

Consolidated financial statements of

Corporation of the City of Welland

December 31, 2011

Corporation of the City of Welland

December 31, 2011

Table of contents

Independent Auditor's Report 1-2

Consolidated statement of financial position 3

Consolidated statement of operations 4

Consolidated statement of changes in net financial assets 5

Consolidated statement of cash flows 6

Notes to the consolidated financial statements 7-23

Schedules to consolidated statement of operations - Schedules 1-11 24-35

Consolidated schedule of long-term debt - Schedule 12 36

Consolidated schedule of tangible capital assets - Schedule 13 37-38

Waterworks

Statement of operations 39

Statement of financial position and accumulated surplus 40

Wastewater

Statement of operations 41

Statement of financial position and accumulated surplus 42

Trust Fund

Independent Auditor's Report 43-44

Statement of operations 45

Statement of financial position 46

Notes to the financial statements 47

Independent Auditor's Report

To the Members of Council, Inhabitants and Taxpayers of
Corporation of the City of Welland

We have audited the accompanying consolidated financial statements of the Corporation of the City of Welland, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Welland as at December 31, 2011, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of the Corporation of the City of Welland for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on September 20, 2011.

Without modifying our opinion, we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
August 28, 2012

Corporation of the City of Welland

Consolidated statement of financial position as at December 31, 2011

	2011	2010
	\$	\$
Assets		
Cash and cash equivalents (Note 2)	846,491	717,613
Taxes and grants-in-lieu receivable	6,432,991	6,589,152
Accounts receivable	11,229,509	9,454,271
Interest receivable	1,052,523	1,050,115
Note receivable	306,000	29,500
Loan receivable	26,512	31,087
Long-term investments (Note 3)	30,446,966	30,949,811
Investment in subsidiary (Note 4)	29,853,251	29,763,485
	80,194,243	78,585,034
Liabilities		
Bank indebtedness (Note 5)	2,246,534	936,280
Accounts payable and accrued liabilities	10,582,217	11,930,938
Due to trust fund	10,032	3,628
Deferred revenue (Note 6)	10,638,154	10,295,474
Accrued interest on long-term debt	500,063	512,595
Long-term debt (Note 7, Schedule 12)	34,436,444	33,123,060
Employee benefit obligations (Note 8)	6,033,385	5,465,296
	64,446,829	62,267,271
Net financial assets	15,747,414	16,317,763
Non-financial assets		
Tangible capital assets (Note 9, Schedule 13)	229,382,336	213,788,245
Other assets (Note 10)	107,702	123,002
	229,490,038	213,911,247
Contingencies (Note 17)		
Accumulated surplus (Note 11)	245,237,452	230,229,010

Approved by

City Manager

General Manager, Financial &
Corporate Services/Treasurer

Corporation of the City of Welland

Consolidated statement of operations year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
	\$	\$	\$
Revenue			
Taxation (Schedule 2)	29,347,700	29,429,487	29,462,804
User charges (Schedule 3)	24,862,591	25,261,375	23,883,949
Grants (Schedule 3)	3,631,125	3,694,584	4,400,267
Other (Schedule 4)	4,177,662	8,246,289	5,766,353
	62,019,078	66,631,735	63,513,373
Expenses			
General government (Schedule 5)	9,057,775	9,072,978	9,309,454
Protection to persons and property (Schedule 6)	8,978,444	8,935,829	8,474,652
Transportation services (Schedule 7)	17,469,171	16,264,915	16,537,620
Environmental services (Schedule 8)	23,369,667	22,103,890	21,163,518
Health services (Schedule 9)	94,613	104,794	138,455
Social and family services (Schedule 9)	127,056	337,102	161,019
Recreational and cultural services (Schedule 10)	24,337,898	10,219,216	10,645,315
Planning and development (Schedule 11)	1,493,453	1,538,494	1,400,964
	84,928,077	68,577,218	67,830,997
Net expenses	(22,908,999)	(1,945,483)	(4,317,624)
Other			
Revenue related to tangible capital assets			
User charges (Schedule 3)	727,119	4,664,299	1,485,256
Grants (Schedule 3)	2,636,600	7,940,985	10,091,037
Other (Schedule 4)	885,000	4,258,874	987,573
Increase (decrease) in equity investment in subsidiary (Note 4)	-	89,766	561,966
	4,248,719	16,953,924	13,125,832
Annual surplus	(18,660,280)	15,008,441	8,808,208
Accumulated surplus, beginning of year (Note 11)		230,229,010	221,420,802
Accumulated surplus, end of year (Note 11)		245,237,451	230,229,010

Corporation of the City of Welland

Consolidated statement of changes in net financial assets as at December 31, 2011

	2011	2010
	\$	\$
Increase (decrease) in net financial assets		
Annual surplus	15,008,441	8,808,208
Amortization of tangible capital assets	7,863,260	8,235,399
Acquisition of tangible capital assets	(20,319,333)	(19,133,164)
Proceeds on the disposition of tangible capital assets	88,739	727,127
Gain on disposal of tangible capital assets	(125,265)	(455,121)
Writedowns of tangible capital assets	68,509	171,412
Donated tangible capital asset	(3,170,000)	-
Change in other assets	15,300	(36,674)
	(570,349)	(1,682,813)
Net financial assets, beginning of year	16,317,763	18,000,576
Net financial assets, end of year	15,747,414	16,317,763

Corporation of the City of Welland

Consolidated statement of cash flows year ended December 31, 2011

	2011	2010
	\$	\$
Operating activities		
Annual surplus	15,008,441	8,808,208
Non-cash items		
Amortization	7,863,260	8,235,399
Gain on disposal of tangible capital assets	(125,265)	(455,121)
Writedown of tangible capital asset	68,509	171,412
Increase in investment in subsidiary	(89,766)	(561,966)
Decrease (increase) in taxes and grants-in-lieu receivable	156,161	(196,498)
Increase in accounts receivable	(1,775,238)	(3,612,196)
Increase in interest receivable	(2,408)	(303,872)
Decrease (increase) in loan receivable	4,575	(2,770)
Increase (decrease) in accounts payable	(1,348,721)	2,008,760
Increase in due to trust fund	6,404	3,628
Increase (decrease) in deferred revenue	342,680	(381,687)
Decrease in accrued interest on long-term debt	(12,532)	(35,250)
Increase in employee benefit obligations	568,089	453,214
Decrease (increase) in other assets	15,300	(36,674)
	<u>20,679,489</u>	<u>14,094,587</u>
Capital activities		
Proceeds from sale of tangible capital assets	88,739	727,127
Donated tangible capital asset	(3,170,000)	-
Acquisition of tangible capital assets	(20,319,333)	(19,133,164)
	<u>(23,400,594)</u>	<u>(18,406,037)</u>
Investing activities		
Decrease in long-term investments - net	502,845	221,852
Repayment of note receivable	4,500	500
	<u>507,345</u>	<u>222,352</u>
Financing activities		
Increase in bank indebtedness	1,310,254	936,280
Proceeds on issue of long-term debt	4,760,000	4,933,000
Repayment of long-term debt	(3,446,616)	(3,038,352)
Proceeds on issue of note receivable	(281,000)	(30,000)
	<u>2,342,638</u>	<u>2,800,928</u>
Net increase (decrease) in cash and cash equivalents	128,878	(1,288,170)
Cash and cash equivalents, beginning of year	717,613	2,005,783
Cash and cash equivalents, end of year	<u>846,491</u>	<u>717,613</u>

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

1. Significant accounting policies

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

Basis of consolidation

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:

- Welland Public Library Board
- Board of Management for the Welland Downtown Business Improvement Area
- Board of Management for the North Welland Business Improvement Area
- Welland Recreational Canal Corporation

Interdepartmental and organizational transactions and balances are eliminated.

