

CITY OF MOUNT PEARL
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

**City of Mount Pearl
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December 31, 2020**

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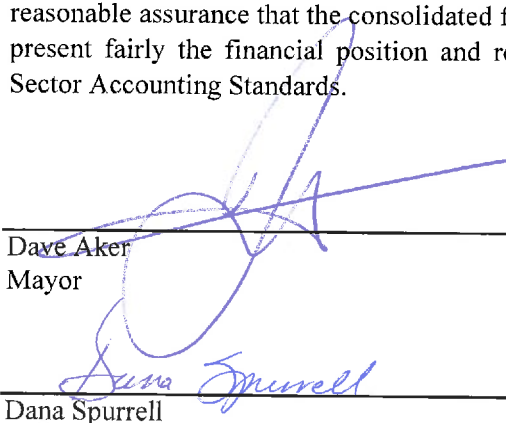
Statement of Responsibility

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 Corporate Services and Economic Development Committee 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 pages. 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.



Dave Aker
Mayor



Dana Spurrell
CAO



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Independent Auditor's Report

To the 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, 2020, 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, 2020, 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.

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.

Chartered Professional Accountants

BDO Canada LLP

St. John's, Newfoundland and Labrador
June 25, 2021

City of Mount Pearl
Consolidated Statement of Financial Position
December 31, 2020

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 24,074,669	\$ 21,713,035
Accounts receivable (Note 3)	6,982,460	7,775,215
Long-term receivables (Note 4)	2,373,950	2,509,857
	<u>33,431,079</u>	<u>31,998,107</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	9,715,700	8,793,712
Deferred revenue	951,237	716,556
Long-term debt (Note 7)	32,079,510	33,972,772
Unfunded pension liability (Note 8)	474,918	705,669
Accrued post-retirement benefits (Note 9)	5,854,100	5,536,800
Accrued employee benefits (Note 10)	1,956,423	2,066,647
Accrued early retirement pension benefit (Note 11)	313,827	354,104
	<u>51,345,715</u>	<u>52,146,260</u>
Net Debt	<u>(17,914,636)</u>	<u>(20,148,153)</u>
Non-Financial Assets		
Tangible capital assets (Schedule A)	215,567,267	214,440,712
Inventories	1,446,120	1,362,073
Prepaid expenses	73,350	487,313
	<u>217,086,737</u>	<u>216,290,098</u>
Accumulated Surplus	<u>\$ 199,172,101</u>	<u>\$ 196,141,945</u>

Approved on behalf of Council:

Dave Aker, Mayor

Dana Spurrell, CAO

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

City of Mount Pearl
Consolidated Statement of Changes in Net Debt
December 31, 2020

	2020 Budget (Note 14)	2020 Actual	2019 Actual
Annual surplus	<u>\$ 191,676</u>	<u>\$ 3,030,156</u>	<u>\$ 6,774,318</u>
Acquisition of tangible capital assets	(14,324,289)	(10,891,629)	(11,554,971)
Amortization of tangible capital assets	9,099,098	9,099,098	8,973,898
Proceeds on disposal of tangible capital assets	-	81,389	7,333
Loss on disposal of tangible capital assets	<u>-</u>	<u>584,587</u>	<u>585,737</u>
	<u>(5,225,191)</u>	<u>(1,126,555)</u>	<u>(1,988,003)</u>
Use of supplies inventories	-	(84,048)	(307,305)
Use of prepaid expenses	<u>-</u>	<u>413,963</u>	<u>(403,564)</u>
		<u>329,915</u>	<u>(710,869)</u>
Decrease in Net Debt	(5,033,515)	2,233,516	4,075,446
Net Debt, Beginning of Year	<u>(20,148,153)</u>	<u>(20,148,153)</u>	<u>(24,223,599)</u>
Net Debt, End of Year	<u>\$ (25,181,668)</u>	<u>\$ (17,914,636)</u>	<u>\$ (20,148,153)</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, 2020

