

CITY OF MOUNT PEARL
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

**City of Mount Pearl
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December 31, 2019**

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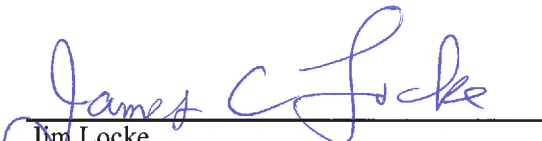
Statement of Responsibility

The accompanying consolidated financial statements are the responsibility of the management of the City of Mount Pearl. The consolidated financial statements have been prepared by management in compliance with legislation and in accordance with Canadian public sector accounting standards ("PSAS").


In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Council of the City of Mount Pearl met with management and its external auditors to review a draft of the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized consolidated financial statements.

BDO Canada LLP, as the City of Mount Pearl's appointed external auditors, have audited the accompanying consolidated financial statements. The independent auditor's report is addressed to the Deputy Mayor and members of City Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the City in accordance with Canadian public sector accounting standards.



Jim Locke
Deputy Mayor



Mona Lewis
Acting CAO



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Independent Auditor's Report

To the Deputy Mayor and Council of City of Mount Pearl

Opinion

We have audited the consolidated financial statements of City of Mount Pearl (the "City"), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2019, and the results of its consolidated operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2018 has been restated. Our opinion is not modified in respect of this matter.

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

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

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

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



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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

St. John's, Newfoundland and Labrador
September 8, 2020

City of Mount Pearl
Consolidated Statement of Financial Position
December 31, 2019

	2019	2018 (Restated - Note 3)
Financial Assets		
Cash and cash equivalents	\$ 21,713,035	\$ 21,171,659
Accounts receivable (Note 4)	7,775,215	8,238,456
Long-term receivables (Note 5)	<u>2,509,857</u>	<u>2,645,763</u>
	<u>31,998,107</u>	<u>32,055,878</u>
Liabilities		
Accounts payable and accrued liabilities (Note 7)	8,793,712	11,081,056
Deferred revenue	716,556	638,453
Long-term debt (Note 8)	33,972,772	35,782,749
Unfunded pension liability (Note 9)	705,669	913,529
Accrued post-retirement benefits (Note 10)	5,536,800	5,390,700
Accrued employee benefits (Note 11)	2,066,647	2,077,819
Accrued early retirement pension benefit (Note 12)	<u>354,104</u>	<u>395,171</u>
	<u>52,146,260</u>	<u>56,279,477</u>
Net Debt	<u>(20,148,153)</u>	<u>(24,223,599)</u>
Non-Financial Assets		
Tangible capital assets (Schedule 1)	214,440,712	212,452,709
Inventories	1,362,073	1,054,768
Prepaid expenses	<u>487,313</u>	<u>83,749</u>
	<u>216,290,098</u>	<u>213,591,226</u>
Accumulated Surplus	<u>\$ 196,141,945</u>	<u>\$ 189,367,627</u>
Subsequent event (Note 13)		
Commitments (Note 14)		

Approved on behalf of Council:



Jim Locke, Deputy Mayor



Mona Lewis, Acting CAO

City of Mount Pearl
Consolidated Statement of Changes in Net Debt
December 31, 2019

	2019 Budget (Note 17)	2019 Actual	2018 Actual (Restated - Note 3)
Annual surplus	<u>\$ 4,885,696</u>	<u>\$ 6,774,318</u>	<u>\$ 12,142,158</u>
Acquisition of tangible capital assets	(14,324,289)	(11,554,971)	(16,591,743)
Amortization of tangible capital assets	8,973,898	8,973,898	8,769,357
Proceeds on disposal of tangible capital assets	-	7,333	-
Loss on disposal of tangible capital assets	-	585,737	141,002
	<u>(5,350,391)</u>	<u>(1,988,003)</u>	<u>(7,681,384)</u>
Use of supplies inventories	-	(307,305)	(125,169)
Use of prepaid expenses	-	(403,564)	15,936
		<u>(710,869)</u>	<u>(109,233)</u>
Decrease in Net Debt	(464,695)	4,075,446	4,351,541
Net Debt, Beginning of Year	<u>(24,223,599)</u>	<u>(24,223,599)</u>	<u>(28,575,140)</u>
Net Debt, End of Year	<u>\$ (24,688,294)</u>	<u>\$ (20,148,153)</u>	<u>\$ (24,223,599)</u>

The accompanying notes are an integral part of these financial statements.

