

**The Corporation of
The City of Sarnia**

Financial Statements
For the Year Ended December 31, 2019



CITY OF SARNIA

THE CORPORATION OF
THE CITY OF SARNIA

FINANCIAL STATEMENTS
2019

THE CORPORATION OF THE CITY OF SARNIA

2019

CITY COUNCIL

Mayor	Mike Bradley
Councillors	Margaret Bird
	Dave Boushy
	Terry Burrell
	Nathan Colquhoun
	Bill Dennis
	Mike Stark
	George Vandenberg
	Brian White

CITY ADMINISTRATION

Chief Administrative Officer	Chris Carter
City Solicitor	Sutheat Tim
General Manager, Corporate Services	David Logan
General Manager, Community Services	Stacey Forfar
General Manager, Engineering & Operations	David Jackson
Fire Chief	Brian Arnold
Chief of Police	Norm Hansen

THE CORPORATION OF THE CITY OF SARNIA

2019

POLICE SERVICES BOARD

Chairperson	Mayor Mike Bradley
Vice Chairperson	Joanne Rogers
Councillors	Mike Stark
	Kathleen Courtney
	Paul Wiersma
Secretary	Joan Knight

SARNIA POWER CORPORATION

Chairperson	Firman Bentley
Vice Chairperson	Richard Grogan
Director	Glenn Jones

AUDITORS

BDO Canada LLP

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Independent Auditor's Report

**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Sarnia**

Opinion

We have audited the consolidated financial statements of the Corporation of the City of Sarnia (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Sarnia as at December 31, 2019, and the results of operating and 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 Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the 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 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 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 Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements - continued

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 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 Municipality'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 Municipality'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 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 Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
September 14, 2020

THE CORPORATION OF THE CITY OF SARNIA

Financial Statements

Consolidated Statement of Financial Position

As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and investments (note 4)	\$ 94,746,806	\$ 78,058,750
Taxes receivable	3,602,097	3,962,907
Accounts receivable	20,958,593	16,401,695
Long-term receivables (note 5)	228,199	253,253
Investment in Sarnia Power Corporation (note 6)	<u>61,810,017</u>	<u>58,723,517</u>
Total financial assets	<u>181,345,712</u>	<u>157,400,122</u>
LIABILITIES		
Accounts payable and accrued liabilities	16,290,652	14,447,088
Other current liabilities	11,174,815	8,621,210
Deferred revenue (note 7)	22,411,420	19,565,919
Long-term liabilities (note 8)	12,119,223	11,723,913
Accrued Interest on long-term liabilities	14,842	11,156
Landfill closure and post-closure liability (note 9)	150,071	170,020
Employee future benefits (note 10)	38,300,532	37,970,520
Accrued tax liabilities (note 12)	<u>1,420,096</u>	<u>782,870</u>
Total liabilities	<u>101,881,651</u>	<u>93,292,696</u>
NET FINANCIAL ASSETS	<u>79,464,061</u>	<u>64,107,426</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 13)	534,509,502	518,810,656
Inventory	525,602	553,436
Prepaid expenses	228,317	214,168
Land held for sale	<u>4,401,961</u>	<u>4,431,353</u>
Total non-financial assets	<u>539,665,382</u>	<u>524,009,613</u>
Accumulated Surplus (note 14)	<u><u>\$ 619,129,443</u></u>	<u><u>\$ 588,117,039</u></u>

Approved on behalf of City Council

The accompanying notes are an integral part of this financial statement.

