,200
Benefit payments	(17,100)	-
Current service cost	24,300	28,200
Interest cost	14,900	10,100
Amortization of actuarial gain	(4,100)	-
	<u>\$ 388,500</u>	<u>\$ 370,500</u>
Funded status		
Deficit	\$ 330,200	\$ 308,100
Unamortized actuarial gain	<u>58,300</u>	<u>62,400</u>
	<u>\$ 388,500</u>	<u>\$ 370,500</u>
The net benefit expense is as follows:		
Current service cost	\$ 24,300	\$ 28,200
Interest cost	14,900	10,100
Amortization of actuarial loss	(4,100)	-
	<u>\$ 35,100</u>	<u>\$ 38,300</u>

During the year \$ Nil (2022 - \$ Nil) was paid to employees who left the Municipality's employment.

(c) Retirement benefits

The Municipality pays certain retirement benefits on behalf of its retired employees. The Municipality recognizes these retirement costs in the period in which the employees rendered the services. The plan is substantially unfunded and requires no contributions from employees.

The accrued benefit obligation at December 31, 2023 of \$ 5,820,400 (2022 - \$ 5,800,300) was determined by an actuarial valuation using a discount rate of 4.60% (2022 - 4.60%).

The Municipality's obligation under the retirement provision of employment agreements will be funded out of current revenue. During the year benefit payments of \$ 323,400 (2022 - \$ 307,600) were paid to retirees.

Actuarial valuations for accounting purposes are performed every three years using the projected benefit method, pro-rated on service. Under this method, the projected retirement benefits are deemed to be earned on a pro-rata basis over the employee's years of service.

The most recent actuarial valuation for the retirement benefits was prepared at December 31, 2022.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

9. Employee benefit obligations (continued)

(c) Retirement benefits (continued)

The main actuarial assumptions employed for retirement benefits valuation above are as follows (where applicable):

(i) Interest (discount) rate

The obligations as at December 31, 2023 of the present value of future liabilities were determined using a discount rate of 4.60% (2022 - 4.60%).

(ii) Medical costs

Drug costs were assumed to be 7.99% in 2023 (2022 - 8.18%) and decrease 0.18% per year until 2043 when the rate will be 4.50% and continue thereafter.

Vision costs were assumed to be 4.50% in 2023 (2022 - 4.50%) and continue thereafter.

Other health costs were assumed to be 4.50% in 2023 (2022 - 4.50%) and continue thereafter.

(iii) Dental costs

Dental costs were assumed to be 4.50% in 2023 (2022 - 4.50%) and continue thereafter.

	<u>2023</u>	<u>2022</u>
Accrued benefit obligation		
Beginning of year	\$ 5,800,300	\$ 7,124,700
Benefit payments	(323,400)	(307,600)
Current service cost	203,300	433,300
Interest cost	218,900	209,400
Plan amendment	-	(1,662,200)
Amortization of actuarial (gain) loss	<u>(78,700)</u>	<u>2,700</u>
	<u>\$ 5,820,400</u>	<u>\$ 5,800,300</u>
Funded status		
Deficit	\$ 4,817,400	\$ 4,718,600
Unamortized actuarial gain	<u>1,003,000</u>	<u>1,081,700</u>
	<u>\$ 5,820,400</u>	<u>\$ 5,800,300</u>

The net benefit expense is as follows:

Current service cost	\$ 203,300	\$ 433,300
Interest cost	218,900	209,400
Past service cost	-	(1,662,200)
Amortization of actuarial loss	<u>(78,700)</u>	<u>2,700</u>
	<u>\$ 343,500</u>	<u>\$ (1,016,800)</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

10. Tangible capital assets

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Leaseholds</u>	<u>Vehicles</u>	<u>Furniture and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Process</u>	<u>2023</u>
Cost								
Beginning of year	\$ 5,112,955	\$ 20,211,442	\$ 60,342,614	\$ 5,693,789	\$ 11,138,815	\$ 130,329,979	\$ 3,557,740	\$ 236,387,334
Additions	962,960	1,507,627	5,590,187	1,300,227	1,287,864	3,540,202	1,562,420	15,751,487
Disposals	<u>(2,397)</u>	<u>-</u>	<u>(1,573,853)</u>	<u>(81,590)</u>	<u>(862,760)</u>	<u>(300,638)</u>	<u>(2,749,160)</u>	<u>(5,570,398)</u>
End of year	<u>6,073,518</u>	<u>21,719,069</u>	<u>64,358,948</u>	<u>6,912,426</u>	<u>11,563,919</u>	<u>133,569,543</u>	<u>2,371,000</u>	<u>246,568,423</u>
Accumulated amortization								
Beginning of year	-	10,629,344	20,783,731	3,712,061	6,038,279	61,001,163	-	102,164,578
Amortization	-	613,175	3,300,702	350,763	889,657	2,480,999	-	7,635,296
Amortization on disposals	<u>-</u>	<u>-</u>	<u>(1,572,675)</u>	<u>(81,590)</u>	<u>(839,322)</u>	<u>(248,064)</u>	<u>-</u>	<u>(2,741,651)</u>
End of year	<u>-</u>	<u>11,242,519</u>	<u>22,511,758</u>	<u>3,981,234</u>	<u>6,088,614</u>	<u>63,234,098</u>	<u>-</u>	<u>107,058,223</u>
Net book value	<u>\$ 6,073,518</u>	<u>\$ 10,476,550</u>	<u>\$ 41,847,190</u>	<u>\$ 2,931,192</u>	<u>\$ 5,475,305</u>	<u>\$ 70,335,445</u>	<u>\$ 2,371,000</u>	<u>\$ 139,510,200</u>