	2020 Budget (Note 14)	2020 Actual	2019 Actual
Revenues (Schedule B)			
Taxation and utility fees	\$ 47,435,000	\$ 46,954,641	\$ 46,799,919
Grants from other governments	2,646,894	5,522,893	7,815,571
Sales of goods and services	2,547,280	875,560	2,446,229
Other revenue from own sources	892,000	1,195,445	1,445,299
	<u>53,521,174</u>	<u>54,548,539</u>	<u>58,507,018</u>
Expenses (Schedule C)			
General government services	9,147,139	5,867,380	5,685,797
Transportation services	16,851,706	18,164,182	16,331,146
Protective services	6,259,000	6,227,756	6,577,222
Community services	10,491,465	10,981,820	11,909,338
Environmental health services	7,703,450	7,087,255	7,399,520
Planning and development	1,423,000	1,212,614	1,720,321
Fiscal services	1,453,738	1,977,376	2,109,356
	<u>53,329,498</u>	<u>51,518,383</u>	<u>51,732,700</u>
Annual Surplus	191,676	3,030,156	6,774,318
Accumulated Surplus, Beginning of Year	<u>196,141,945</u>	<u>196,141,945</u>	<u>189,367,627</u>
Accumulated Surplus, End of Year	<u>\$ 196,333,621</u>	<u>\$ 199,172,101</u>	<u>\$ 196,141,945</u>

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

City of Mount Pearl
Consolidated Statement of Cash Flows
December 31, 2020

	2020	2019
Operating Activities		
Annual surplus	\$ 3,030,156	\$ 6,774,318
Items not affecting cash:		
Amortization of tangible capital assets	9,099,098	8,973,898
Loss on disposal of tangible capital assets	584,587	585,737
Changes in non-cash items:		
Unfunded pension liability	(230,751)	(207,860)
Accrued post-retirement benefits	317,300	146,100
Accrued employee benefits	(110,224)	(11,172)
Accrued early retirement pension benefit	(40,277)	(41,067)
	<u>12,649,889</u>	<u>16,219,954</u>
Changes in non-cash working capital:		
Accounts receivable	792,755	463,241
Inventories	(84,047)	(307,305)
Long-term receivables	135,907	135,906
Prepaid expenses	413,963	(403,564)
Accounts payable and accrued liabilities	921,988	(2,287,344)
Deferred revenue	234,681	78,103
	<u>15,065,136</u>	<u>13,898,991</u>
Financing activities		
Repayment of long-term debt	(1,893,262)	(1,809,977)
	<u>(1,893,262)</u>	<u>(1,809,977)</u>
Capital activities		
Acquisition of tangible capital assets	(10,891,629)	(11,554,971)
Proceeds on disposal of tangible capital assets	81,389	7,333
	<u>(10,810,240)</u>	<u>(11,547,638)</u>
Increase in Cash and Cash Equivalents	2,361,634	541,376
Cash and Cash Equivalents, Beginning of Year	21,713,035	21,171,659
Cash and Cash Equivalents, End of Year	\$ 24,074,669	\$ 21,713,035

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, 2020

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 are 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.

(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.

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020

(f) Post-retirement benefits

The City provides defined post-retirement benefits for certain employee groups. These benefits include life insurance, Accidental Death and Dismemberment (AD&D) 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.

(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.

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020

2. Significant Accounting Policies (continued)

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.

(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

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.

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020

3. Accounts Receivable	2020	2019
Taxes and rates receivable	\$ 4,503,002	\$ 2,265,718
Interest on arrears	51,918	91,282
Accounts receivable	397,022	552,883
Capital works funding receivable	1,143,081	4,374,364
HST receivable	1,014,792	468,692
Other receivables	97,795	137,873
	7,207,610	7,890,812
Less: Allowance for doubtful accounts	(225,150)	(115,597)
	\$ 6,982,460	\$ 7,775,215

4. 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.

	2020	2019
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.	\$ 471,710	\$ 506,710
Campia Gymnastics		
Repayable in 25 annual installments of \$82,840 on June 30th of each year, commencing June 30, 2017.	1,739,640	1,822,480
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.	162,600	180,667
	\$ 2,373,950	\$ 2,509,857

5. Credit Facility

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, 2020, the borrowing facility was not drawn upon (2019 - \$nil).