City of Mount Pearl
Consolidated Statement of Operations and Accumulated Surplus
December 31, 2019

	2019 Budget (Note 17)	2019 Actual	2018 Actual (Restated - Note 3)
Revenues (Schedule B)			
Taxation and utility fees	\$ 47,388,885	\$ 46,799,919	\$ 48,132,781
Grants from other governments	7,663,480	7,815,571	9,230,980
Sales of goods and services	2,413,892	2,446,229	2,246,351
Other revenue from own sources	934,060	1,412,648	1,348,942
	<u>58,400,317</u>	<u>58,474,367</u>	<u>60,959,054</u>
Expenses (Schedule C)			
General government services	7,298,992	5,685,797	4,826,301
Transportation services	16,965,085	16,331,146	16,740,672
Protective services	6,264,930	6,577,222	6,322,354
Community services	12,367,827	11,909,338	11,075,192
Environmental health services	7,981,990	7,399,520	7,003,848
Planning and development	928,079	1,720,321	1,393,141
Fiscal services	1,707,718	2,076,705	1,455,388
	<u>53,514,621</u>	<u>51,700,049</u>	<u>48,816,896</u>
Annual Surplus	4,885,696	6,774,318	12,142,158
Accumulated Surplus, Beginning of Year	<u>189,367,627</u>	<u>189,367,627</u>	<u>177,225,469</u>
Accumulated Surplus, End of Year	<u>\$ 194,253,323</u>	<u>\$ 196,141,945</u>	<u>\$ 189,367,627</u>

City of Mount Pearl
Consolidated Statement of Cash Flows
December 31, 2019

	2019	2018 (Restated - Note 3)
Operating Activities		
Annual surplus	\$ 6,774,318	\$ 12,142,158
Items not affecting cash:		
Amortization of tangible capital assets	8,973,898	8,769,357
Loss on disposal of tangible capital assets	585,737	67,642
Changes in non-cash items:		
Unfunded pension liability	(207,860)	(210,850)
Accrued post-retirement benefits	146,100	146,100
Accrued employee benefits	(11,172)	72,736
Accrued early retirement pension benefit	(41,067)	(41,246)
	<u>16,219,954</u>	<u>20,945,897</u>
Changes in non-cash working capital:		
Accounts receivable	463,241	(1,780,854)
Inventories	(307,305)	(125,169)
Long-term receivables	135,906	135,907
Prepaid expenses	(403,564)	15,936
Accounts payable and accrued liabilities	(2,287,344)	517,240
Deferred revenue	78,103	61,937
	<u>13,898,991</u>	<u>19,770,894</u>
Cash provided by operating activities		
Financing activities		
Proceeds from long-term debt	-	5,200,000
Repayment of long-term debt	(1,809,977)	(1,574,517)
	<u>(1,809,977)</u>	<u>(1,574,517)</u>
Cash provided (used) by financing activities		
	<u>(1,809,977)</u>	<u>3,625,483</u>
Capital activities		
Acquisition of tangible capital assets	(11,554,971)	(16,591,743)
Proceeds on disposal of tangible capital assets	7,333	73,360
	<u>(11,547,638)</u>	<u>(16,518,383)</u>
Cash used by capital activities		
	<u>(11,547,638)</u>	<u>(16,518,383)</u>
Increase in Cash and Cash Equivalents	541,376	6,877,994
Cash and Cash Equivalents, Beginning of Year	21,171,659	14,293,665
Cash and Cash Equivalents, End of Year	\$ 21,713,035	\$ 21,171,659

The accompanying notes are an integral part of these financial statements.

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

1. Status of the City

The incorporated City of Mount Pearl is a municipal government that was incorporated in 1955 pursuant to the Province of Newfoundland and Labrador's Municipalities Act. The municipality was granted city status in 1988 pursuant to the passing of The City of Mount Pearl Act in the provincial legislature. The City provides or funds municipal services such as fire, public transportation, public works, community services programming, library services, and recreation and general government operations.

2. Significant Accounting Policies

The consolidated financial statements are prepared using Canadian public sector accounting standards (PSAS).

(a) Basis of consolidation

The reporting entity includes the accounts and financial activities of organizations, which are controlled by the City. These organizations are accountable to Council for the administration of their financial affairs.

The controlled organizations are consolidated after adjusting their accounting policies to a basis consistent with the accounting policies of the City. Interfund and inter-entity balances and transactions have been eliminated. Included in the consolidated financial statements is the Admiralty House Museum & Archives.

(b) Purchased services

The City has agreements in place for the purchase of certain municipal services provided on a regional basis including; public transit services, regional fire services, landfill services, the supply of potable water and wastewater treatment services. These services are billed to the City on a cost of supply or consumption basis and are provided by the following organizations:

St. John's Regional Fire Department
St. John's Regional Water Authority
St. John's Transportation Commission
Robin Hood Bay Solid Waste Treatment Facility
Riverhead Wastewater Treatment Facility

(c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash on deposit and short-term liquid investments that readily convertible to cash and are not subject to significant risk of changes in value. Short-term liquid investments have a maturity date of ninety days or less from the date of acquisition.

(d) Inventories

Inventories are supplies held for consumption and are recorded at the lower of estimated cost and replacement value. Allowances have been made for unusable and obsolete parts.

2. Significant Accounting Policies (continued)

(e) Non-financial assets

Non-financial assets are used to provide the City's services in future periods. These assets do not normally provide resources to discharge the liabilities of the City unless they are sold. The City's non-financial assets include all assets of a fixed or permanent nature, claims to goods and services and consumable goods.