The following joint local board is proportionately consolidated:

- Niagara Central Airport Commission (Joint Board)

Related party transactions are eliminated (Note 15).

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

The statements exclude trust assets that are administered for the benefit of external parties (Note 16).

Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue 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.

Budget figures

The budget for 2011 is reflected on the consolidated statement of operations. The budget established for 2011 included amounts for capital expenses, however starting in 2009 these expenses have been recorded as tangible capital asset additions. The budget figures do not include amounts for amortization of tangible capital assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and guaranteed investment certificates with a term of 365 days or less.

Long-term investments

Fixed income investments are recorded at amortized cost less amounts written off to reflect a permanent decline in value. Purchase premiums and discounts are amortized on the present value basis over the term of the issues.

Investments in common and preferred shares are recorded at cost, or at cost less amounts written off to reflect a permanent decline in value.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

1. Significant accounting policies (continued)

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 until they are earned by being matched against those expenses.

Employee future benefits

The Municipality pays certain benefits on behalf of its retired employees. The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service.

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.

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 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.

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

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

1. Significant accounting policies (continued)

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 Municipality. The Municipality is not involved in the construction.

Local improvements

The Municipality records capital expenses funded by local improvement agreements as they are incurred. Prior to 2009, revenues were recognized over the term of the local improvement agreements as they were collected. Effective January 1, 2009, revenues are recognized in the year they become receivable.

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.

Government transfers

Government transfers include entitlements, transfers under shared cost agreements, and grants. Revenue is recognized for entitlements and grants in the period received. Revenue is recognized for transfers under shared cost agreements in the period the costs are incurred.

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 financial statements.

Use of estimates and measurement uncertainty

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 report period. Actual results could differ from those estimates.

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.

Comparative figures

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

2. Cash and cash equivalents

	2011	2010
	\$	\$
Cash on hand	10,922	10,738
Cash held in banks and temporary investments	835,569	706,875
	<u>846,491</u>	<u>717,613</u>

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

3. Long-term investments

Long-term investments consist of Provincial and Federal Government Bonds and bank notes issued by various chartered banks.

The market value of the long-term investments at December 31, 2011 was \$31,446,507 (2010 - \$31,904,193).

4. Subsidiary operations

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

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

Financial position

	2011	2010
	\$	\$
Current assets	15,643,145	17,190,437
Investment in term deposits	-	1,500,000
Capital assets	25,371,210	24,305,657
Regulatory assets	2,869,521	2,992,335
Long-term investment - non-associated company	19,684	19,684
Total assets	43,903,560	46,008,113
Current liabilities	4,813,622	6,252,482
Note payable	17,199,953	17,199,953
Other long-term liabilities	5,536,687	6,292,146
Total liabilities	27,550,262	29,744,581
Net assets	16,353,298	16,263,532

Change in equity investment in subsidiary

	2011	2010
	\$	\$
Revenues	47,771,198	45,169,586
Operating expenses	(46,426,645)	(43,189,417)
Financing expenses	(986,561)	(978,338)
Other income	695,281	572,557
Payments in lieu of taxes	(188,507)	(512,422)
Net earnings from operations and increase in equity investment in subsidiary	864,766	1,061,966
Dividends	(775,000)	(500,000)
Change in equity	89,766	561,966

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

4. Subsidiary operations (continued)

The Municipality's investment in Welland Hydro is comprised of the following:

	2011	2010
	\$	\$
Note receivable	13,499,953	13,499,953
Net assets	16,353,298	16,263,532
	<u>29,853,251</u>	<u>29,763,485</u>

The financial position information is as reported by Welland Hydro at December 31, 2011. The results of operations information is as reported by Welland Hydro for the year ended December 31, 2011.

Note payable

The \$13,499,953 note is due to the City of Welland and bears interest at 6.25%, beginning May 1, 2006. It is due twelve months after official demand by the Municipality.

The \$3,700,000 loan with the Toronto Dominion Bank commenced February 6, 2009 for five years with an Optional Exit Strategy at three years. Welland Hydro has also entered into an interest rate swap agreement with Toronto Dominion Securities for the full amount of the loan to reduce its exposure to interest rate fluctuations. Under the terms of the agreement, Welland Hydro has effectively fixed interest rates at 2.87%. The loan payments cover interest only with no principal repayments.

Change in accounting policy - future taxes

In December 2007, the CICA revised Handbook Sections 1100, Generally Accepted Accounting Principles, and 3465, Income Taxes, and Accounting Guideline 19 ("AcG-19"), Disclosures by Entities Subject to Rate Regulation.

As a result, Welland Hydro is required to remove the temporary exemption pertaining to the application of Section 1100 to rate regulated operations, including the elimination of the opportunity to use industry practice as an acceptable basis for recognition and measurement of assets and liabilities arising from rate regulation. The amendment to Handbook Section 3465 required the recognition of future income tax assets and liabilities as well as a separate regulatory asset or liability for the amount of future income taxes expected to be included in the future rates and recovered from or paid to customers. As a result of the changes to Section 3465, Welland Hydro will be required to recognize future income taxes associated with its rate regulated operations using the assets and liability method.

An analysis of the future taxes as at December 31, 2011 identified a deferred tax asset of \$2,869,521 (2010 - \$2,992,335).

An analysis of future income taxes expected to be included in future rates and recovered from or paid to customers as at December 31, 2011 identified a regulatory liability of \$2,528,724 (2010 - \$2,619,802).

Contingencies

- (a) Welland Hydro participates with the other electrical utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electrical Association Reciprocal Insurance Exchange. Welland Hydro is liable for additional assessments to the extent premiums collected and reserves established are not sufficient to cover the cost of claims and costs incurred.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

4. Subsidiary operations (continued)

Contingencies (continued)

- (b) 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 \$2,369,722 and incurs interest at 0.6% annually.

As of April and June of 2011, Welland Hydro was required to provide additional security to the Independent Electricity System Operator (IESO). The security obtained was two letters of credit from a financial institution. The letters of credit are in the amount of \$100,000 & \$200,000 and also incur interest at 0.6% annually.