6. Accounts Payable and Accrued Liabilities	2020	2019
Trade accounts payable	\$ 5,807,763	\$ 2,673,339
Accruals	1,015,405	2,857,137
Refundable deposits	2,079,884	2,340,133
Holdbacks payable	812,648	923,103
	\$ 9,715,700	\$ 8,793,712

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020

7. Long-Term Debt

Royal Bank	2020	2019
5.28% bank loan, repayable in monthly principal and interest instalments of \$80,546, maturing June 2023	\$ 2,259,033	\$ 3,082,561
5.16% bank loan, repayable in monthly principal and interest instalments of \$89,100, maturing June 2034	12,553,613	12,963,391
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	12,442,000	12,918,000
TD Bank		
3.83% bank loan, repayable in monthly principal and interest instalments of \$31,046, maturing November 2038	4,824,864	5,008,820
Total long-term debt	\$ 32,079,510	\$ 33,972,772

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

2021	\$ 1,980,612
2022	\$ 2,071,791
2023	\$ 1,679,476
2024	\$ 1,252,387
2025	\$ 1,393,829

8. 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.

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.

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020

8. Pension Plan (Continued)

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 1 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 1 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, 2020 the City contributed \$1,271,232 (2019 - \$1,544,348) to the Plans. Since January 1, 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, 2020 the City contributed special payments of \$250,357 (2019 - \$227,597) to the Plans. The plan deficit as of December 31, 2020 was \$2,698,000 (2019 - \$2,410,000), and the unfunded pension balance was \$474,918 (2019 - \$705,699).

An actuarial valuation of the plan was performed as of December 31, 2019, and extrapolated to December 31, 2020.

9. 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 performed as of December 31, 2020. 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:

	2020	2019	Expense
Life and AD&D benefits	\$ 32,400	\$ 34,000	\$ (1,600)
Health benefits	4,826,200	4,415,000	\$ 411,200
Dental benefits	995,500	1,087,800	\$ (92,300)
	<u>\$ 5,854,100</u>	<u>\$ 5,536,800</u>	<u>\$ 317,300</u>

Significant assumptions used in benefit calculations:

Retirement age	60
Discount rate	4.75%
Annual rate of increase in Retiree health care costs	3.50%
Annual rate of increase in Retiree dental costs	2.50%

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020

10. 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.

	2020	2019
Accrued severance benefit	\$ 1,467,117	\$ 1,739,985
Accrued vacation benefit	489,306	326,662
	<u>\$ 1,956,423</u>	<u>\$ 2,066,647</u>

The above severance benefit has been valued using the following assumptions:

Average years remaining until retirement	14
Discount rate	4.75%

11. 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.

12. Impact of COVID-19

The COVID-19 pandemic has not had a major impact on the City's operations as the City continues to provide essential services in the normal course of operations. Increased cleaning and sanitation costs have been offset by scaled back recreation programs and community events in accordance with Provincial Health Guidelines. There has been no significant impact on tax arrears to date. However, there remains uncertainty regarding the full impact of COVID-19 on the City should there be another wave resulting in a lockdown. Management continues to actively monitor the situation.

City of Mount Pearl
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2020

13. Contingent Liabilities

The City has received multiple statements of claim on employment and council member related matters. The amount of the claims have 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 the claims. Any settlement will be recorded in the consolidated statement of operations and accumulated surplus when judgement is rendered or more information becomes available.

The City has also received a statement of claim from a supplier in the amount of \$452,518 plus interest and punitive damages of an unspecified amount, relating to a previously completed public works project. The City has filed a counterclaim and believes that no liability will result from the claim.

No provision has been made in these consolidated financial statements with respect to the claims. Any settlement will be recorded in the consolidated statement of operations and accumulated surplus more information becomes available or when judgement is rendered .