THE CORPORATION OF THE CITY OF SARNIA

Financial Statements

Consolidated Statement of Operations

For the year ended December 31, 2019

	2019 Budget (note 17)	2019	2018
REVENUE			
Property taxation (note 12)	\$ 78,788,589	\$ 77,876,060	\$ 77,913,088
User fees and service charges	45,634,448	46,718,400	46,062,978
User fees and service charges - other municipalities	3,096,390	3,357,566	3,686,579
Government transfers - operating (note 18)	3,094,483	4,268,587	3,856,854
Investment income	3,145,238	4,319,325	4,732,052
Penalties and interest on taxes	725,000	629,147	670,086
Other	1,951,709	2,737,100	2,573,430
Total revenue	<u>136,435,857</u>	<u>139,906,185</u>	<u>139,495,067</u>
EXPENSES			
General government	12,905,744	10,280,279	10,516,530
Protection services	48,750,573	48,746,495	47,637,189
Transportation services	22,706,198	21,492,714	21,490,302
Health services	73,241	73,241	73,241
Environmental services	33,156,405	32,442,664	35,534,748
Social and family services	404,547	444,908	473,195
Recreation and cultural services	11,610,038	11,809,530	11,423,901
Planning and development	1,164,783	2,522,013	2,132,267
Non-functionalized unfunded liabilities	733,114	733,113	991,173
Total expenses	<u>131,504,643</u>	<u>128,544,957</u>	<u>130,272,546</u>
Net revenue	<u>4,931,214</u>	<u>11,361,228</u>	<u>9,222,521</u>
OTHER REVENUE/(EXPENSES)			
Government transfers - capital (note 18)	11,133,620	10,623,612	8,844,716
Capital funded through development charges	-	2,396,816	378,873
Other related to capital	-	127,241	102,438
Contribution of tangible capital assets	-	3,250,265	356,277
Share of LAWSS increase	-	166,742	20,542
Sarnia Power Corporation, net change in equity	-	3,086,500	3,689,035
	<u>11,133,620</u>	<u>19,651,176</u>	<u>13,391,881</u>
Annual Surplus	<u>\$ 16,064,834</u>	<u>\$ 31,012,404</u>	<u>\$ 22,614,402</u>
Accumulated Surplus, Beginning of Year		588,117,039	565,502,637
Accumulated Surplus, End of Year		<u>\$ 619,129,443</u>	<u>\$ 588,117,039</u>

The accompanying notes are an integral part of this financial statement.

THE CORPORATION OF THE CITY OF SARNIA

Financial Statements

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2019

	2019 Budget	2019	2018
Annual Surplus	\$ 16,064,834	\$ 31,012,404	\$ 22,614,402
Amortization of tangible capital assets	18,464,607	18,464,607	17,693,063
Proceeds from sale of tangible capital assets	-	94,831	32,352
Loss on sale of tangible capital assets	-	1,408,060	593,190
Acquisition of tangible capital assets	(29,789,300)	(35,666,344)	(25,362,468)
Change in inventory	-	27,834	(43,413)
Change in prepaid expenses	-	(14,149)	217,888
Change in land held for sale	-	29,392	-
Increase in Net Financial Assets	<u>4,740,141</u>	<u>15,356,635</u>	<u>15,745,014</u>
Net Financial Assets, Beginning of Year	<u>64,107,426</u>	<u>64,107,426</u>	<u>48,362,412</u>
Net Financial Assets, End of Year	<u><u>\$ 68,847,567</u></u>	<u><u>\$ 79,464,061</u></u>	<u><u>\$ 64,107,426</u></u>

The accompanying notes are an integral part of this financial statement.

THE CORPORATION OF THE CITY OF SARNIA

Financial Statements

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Annual Surplus	\$ 31,012,404	\$ 22,614,402
Items not involving cash:		
Amortization of tangible capital assets	18,464,607	17,693,063
Loss on sale of tangible capital assets	1,408,060	593,190
Change in employee future benefits	330,012	1,066,658
Change in landfill closure and post-closure liability	(19,949)	(18,731)
Change in accrued tax liabilities	637,226	(1,402,671)
Change in non-cash assets and liabilities		
Taxes receivable	360,810	385,971
Accounts receivable	(4,556,898)	1,256,788
Accounts payable and accrued liabilities	1,843,564	(2,051,926)
Other current liabilities	2,553,605	521,893
Deferred revenue	2,845,501	555,302
Inventory, prepaid expenses and land held for sale	43,077	174,475
	<u>54,922,019</u>	<u>41,388,414</u>
CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	94,831	32,352
Acquisition of tangible capital assets	(35,666,344)	(25,362,468)
Net change in cash from capital activities	<u>(35,571,513)</u>	<u>(25,330,116)</u>
INVESTING ACTIVITIES		
Long-term receivables	25,054	56,883
Investment in Sarnia Power Corporation	(3,086,500)	(3,689,035)
Net change in cash from investing activities	<u>(3,061,446)</u>	<u>(3,632,152)</u>
FINANCING ACTIVITIES		
Accrued interest on long-term liabilities	3,686	(7,201)
Long-term liabilities repaid	(2,504,690)	(2,565,674)
Acquired debt	2,900,000	1,900,000
Net change in cash from financing activities	<u>398,996</u>	<u>(672,875)</u>
Net change in cash and equivalents	16,688,056	11,753,271
Cash and cash equivalents, beginning of year	<u>78,058,750</u>	<u>66,305,479</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 94,746,806</u></u>	<u><u>\$ 78,058,750</u></u>

The accompanying notes are an integral part of this financial statement.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipality are the representation of management and have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of CPA Canada. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These estimates and approximations have been made using careful judgments. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

(a) Basis of Consolidation

(i) Consolidated Financial Statements

These consolidated financial statements reflect the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds, organizations, committees, local boards and entities accountable to the City for the administration of their financial affairs and resources, and which are owned or controlled by the City.