The value of contributed tangible capital assets during the year is \$ Nil.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

10. Tangible capital assets (continued)

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Leaseholds</u>	<u>Vehicles</u>	<u>Furniture and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Process</u>	<u>2022</u>
Cost								
Beginning of year	\$ 4,739,429	\$ 19,481,598	\$ 60,024,872	\$ 5,693,789	\$ 10,054,900	\$ 129,105,303	\$ 1,719,324	\$ 230,819,215
Additions	373,526	729,844	333,063	-	1,948,447	1,461,433	2,463,333	7,309,646
Disposals	-	-	(15,321)	-	(864,532)	(236,757)	(624,917)	(1,741,527)
End of year	<u>5,112,955</u>	<u>20,211,442</u>	<u>60,342,614</u>	<u>5,693,789</u>	<u>11,138,815</u>	<u>130,329,979</u>	<u>3,557,740</u>	<u>236,387,334</u>
Accumulated amortization								
Beginning of year	-	10,027,852	19,064,124	3,381,010	6,099,099	58,837,598	-	97,409,683
Amortization	-	601,492	1,731,862	331,051	803,494	2,390,825	-	5,858,724
Amortization on disposals	-	-	(12,255)	-	(864,314)	(227,260)	-	(1,103,829)
End of year	<u>-</u>	<u>10,629,344</u>	<u>20,783,731</u>	<u>3,712,061</u>	<u>6,038,279</u>	<u>61,001,163</u>	<u>-</u>	<u>102,164,578</u>
Net book value	<u>\$ 5,112,955</u>	<u>\$ 9,582,098</u>	<u>\$ 39,558,883</u>	<u>\$ 1,981,728</u>	<u>\$ 5,100,536</u>	<u>\$ 69,328,816</u>	<u>\$ 3,557,740</u>	<u>\$ 134,222,756</u>

The value of contributed tangible capital assets during the year is \$ Nil.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

11. Accumulated surplus	<u>2023</u>	<u>2022</u>
Consists of:		
Surpluses (deficits)		
Operating	\$ -	\$ -
Port Colborne Public Library Board	-	-
Port Colborne Downtown Development Board	86,396	76,703
Port Colborne Main Street Business Improvement Area	40,521	37,430
Niagara's South Coast Tourism Association	2,337	2,337
Niagara Central Dorothy Rungeling		
Airport Commission (Note 19)	(121,461)	(22,737)
	<u>7,793</u>	<u>93,733</u>
Investment in tangible capital assets	<u>139,510,200</u>	<u>134,222,756</u>
Unfunded liabilities		
Asset retirement obligation	(1,737,310)	-
Long term debt	(26,242,743)	(27,416,116)
Employee benefit obligations	(8,380,400)	(8,426,300)
	<u>(36,360,453)</u>	<u>(35,842,416)</u>
Reserves and reserve funds (Note 12)	<u>26,230,044</u>	<u>26,845,053</u>
	<u>\$ 129,387,584</u>	<u>\$ 125,319,126</u>

12. Reserves and reserve funds	<u>2023</u>	<u>2022</u>
Reserves and reserve funds set aside for specific purposes by Council or agreement		
Boards and committees		
Community Safety Committee	\$ 4,947	\$ 4,947
Library bequest	4,188	4,188
Library future liabilities	105,183	70,384
Library stabilization	118,307	58,400
Grant Committee	2,199	2,199
Niagara's South Coast Tourism Association	100,783	63,952
Museum bequests	218,524	229,382
Museum capital	1,729	312
	<u>555,860</u>	<u>433,764</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

12. Reserves and reserve funds (continued)	<u>2023</u>	<u>2022</u>
Programs, grants and activities		
Canal Days	106,672	145,000
CIP incentives	343,510	208,231
Municipal elections	32,031	-
Roselawn	<u>515,799</u>	<u>556,799</u>
	<u>998,012</u>	<u>910,030</u>
Self-sustaining entities		
Building department	149,085	226,240
Nickel Beach	198,165	198,165
Cemeteries	32,000	-
Marina	<u>(950,618)</u>	<u>(819,464)</u>
	<u>(571,368)</u>	<u>(395,059)</u>
General government		
Encumbrance	391,086	72,037
Future liabilities	2,823,350	2,188,396
Opportunity Fund	2,000,000	2,000,000
Subject matter experts	208,598	208,598
General stabilization	2,350,158	2,348,582
Working capital	2,469,350	2,318,650
Economic development	<u>(814,984)</u>	<u>(306,797)</u>
	<u>9,427,558</u>	<u>8,829,466</u>
Capital and related projects		
Drains	137,650	35,709
Facilities	131,386	131,386
Library facilities	70,864	106,519
Goderich maintenance	151,074	66,074
Infrastructure	1,143,204	3,902,670
Storm sewer	61,317	557,323
Wastewater	3,029,733	2,479,933
Water	<u>812,848</u>	<u>807,614</u>
	<u>5,538,076</u>	<u>8,087,228</u>
Allocated capital and related projects	<u>10,281,906</u>	<u>8,979,624</u>
Total reserves and reserve funds	<u>\$ 26,230,044</u>	<u>\$ 26,845,053</u>

The marina reserve of \$ (950,618) represents a reserve of \$ 113,594 less internal financing of \$ (1,064,212). The economic development reserve of \$ (814,984) represents a reserve of \$ 174,016 less internal financing of \$ (989,000). The drains reserve of \$ 137,650 represents a reserve of \$ 403,268 less internal financing of \$ (265,618).