14. Schedule of Expenses by Object

	2020 Budget	2020 Actual	2019 Actual
Amortization of tangible capital assets	\$ 9,099,098	\$ 9,099,098	\$ 8,973,898
Debt and financing charges	1,453,738	1,862,919	1,812,086
Grants and subsidies	491,500	416,614	477,801
Loss on disposal of tangible capital assets	-	584,587	618,388
Professional development	362,950	101,506	250,467
Purchased services	18,149,349	16,646,286	17,061,428
Professional services	1,458,299	1,377,164	1,605,619
Salaries and employee benefits	19,628,436	17,517,703	18,104,972
Supplies and parts	2,686,128	3,912,507	2,828,041
	<u>\$ 53,329,498</u>	<u>\$ 51,518,384</u>	<u>\$ 51,732,700</u>

15. 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.

16. Comparative Information

Certain comparative figures have been restated where necessary to conform with the current period financial statement presentation. The 2019 comparative figures in Schedule A have been adjusted to better align tangible capital asset classification with the City's asset management plan.

City of Mount Pearl

Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2020

Schedule A

	General Capital Assets						
Cost	Land	Buildings	Vehicles & equipment	Playing surfaces & trails	Computer hardware & software	Recreation equipment	Office furniture
Opening costs	\$ 11,707,441	\$ 86,638,397	\$ 16,391,800	\$ 10,156,084	\$ 1,579,574	\$ 6,045,699	\$ 414,245
Additions during the year	210,600	422,597	3,521,227	79,495	80,160	81,698	2,278
Disposals and write downs	-	-	(3,053,664)	(73,088)	(323,379)	(86,666)	(14,473)
Transfers	-	-	-	740,033	-	-	-
Closing cost	11,918,041	87,060,994	16,859,363	10,902,524	1,336,355	6,040,731	402,050
Accumulated Amortization							
Opening accumulated amortization	-	21,338,230	10,790,232	3,344,365	1,174,544	3,128,197	291,930
Amortization	-	2,331,982	1,051,696	590,621	146,383	422,919	22,358
Disposals and write downs	-	-	(2,639,701)	(73,088)	(317,350)	(86,291)	(14,473)
Closing accumulated amortization	-	23,670,212	9,202,227	3,861,898	1,003,577	3,464,825	299,815
Net Book Value of Tangible Capital Assets	\$ 11,918,041	\$ 63,390,782	\$ 7,657,136	\$ 7,040,626	\$ 332,778	\$ 2,575,906	\$ 102,235

City of Mount Pearl
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2020

Schedule A Cont...

Cost	Infrastructure					Totals	
	Roads, curbs & sidewalks	Traffic lights	Work in progress	Water & wastewater networks	Pumping & lift stations	Tools & equipment	2020 (Note 16)
Opening costs	\$ 88,726,795	\$ 3,091,359	\$ 10,718,235	\$ 95,577,836	\$ 783,026	\$ 3,628,986	\$ 335,459,477
Additions during the year	-	179,893	6,221,732	-	-	91,949	11,554,971
Disposals and write downs	(1,920,602)	(160,764)	-	(210,772)	-	(24,574)	(5,867,982)
Transfers	(1,723,968)	564,654	(8,142,812)	8,562,093	-	-	(2,955,198)
Closing cost	85,082,225	3,675,142	8,797,155	103,929,157	783,026	3,696,361	335,459,477
Accumulated Amortization							
Opening accumulated amortization	46,948,204	1,721,036	-	29,907,443	572,655	1,801,929	114,406,995
Amortization	2,431,658	129,157	-	1,738,147	27,655	206,522	8,973,898
Disposals and write downs	(1,820,310)	(92,492)	-	(133,954)	-	(24,347)	(2,362,128)
Closing accumulated amortization	47,559,552	1,757,701	-	31,511,636	600,310	1,984,104	121,018,765
Net Book Value of Tangible Capital Assets	\$ 37,522,673	\$ 1,917,441	\$ 8,797,155	\$ 72,417,521	\$ 182,716	\$ 1,712,257	\$ 214,440,712