(f) Port-retirement benefits

The City provides defined post-retirement benefits for certain employee groups. These benefits include life insurance, accidental death and dismemberment coverage, health care and dental benefits. The costs of post-retirement future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employee groups.

(g) Pension Plan

The City participates in a multi-employer defined benefit pension plan, however, sufficient information is not available to use defined benefit accounting. Therefore, the City accounts for the plan as if it were a defined contribution plan. As such, no pension liability is included in the City's consolidated financial statements and contributions are recognized as an expense in the year to which they relate. All full-time employees are eligible to participate in the plan. Contributions are a defined amount based upon a set percentage of salary.

(h) Employee benefits

The City's employee benefits consists of severance and vacation pay, which are accounted for on an accrual basis. Severance pay is calculated based upon unused sick leave or years of service. Entitlement to severance pay is earned after 5 years of service for management employees and 10 years of service for unionized employees. Management employees hired after January 1, 2016 are not eligible for severance payments upon retirement. No provision has been recorded for employees with less than the required years of service. The amount is payable when the employee ceases employment with the City. The accrual does not include any additional compensation which an employee may be entitled to if the City declares an employee's position redundant. Vacation pay is calculated based upon employees' unused vacation leave entitlement at year end.

(i) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include amortization of tangible assets and valuation of unfunded pension liability, accrued post-retirement benefits, accrued employee taxes and benefits, and accrued early retirement pension benefits. Actual results could differ from these estimates.

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

2. Significant Accounting Policies (continued)

(j) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

Tangible capital assets under construction, development or that have been removed from service are not amortized until they are available to be put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed capital assets are recorded at their fair value on the date of contribution, except in unusual circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

The cost of tangible capital assets is amortized on a straight line basis over the estimated useful lives as follows:

General tangible capital assets

Buildings	40 years
Vehicles and equipment	5-15 years
Playing surfaces and trails	10-30 years
Computer hardware and software	4-10 years
Recreation equipment	5-20 years
Office furniture and equipment	5-10 years

Infrastructure assets

Transportation	
Roads, curbs and sidewalks	12-20 years
Traffic lights	20 years
Tools and equipment	30 years
Water and Sewer	
Water and wastewater networks	35-75 years
Pumping and lift stations	35-50 years

(k) Bonding

As required by Section 89 of The City of Mount Pearl Act, we report that all employees whose duties include collecting, receiving and depositing of cash are bonded.

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

2. Significant Accounting Policies (continued)

(l) Revenue recognition

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Other revenue mainly consists of sales of goods and services which are recognized when significant risks and rewards of ownership have been transferred and there are no significant obligations remaining, sales price is fixed and determinable, persuasive evidence of an arrangement exists and collection is reasonably assured. This usually coincides with the provision of the goods and services.

Government transfers are recognized as revenue in the financial statements when transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

3. Prior Period Adjustment

During the year, management discovered errors in the recording of 2018 additions to tangible capital assets. As a result, the net book value of tangible capital assets on the December 31, 2018 financial statements was overstated by \$1,367,477. This error has been corrected with a restatement of prior periods, resulting in a decrease of tangible capital assets of \$1,367,477, a decrease in accumulated surplus of \$1,367,477, an increase in amortization of tangible capital assets of \$69,354 and an increase in water and waste water expense of \$1,298,123.

4. Accounts Receivable

	2019	2018
Taxes and rates receivable	\$ 2,265,718	\$ 2,821,914
Interest on arrears	91,282	68,473
Accounts receivable	552,883	646,363
Capital works funding receivable	4,374,364	4,009,133
Other receivables	606,565	850,990
	<u>7,890,812</u>	<u>8,396,873</u>
Less: Allowance for doubtful accounts	<u>(115,597)</u>	<u>(158,417)</u>
	<u>\$ 7,775,215</u>	<u>\$ 8,238,456</u>

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

5. Long-term Receivables

Long-term receivables are comprised of interest free loans due from the Mount Pearl Soccer Association, Campia Gymnastics and the Mount Pearl Men's Softball Association for the construction of recreation facilities.

	<u>2019</u>	<u>2018</u>
Mount Pearl Soccer Association		
Repayable in 80 quarterly installments of \$8,750 payable by March 1st, June 1st, September 1st and December 1st of each year, commencing June 1, 2014. The remaining principal balance of \$7,960 is payable upon maturity.	\$ 506,710	\$ 541,710
Campia Gymnastics		
Repayable in 25 annual installments of \$82,840 on June 30th of each year, commencing June 30, 2017.	1,822,480	1,905,320
Mount Pearl Men's Softball Association		
Repayable in 15 annual installments of \$18,067 payable by February 28th of each year, commencing February 28th, 2015.	180,667	198,733
	<u>\$ 2,509,857</u>	<u>\$ 2,645,763</u>

6. Bank Indebtedness

The City has a borrowing facility with an authorized operating line of credit available of \$3,000,000 bearing interest at prime minus 0.90% per annum. At December 31, 2019, the borrowing facility was not drawn upon (2018 - \$nil).