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

13. Taxation	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
Real property		\$ 45,704,101	\$ 42,938,833
From other governments			
Payments in lieu of taxes		<u>568,028</u>	<u>456,928</u>
		<u>46,272,129</u>	<u>43,395,761</u>
Less: taxation collected on behalf of (Note 14):			
Region of Niagara		17,585,512	16,006,916
School boards		<u>4,822,867</u>	<u>4,824,918</u>
		<u>22,408,379</u>	<u>20,831,834</u>
Net taxes available for municipal purposes		<u>\$ 23,863,750</u>	<u>\$ 22,563,927</u>
Residential, multi-residential and farm	\$ 23,336,500	\$ 18,376,272	\$ 17,373,527
Commercial and industrial	<u>396,600</u>	<u>5,487,478</u>	<u>5,190,400</u>
Net taxes available for municipal purposes	<u>\$ 23,733,100</u>	<u>\$ 23,863,750</u>	<u>\$ 22,563,927</u>

14. Collections for the Region of Niagara and school boards

Total taxation 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	\$ 17,585,512	\$ 16,006,916
School boards	<u>4,822,867</u>	<u>4,824,918</u>
	<u>\$ 22,408,379</u>	<u>\$ 20,831,834</u>

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

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

15. User charges	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
Operating			
Fees and service charges	\$ 4,202,490	\$ 4,529,551	\$ 3,826,490
Direct water billings	5,119,200	5,029,977	4,690,010
Wastewater surcharges	7,010,000	7,043,343	6,978,259
Licences and permits	<u>509,500</u>	<u>684,742</u>	<u>588,094</u>
	<u>\$ 16,841,190</u>	<u>\$ 17,287,613</u>	<u>\$ 16,082,853</u>

16. Government transfers	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
Operating			
Government of Canada	\$ 4,000	\$ 92,209	\$ 63,605
Province of Ontario	2,729,800	2,794,880	3,230,935
Municipal	<u>164,200</u>	<u>353,183</u>	<u>364,598</u>
	<u>2,898,000</u>	<u>3,240,272</u>	<u>3,659,138</u>
Capital			
Government of Canada	1,220,577	1,616,841	473,873
Province of Ontario	900,817	1,747,785	1,972,770
Municipal	<u>250,255</u>	<u>488,927</u>	<u>150,255</u>
	<u>2,371,649</u>	<u>3,853,553</u>	<u>2,596,898</u>
	<u>\$ 5,269,649</u>	<u>\$ 7,093,825</u>	<u>\$ 6,256,036</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

17. Other revenues	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
Operating			
Fines	\$ 44,000	\$ 83,117	\$ 8,805
Rental income	810,400	841,381	668,935
Transfer from trust funds	4,000	13,346	5,759
Donations	221,950	215,453	362,267
Other	431,100	246,982	2,701,727
	<u>1,511,450</u>	<u>1,400,279</u>	<u>3,747,493</u>
Capital			
Donations	500	54,306	179,525
Other	617,063	4,411	-
Gain (loss) on disposal of tangible capital assets	-	249,531	(12,781)
	<u>617,563</u>	<u>308,248</u>	<u>166,744</u>
	<u>\$ 2,129,013</u>	<u>\$ 1,708,527</u>	<u>\$ 3,914,237</u>

18. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan deficit of \$ 7.6 billion (2022 - \$ 6.1 billion deficit) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2023 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the consolidated statement of operations. Employer contributions to OMERS for 2023 current and past service was \$ 1,247,742 (2022 - \$ 1,134,083) and were matched by employee contributions in a similar amount.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

19. Niagara Central Dorothy Rungeling Airport Commission

The 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 Municipality has a non-controlling interest in the airport of 20% (2022 - 19%) based on population.

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

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 341,980	\$ 291,278
Receivables	<u>23,927</u>	<u>34,503</u>
	<u>365,907</u>	<u>325,781</u>
Liabilities		
Accounts payable and accrued liabilities	27,402	40,758
Asset retirement obligation	41,940	-
Loans payable	794,395	253,160
Capital lease obligation	<u>16,154</u>	<u>24,536</u>
	<u>879,891</u>	<u>318,454</u>
Net financial (debt) assets	<u>(513,984)</u>	<u>7,327</u>
Non-financial assets		
Prepaid expenses	15,492	14,738
Fuel inventory	6,785	15,805
Tangible capital assets	<u>2,131,101</u>	<u>1,624,743</u>
	<u>2,153,378</u>	<u>1,655,286</u>
Accumulated surplus	<u>\$ 1,639,394</u>	<u>\$ 1,662,613</u>
Accumulated surplus consists of:		
Operating deficit	\$ (649,246)	\$ (119,669)
Reserves	157,539	157,539
Investment in tangible capital assets	<u>2,131,101</u>	<u>1,624,743</u>
	<u>\$ 1,639,394</u>	<u>\$ 1,662,613</u>
Revenues		
Grants	\$ 154,770	\$ 154,770
Fuel, rentals and other	120,575	407,113
Interest	15,741	4,453
Expenses	<u>(281,200)</u>	<u>(252,995)</u>
Annual surplus	<u>\$ 9,886</u>	<u>\$ 313,341</u>

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

19. Niagara Central Dorothy Rungeling Airport Commission (continued)

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. The comparative financial position and results of operations figures are as reported by the Niagara Central Dorothy Rungeling Airport Commission at December 31, 2022.