(ii) Government Business Enterprises

Sarnia Power Corporation and its affiliates are not consolidated but are accounted for on the modified equity basis which reflects the City's investment in the enterprises and its share of net income since acquisition. Under the modified equity basis, the enterprises' accounting principles are not adjusted to conform to those of the Municipality, and inter-organizational transactions and balances are not eliminated.

(iii) Joint Local Board

The Lambton Area Water Supply System (LAWSS) has been consolidated on a proportionate basis based upon the water flow of the Municipality in proportion to the entire flows provided by the joint board for the 2nd previous year. Under the proportionate basis, the Municipality's pro rata share of each of the assets, liabilities, revenues and expenditures of the board are consolidated with similar items in the Municipality's financial statements. For 2019, the Municipality's share of the System was 61.58% (2018 – 59.41%). Material inter-organizational transactions and balances have been eliminated.

(iv) Accounting for School Boards and the County of Lambton

The taxation, local revenues, expenditures, assets and liabilities with respect to the operations of the local school boards and the County of Lambton are not included in the consolidated financial statements.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

(v) Trust Funds

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the Trust Funds Financial Statements.

(b) Basis of Accounting

(i) Employee Future Benefits

The City provides certain benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board (WSIB) Act, and life insurance, extended health and dental benefits for early retirees.

The costs of sick leave, life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities, compensated absences and health, dental and life insurance benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

The Municipality participates in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan. The Municipality recognizes its pension expense as contributions are due to OMERS.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of Accounting

(ii) Non-Financial Assets

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. The cost, less residual value, of the tangible capital assets are amortized on a straightline basis over their estimated useful lives as follows:

Land Improvements	5 to 50 years
Buildings	9 to 100 years
Machinery & Equipment	5 to 25 years
Vehicles	5 to 20 years
Computers	5 years
Roads	15 to 50 years
Water Distribution	15 to 60 years
Sanitary Sewer	50 to 60 years
Storm Sewer	60 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time amortization commences.

Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. During 2019, tangible capital assets with a value of \$3,250,265 were contributed by developers to the City (2018 - \$356,277). These items were comprised of sanitary sewer, storm sewer, water and roads assets.

Interest Capitalization

The Municipality does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of Accounting

(ii) Non-Financial Assets

Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

(iii) Deferred Revenue - Development Charges

The Municipality receives development charges and sub-divider contributions under the authority of provincial legislation and municipal bylaws. These funds, by their nature, are restricted in their use and, until applied to specific capital works, are recorded as deferred revenue. These amounts will be recognized as revenue in the fiscal year they are expended.

(iv) Taxation and Related Revenue

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC). Tax rates are established annually by City Council, incorporating amounts to be raised for local services, the requisition made by the County of Lambton in respect of County services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes.

A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Assessments and related property taxes are also subject to appeal. Each year, management provides a best estimate of the affect of supplementary assessments and tax appeals on taxation revenue.

The Municipality is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

(v) Government Transfers

Government transfers are recognized as revenue in the financial statements when the 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. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of Accounting

(vi) Revenue Recognition

User charges are recorded when the amount is determinable, collectability is assured and the services are provided. Investment income is recorded as earned.

(vii) Use of Estimates

The preparation of financial statements in conformity with the Public Sector Accounting Board (PSAB) of CPA Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting periods. Principle estimates include useful lives of tangible capital assets, supplementary taxes and tax appeals and employee future benefits. Actual results could differ from these estimates.

(viii) Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when an organization or the Municipality is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF LAMBTON

Further to note 1 (a) (iv), the amounts collected for taxation, other revenues and requisitions on behalf of the local school boards and the County of Lambton are comprised of:

	School Boards	County	Total
Taxation and user charges	\$ 24,782,602	\$ 37,712,716	\$ 62,495,318
Share of payments in lieu of taxes	<u>37,119</u>	<u>453,245</u>	<u>490,364</u>
	<u>24,819,721</u>	<u>38,165,961</u>	<u>62,985,682</u>
Share of taxes written off	757,305	641,909	1,399,214
Share of tax rebates	<u>201,167</u>	<u>137,960</u>	<u>339,127</u>
	<u>958,472</u>	<u>779,869</u>	<u>1,738,341</u>
Amounts transferred	<u><u>\$ 23,861,249</u></u>	<u><u>\$ 37,386,092</u></u>	<u><u>\$ 61,247,341</u></u>

3. TRUST FUNDS

The Municipality administers one trust fund in the amount of \$12,276 (2018 - \$11,973), which has not been included in the Consolidated Statement of Financial Position nor has its operations been included in the Consolidated Statement of Operations.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

4. CASH AND INVESTMENTS

An operating line of credit is available by way of bank overdraft in the amount of \$8,000,000. Amounts obtained under this credit facility are due on demand and bear interest at the bank's prime rate less 0.65%, calculated and payable monthly. No amounts have been drawn on this line as of December 31, 2019 (2018 - \$NIL).