Commitments

Welland Hydro has an agreement to contribute to the costs of power connections and power lines in the new subdivisions built in the City of Welland. Welland Hydro will take over ownership of the power distribution equipment in the subdivisions two years after construction is accepted. The contribution made for the construction in subdivisions in 2011 was \$58,672 (2010 - \$25,058). The estimated contribution for 2012 is \$25,000.

The following summarizes the Municipality'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.

	2011	2010
	\$	\$
Electricity purchased	1,541,894	1,334,377
Rent paid	21,844	21,136
Other services purchased	484,560	884,600
Dividends received	775,000	500,000
Interest received	843,747	843,747
Property taxes and other taxes received	65,281	67,776
Water user charges received	6,230	5,252

5. Bank indebtedness

An operating line of credit of \$6,000,000 has been established with a financial institution, of which \$2,246,534 was used at December 31, 2011 (2010 - \$936,280). An executed borrowing by-law in form and content satisfactory to Royal Bank of Canada is in effect to a limit of \$6,000,000. Interest is calculated at prime minus 0.50%. There are no securities on this line of credit

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

6. Deferred revenue

	2011	2010
	\$	\$
Development Charges Act	3,222,402	3,765,725
Lot levies and subdivider contributions	3,470,285	3,521,504
Recreational land (Planning Act)	440,837	426,864
Provincial gas tax revenue	783,103	651,057
Federal gas tax revenue	2,277,950	1,500,813
Ontario Bus Replacement Program	26,092	224,219
Ontario State of Good Roads Program	183,161	189,968
Transit fares-Brock University/Niagara College	219,000	-
Investing in Ontario Act	15,324	15,324
	10,638,154	10,295,474

7. Long-term debt

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

	2011	2010
	\$	\$
The Municipality has assumed responsibility for the payment of principal and interest charges on certain long-term debt issued by other municipalities. At the end of the year, the outstanding principal amount of this debt is:	34,436,444	33,123,060

- (b) The net long-term debt is comprised of:

Debenture number	Purpose	Interest rates	Maturity dates	2011	2010
#		%		\$	\$
77-2002	Various	3.50 - 5.875	2012	110,000	215,000
74-2003	Various	2.95 - 5.35	2013	172,000	252,000
88-2004	Various	2.65 - 5.30	2014	1,470,480	1,914,813
85-2004	Civic Square	5.596	2024	8,043,450	8,455,067
OSIFA-04	General projects	2.46	2014	264,780	353,040
60-2005	Various	2.85 - 4.30	2015	3,112,000	3,428,000
56-2006	Various	4.70 - 5.15	2016	2,085,000	2,445,000
71-2007	Various	4.95 - 5.10	2017	3,744,759	4,269,140
60-2008	Various	3.70 - 4.70	2018	3,554,000	3,981,000
66-2009	Various	1.15 - 4.80	2019	2,595,000	2,877,000
72-2010	Various	1.60 - 4.65	2020	4,524,975	4,933,000
83-2011	Various	1.55 - 4.05	2021	4,460,000	-
				34,136,444	33,123,060
Infrastructure Ontario				300,000	-
				34,436,444	33,123,060

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

7. Long-term debt

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

	\$
2012	4,003,852
2013	4,053,715
2014	7,136,032
2015	5,387,170
2016	3,456,565

(d) The Municipality paid \$1,534,730 (2010 - \$1,581,223) interest on long-term debt during the year.

8. Employee benefit obligations

	2011	2010
	\$	\$
Vested sick leave benefits	1,497,325	1,541,671
Post-retirement benefits	4,355,264	3,760,893
Other	180,796	162,732
Total employee benefit obligations	6,033,385	5,465,296
Less: sick leave funded by reserve (Note 12)	(237,832)	(410,632)
	5,795,553	5,054,664

(a) Vested sick leave benefits

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Municipality's employment.

The liability for these accumulated days to the extent they have vested and could be taken in cash by an employee on terminating, amounted to \$1,497,325 (2010 - \$1,541,671). An amount of \$176,688 (2010 - \$116,982) was paid to employees who left the Municipality's employment during the current year. Payments to employees eligible to retire over the next five years are anticipated to be approximately \$75,000 per year.

An amount of \$237,832 (2010 - \$410,632) has been provided for the past service liability and is reported on the consolidated statement of financial position. An amount of \$20,000 (2010 - \$20,000) has been provided for in the current year and is reported on the consolidated statement of operations.

(b) Post-retirement benefits

In accordance with the public sector accounting board ("PSAB") guidelines the Municipality is required to report obligations for retirement benefits earned over the employment period of its employees.

Employees who retire under the Ontario municipal employees retirement system act ("OMERS Act") early retirement provisions are eligible to receive medical and dental benefits to the age of sixty-five. This amounts to \$4,355,264 (2010 - \$3,760,893) and is determined using average employee ages, years of service and retirement age as consistent with public sector past practices.

The Municipality's obligation under the post-retirement provision of employment agreements will be funded out of current revenue.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

9. Tangible capital assets

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

	2011	2010
	\$	\$
Land and land improvements	31,183,517	29,171,569
Buildings	48,636,472	38,126,505
Roads and bridges	55,732,720	54,525,079
Water and waste water infrastructure	81,153,154	80,710,523
Vehicles	7,338,498	6,043,940
Computer hardware and software	273,671	325,411
Machinery and equipment	5,064,304	4,885,218
	<u>229,382,336</u>	<u>213,788,245</u>

See Schedule 13 for more details.

10. Other assets

	2011	2010
	\$	\$
Prepaid expenses	74,455	93,129
Prepaid fuel	26,998	23,842
Inventory held for resale	6,249	6,031
	<u>107,702</u>	<u>123,002</u>

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

11. Accumulated surplus

	2011	2010
	\$	\$
Consists of:		
Surpluses (deficits)		
City	3,121,939	2,908,085
Welland Recreational Canal Corporation	(149,310)	(88,011)
North Welland Business Improvement Area	45,931	24,843
Welland Downtown Business Improvement Area	92,966	88,771
Niagara Central Airport Commission	59,808	43,965
	<u>3,171,334</u>	<u>2,977,653</u>
Investment in tangible capital assets	<u>229,382,336</u>	213,788,245
Investment in subsidiary	<u>29,853,251</u>	29,763,485
Unfunded:		
Long-term debt	(34,436,444)	(33,123,060)
Employee benefit obligations	(6,033,385)	(5,465,296)
Welland Downtown Business Improvement Area long-term payable	(210,000)	(225,000)
	<u>(40,679,829)</u>	<u>(38,813,356)</u>
Reserves and reserve funds (Note 12)	<u>23,510,360</u>	22,512,983
	<u>245,237,452</u>	<u>230,229,010</u>