7. Accounts Payable and Accrued Liabilities

	<u>2019</u>	<u>2018</u>
Trade accounts payable	\$ 2,673,339	\$ 2,665,290
Accruals	2,857,137	4,304,559
Refundable deposits	2,340,133	2,564,329
Holdbacks payable	923,103	1,546,878
	<u>\$ 8,793,712</u>	<u>\$ 11,081,056</u>

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

8. Long-Term Debt

Royal Bank

5.28% bank loan, repayable in monthly principal and interest instalments of \$80,546, maturing June 2023	\$	3,082,561	\$	3,863,825
5.16% bank loan, repayable in monthly principal and interest instalments of \$89,100, maturing June 2034		12,963,391		13,352,600
0.39% banker's acceptance loan combined with a 2.48%, 25 year interest rate swap, repayable in monthly principal and interest instalments of \$70,000, maturing April 2040		12,918,000		13,381,000

TD Bank

3.83% bank loan, repayable in monthly principal and interest instalments of \$31,046, maturing November 2038		5,008,820		5,185,324
Total long-term debt	\$	33,972,772	\$	35,782,749

Principal payments required in each of the next five years are as follows:

2020	\$	1,892,876
2021	\$	1,980,777
2022	\$	2,071,991
2023	\$	1,679,620
2024	\$	1,252,565

9. Pension Plan

The City maintains a defined benefit pension plan ("the Plan") which provides pension benefits to both management and unionized employees. The Plan is a multi-employer plan administered by Newfoundland and Labrador Municipal Employee Benefits Inc. The Plan is equally funded by participating employers and members.

For years of service prior to December 31, 2012, on retirement, on or after the normal retirement age, the retiree will receive a lifetime benefit representing 2% of the average earnings of the best five consecutive years prior to retirement, multiplied by the number of years of Plan membership up to December 31, 2012. This pension benefit was frozen as of December 31, 2012.

Commencing January 1, 2013 the pension plan benefit calculation has been modified such that, for years of service after January 1, 2013, participants over the age of 50 at January 1, 2013 could enroll in a retirement plan in which the retirement benefit will be calculated on a career average basis or a new best five years plan. Participants under the age of 50 at January 1, 2013 were enrolled in the new best five years plan.

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

9. Pension Plan (continued)

Under the career average plan, on retirement, on or after the normal retirement age, the retiree will receive a lifetime benefit representing 2% of the career average earnings of the years subsequent to January 1, 2013 to retirement, multiplied by the number of years of Plan membership after January 1, 2013.

Under the new best five years plan, for years of service commencing on January 1, 2013, on retirement, on or after the normal retirement age, the retiree will receive a lifetime benefit representing 2% of the average earnings of the best five consecutive years prior to retirement, multiplied by the number of years of Plan membership subsequent to January 1, 2013.

Normal retirement age under both Plans is 60 years of age. Early retirement is permitted at any time after age 50 on a reduced pension. The pension reduction is calculated at 1/2 of 1% for each month that early retirement proceeds normal retirement age. On January 1st of each year after retirement, retirement benefits in the career average plan are adjusted by the percentage change in the Consumer Price Index up to a maximum increase of 6% per year. On January 1st of each year after retirement, retirement benefits in the best five years plan are adjusted by 85% of the percentage change in the Consumer Price Index up to a maximum increase of 6% per year.

During the year ended December 31, 2019 the City contributed \$1,544,348 (2018 - \$1,967,933) to the Plans. Since January 1st, 2013 the City and the members are each contributing 9.75% of regular earnings to the best five years plan or 8.75% of regular earnings to the career average plan. The City is also contributing special payments in an effort to retire the current unfunded liability. During the year ended December 31, 2019 the City contributed special payments of \$227,597 (2018 - \$225,737) to the Plans. The plan deficit as of December 31, 2019 was \$2,410,000 (2018 - \$3,864,000).

An actuarial valuation of the plan was performed as of December 31, 2019.

10. Post-Retirement Benefits

The City provides an extension of AD&D, life insurance benefits and health and dental benefits to employees and elected officials who retire from the municipality. Life insurance and AD&D coverage is provided to a maximum of \$30,000. Health and dental benefits provided to retirees are similar to those of active employees. The City engaged Johnson Inc. to complete an actuarial valuation of the City's Post-Retirement Benefit Plan. The actuarial valuation was completed with a valuation date of March 31, 2017. The accrued liability recorded in the City's financial statements was adjusted to reflect the actuarially calculated liability. The liability amounts recorded are as follows:

	2019	2018	Expense
Life and AD&D benefits	\$ 34,000	\$ 33,300	\$ 700
Health benefits	4,415,000	4,296,600	118,400
Dental benefits	1,087,800	1,060,800	27,000
	\$ 5,536,800	\$ 5,390,700	\$ 146,100

Significant assumptions used in benefit calculations:

Retirement age	60
Discount age	5%
Annual rate of increase in Retiree health care costs	4%
Annual rate of increase in Retiree dental costs	3%

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

11. Employee Benefits

The City provides severance benefits to employees upon the cessation of employment. Severance payments are calculated based upon unused sick leave or years of service. Entitlement to severance payments is earned after 5 years of service for management employees and 10 years of service for unionized employees. Management employees hired after January 1, 2016 are not eligible for severance payments upon retirement. The amount of the severance benefit is calculated as the number of completed years of service or the remaining unused sick leave credits, up to the equivalent of a maximum of 24 weeks pay. No benefit provision has been recorded for employees with less than the required years of service. The accrual does not include any additional compensation which an employee may be entitled to if the City declares an employee's position redundant.