City of Mount Pearl

Schedule B

Consolidated Schedule of Revenues

For the Year Ended December 31, 2020

	2020	2019
Taxation and utility fees		
Residential property tax	\$ 17,347,378	\$ 17,319,574
Residential water and wastewater fees	6,251,227	6,240,500
Commercial property tax	8,401,149	8,448,467
Commercial business tax	10,948,068	10,910,954
Commercial water and wastewater fees	2,332,507	2,229,315
Cable and utility tax	1,454,544	1,432,396
Waste management fees	201,915	200,860
Grants in lieu of taxes	17,853	17,853
	<u>46,954,641</u>	<u>46,799,919</u>
Grants from other governments		
Government of Canada		
Gas tax	1,333,841	1,829,869
Safe Restart Program	1,349,051	-
ACOA	164,920	140,027
Clean Water and Wastewater Fund	-	544,435
Special grants	-	281,378
Government of Newfoundland and Labrador		
Multi-Year Capital Works	1,950,384	4,356,774
Cost shared grants	414,767	463,135
CSP funding	309,930	199,953
	<u>5,522,893</u>	<u>7,815,571</u>
Sales of goods and services		
Rental income	121,326	119,850
Recreation fees	715,544	2,290,178
Planning and development fees	7,500	13,700
Engineering fees	3,800	1,800
Waste management fees	27,390	20,701
	<u>875,560</u>	<u>2,446,229</u>
Other revenues from own sources		
Investment income	300,601	452,389
Interest on taxes	70,058	263,511
Compliance letter and tax certificate fees	112,550	103,450
Business permits	151,518	80,988
Local improvement assessments	178,901	21,721
Residential occupancy permits	50,126	27,030
Contractor's permits and licensing	7,262	11,932
Traffic fines	59,257	71,330
Other revenues	49,558	223,920
Donated assets	210,600	-
Animal control fees	1,209	6,231
Tax licensing	1,235	1,400
Transportation fees	2,570	181,397
	<u>1,195,445</u>	<u>1,445,299</u>
Total revenues	<u>\$ 54,548,539</u>	<u>\$ 58,507,018</u>

City of Mount Pearl
Consolidated Schedule of Expenses
For the Year Ended December 31, 2020

Schedule C

	<u>2020</u>	<u>2019</u>
General government services		
Council and administration	\$ 2,666,729	\$ 2,277,801
Community marketing	-	64,770
Finance	1,039,461	1,159,686
Human resources	833,303	819,143
Information technology	720,713	787,742
Amortization of tangible capital assets	256,139	229,737
Other general government services	351,035	346,918
	<u>5,867,380</u>	<u>5,685,797</u>
Transportation services		
Transportation administration	3,284,225	1,839,906
Snow removal	3,188,642	2,557,180
Fleet	2,555,235	2,942,589
Roads and streets	2,633,010	1,908,300
Public transit	1,444,914	1,858,373
Traffic and street lights	1,056,450	1,062,238
Amortization of tangible capital assets	4,001,706	4,162,560
	<u>18,164,182</u>	<u>16,331,146</u>
Protective services		
Fire protection	5,552,927	5,761,959
Municipal enforcement	592,335	698,602
Animal control	79,802	112,383
Emergency response preparedness	2,692	4,278
	<u>6,227,756</u>	<u>6,577,222</u>
Community services		
Recreation administration	2,174,457	988,094
Healthy living program	304,853	558,212
Glacier	1,127,271	1,550,260
Summit / Reid Centre	2,845,558	3,520,639
Gloria Pearson Community Centre	80,207	150,178
Admiralty House Museum & Archives	112,487	139,395
Legion	16,433	15,424
Library	22,234	19,421
Parks	929,094	1,483,208
Youth development	259,305	315,127
Community events	199,487	328,393
Amortization of tangible capital assets	2,863,803	2,785,114
Other recreation services	46,631	55,873
	<u>10,981,820</u>	<u>11,909,338</u>

City of Mount Pearl
Consolidated Schedule of Expenses
December 31, 2020

Schedule C Cont...