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

12. Reserves and reserve funds

	2011	2010
	\$	\$
Reserves set aside for specific purposes by Council		
Working capital	902,168	960,723
Replacement of equipment	649,499	644,942
Bequests	49,274	43,141
Total reserves	1,600,941	1,648,806
Reserve funds set aside for specific purposes by Council		
Sick leave	237,832	410,632
Workers' Safety Insurance Board	300,707	217,810
Capital expenditure		
General administration	570,247	521,378
Parks and recreation	123,723	115,965
Economic development	388,059	390,317
Fire	686,888	1,173,321
Airport	36,390	36,031
Library	233,212	245,186
Fleet	425,175	380,861
Building capital improvements	122,968	123,683
Parking	50,572	50,497
Sports and culture	1,039,458	76,017
Municipal incentive grants	262,128	372,247
Recreational canal lands	13,766,647	14,204,343
Pay equity	-	5,196
Employee benefits	128,620	142,786
Water/wastewater surplus	851,881	381,696
Operating surplus	2,501,366	1,876,486
Ontario Municipal Partnership Funding Contingency	136,496	139,725
Insurance	47,050	-
Total reserve funds	21,909,419	20,864,177
Total reserves and reserve funds	23,510,360	22,512,983
Continuity of reserves and reserve funds		
Balance, beginning of year	22,512,983	22,117,328
Interest earned	787,765	864,499
Other revenue	980,181	627,464
Transfers in from:		
Operating revenue	2,356,043	1,910,054
Capital revenue	268,441	249,244
	4,392,430	3,651,261
Transfers out for:		
Operating purposes	2,697,634	2,023,111
Capital purposes	697,419	1,232,495
	3,395,053	3,255,606
Balance, end of year	23,510,360	22,512,983

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

13. 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:

	2011	2010
	\$	\$
Region of Niagara (Schedule 2)	29,189,094	29,391,322
School boards (Schedule 2)	13,097,195	13,548,612
	<u>42,286,289</u>	<u>42,939,934</u>

The Municipality 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 Municipality also collects development charges on behalf of the Region of Niagara (2011 - \$890,835; 2010 - \$1,499,838). Development charges collected in excess of those paid to the Region are recorded as accounts payable.

14. Pension agreements

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

Contributions to OMERS are made at rates ranging from 6.5% to 14.1% depending on the proposed retirement age and the level of earnings. As a result \$3,450,138 (2010 - \$3,112,793) was contributed to OMERS for current service, representing both the employer's and the employees' portions, of which \$1,725,068 (2010 - \$1,556,397) represents the employees' portion.

15. Niagara Central Airport Commission

Niagara Central 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%.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

15. Niagara Central Airport Commission (continued)

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

	2011	2010
	\$	\$
Financial assets		
Cash and temporary investments	158,877	133,966
Receivables	6,737	9,577
	<u>165,614</u>	<u>143,543</u>
Liabilities		
Accounts payable and accrued liabilities	3,630	9,281
Net financial assets	<u>161,984</u>	<u>134,262</u>
Non-financial assets		
Prepaid expenses	1,563	1,563
Fuel inventory	11,361	11,074
Tangible capital assets	1,089,147	1,100,201
	<u>1,102,071</u>	<u>1,112,838</u>
Accumulated surplus	<u>1,264,055</u>	<u>1,247,100</u>
Revenues		
Grants	90,155	91,082
Fuel and rentals	48,525	45,670
Interest	344	481
Expenses	(122,069)	(108,907)
Annual surplus	<u>16,955</u>	<u>28,326</u>

The financial position information is as reported by the Niagara Central Airport Commission as at December 31, 2011 and the results of operations are as reported for the year ended December 31, 2011. The comparative financial position and results of operations figures are as reported by the Niagara Central Airport Commission at December 31, 2010.

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

The following summarizes the Municipality's related party transactions with the Niagara Central 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.

	2011	2010
	\$	\$
Grants	<u>49,473</u>	<u>49,600</u>

16. Trust fund

The trust fund administered by the Municipality amounting to \$494,227 (2010 - \$481,808) has not been included in the consolidated statement of financial position nor has the operation been included in the consolidated statement of operations.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

17. Contingencies

Tax appeals

Certain property owners in the Municipality 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 2010 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 Municipality has provided \$500,000 (2010 - \$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 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.

18. Financial instruments

The Municipality's financial instruments consist of cash and cash equivalents, accounts receivable, interest receivable, note receivable, loan receivable, long-term investments, bank indebtedness, accounts payable and accrued liabilities, due to trust fund, accrued interest on long-term debt and long-term debt. It is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

19. Segmented information

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 the 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. The City of Welland embraces progress, and its historical significance in Ontario's past.

General Government

This segment includes general revenues and expenses as well as the Mayor and Council operations and the City Manager, City Clerks, Finance, and Human Resources departments.

The City Manager's office is responsible for corporate leadership and direction of the general management of the Municipality as well as participating in the overall stewardship of the Municipality. The Communications Division is part of the City Manager's office.

The Communications Division 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 office of the City Clerk is responsible for various corporate and administrative functions and is in frequent contact with all municipal departments, elected officials, other levels of government and the general public.

The Legal Division is part of the City Clerk's department. 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 Municipality.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

19. Segmented information (continued)

General Government (continued)

The Financial and Corporate Services Department directs all Finance, Purchasing and Information System 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, purchasing and information systems expertise and 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 Municipality. The Finance Division administers all the accounting and financial services for the Municipality.

The Information Services Division is a part of the Financial and Corporate Services Department. 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 help City Departments meet their information processing and communication needs.

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.

Protection to persons and property

Protection covers the City of Welland Fire and Emergency Services. 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.

Property encompasses Building Inspection and By-law Enforcement (except parking enforcement). 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 & LASSR programs are also handled by this division.

Transportation services

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

The Roads section repairs and maintains municipal roadways, curbs, catch basins, culverts, and sidewalks. They also deal 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 Municipality. 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 review 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 by-law administration and the traffic data collection and analysis.

Parking Operations oversees all maintenance and operations of the Municipality'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 of Welland. Staff reviews existing and new street light locations.

Parking Enforcement staff issue infractions under the Traffic and Parking By-law 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.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

19. Segmented information (continued)

Transportation services (continued)

The School Crossing Guard Operations consist of 35 locations throughout the City of Welland 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 water and wastewater infrastructure and the operation of the water system, water metering and the wastewater system.

The Water and Wastewater section operate the water and wastewater systems with provincially-licensed operators to maintain water quality and sampling, repair water main breaks, flush water mains, clean and unplug wastewater mains and connections, replace water/wastewater service connections, and maintain water meters.

Health services

This segment includes the cemeteries operated by the Municipality.

Social and family services

This segment includes assistance to aged persons including the Welland Community Wellness Complex.

Recreation and cultural services

This division delivers parks, facilities and leisure services to the City of Welland. The division is committed to working together to protect, support and enrich the quality of life of the people who live and play in the City of Welland.

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

Welland Recreation Canal Corporation was established in 2001 as an independent body, with a Board of Directors made up of nine people; three members of council and six citizens approved by Council.

The Facilities Division is responsible for the physical amenities including repairs and maintenance of 25 facilities; maintain and repair of 20 plus playgrounds and 3 swimming pools, splash pad and 2 wading pools; and is responsible for building operations including security, caretaking and energy management.