Vacation pay is calculated based upon employees' unused vacation leave entitlement at year end. All severance and vacation benefits are calculated and recorded in the financial statements during the year it is earned.

	2019	2018
Accrued severance benefit	\$ 1,739,985	\$ 1,768,349
Accrued vacation benefit	326,662	309,470
	<u>\$ 2,066,647</u>	<u>\$ 2,077,819</u>

12. Early Retirement Pension Benefit

Prior to July 1, 1999, the City's pension plan ("the Old Plan") established a normal retirement age of 65. Subsequent to July 1st, 1999 the City's pension plan ("the New Plan") established a normal retirement age of 60. Pursuant to an agreement dated November 19th, 2003, the City agreed to reimburse retirees for any penalties calculated on the Old Plan benefits arising from retirement prior to attaining age 65 but subsequent to attaining age 60. To be eligible to receive the early retirement benefit an employee must continue to be employed by the City up until the attainment of age 60. Retirement prior to age 60 or resignation from employment with the City will result in the forfeiture of this benefit. This benefit liability has not been actuarially determined.

13. Subsequent Events

Subsequent to year end, the World Health Organization announced a global health emergency, and later a pandemic, due to the COVID-19 outbreak. The global response to curb the spread of the COVID-19 outbreak continues to evolve. In Newfoundland and Labrador, the response has included isolation orders and restrictions on non-essential services from continuing to operate, disrupting supply chains and halting certain business activities.

Municipal services are considered an essential service and, consequently, the City has been able to continue to operate, providing services to support the City's residents and continuing with most scheduled capital works projects. However, there remains uncertainty surrounding the impact the response to the COVID-19 outbreak will have on the City's financial results in fiscal 2020. The City may experience difficulties collecting outstanding accounts receivable from residents and businesses in fiscal 2020 resulting from the negative financial impact that the pandemic has had on residents and businesses of the City. Due to closure and reduced capacity requirements of recreation facilities, there will be a negative impact on this revenue source for the City. The COVID-19 outbreak may also have further negative financial impacts on the City by impacting major customers, suppliers and other third party businesses on which the City relies to operate. These uncertainties could impact the City's ability to provide services in the future.

Given the dynamic nature of these circumstances, the duration of this interruption cannot be reasonably estimated at this time. The full impact on the City will not be known with certainty for months to come.

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2019

14. Commitments

The City has commitments under long term leases and other agreements for office equipment, communication and maintenance services requiring payments as follows:

2020	\$	7,250
2021	\$	925
2022	\$	462

Leases and service agreements are renewed or replaced as they expire.

15. Contingent Liabilities

Subsequent to year end, the City received a statement of claim on an employment related matter. The amount of the claim has not been specified and settlement, if any, is indeterminable at this time. A provision has not been made in these consolidated financial statements with respect of this claim. Any settlement will be recorded in the consolidated statement of operations and accumulated surplus when judgement is rendered or more information becomes available.

16. Schedule of Expenses by Object

	2019 Budget	2019 Actual	2018 (Restated - Note 3)
Amortization of tangible capital assets	\$ 8,973,898	\$ 8,973,898	\$ 8,769,357
Debt and financing charges	1,707,718	1,490,968	1,845,178
Grants and subsidies	813,144	832,219	781,059
Loss on disposal of tangible capital assets	-	585,737	67,642
Professional development	230,800	147,958	231,633
Purchased services	17,909,535	17,704,226	17,014,371
Professional services	869,500	882,064	305,495
Salaries and employee benefits	19,536,162	18,172,611	17,381,579
Supplies and parts	3,473,864	2,910,368	2,420,582
	<u>\$ 53,514,621</u>	<u>\$ 51,700,049</u>	<u>\$ 48,816,896</u>

17. Budget

In accordance with The City of Mount Pearl Act, council must adopt a financial plan for each fiscal year in a form approved by the Minister. The financial plan is prepared on a revenue and expenditure basis that does not meet the recommendations of PSAS. For comparative purposes the City of Mount Pearl has modified its financial plan to present a budget that is consistent with the scope and accounting principles used to report actual results. The budget figures reported in these consolidated financial statements have been approved by council.

The reconciliation of the City's cash based financial plan to the PSAS accrual based budget figures reported in these consolidated financial statements is disclosed in Schedule D.

18. Comparative Information

Certain comparative figures have been restated where necessary to conform with the current period financial statement presentation.