	<u>2020</u>	<u>2019</u>
Environment health services		
Water and wastewater	4,100,323	4,666,014
Garbage disposal	965,582	890,098
Amortization of tangible capital assets	1,977,450	1,796,487
Other environmental services	43,900	46,921
	<u>7,087,255</u>	<u>7,399,520</u>
Planning and development		
Planning and zoning	303,459	678,674
Inspections	318,126	351,992
Economic development	591,029	689,655
	<u>1,212,614</u>	<u>1,720,321</u>
Fiscal services		
Interest on long-term debt	1,392,789	1,490,968
Loss on disposal of tangible capital assets	584,587	618,388
	<u>1,977,376</u>	<u>2,109,356</u>
Total expenses	<u>\$ 51,518,383</u>	<u>\$ 51,732,700</u>

City of Mount Pearl
Reconciliation of the Cash Based Financial Plan to PSAS Budget
Year ended December 31, 2020

Schedule D

	Cash Based Financial Plan	Admiralty House	Capital Fund Adjustments	Other Government Grants	Amortization	Debt Payments & Reserves	Consolidated PSAS Budget
REVENUES							
Taxation	\$ 47,435,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,435,000
Grants from other governments	329,000	187,894	2,130,000	-	-	-	2,646,894
Sales of goods and services	2,532,000	15,280	-	-	-	-	2,547,280
Own source revenues	892,000	-	-	-	-	-	892,000
Total revenues	51,188,000	203,174	2,130,000	-	-	-	53,521,174
Expenditures							
Debt servicing	3,347,000	-	-	-	-	(1,893,262)	1,453,738
Transportation	12,850,000	-	-	-	4,001,706	-	16,851,706
General government	8,891,000	-	-	-	256,139	-	9,147,139
Protective services	6,259,000	-	-	-	-	-	6,259,000
Community services	7,492,000	135,662	-	-	2,863,803	-	10,491,465
Environmental health	5,726,000	-	-	-	1,977,450	-	7,703,450
Planning and development	1,423,000	-	-	-	-	-	1,423,000
Transfers to capital fund	5,200,000	-	(10,680,729)	5,480,729	-	-	-
Total expenses	\$ 51,188,000	\$ 135,662	\$ (10,680,729)	\$ 5,480,729	\$ 9,099,098	\$ (1,893,262)	\$ 53,329,498

City of Mount Pearl
Consolidated Reconciliation to Core Government Results
Year ended December 31, 2020

Schedule E

	Core Government		Controlled Entities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Taxation	\$ 46,954,641	\$ 46,799,919	\$ -	\$ -	\$ 46,954,641	\$ 46,799,919
Sales of goods and services	860,280	2,417,841	15,280	28,388	875,560	2,446,229
Grants and transfers	5,430,393	7,766,088	92,500	49,483	5,522,893	7,815,571
Own source revenues	1,195,445	1,445,299	-	-	1,195,445	1,445,299
	<u>54,440,759</u>	<u>58,429,147</u>	<u>107,780</u>	<u>77,871</u>	<u>54,548,539</u>	<u>58,507,018</u>
Expenses						
Personnel services	17,423,142	18,005,666	94,561	99,306	17,517,703	18,104,972
Contract services	14,500,893	14,829,558	35,211	36,132	14,536,104	14,865,690
Utilities	2,107,225	2,189,271	2,956	6,467	2,110,181	2,195,738
Materials and supplies	3,912,507	2,828,041	-	-	3,912,507	2,828,041
Grants and contributions	416,614	477,801	-	-	416,614	477,801
Interest on long-term debt	1,862,919	1,812,086	-	-	1,862,919	1,812,086
Amortization of tangible capital assets	9,099,098	8,973,898	-	-	9,099,098	8,973,898
Professional services	1,374,230	1,584,198	2,934	21,421	1,377,164	1,605,619
Professional development	101,506	250,467	-	-	101,506	250,467
Loss on disposal of tangible capital assets	584,587	618,388	-	-	584,587	618,388
	<u>51,382,721</u>	<u>51,569,374</u>	<u>135,662</u>	<u>163,326</u>	<u>51,518,383</u>	<u>51,732,700</u>
Surplus (Deficit)	<u>\$ 3,058,038</u>	<u>\$ 6,859,773</u>	<u>\$ (27,882)</u>	<u>\$ (85,455)</u>	<u>\$ 3,030,156</u>	<u>\$ 6,774,318</u>