The Parks Division is responsible for care and maintenance of 50 community parks and parkettes. 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 Municipality.

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.

Corporation of the City of Welland

Notes to the consolidated financial statements

December 31, 2011

19. Segmented information (continued)

Planning and development (continued)

The Welland Development Commission (WDC) was established in 1963 as a non-profit economic development corporation that is an arm of the City of Welland government. The WDC is funded by the Municipality 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 Municipality, as well as building working relationships with local businesses. It also promotes new business and investment opportunities within the Municipality and will provide the business community with information and assistance with their respective needs and concerns.

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 consolidated financial statements as disclosed in Note 1. The schedules of segment information follow the notes.

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 1

year ended December 31, 2011

	2011								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreational and cultural services	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Taxation	5,042,144	7,465,690	10,364,315	187,231	3,106	255,067	5,099,943	1,011,991	29,429,487
User charges	3,466,039	473,457	2,529,383	22,288,757	62,641	7,125	953,004	145,268	29,925,674
Grants	3,385,831	-	2,224,083	646,529	-	4,047,766	1,344,371	(13,011)	11,635,569
Other revenues	3,879,257	62,793	1,093,513	3,413,338	25,233	3,257	2,495,884	1,531,888	12,505,163
Increase in equity in subsidiary	89,766	-	-	-	-	-	-	-	89,766
Total revenues	15,863,037	8,001,940	16,211,294	26,535,855	90,980	4,313,215	9,893,202	2,676,136	83,585,659
Expenses									
Salaries, wages and employee benefits	4,042,976	7,705,478	8,929,612	2,127,474	57,243	8,876	5,865,339	884,964	29,621,962
Net long-term debt charges	624,511	17,325	391,864	316,023	-	49,924	109,263	14,745	1,523,655
Materials, services and other	2,642,631	921,813	3,491,489	17,719,141	28,749	148,164	2,781,842	548,512	28,282,341
Rents and finance expenses	925,364	-	-	-	-	-	377,391	-	1,302,755
External transfers	-	-	-	-	-	-	-	-	-
Amortization	837,496	291,213	3,451,950	1,941,252	18,802	130,138	1,085,381	90,273	7,846,505
Total expenses	9,072,978	8,935,829	16,264,915	22,103,890	104,794	337,102	10,219,216	1,538,494	68,577,218
Annual surplus (deficit)	6,790,059	(933,889)	(53,621)	4,431,965	(13,814)	3,976,113	(326,014)	1,137,642	15,008,441

Corporation of the City of Welland
Schedules to consolidated statement of operations
Segment information - Schedule 1
year ended December 31, 2010

	2010								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreational and cultural services	Planning and development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Taxation	5,089,733	7,371,319	10,568,620	184,164	-	101,565	5,055,210	1,092,193	29,462,804
User charges	295,764	617,033	3,058,343	20,368,323	81,156	-	794,753	153,833	25,369,205
Grants	3,741,500	-	3,684,722	1,323,463	-	1,352,232	1,275,237	3,114,150	14,491,304
Other revenues	3,816,330	78,282	393,023	132,151	19,650	-	1,408,658	905,832	6,753,926
Increase in equity in subsidiary	561,966	-	-	-	-	-	-	-	561,966
Total revenues	13,505,293	8,066,634	17,704,708	22,008,101	100,806	1,453,797	8,533,858	5,266,008	76,639,205
Expenses									
Salaries, wages and employee benefits	4,007,987	7,244,037	8,725,614	2,003,489	79,074	9,838	5,834,438	929,019	28,833,496
Net long-term debt charges	667,171	11,981	392,995	355,105	-	18,290	90,624	8,877	1,545,043
Materials, services and other	2,967,964	898,564	4,261,533	16,924,282	58,266	68,773	2,635,205	343,892	28,158,479
Rents and finance expenses	728,279	-	-	-	-	-	308,009	-	1,036,288
External transfers	-	-	-	-	-	-	-	-	-
Amortization	938,053	320,070	3,157,478	1,880,642	1,115	64,118	1,777,039	119,176	8,257,691
Total expenses	9,309,454	8,474,652	16,537,620	21,163,518	138,455	161,019	10,645,315	1,400,964	67,830,997
Annual surplus (deficit)	4,195,839	(408,018)	1,167,088	844,583	(37,649)	1,292,778	(2,111,457)	3,865,044	8,808,208

Corporation of the City of Welland
Schedules to consolidated statement of operations
Revenue - Schedule 2
year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Budget 2010 (Unaudited)	Actual 2010
	\$	\$	\$	\$
Taxation				
Real property	70,204,700	70,547,011	69,553,305	71,266,510
From other governments				
Payments in lieu of taxes				
Public Works	27,000	30,941	48,000	16,642
St. Lawrence Seaway Authority	79,000	77,326	88,000	72,731
Niagara College and Hospital	311,500	338,775	293,000	313,200
Hydro One Networks Inc.	130,000	129,162	130,000	130,277
Ministry of Government Services	163,500	160,787	160,000	163,815
Municipal enterprises	67,000	65,281	70,000	67,776
Railways	122,850	123,466	122,900	123,466
Regional Municipality of Niagara	249,000	243,027	249,000	248,321
	1,149,850	1,168,765	1,160,900	1,136,228
	71,354,550	71,715,776	70,714,205	72,402,738
Less: taxation collected on behalf of				
Region of Niagara	(29,100,000)	(29,189,094)	(28,814,100)	(29,391,322)
School boards	(12,906,850)	(13,097,195)	(13,014,300)	(13,548,612)
Net taxes available for municipal purposes	29,347,700	29,429,487	28,885,805	29,462,804
Residential and farm	21,253,562	21,312,792	20,718,246	21,132,096
Multi-residential	2,000,378	2,005,952	1,961,452	2,000,632
Commercial	4,704,392	4,717,503	4,759,417	4,854,488
Industrial	1,263,063	1,266,583	1,322,760	1,349,183
Local improvements	11,374	11,406	11,184	11,407
Business Improvement Area	114,931	115,251	112,746	114,998
Net taxes available for municipal purposes	29,347,700	29,429,487	28,885,805	29,462,804

Corporation of the City of Welland

Schedules to consolidated statement of operations

Revenue - Schedule 3

year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
	\$	\$	\$
User charges			
Operating			
Fees, service charges and donations	3,634,765	3,837,895	3,326,769
Water billings	8,852,918	8,933,467	8,469,450
Wastewater billings	11,816,008	11,960,290	11,394,824
Licenses and permits	558,900	529,723	692,906
	<u>24,862,591</u>	<u>25,261,375</u>	<u>23,883,949</u>
Capital			
Lot levies and development charges	727,119	1,487,299	1,478,995
Fees, service charges and donations	-	3,177,000	6,261
	<u>727,119</u>	<u>4,664,299</u>	<u>1,485,256</u>
	<u>25,589,710</u>	<u>29,925,674</u>	<u>25,369,205</u>
Grants			
Operating			
Province of Ontario	3,629,125	3,678,033	4,262,296
Government of Canada	2,000	12,517	109,000
Other municipalities	-	4,034	28,971
Total operating grants	<u>3,631,125</u>	<u>3,694,584</u>	<u>4,400,267</u>
Capital			
Province of Ontario	904,700	3,923,839	4,163,269
Government of Canada	1,731,900	4,017,146	5,922,710
Other	-	-	5,058
Total capital grants	<u>2,636,600</u>	<u>7,940,985</u>	<u>10,091,037</u>
	<u>6,267,725</u>	<u>11,635,569</u>	<u>14,491,304</u>