City of Mount Pearl

Schedule A

Consolidated Schedule of Tangible Capital Assets

Year Ended December 31, 2019

	General Capital Assets						
Cost	Land	Buildings	Vehicles & equipment	Playing surfaces & trails	Computer hardware & software	Recreation equipment	Office furniture
Opening costs	\$ 11,461,548	\$ 86,106,505	\$ 16,810,759	\$ 9,660,336	\$ 1,276,841	\$ 5,790,237	\$ 398,432
Additions during the year	245,893	531,892	102,712	495,748	302,733	255,462	15,813
Disposals and write downs	-	-	(521,671)	-	-	-	-
Transfers	-	-	-	-	-	-	-
Closing cost	11,707,441	86,638,397	16,391,800	10,156,084	1,579,574	6,045,699	414,245
Accumulated Amortization							
Opening accumulated amortization	-	19,038,477	10,262,862	2,916,693	1,053,463	2,706,948	266,263
Amortization	-	2,299,753	1,046,949	427,672	121,081	421,249	25,667
Disposals and write downs	-	-	(519,579)	-	-	-	-
Closing accumulated amortization	-	21,338,230	10,790,232	3,344,365	1,174,544	3,128,197	291,930
Net Book Value of Tangible Capital Assets	\$ 11,707,441	\$ 65,300,167	\$ 5,601,568	\$ 6,811,719	\$ 405,030	\$ 2,917,502	\$ 122,315

City of Mount Pearl

Consolidated Schedule of Tangible Capital Assets

Year Ended December 31, 2019

Schedule A Cont...

Cost	Infrastructure					Totals	
	Roads, curbs & sidewalks	Traffic lights	Work in progress	Water & wastewater networks	Pumping & lift stations	Tools & equipment	
Opening costs	\$ 84,660,294	\$ 2,887,297	\$ 14,474,271	\$ 88,987,121	\$ 783,026	\$ 3,563,037	\$ 326,859,704
Additions during the year	-	204,062	9,162,548	172,159	-	65,949	11,554,971
Disposals and write downs	(1,642,881)	-	-	(790,646)	-	-	(2,955,198)
Transfers	5,709,382	-	(12,918,584)	7,209,202	-	-	-
Closing cost	88,726,795	3,091,359	10,718,235	95,577,836	783,026	3,628,986	335,459,477
Accumulated Amortization							
Opening accumulated amortization	45,434,853	1,607,734	-	28,988,081	545,000	1,586,621	114,406,995
Amortization	2,845,246	113,302	-	1,430,016	27,655	215,308	8,973,898
Disposals and write downs	(1,331,895)	-	-	(510,654)	-	-	(2,362,128)
Closing accumulated amortization	46,948,204	1,721,036	-	29,907,443	572,655	1,801,929	121,018,765
Net Book Value of Tangible Capital Assets	\$ 41,778,591	\$ 1,370,323	\$ 10,718,235	\$ 65,670,393	\$ 210,371	\$ 1,827,057	\$ 214,440,712
							\$ 212,452,709

City of Mount Pearl
Consolidated Schedule of Revenues
For the Year Ended December 31, 2019

Schedule B

	2019	2018
Taxation and utility fees		
Residential property tax	\$ 17,319,574	\$ 16,861,050
Residential water and wastewater fees	6,240,500	6,210,000
Commercial property tax	8,448,467	8,429,068
Commercial business tax	10,910,954	12,749,034
Commercial water and wastewater fees	2,229,315	2,286,698
Cable and utility tax	1,432,396	1,379,085
Waste management fees	200,860	198,930
Grants in lieu of taxes	17,853	18,916
	<u>46,799,919</u>	<u>48,132,781</u>
Grants from other governments		
Government of Canada		
Special grants	281,378	2,671,950
Government of Newfoundland and Labrador		
Cost shared grants	5,567,355	4,332,312
Provincial gas tax program	1,829,869	1,914,749
Other grants	136,969	311,969
	<u>7,815,571</u>	<u>9,230,980</u>
Sales of goods and services		
Rental income	119,850	119,850
Recreation fees	2,290,178	2,072,476
Planning and development fees	13,700	4,600
Engineering fees	1,800	3,375
Waste management fees	20,701	46,050
	<u>2,446,229</u>	<u>2,246,351</u>
Other revenues from own sources		
Investment income	452,389	450,791
Interest on taxes	263,511	268,075
Compliance letter and tax certificate fees	103,450	101,700
Business permits	80,988	178,343
Local improvement assessments	21,721	60,052
Residential occupancy permits	27,030	37,345
Contractor's permits and licensing	11,932	21,988
Traffic fines	71,330	55,121
Other revenues	191,269	150,522
Animal control fees	6,231	5,574
Tax licensing	1,400	2,000
Transportation fees	181,397	17,431
Sale of capital assets	-	-
	<u>1,412,648</u>	<u>1,348,942</u>
Total revenues	<u>\$ 58,474,367</u>	<u>\$ 60,959,054</u>