The Municipality has recorded in the financial statements its 20% (2022 - 19%) share of the Niagara Central Dorothy Rungeling Airport Commissions' assets, liabilities, accumulated surplus, revenues, expenses, and annual surplus.

The following summarizes the Municipality'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>
Government transfers	\$ 30,954	\$ 29,406
Interest	1,868	2,171
Loan, bearing interest of 3.5% per annum repayable in annual instalments of \$ 6,012, commencing June 15, 2018	\$ 22,504	\$ 27,663
Loan, bearing interest of 4.3% per annum repayable in annual instalments of \$ 4,113, commencing August 24, 2019	<u>18,434</u>	<u>21,678</u>
	<u>\$ 40,938</u>	<u>\$ 49,341</u>

20. Trust funds

Trust funds administered by the Municipality amounting to \$ 553,343 (2022 - \$ 523,260) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Operations.

21. Subdividers' deposits

The Municipality holds bank letters of credit as security to ensure the provision of subdivision services and the completion of contracts.

	<u>2023</u>	<u>2022</u>
Letters of credit, beginning of year	\$ 1,127,007	\$ 1,537,110
Net (deletions) additions	<u>(476,849)</u>	<u>(410,103)</u>
Letters of credit, end of year	<u>\$ 650,158</u>	<u>\$ 1,127,007</u>

These letters of credit are not reflected in the accounts.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

22. Contingencies

The Municipality is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Municipality 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 the accompanying financial statements.

23. Liabilities for contaminated sites

The Municipality reports environmental liabilities related to the management and remediation of any contaminated sites where the Municipality is obligated or likely obligated to incur such costs. The Municipality has identified one property where environmental assessments have indicated soil contamination exceeds environmental standards. A reasonable estimate of any liability cannot be made as the Municipality has not determined how the property will be used, therefore, no liability has been recognized.

The Municipality's ongoing efforts to assess contaminated sites may result in future environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. Any changes to the Municipality's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and reasonably estimable.

24. Commitments

Tax increment based grants

The Municipality had one signed agreement for a tax increment based grant with a term spanning ten years that expires in 2030. At December 31, 2023, the total amount remaining to be paid from this agreement is \$ Nil. An agreement was made to pay the outstanding amount in a lump sum payment in 2023.

25. Comparative figures

Certain of the comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

26. Budget

The budget bylaw adopted by Council December 13, 2022 was not prepared on a basis consistent with that used to report actual results in accordance with Canadian public sector accounting standards. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. As a result, the budget figures presented in the Consolidated Statement of Operations and Consolidated Statement of Changes in Net Debt represent the budget adopted by Council with the following adjustments:

Budgeted annual surplus	\$ 6,000
Add:	
Capital revenues	2,989,212
Repayment of long term debt	1,302,584
Transfers from reserves, net	5,881,641
Less:	
Amortization of tangible capital assets	(6,116,144)
Estimated capital budget items expense in nature	(1,412,156)
Debenture proceeds	<u>(120,000)</u>
Budgeted surplus per Consolidated Statement of Operations	<u>\$ 2,519,137</u>

Amounts included in the original Council approved capital budget which are not recognized as tangible capital assets are included in the Consolidated Statement of Operations under the appropriate functional expense categories, while those recognized as tangible capital assets are included in the Consolidated Statement of Changes in Net Debt.

27. Financial instruments

The Municipality is exposed to various risks through its financial instruments. The Municipality's overall risk management program seeks to minimize potential adverse effects on financial performance. The following analysis provides a measure of the Municipality's risk exposures as at December 31, 2023:

Credit risk

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in financial loss to the Municipality. The Municipality is exposed to credit risk with respect to cash, other receivables and portfolio investments. The Municipality holds its cash accounts with a federally regulated chartered bank who is insured by the Canadian Deposit Insurance Corporation. In the event of default, the Municipality's cash accounts are insured up to \$ 460,032 (2022 - \$ 290,735).

Receivables are primarily due from government, corporations and individuals. The Municipality is not subject to credit risk with regards to government receivables and it assesses, on a continuous basis, other receivables and sets up an allowance for doubtful accounts for those considered not collectible. The exposure to credit risk of the Municipality is the carrying value of these receivables.

There have been no significant changes to credit risk exposure from the previous year.

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

27. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Municipality will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Municipality manages its liquidity risk by monitoring its operating requirements, preparing a budget, as well as cash forecasts to ensure that it has sufficient funds to settle its financial liabilities. Management has determined that the liquidity risk exposure to the Municipality is low.

There have been no significant changes to the liquidity risk exposure from the previous year.

Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The Municipality is exposed to interest and currency risks.

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. The Municipality is not subject to significant interest rate risk as its cash, portfolio investments and long-term debt have fixed interest rates and are intended to be carried until maturity. These financial instruments are carried at amortized cost, therefore their valuation does not change when interest rates fluctuate. In addition, the Municipality follows a conservative investment policy approved by Council.

b) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate due to changes in foreign exchange rates. The Municipality is not significantly exposed to currency risk as the level of cash denominated in U.S. dollars is not substantial.

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

City of Port Colborne

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2023

28. Segmented reporting

The Municipality is a diverse municipal government that provides a wide range of services to its citizens. Segmented information has been identified for the service lines that reflect the way in which the operations are managed and resource needs are identified and budgeted. Municipal activities are reported by function in the body of the financial statements.

Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General

The general provision of municipal services includes general government, fire services, transportation services, storm sewer services, planning and development, facilities, parks and cemeteries.

Water

The water operations install and maintain water capital infrastructure to ensure the safe supply, metering and cost recovery for all treated water to serviced areas within all urban and settlement areas of the Municipality.

Wastewater

The wastewater operations install and maintain wastewater capital infrastructure and recover costs of providing this service within all urban and settlement areas of the Municipality.

Storm sewer

The storm sewer operations install and maintain storm sewer capital infrastructure and recover costs of providing this service within all urban and settlement areas of the Municipality.

Port Colborne Public Library Board

The Port Colborne Public Library Board provides library services, materials and facilities. The Municipality controls the board and consolidates the financial activities.

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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The consolidated schedule of segment disclosure and the schedules of segment disclosure with budget information follow the notes.

City of Port Colborne

Consolidated Schedule of Segment Disclosure

For the Year Ended December 31, 2023

	<u>General</u>	<u>Library</u>	<u>Eliminations</u>	<u>Levy</u>	<u>Water</u>	<u>Wastewater</u>	<u>Storm sewer</u>	<u>2023</u>
Revenues								
Taxation	\$ 23,863,750	\$ -	\$ -	\$ 23,863,750	\$ -	\$ -	\$ -	\$ 23,863,750
User charges	3,795,045	11,390	-	3,806,435	5,058,112	7,044,173	1,378,893	17,287,613
Government transfers	6,989,352	1,116,540	(1,075,860)	7,030,032	-	63,793	-	7,093,825
Penalties and interest	528,496	-	-	528,496	16,636	25,605	-	570,737
Investment income	1,708,915	4,688	-	1,713,603	-	-	-	1,713,603
Other	<u>1,681,093</u>	<u>18,455</u>	<u>-</u>	<u>1,699,548</u>	<u>16,492</u>	<u>(7,513)</u>	<u>-</u>	<u>1,708,527</u>
	<u>38,566,651</u>	<u>1,151,073</u>	<u>(1,075,860)</u>	<u>38,641,864</u>	<u>5,091,240</u>	<u>7,126,058</u>	<u>1,378,893</u>	<u>52,238,055</u>
Expenses								
Wages and benefits	15,047,308	637,417	-	15,684,725	1,013,144	675,281	189,397	17,562,547
Materials	6,124,382	172,601	-	5,221,123	342,994	238,691	64,714	6,943,382
Contracted services	7,132,330	31,967	(1,075,860)	6,088,437	2,729,842	5,231,162	87,907	14,137,348
Rents and financial expenses	448,307	310	-	448,617	1,153	-	1,798	451,568
External transfers to others	376,951	-	-	376,951	10,988	10,988	-	398,927
Interest on long term debt	526,705	-	-	526,705	65,559	-	285,170	877,434
Tax write-offs	88,907	-	-	88,907	-	-	-	88,907
Amortization	<u>6,217,592</u>	<u>93,507</u>	<u>-</u>	<u>6,311,099</u>	<u>666,114</u>	<u>370,147</u>	<u>362,124</u>	<u>7,709,484</u>
	<u>35,962,482</u>	<u>935,802</u>	<u>(1,075,860)</u>	<u>35,822,424</u>	<u>4,829,794</u>	<u>6,526,269</u>	<u>991,110</u>	<u>48,169,597</u>
Annual surplus	<u>\$ 2,604,169</u>	<u>\$ 215,271</u>	<u>\$ -</u>	<u>\$ 2,819,440</u>	<u>\$ 261,446</u>	<u>\$ 599,789</u>	<u>\$ 387,783</u>	<u>\$ 4,068,458</u>

City of Port Colborne

Consolidated Schedule of Segment Disclosure

For the Year Ended December 31, 2022

	<u>General</u>	<u>Library</u>	<u>Eliminations</u>	<u>Levy</u>	<u>Water</u>	<u>Wastewater</u>	<u>Storm sewer</u>	<u>2022</u>
Revenues								
Taxation	\$ 22,563,927	\$ -	\$ -	\$ 22,563,927	\$ -	\$ -	\$ -	\$ 22,563,927
User charges	3,049,850	5,023	-	3,054,873	4,742,874	6,979,006	1,306,100	16,082,853
Government transfers	6,086,898	1,034,986	(917,000)	6,204,884	-	51,152	-	6,256,036
Penalties and interest	562,902	-	-	562,902	18,135	30,210	-	611,247
Investment income	483,612	-	-	483,612	-	-	-	483,612
Other	<u>3,910,436</u>	<u>6,183</u>	<u>-</u>	<u>3,916,619</u>	<u>(2,382)</u>	<u>-</u>	<u>-</u>	<u>3,914,237</u>
	<u>36,657,625</u>	<u>1,046,192</u>	<u>(917,000)</u>	<u>36,786,817</u>	<u>4,758,627</u>	<u>7,060,368</u>	<u>1,306,100</u>	<u>49,911,912</u>
Expenses								
Wages and benefits	13,482,257	641,037	-	14,123,294	1,013,216	725,769	131,595	15,993,874
Materials	6,811,557	128,635	-	6,940,192	228,081	143,066	33,253	7,344,592
Contracted services	5,665,117	33,343	(917,000)	4,781,460	2,373,415	4,414,137	57,460	11,626,472
Rents and financial expenses	523,168	191	-	523,359	6,325	3,470	11,880	545,034
External transfers to others	510,930	-	-	510,930	5,000	2,000	-	517,930
Interest on long term debt	536,746	-	-	536,746	73,454	-	292,204	902,404
Tax write-offs	317,996	-	-	317,996	-	-	-	317,996
Amortization	<u>4,401,490</u>	<u>87,054</u>	<u>-</u>	<u>4,488,544</u>	<u>644,510</u>	<u>361,599</u>	<u>364,071</u>	<u>5,858,724</u>
	<u>32,249,261</u>	<u>890,260</u>	<u>(917,000)</u>	<u>32,222,521</u>	<u>4,344,001</u>	<u>5,650,041</u>	<u>890,463</u>	<u>43,107,026</u>
Annual surplus	<u>\$ 4,408,364</u>	<u>\$ 155,932</u>	<u>\$ -</u>	<u>\$ 4,564,296</u>	<u>\$ 414,626</u>	<u>\$ 1,410,327</u>	<u>\$ 415,637</u>	<u>\$ 6,804,886</u>