Corporation of the City of Welland

Schedules to consolidated statement of operations

Revenue - Schedule 4

year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
	\$	\$	\$
Other revenue			
Operating			
Penalties and interest on taxes	1,100,000	1,123,110	1,159,355
Fines	350,800	394,203	415,333
Rent and leases	510,687	778,870	602,097
Investment income	1,681,875	3,205,411	2,272,941
Cost sharing	88,600	174,658	89,390
Development charges	21,800	21,800	21,500
Subdividers' contribution	1,000	-	527,600
Other	422,900	2,548,237	678,137
	4,177,662	8,246,289	5,766,353
Capital			
Rent and leases	-	1,400,000	12,260
Cost sharing	431,500	2,289,349	78,658
Subdividers contribution	448,500	400,000	-
Other	5,000	44,259	441,534
Gain on disposal of tangible capital assets	-	125,266	455,121
	885,000	4,258,874	987,573
	5,062,662	12,505,163	6,753,926

Corporation of the City of Welland
Schedules to consolidated statement of operations
Segment information - Schedule 5
year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
	\$	\$	\$
General government			
Revenues			
Taxation	5,066,045	5,042,144	5,089,733
User charges/fees	294,250	3,466,039	295,764
Grants	3,364,800	3,385,831	3,741,500
Other revenues	3,430,187	3,879,257	3,816,330
Increase in equity in subsidiary	-	89,766	561,966
Total revenues	12,155,282	15,863,037	13,505,293
Expenses			
Members of Council			
Salaries, wages and employee benefits	245,625	242,508	233,425
Materials, services and other	37,100	50,623	61,817
Amortization	-	721	865
General administration			
Salaries, wages and employee benefits	3,765,955	3,800,468	3,774,562
Net long-term debt charges	639,581	624,511	667,171
Materials, services and other	3,244,649	2,592,008	2,906,147
Amortization	-	836,775	937,188
Financial expenses			
Pensions, sick leave and other benefits	100,225	176,901	117,195
Tax write-offs, net of recoveries	715,650	661,330	519,706
Other services and supplies	308,990	87,133	91,378
Total expenses	9,057,775	9,072,978	9,309,454
Annual surplus	3,097,507	6,790,059	4,195,839

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 6

year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
	\$	\$	\$
Protection to persons and property			
Revenues			
Taxation	7,565,806	7,465,690	7,371,319
User charges/fees	504,400	473,457	617,033
Other revenues	13,800	62,793	78,282
Total revenues	8,084,006	8,001,940	8,066,634
Expenses			
Fire			
Salaries, wages and employee benefits	6,460,843	6,882,205	6,412,694
Net long-term debt charges	1,344,897	17,325	11,981
Materials, services and other	-	661,799	598,333
Amortization	11,909	290,307	319,167
Protective inspection and control			
Salaries, wages and employee benefits	859,995	823,273	831,343
Materials, services and other	300,800	260,014	300,231
Amortization	-	906	903
Total expenses	8,978,444	8,935,829	8,474,652
Annual (deficit)	(894,438)	(933,889)	(408,018)

Corporation of the City of Welland
Schedules to consolidated statement of operations
Segment information - Schedule 7
year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
	\$	\$	\$
Transportation services			
Revenues			
Taxation	10,161,710	10,364,315	10,568,620
User charges/fees	1,909,215	2,529,383	3,058,343
Grants	-	2,224,083	3,684,722
Other revenues	671,800	1,093,513	393,023
Total revenues	12,742,725	16,211,294	17,704,708
Expenses			
Roadways, sidewalks, works and traffic control			
Salaries, wages and employee benefits	5,835,685	5,865,695	5,905,200
Net long-term debt charges	400,014	391,864	392,995
Materials, services and other	2,737,465	1,131,692	2,211,804
Amortization	-	3,051,208	2,794,907
Transit, handi-trans and community bus service			
Salaries, wages and employee benefits	2,620,255	2,708,474	2,419,566
Materials, services and other	1,857,007	1,193,120	965,038
Amortization	-	391,748	350,563
Parking			
Salaries, wages and employee benefits	446,635	326,928	398,760
Materials, services and other	42,500	34,640	32,429
Amortization	-	2,040	2,865
Street lighting			
Salaries, wages and employee benefits	25,180	28,515	2,088
Materials, services and other	3,431,730	1,071,090	999,681
Amortization	-	874	2,417
Airport			
Materials, services and other	72,700	60,947	52,581
Amortization	-	6,080	6,726
Total expenses	17,469,171	16,264,915	16,537,620
Annual (deficit) surplus	(4,726,446)	(53,621)	1,167,088

Corporation of the City of Welland
Schedules to consolidated statement of operations
Segment information - Schedule 8
year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
	\$	\$	\$
Environmental services			
Revenues			
Taxation	218,842	187,231	184,164
User charges/fees	21,026,926	22,288,757	20,368,323
Grants	354,700	646,529	1,323,463
Other revenues	593,500	3,413,338	132,151
Total revenues	22,193,968	26,535,855	22,008,101
Expenses			
Wastewater system			
Salaries, wages and employee benefits	539,445	545,125	525,581
Net long-term debt charges	74,430	74,265	82,314
Materials, services and other	12,562,080	11,355,693	10,649,481
Amortization	-	519,389	437,534
Storm sewer system			
Salaries, wages and employee benefits	84,625	70,298	52,492
Net long-term debt charges	13,790	13,190	18,044
Materials, services and other	1,615,400	(14,246)	63,109
Amortization	-	418,090	445,369
Waterworks system			
Salaries, wages and employee benefits	1,451,840	1,512,051	1,425,416
Net long-term debt charges	237,917	228,568	254,747
Materials, services and other	6,790,140	6,377,694	6,211,692
Amortization	-	1,003,773	997,739
Total expenses	23,369,667	22,103,890	21,163,518
Annual (deficit) surplus	(1,175,699)	4,431,965	844,583