City of Mount Pearl
Consolidated Schedule of Expenses
December 31, 2019

Schedule C

	2019	2018
General government services		
Council and administration	\$ 2,277,801	\$ 1,741,088
Community marketing	64,770	42,825
Finance	1,159,686	1,115,875
Human resources	819,143	612,489
Information technology	787,742	803,525
Amortization of tangible capital assets	229,737	200,170
Other general government services	346,918	310,329
	<u>5,685,797</u>	<u>4,826,301</u>
Transportation services		
Transportation administration	1,839,906	1,872,454
Snow removal	2,557,180	3,058,283
Fleet	2,942,589	2,799,159
Roads and streets	1,908,300	2,385,006
Public transit	1,858,373	1,798,520
Traffic and street lights	1,062,238	991,385
Amortization of tangible capital assets	4,162,560	3,835,865
	<u>16,331,146</u>	<u>16,740,672</u>
Protective services		
Fire protection	5,761,959	5,490,768
Municipal enforcement	698,602	710,580
Animal control	112,383	106,535
Emergency response preparedness	4,278	14,162
Other protective services	-	309
	<u>6,577,222</u>	<u>6,322,354</u>
Community services		
Recreation administration	988,094	825,853
Healthy living program	558,212	586,198
Glacier	1,550,260	1,409,853
Summit / Reid Centre	3,520,639	3,249,641
Gloria Pearson Community Centre	150,178	144,451
Admiralty House Museum	139,395	135,990
Legion	15,424	14,274
Library	19,421	17,392
Parks	1,483,208	1,325,202
Youth development	315,127	329,542
Community events	328,393	284,994
Amortization of tangible capital assets	2,785,114	2,697,537
Other recreation services	55,873	54,265
	<u>11,909,338</u>	<u>11,075,192</u>

City of Mount Pearl
Consolidated Schedule of Expenses
December 31, 2019

Schedule C Cont...

	2019	2018
Environment health services		
Water and waste water	4,666,014	3,851,945
Garbage disposal	890,098	923,506
Amortization of tangible capital assets	1,796,487	2,035,785
Other environmental services	46,921	192,612
	<u>7,399,520</u>	<u>7,003,848</u>
Planning and development		
Planning and zoning	678,674	692,828
Inspections	351,992	310,027
Economic development	689,655	390,286
	<u>1,720,321</u>	<u>1,393,141</u>
Fiscal services		
Interest on long term debt	1,490,968	1,387,746
Loss on disposal of tangible capital assets	585,737	67,642
	<u>2,076,705</u>	<u>1,455,388</u>
Total expenses	<u>\$ 51,700,049</u>	<u>\$ 48,816,896</u>

Schedule D

**City of Mount Pearl
Reconciliation of the Cash Based Financial Plan to PSAS Budget
Year ended December 31, 2019**

	Cash Based Financial Plan	Admiralty House	Capital Fund Adjustments	Other Government Grants	Amortization	Debt Payments & Reserves	Consolidated PSAS Budget
REVENUES							
Taxation	\$ 47,388,885	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,388,885
Grants from other governments	446,369	130,105	7,087,006	-	-	-	7,663,480
Sales of goods and services	2,385,504	28,388	-	-	-	-	2,413,892
Own source revenues	934,060	-	-	-	-	-	934,060
Total revenues	51,154,818	158,493	7,087,006	-	-	-	58,400,317
Expenditures							
Debt servicing	3,518,241	-	-	-	-	(1,810,523)	1,707,718
Transportation	12,759,871	-	42,654	-	4,162,560	-	16,965,085
General government	6,881,397	-	187,858	-	229,737	-	7,298,992
Protective services	6,264,930	-	-	-	-	-	6,264,930
Community services	9,169,967	163,326	249,420	-	2,785,114	-	12,367,827
Environmental health	6,147,697	-	37,806	-	1,796,487	-	7,981,990
Planning and development	928,079	-	-	-	-	-	928,079
Transfers to capital fund	5,484,636	-	(38,915,014)	33,430,378	-	-	-
Total expenses	\$ 51,154,818	\$ 163,326	\$ (38,397,276)	\$ 33,430,378	\$ 8,973,898	\$ (1,810,523)	\$ 53,514,621