City of Port Colborne Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2023

	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
General			
Revenues			
Taxation	\$ 23,733,100	\$ 23,863,750	\$ 22,563,927
User charges	3,265,590	3,795,045	3,049,850
Government transfers	4,155,489	6,989,352	6,086,898
Penalties and interest	420,000	528,496	562,902
Investment income	800,000	1,708,915	483,612
Other	<u>2,084,113</u>	<u>1,681,093</u>	<u>3,910,436</u>
	<u>34,458,292</u>	<u>38,566,651</u>	<u>36,657,625</u>
Expenses			
Wages and benefits	15,200,618	15,047,308	13,482,257
Materials	6,379,031	6,124,382	6,811,557
Contracted services	5,012,749	7,132,330	5,665,117
Rents and financial expenses	412,220	448,307	523,168
External transfers to others	484,846	376,951	510,930
Interest on long term debt	527,371	526,705	536,746
Tax write-offs	262,000	88,907	317,996
Amortization	<u>4,624,251</u>	<u>6,217,592</u>	<u>4,401,490</u>
	<u>32,903,086</u>	<u>35,962,482</u>	<u>32,249,261</u>
Annual surplus	<u>\$ 1,555,206</u>	<u>\$ 2,604,169</u>	<u>\$ 4,408,364</u>

City of Port Colborne Consolidated Schedule of Segment Disclosure with Budget Information

For the Year Ended December 31, 2023

	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
Library			
Revenues			
User charges	\$ 2,900	\$ 11,390	\$ 5,023
Government transfers	1,114,160	1,116,540	1,034,986
Investment income	-	4,688	-
Other	4,900	18,455	6,183
	<u>1,121,960</u>	<u>1,151,073</u>	<u>1,046,192</u>
Expenses			
Wages and benefits	715,203	637,417	641,037
Materials	170,763	172,601	128,635
Contracted services	32,514	31,967	33,343
Rents and financial expenses	80	310	191
Amortization	93,507	93,507	87,054
	<u>1,012,067</u>	<u>935,802</u>	<u>890,260</u>
Annual surplus	<u>\$ 109,893</u>	<u>\$ 215,271</u>	<u>\$ 155,932</u>

**City of Port Colborne
Consolidated Schedule of Segment Disclosure
with Budget Information**

For the Year Ended December 31, 2023

	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
Water			
Revenues			
User charges	\$ 5,124,300	\$ 5,058,112	\$ 4,742,874
Penalties and interest	18,000	16,636	18,135
Other	40,000	16,492	(2,382)
	<u>5,182,300</u>	<u>5,091,240</u>	<u>4,758,627</u>
Expenses			
Wages and benefits	1,134,293	1,013,144	1,013,216
Materials	345,850	342,994	228,081
Contracted services	2,672,946	2,729,842	2,373,415
Rents and financial expenses	-	1,153	6,325
External transfers to others	-	10,988	5,000
Interest on long term debt	65,559	65,559	73,454
Amortization	666,114	666,114	644,510
	<u>4,884,762</u>	<u>4,829,794</u>	<u>4,344,001</u>
Annual surplus	<u>\$ 297,538</u>	<u>\$ 261,446</u>	<u>\$ 414,626</u>

**City of Port Colborne
Consolidated Schedule of Segment Disclosure
with Budget Information**

For the Year Ended December 31, 2023

	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
Wastewater			
Revenues			
User charges	\$ 7,010,700	\$ 7,044,173	\$ 6,979,006
Government transfers	-	63,793	51,152
Penalties and interest	30,400	25,605	30,210
Other	-	(7,513)	-
	<u>7,041,100</u>	<u>7,126,058</u>	<u>7,060,368</u>
Expenses			
Wages and benefits	760,965	675,281	725,769
Materials	291,907	238,691	143,066
Contracted services	5,242,274	5,231,162	4,414,137
Rents and financial expenses	1,000	-	3,470
External transfers to others	50,000	10,988	2,000
Amortization	370,147	370,147	361,599
	<u>6,716,293</u>	<u>6,526,269</u>	<u>5,650,041</u>
Annual surplus	<u>\$ 324,807</u>	<u>\$ 599,789</u>	<u>\$ 1,410,327</u>