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 9

year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
	\$	\$	\$
Health services			
Revenues			
Taxation	-	3,106	-
User charges/fees	83,500	62,641	81,156
Other revenues	13,125	25,233	19,650
Total revenues	96,625	90,980	100,806
Expenses			
Cemeteries			
Salaries, wages and employee benefits	76,625	57,243	79,074
Materials, services and other	17,988	28,749	58,266
Amortization	-	18,802	1,115
Total expenses	94,613	104,794	138,455
Annual surplus (deficit)	2,012	(13,814)	(37,649)
Social and family services			
Revenues			
Taxation	212,300	255,067	101,565
User charges/fees	-	7,125	-
Grants	-	4,047,766	1,352,232
Other revenues	300	3,257	-
Total revenues	212,600	4,313,215	1,453,797
Expenses			
Assistance to aged persons			
Salaries, wages and employee benefits	14,125	8,876	9,838
Net long-term charges	35,831	49,924	18,290
Materials, services and other	77,100	148,164	68,773
Amortization	-	130,138	64,118
Total expenses	127,056	337,102	161,019
Annual surplus	85,544	3,976,113	1,292,778

Corporation of the City of Welland
Schedules to consolidated statement of operations
Segment information - Schedule 10
year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
	\$	\$	\$
Recreational and cultural services			
Revenues			
Taxation	4,897,207	5,099,943	5,055,210
User charges/fees	893,900	953,004	794,753
Grants	85,000	1,344,371	1,275,237
Other revenues	40,600	2,495,884	1,408,658
Total revenues	5,916,707	9,893,202	8,533,858
Expenses			
Parks and recreation services			
Salaries, wages and employee benefits	3,082,235	3,253,247	3,187,423
Net long-term debt charges	13,269	13,592	9,427
Materials, services and other	1,240,353	1,376,830	521,784
Amortization	-	435,881	1,137,897
Facilities			
Salaries, wages and employee benefits	1,092,140	1,020,981	1,064,796
Net long-term debt charges	96,673	95,671	81,197
Materials, services and other	16,719,455	1,038,516	915,307
Amortization	-	270,004	293,064
Library			
Salaries, wages and employee benefits	1,642,269	1,318,392	1,314,647
Materials, services and other	115,313	344,136	387,234
Amortization	-	159,127	163,404
Welland Recreational Canal Corporation			
Salaries, wages and employee benefits	-	272,719	267,572
Materials, services and other	-	22,360	810,880
Amortization	-	220,369	182,674
Other cultural services			
Grants	336,191	377,391	308,009
Total expenses	24,337,898	10,219,216	10,645,315
Annual deficit	(18,421,191)	(326,014)	(2,111,457)

Corporation of the City of Welland

Schedules to consolidated statement of operations

Segment information - Schedule 11

year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
	\$	\$	\$
Planning and development			
Revenues			
Taxation	1,226,291	1,011,991	1,092,193
User charges/fees	150,400	145,268	153,833
Grants	2,000	(13,011)	3,114,150
Other revenues	11,950	1,531,888	905,832
Total revenues	1,390,641	2,676,136	5,266,008
Expenses			
Planning, zoning and tourism			
Salaries, wages and employee benefits	735,830	674,713	724,623
Net long-term debt charges	13,268	14,745	8,877
Materials, services and other	372,355	233,119	205,530
Amortization	-	89,015	117,374
Commercial and industrial			
Salaries, wages and employee benefits	209,850	210,251	204,396
Materials, services and other	162,150	315,393	138,362
Amortization	-	1,258	1,802
Total expenses	1,493,453	1,538,494	1,400,964
Annual surplus	(102,812)	1,137,642	3,865,044

Corporation of the City of Welland
 Consolidated schedule of long-term debt - Schedule 12
 year ended December 31, 2011

	2011	2010
	\$	\$
Net municipal debt		
General government		
Civic Square	10,451,832	10,761,583
Protection to persons and property		
Fire pumper	1,047,512	273,219
Central firehall	-	45,537
Transportation services		
Roadways	8,833,435	8,162,094
Traffic	-	1,349,487
Environmental services		
Wastewater system	1,885,827	1,575,630
Storm sewer system	238,957	321,566
Waterworks system	4,517,576	5,157,697
Recreational and cultural services		
Parks and recreation	7,143,997	5,078,012
Museum	-	50,090
Planning and development		
Market	317,308	348,145
	34,436,444	33,123,060

Corporation of the City of Welland

Consolidated schedule of tangible capital assets - Schedule 13
 year ended December 31, 2011

	2011							
	Land and land improvements	Buildings	Roads and bridges	Waste and Wastewater	Vehicles	Computer hardware and software	Machinery and equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	39,050,041	50,050,785	92,649,971	110,617,506	11,804,825	1,313,372	9,793,325	315,279,825
Add: additions during year	4,178,356	13,101,381	1,046,828	678,875	819,895	68,992	1,033,954	20,928,281
Less: disposals during year	(9,709)	-	-	-	(478,897)	-	(167,359)	(655,965)
Balance, end of year	43,218,688	63,152,166	93,696,799	111,296,381	12,145,823	1,382,364	10,659,920	335,552,141
Accumulated amortization								
Balance, beginning of year	12,043,075	15,581,652	38,521,915	30,241,624	5,760,885	987,961	4,908,107	108,045,219
Add: amortization	1,100,754	1,246,563	2,093,772	1,709,051	721,460	120,732	870,928	7,863,260
Less: accumulated amortization of disposals	-	-	-	-	(457,165)	-	(166,818)	(623,983)
Balance, end of year	13,143,829	16,828,215	40,615,687	31,950,675	6,025,180	1,108,693	5,612,217	115,284,496
Net book value	30,074,859	46,323,951	53,081,112	79,345,706	6,120,643	273,671	5,047,703	220,267,645
Assets under construction	1,108,658	2,312,521	2,651,608	1,807,448	1,217,855	-	16,601	9,114,691
Total	31,183,517	48,636,472	55,732,720	81,153,154	7,338,498	273,671	5,064,304	229,382,336

Corporation of the City of Welland

Consolidated schedule of tangible capital assets - Schedule 13
year ended December 31, 2010

								2010
	Land and land improvements	Buildings	Roads and bridges	Waste and Wastewater	Vehicles	Computer hardware and software	Machinery and equipment	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	38,604,763	49,762,771	84,918,180	104,954,304	10,683,836	1,197,158	9,149,481	299,270,493
Add: additions during year	468,471	650,265	7,919,207	5,663,202	1,429,035	116,214	824,581	17,070,975
Less: disposals during year	(23,193)	(362,251)	(187,416)	-	(308,046)	-	(180,737)	(1,061,643)
Balance, end of year	39,050,041	50,050,785	92,649,971	110,617,506	11,804,825	1,313,372	9,793,325	315,279,825
Accumulated amortization								
Balance, beginning of year	10,565,581	14,505,502	36,316,451	28,570,038	5,325,418	804,867	4,340,188	100,428,045
Add: amortization	1,483,670	1,185,558	2,221,423	1,671,586	741,896	183,094	748,172	8,235,399
Less: accumulated amortization of disposals	(6,176)	(109,408)	(15,959)	-	(306,429)	-	(180,253)	(618,225)
Balance, end of year	12,043,075	15,581,652	38,521,915	30,241,624	5,760,885	987,961	4,908,107	108,045,219
Net book value	27,006,966	34,469,133	54,128,056	80,375,882	6,043,940	325,411	4,885,218	207,234,606
Assets under construction	2,164,603	3,657,372	397,023	334,641	-	-	-	6,553,639
Total	29,171,569	38,126,505	54,525,079	80,710,523	6,043,940	325,411	4,885,218	213,788,245