City of Mount Pearl

Consolidated Reconciliation to Core Government Results

Year ended December 31, 2019

Schedule E

	Core Government		Controlled Entities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Taxation	\$ 46,782,066	\$ 48,113,865	\$ -	\$ -	\$ 46,782,066	\$ 48,113,865
Sales of goods and services	2,417,841	2,224,221	28,388	22,130	2,446,229	2,246,351
Grants and transfers	7,766,088	9,196,128	49,483	34,852	7,815,571	9,230,980
Own source revenues	1,412,648	1,348,942	-	-	1,412,648	1,348,942
Other revenues	17,853	18,916	-	-	17,853	18,916
	58,396,496	60,902,072	77,871	56,982	58,474,367	60,959,054
Expenses						
Personnel services	18,005,666	17,642,587	99,306	87,465	18,104,972	17,730,052
Contract services	14,829,558	13,249,785	36,132	36,842	14,865,690	13,286,627
Utilities	2,189,271	2,131,555	6,467	8,780	2,195,738	2,140,335
Materials and supplies	2,828,041	3,014,366	-	-	2,828,041	3,014,366
Grants and contributions	477,801	463,229	-	-	477,801	463,229
Interest on long term debt	1,812,086	1,845,179	-	-	1,812,086	1,845,179
Amortization of tangible capital assets	8,973,898	8,769,357	-	-	8,973,898	8,769,357
Professional services	1,584,198	1,313,792	21,421	7,786	1,605,619	1,321,578
Professional development	250,467	178,531	-	-	250,467	178,531
Loss on disposal of tangible capital assets	585,737	67,642	-	-	585,737	67,642
	51,536,723	48,676,023	163,326	140,873	51,700,049	48,816,896
Surplus (Deficit)	\$ 6,859,773	\$ 12,226,049	\$ (85,455)	\$ (83,891)	\$ 6,774,318	\$ 12,142,158

City of Mount Pearl

Schedule F

Consolidated Statement of Operations by Program

Year Ended December 31, 2019

	General Government Services		Protective Services		Transportation Services		Environmental Health Services	
	2019	2018	2019	2018	2019	2018	2019	2018
REVENUES								
Taxation	\$ 46,799,919	\$ 48,132,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales of goods and services	119,850	119,850	-	-	22,501	49,425	-	-
Grants and transfers	136,969	277,117	-	-	7,678,602	8,909,011	-	-
Own source revenues	758,350	760,967	8,800	11,533	362,397	160,493	-	-
Total revenues	47,815,088	49,290,715	8,800	11,533	8,063,500	9,118,929	-	-
EXPENSES								
Personnel services	2,838,682	2,274,756	782,899	786,876	5,403,091	5,829,020	1,828,906	1,831,672
Contract services	907,830	848,984	5,790,045	5,521,266	3,079,503	3,002,802	3,574,222	2,778,578
Utilities	122,577	206,041	-	-	1,234,402	1,171,014	-	-
Materials and supplies	288,100	115,304	-	-	1,762,771	2,253,614	196,365	357,813
Grants and contributions	14,103	5,150	-	-	-	-	-	-
Interest on long term debt	321,118	457,433	-	-	-	-	-	-
Amortization of tangible capital assets	229,737	200,170	-	-	4,162,560	3,835,865	1,796,487	2,035,785
Professional services	728,602	604,624	-	-	685,797	629,727	3,540	-
Professional development	235,048	113,839	4,278	14,212	3,022	18,630	-	-
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-
Total expenses	5,685,797	4,826,301	6,577,222	6,322,354	16,331,146	16,740,672	7,399,520	7,003,848
Annual Surplus (Deficit)	\$ 42,129,291	\$ 44,464,414	\$ (6,568,422)	\$ (6,310,821)	\$ (8,267,646)	\$ (7,621,743)	\$ (7,399,520)	\$ (7,003,848)

City of Mount Pearl

Schedule F Cont...

Consolidated Statement of Operations by Program
Year Ended December 31, 2019

	Planning and Development		Community Services		Fiscal Services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
REVENUES								
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,799,919	\$ 48,132,781
Sales of goods and services	13,700	4,600	2,290,178	2,072,476	-	-	2,446,229	2,246,351
Grants and transfers	-	-	-	44,852	-	-	7,815,571	9,230,980
Own source revenues	214,401	354,849	7,700	1,400	61,000	59,700	1,412,648	1,348,942
Total revenues	228,101	359,449	2,297,878	2,118,728	61,000	59,700	58,474,367	60,959,054
EXPENSES								
Personnel services	1,216,570	1,311,919	6,034,824	5,695,809	-	-	18,104,972	17,730,052
Contract services	324,201	-	1,189,889	1,134,997	-	-	14,865,690	13,286,627
Utilities	-	-	838,759	763,280	-	-	2,195,738	2,140,335
Materials and supplies	-	-	580,805	287,635	-	-	2,828,041	3,014,366
Grants and contributions	-	-	463,698	458,079	-	-	477,801	463,229
Interest on long term debt	-	-	-	-	1,490,968	1,387,746	1,812,086	1,845,179
Amortization of tangible capital assets	-	-	2,785,114	2,697,537	-	-	8,973,898	8,769,357
Professional services	179,550	81,222	8,130	6,005	-	-	1,605,619	1,321,578
Professional development	-	-	8,119	31,850	-	-	250,467	178,531
Loss on disposal of tangible capital assets	-	-	-	-	585,737	67,642	585,737	67,642
Total expenses	1,720,321	1,393,141	11,909,338	11,075,192	2,076,705	1,455,388	51,700,049	48,816,896
Annual Surplus (Deficit)	\$ (1,492,220)	\$ (1,033,692)	\$ (9,611,460)	\$ (8,956,464)	\$ (2,015,705)	\$ (1,395,688)	\$ 6,774,318	\$ 12,142,158