**City of Port Colborne
Consolidated Schedule of Segment Disclosure
with Budget Information**

For the Year Ended December 31, 2023

	Budget <u>2023</u>	Actual <u>2023</u>	Actual <u>2022</u>
Storm sewer			
Revenues			
User charges	\$ 1,437,700	\$ 1,378,893	\$ 1,306,100
Expenses			
Wages and benefits	229,322	189,397	131,595
Materials	61,779	64,714	33,253
Contracted services	235,612	87,907	57,460
Rents and financial expenses	32,000	1,798	11,880
Interest on long term debt	285,170	285,170	292,204
Amortization	362,124	362,124	364,071
	<u>1,206,007</u>	<u>991,110</u>	<u>890,463</u>
Annual surplus	<u>\$ 231,693</u>	<u>\$ 387,783</u>	<u>\$ 415,637</u>

**City of Port Colborne
Trust Funds
Statement of Financial Position**

As at December 31, 2023

	<u>Local Improvements</u>	<u>Julia Yager Trust</u>	<u>Fulton Trust</u>	<u>Sherkston Trust</u>	<u>Overholt Cemetery</u>	<u>Roselawn Centre</u>	2023	2022 (As restated) (Note 2)
Assets								
Cash	\$ 25,301	\$ 7,403	\$ 1,047	\$ 5,913	\$ 4,594	\$ 57,331	\$ 101,589	\$ 96,741
Due from City of Port Colborne	-	-	-	-	1,455	-	1,455	-
Investments (Note 3)	-	-	-	5,993	467,402	-	473,395	427,431
	<u>25,301</u>	<u>7,403</u>	<u>1,047</u>	<u>11,906</u>	<u>473,451</u>	<u>57,331</u>	576,439	<u>524,172</u>
Liabilities								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 23,096	\$ -	\$ 23,096	\$ -
Due to City of Port Colborne	-	-	-	-	-	-	-	912
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,096</u>	<u>-</u>	23,096	<u>912</u>
Net assets	<u>\$ 25,301</u>	<u>\$ 7,403</u>	<u>\$ 1,047</u>	<u>\$ 11,906</u>	<u>\$ 450,355</u>	<u>\$ 57,331</u>	\$ 553,343	<u>\$ 523,260</u>

Approved by

Chief Administrative Officer

Director, Corporate Services/Treasurer

See accompanying notes to the financial statements

City of Port Colborne Trust Funds Statement of Operations and Changes in Net Assets

For the Year Ended December 31, 2023

	Local Improvements	Julia Yager Trust	Fulton Trust	Sherkston Trust	Overholt Cemetery	Roselawn Centre	2023	2022 (As restated) (Note 2)
Revenues								
Interest	\$ 1,213	\$ 1	\$ -	\$ 1	\$ 1,171	\$ 2,749	\$ 5,135	\$ 13,862
Investment income	-	-	-	147	12,175	-	12,322	4,730
Perpetual trust contributions	-	-	-	-	9,155	-	9,155	10,138
	<u>1,213</u>	<u>1</u>	<u>-</u>	<u>148</u>	<u>22,501</u>	<u>2,749</u>	<u>26,612</u>	<u>28,730</u>
Expenses								
Investment management fees	-	-	-	-	6,124	-	6,124	6,607
Transfers to City of Port Colborne	-	-	-	-	7,222	-	7,222	5,759
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,346</u>	<u>-</u>	<u>13,346</u>	<u>12,366</u>
Change in fair value of investments	-	-	-	-	16,817	-	16,817	(47,961)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenses (expenses over revenues)	<u>1,213</u>	<u>1</u>	<u>-</u>	<u>148</u>	<u>25,972</u>	<u>2,749</u>	<u>30,083</u>	<u>(31,597)</u>
Net assets								
Beginning of year As previously stated	24,088	7,402	1,047	11,758	424,383	54,582	523,260	482,465
Prior period adjustment (Note 2)	-	-	-	-	-	-	-	72,392
Beginning of year As restated	<u>24,088</u>	<u>7,402</u>	<u>1,047</u>	<u>11,758</u>	<u>424,383</u>	<u>54,582</u>	<u>523,260</u>	<u>554,857</u>
End of year	<u>\$ 25,301</u>	<u>\$ 7,403</u>	<u>\$ 1,047</u>	<u>\$ 11,906</u>	<u>\$ 450,355</u>	<u>\$ 57,331</u>	<u>\$ 553,343</u>	<u>\$ 523,260</u>

See accompanying notes to the financial statements

**City of Port Colborne
Trust Funds
Statement of Cash Flows**

For the Year Ended December 31, 2023

	<u>2023</u>	<u>2022</u> (As restated) (Note 2)
Net increase (decrease) in cash		
Operating activities		
Excess of revenues over expenses (expenses over revenues)	\$ 30,083	\$ (31,597)
Change in fair value of investments	(16,817)	47,961
Net change in operating working capital:		
Increase in payables and accrued liabilities	23,096	-
(Increase) decrease in due from/to City of Port Colborne	(2,367)	6,345
	<u>33,995</u>	<u>22,709</u>
Investing activities		
Increase in investments - net	(29,147)	(26,703)
Net increase (decrease) in cash	4,848	(3,994)
Cash		
Beginning of year	<u>96,741</u>	<u>100,735</u>
End of year	<u>\$ 101,589</u>	<u>\$ 96,741</u>

See accompanying notes to the financial statements

City of Port Colborne

Trust Funds

Notes to the Financial Statements

For the Year Ended December 31, 2023

1. Summary of significant accounting policies

Management responsibility

The financial statements are the responsibility of and prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

The significant accounting policies used are as follows:

(a) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

(b) Financial instruments

Financial instruments in arms length transactions

The Trust Funds consider any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Trust Funds accounts for the following as financial instruments:

- Cash
- Investments
- Accounts payable

A financial assets or liability is recognized when the Trust Funds becomes party to contractual provisions of the instrument. The Trust Funds initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions.