Corporation of the City of Welland

Statement of operations - Waterworks year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
	\$	\$	\$
Revenue			
Sale of water	8,852,918	8,933,467	8,469,450
Penalty	80,000	79,648	79,279
Customer services	106,000	141,322	184,299
Other revenue	-	62,569	(4,597)
	9,038,918	9,217,006	8,728,431
Expenses			
Water purchases	4,719,400	4,793,458	4,684,806
Salaries, wages and benefits	1,451,840	1,512,051	1,425,416
Amortization	-	1,003,773	997,738
Other (includes long term debt interest)	2,308,657	1,812,795	1,781,634
	8,479,897	9,122,077	8,889,594
Net revenues (expenses)	559,021	94,929	(161,163)
Revenues related to capital			
User charges	-	305,825	25,898
Grants	87,300	419,588	998,730
Other	50,000	19,911	179,573
	137,300	745,324	1,204,201
Annual surplus	696,321	840,253	1,043,038
Accumulated surplus, beginning of year		28,769,665	27,726,627
Accumulated surplus, end of year		29,609,918	28,769,665

Corporation of the City of Welland

Statement of financial position and accumulated surplus - Waterworks as at December 31, 2011

	2011	2010
	\$	\$
Assets		
Cash	1,000	1,000
Accounts receivable	-	3,500
User charges receivable	1,953,730	1,938,296
	1,954,730	1,942,796
Liabilities		
Accounts payable	82,512	76,927
Long-term debt	4,517,552	5,157,679
Employee benefit obligations	349,345	281,408
Due to other funds	591,141	1,038,054
	5,540,550	6,554,068
Net financial debt	(3,585,820)	(4,611,272)
Non-financial assets		
Tangible capital assets	33,195,738	33,380,937
Accumulated surplus	29,609,918	28,769,665
Accumulated surplus consists of:		
Deficit	(65,526)	(23,603)
Investment in tangible capital assets	33,195,738	33,380,937
Unfunded		
Long-term debt	(4,517,552)	(5,157,679)
Employee benefit obligations	(349,345)	(281,408)
	(4,866,897)	(5,439,087)
Reserves for capital projects	494,722	469,722
Water reserve	851,881	381,696
Accumulated surplus	29,609,918	28,769,665

Corporation of the City of Welland

Statement of operations - Wastewater year ended December 31, 2011

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
	\$	\$	\$
Revenues			
Wastewater rate	11,816,008	11,960,290	11,394,824
Penalties	110,000	114,873	110,037
Customer services	60,000	1,103,440	52,162
	11,986,008	13,178,603	11,557,023
Expenses			
Wastewater treatment	9,459,400	9,030,674	9,197,227
Salaries, wages and benefits	539,445	545,125	525,581
Amortization	-	519,389	437,534
Other (includes long-term debt interest)	3,177,110	2,399,285	1,534,595
	13,175,955	12,494,473	11,694,937
Net revenue (expenses)	(1,189,947)	684,130	(137,914)
Revenues related to capital			
User charges	-	633,750	911,967
Grants	178,100	226,940	1,005,008
Other (expense)	115,000	2,159,856	(25,646)
	293,100	3,020,546	1,891,329
Annual (deficit) surplus	(896,847)	3,704,676	1,753,415
Accumulated surplus, beginning of year		22,611,399	20,857,984
Accumulated surplus, end of year		26,316,075	22,611,399

Corporation of the City of Welland

Statement of financial position and accumulated surplus - Wastewater as at December 31, 2011

	2011	2010
	\$	\$
Assets		
User charges receivable	1,988,340	1,956,422
Long-term receivable	281,000	-
	<u>2,269,340</u>	<u>1,956,422</u>
Liabilities		
Accounts payable and accrued liabilities	58,711	30,528
Long-term debt	1,885,803	1,575,612
Employee benefit obligations	59,676	109,578
Due to other funds	628,226	3,257,324
	<u>2,632,416</u>	<u>4,973,042</u>
Net financial debt	(363,076)	(3,016,620)
Non-financial assets		
Tangible capital assets	26,679,151	25,628,019
Accumulated surplus	<u>26,316,075</u>	<u>22,611,399</u>
Accumulated surplus consists of:		
Surplus (deficit)	1,445,403	(1,651,430)
Investment in tangible capital assets	26,679,151	25,628,019
Unfunded		
Long-term debt	(1,885,803)	(1,575,612)
Employee benefit obligations	(59,676)	(109,578)
	<u>(1,945,479)</u>	<u>(1,685,190)</u>
Reserves for capital projects	137,000	320,000
Accumulated surplus	<u>26,316,075</u>	<u>22,611,399</u>

Deloitte & Touche LLP
25 Corporate Park Drive
Suite 301
St. Catharines ON L2S 3W2
Canada

Tel: 905-323-6000
Fax: 905-323-6001
www.deloitte.ca

Independent Auditor's Report

To the Members of Council, Inhabitants and Taxpayers of the Corporation of the City of Welland

We have audited the accompanying financial statements of the trust fund of the Corporation of the City of Welland, which comprise the statement of financial position as at December 31, 2011, and the statement of operations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the trust fund of the Corporation of the City of Welland as at December 31, 2011, and the results of its operations for the year then ended in accordance with the Canadian public sector accounting standards.

Other Matter

The financial statements of trust fund of the Corporation of the City of Welland for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on September 20, 2011.

Chartered Accountants
Licensed Public Accountants
August 28, 2012

Corporation of the City of Welland

Statement of operations - Trust Fund year ended December 31, 2011

	2011	2010
	\$	\$
Revenue		
Perpetual care	12,419	21,651
Accumulated surplus, beginning of year	481,808	460,157
Accumulated surplus, end of year	494,227	481,808

Corporation of the City of Welland

Statement of financial position - Trust Fund as at December 31, 2011

	2011	2010
	\$	\$
Assets		
Cash	28,873	28,544
Due from other fund	10,032	3,628
Investments (Note 2)		
Provincial	69,680	65,278
Municipal and other	385,642	384,358
	455,322	449,636
Accumulated surplus	494,227	481,808

Corporation of the City of Welland - Trust Fund

Notes to the financial statements

December 31, 2011

1. Accounting policies

Basis of accounting

The financial statements of the Corporation of the City of Welland Trust Fund are prepared by management in accordance with Canadian public sector accounting standards. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These estimates have been made using careful judgments.

Significant aspects of the accounting policies adopted 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) *Investments*

Investments are recorded at cost.

2. Investments

Trust fund investments of \$455,322 (2010 - \$449,636) have an estimated market value of \$506,708 (2010 - \$486,429). Investments consist of Canadian municipal bonds and bank guaranteed investment certificates.