City of Mount Pearl

Schedule F

Consolidated Statement of Operations by Program
Year Ended December 31, 2020

	General Government Services		Transportation Services		Protective Services		Community Services	
	2020	2019	2020	2019	2020	2019	2020	2019
REVENUES								
Taxation	\$ 46,954,641	\$ 46,799,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales of goods and services	121,326	119,850	31,190	22,501	-	-	715,544	2,290,178
Grants and transfers	-	136,969	5,522,893	7,678,602	-	-	-	-
Own source revenues	467,317	758,350	210,600	395,048	4,596	8,800	-	7,700
Total revenues	47,543,284	47,815,088	5,764,683	8,096,151	4,596	8,800	715,544	2,297,878
EXPENSES								
Personnel services	2,685,665	2,838,682	6,429,664	5,403,091	650,298	782,899	5,420,503	6,034,824
Contract services	919,518	907,830	3,301,024	3,079,503	5,574,766	5,790,045	937,518	1,189,889
Utilities	88,925	122,577	1,255,392	1,234,402	-	-	765,864	838,759
Materials and supplies	351,224	288,100	2,816,815	1,762,771	-	-	569,272	580,805
Grants and contributions	9,730	14,103	-	-	-	-	406,884	463,698
Interest on long-term debt	470,130	321,118	-	-	-	-	-	-
Amortization of tangible capital assets	256,139	229,737	4,001,706	4,162,560	-	-	2,863,803	2,785,114
Professional services	998,954	728,602	358,505	685,797	-	-	7,333	8,130
Professional development	87,095	235,048	1,076	3,022	2,692	4,278	10,643	8,119
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-
Total expenses	5,867,380	5,685,797	18,164,182	16,331,146	6,227,756	6,577,222	10,981,820	11,909,338
Annual Surplus (Deficit)	\$ 41,675,904	\$ 42,129,291	\$ (12,399,499)	\$ (8,234,995)	\$ (6,223,160)	\$ (6,568,422)	\$ (10,266,276)	\$ (9,611,460)

City of Mount Pearl

Consolidated Statement of Operations by Program
Year Ended December 31, 2020

Schedule F Cont...

	Environmental Health Services		Planning and Development		Fiscal Services		Total
	2020	2019	2020	2019	2020	2019	
REVENUES							
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	46,799,919
Sales of goods and services	-	-	7,500	13,700	-	-	2,446,229
Grants and transfers	-	-	-	-	-	-	7,815,571
Own source revenues	-	-	447,482	214,401	65,450	61,000	1,445,299
Total revenues	-	-	454,982	228,101	65,450	61,000	58,507,018
EXPENSES							
Personnel services	1,386,980	1,828,906	944,593	1,216,570	-	-	18,104,972
Contract services	3,545,879	3,574,222	257,399	324,201	-	-	14,865,690
Utilities	-	-	-	-	-	-	2,195,738
Materials and supplies	175,196	196,365	-	-	-	-	2,828,041
Grants and contributions	-	-	-	-	-	-	477,801
Interest on long-term debt	-	-	-	-	-	-	1,812,086
Amortization of tangible capital assets	1,977,450	1,796,487	-	-	1,392,789	1,490,968	8,973,898
Professional services	1,750	3,540	10,622	179,550	-	-	1,605,619
Professional development	-	-	-	-	-	-	250,467
Loss on disposal of tangible capital assets	-	-	-	-	584,587	618,388	618,388
Total expenses	7,087,255	7,399,520	1,212,614	1,720,321	1,977,376	2,109,356	51,732,700
Annual Surplus (Deficit)	\$ (7,087,255)	\$ (7,399,520)	\$ (757,632)	\$ (1,492,220)	\$ (1,911,926)	\$ (2,048,356)	\$ 6,774,318