The Trust Funds subsequently measure all of its financial assets and financial liabilities from arm's length transactions at amortized cost less any reduction for impairment, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the Statement of Operations.

Financial assets measured at cost or amortized cost less any reduction for impairment include cash and cash equivalents and investments in money market funds and guaranteed investment certificates.

Financial liabilities measured at amortized cost include accounts payable.

Financial instruments measured at fair value include investments in bond and equity funds. The fair value of investments in equity funds has been determined using the closing price at year end.

City of Port Colborne

Trust Funds

Notes to the Financial Statements

For the Year Ended December 31, 2023

1. Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

Financial instruments in arms length transactions (continued)

Financial assets and financial liabilities in arm's length transactions, which are not subsequently measured at fair value, are initially adjusted for transaction costs and financing fees directly attributable to their origination, acquisition, issuance or assumption. All other transaction costs are recognized in net income in the period incurred.

The Trust Funds removes financial liabilities, or a portion thereof, when the obligation is discharged, cancelled or expires.

At the end of each reporting period, the Trust Funds assesses whether there are any indications that a financial asset (or group of similar financial assets) measured at cost or amortized cost may be impaired. When there is any such indication of impairment, the Trust Funds determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from that financial asset. Where this is the case, the carrying amount of the asset is reduced to the highest of the expected value that is actually recoverable from the asset either by holding the asset, by its sale or by exercising the right to any collateral, net of costs. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in net income. Previously recognized impairment losses are reversed to net income if improvements occur.

Financial instruments in related party transactions

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. The Trust Funds do not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value.

Gains or losses arising on initial measurement differences are generally recognized in net income when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Trust Funds initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value, of which the Trust Funds has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

City of Port Colborne

Trust Funds

Notes to the Financial Statements

For the Year Ended December 31, 2023

1. Summary of significant accounting policies (continued)

(c) Revenue recognition

(i) Perpetual care collections

Revenue is recorded when it is earned and collection is reasonably assured.

(ii) Interest and investment income

Interest income earned on cash and investments held is recorded as revenue in the period earned.

2. Prior period adjustment

During the year, the Trust Funds noted that their investments in equity instruments that are quoted in active markets were being accounted for using the cost method. These investments should have been accounted for at fair value, with the changes in fair value each period being recognized in net income. As a result of the correction, the following adjustments have been made retrospectively to the comparative period. The cumulative impact of the adjustments prior to the opening of the comparative period were recognized in opening net assets.

	Previously reported	Adjustments	As restated
<u>Statement of Financial Position</u>			
<u>As at December 31, 2022</u>			
Assets			
Investments	403,000	24,431	427,431
Net Assets	498,829	24,431	523,260
<u>Statement of Operations and Changes in Net Assets</u>			
<u>For the Year Ended December 31, 2022</u>			
Change in fair value of investments	-	(47,961)	(47,961)
Excess of expenses over revenues	16,364	(47,961)	(31,597)
Net Assets			
Beginning of year	482,465	72,392	554,857
End of year	498,829	24,431	523,260
<u>Statement of Cash Flows</u>			
<u>As at December 31, 2022</u>			
Operating activities			
Non-cash items:			
Excess of expenses over revenues	16,364	(47,961)	(31,597)
Change in fair value of investments	-	47,961	47,961

City of Port Colborne

Trust Funds

Notes to the Financial Statements

For the Year Ended December 31, 2023

3. Investments

Investments consist of money market, bond and equity funds and a guaranteed investment certificate with an annual interest rate of 4.25% maturing December, 2024. Investments have an estimated market value of \$ 473,395 (2022 - \$ 427,431).

	<u>Book value</u> <u>2023</u>	<u>Market value</u> <u>2023</u>	<u>Book value</u> <u>2022</u>	<u>Market value</u> <u>2022</u>
Guaranteed investment certificate	\$ 5,993	\$ 5,993	\$ 5,846	\$ 5,846
Money market funds	52,227	52,227	23,227	23,227
Bond funds	278,913	256,079	278,913	247,767
Equity funds	95,014	159,096	95,014	150,591
	<u>\$ 432,147</u>	<u>\$ 473,395</u>	<u>\$ 403,000</u>	<u>\$ 427,431</u>

4. Financial instruments

The Trust Funds are exposed to various risks through its financial instruments. The following analysis provides a measure of the Trust Funds risk exposures and concentrations at December 31, 2023.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust Funds main credit risk relates to its due from City of Port Colborne. There was no significant change in exposure from the prior year and no allowance for doubtful accounts is required.

Liquidity risk

Liquidity risk is the risk that the Trust Funds could encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Trust Funds are exposed to liquidity risk with respect to its accounts payable and due to City of Port Colborne. There was no significant change in exposure from the prior year.

City of Port Colborne
Trust Funds
Notes to the Financial Statements

For the Year Ended December 31, 2023

4. Financial instruments (continued)

Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Trust Funds is mainly exposed to interest rate risk.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust Funds guaranteed investment certificates bear interest at various fixed rates and therefore are subject to fair value interest rate risk. There was no significant change in exposure from the prior year.

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