The balance of cash and investments consists of the following:

	2019	2018
Cash on hand	\$ 28,552	\$ 23,412
Cash in bank	94,118,254	77,435,338
Investments (see note 14)	<u>600,000</u>	<u>600,000</u>
	<u>\$ 94,746,806</u>	<u>\$ 78,058,750</u>

The cash in bank is held at a Canadian chartered bank and earns interest based on average monthly prime rate.

The investments are comprised of six GICs (2018 - six GICs), recorded at cost, with effective interest rates between 2.10% and 2.49% (2018 - 2.20% and 2.36%) maturing in 2020. The market value of these investments amounted to \$600,000 (2018 - \$600,000). Interest is receivable on an annual basis.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

5. LONG-TERM RECEIVABLES

	2019	2018
Loan receivable - employees re Ontario Police College, at 0% interest, repayable over 2 years	\$ 68,141	\$ 64,830
Loan receivable - Bluewater Gymnastics, at 4.50% interest, repayable in monthly installments including principal and interest of \$1,898 with final payment due July 2023	75,269	94,198
Loan receivable - Local Improvement Drain, at 2.63% - 5.70% interest, repayable in annual installments including principal and interest over 5 to 10 years	86,196	63,531
Loan receivable - Municipal Facade Improvement Program, at 1.25% to 1.50% interest, repayable in quarterly installments including principal and interest of \$5,646 with a final payment due June 2027	91,459	127,411
	<hr/>	<hr/>
	321,065	349,970
Accounts receivable - current portion	92,866	96,717
	<hr/>	<hr/>
Total long-term receivables	<u>\$ 228,199</u>	<u>\$ 253,253</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

6. INVESTMENT IN SARNIA POWER CORPORATION

Under the provincial government's Electricity Competition Act (Bill 35), Sarnia Power Corporation, a holding company, along with its affiliates Bluewater Power Corporation and Sarnia Hydro Energy Services were incorporated October 20, 2000 under the Ontario Business Corporations Act.

On November 1, 2000 the Hydro-Electric Commission of the City of Sarnia merged its operations with the Petrolia Public Utilities Commission, Point Edward Public Utilities Commission, Alvinston Public Utilities Commission, Warwick Hydro Electric Commission and Oil Springs Hydro Electric Commission as Bluewater Power Corporation.

As part of this electricity restructuring, the Municipality transferred the net assets of the former Hydro-Electric Commission of the City of Sarnia to Bluewater Power Corporation. Sarnia Power Corporation, wholly owned by the Municipality, was incorporated to hold the City of Sarnia's investment in this entity. As consideration for the transfers, the Municipality took back an 86.05% share in the common shares of Bluewater Power Corporation and a promissory note.

The financial statements of Sarnia Power Corporation were prepared in accordance with International Financial Reporting Standards (IFRS).

The investment is composed of the following:

	2019	2018
Sarnia Power Corporation common shares	\$ 15,566,626	\$ 15,566,626
Bluewater Power Distribution Corporation, long-term notes receivable	16,729,636	16,729,636
Share of net income since acquisition, net of dividends received	<u>29,513,755</u>	<u>26,427,255</u>
	<u>\$ 61,810,017</u>	<u>\$ 58,723,517</u>

The notes receivable are unsecured and bear interest at the rate of 6.98%. Interest received from these notes receivable amounted to \$1,167,729 (2018 - \$1,153,978) and is reported in the Consolidated Statement of Operations.

Continuity of Investment

	2019	2018
Balance, beginning of year	\$ 58,723,517	\$ 55,034,482
Net income for the year	4,764,602	5,358,489
Dividends received during the year	<u>(1,678,102)</u>	<u>(1,669,454)</u>
Net increase in equity during the year	<u>3,086,500</u>	<u>3,689,035</u>
Balance, end of year	<u>\$ 61,810,017</u>	<u>\$ 58,723,517</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

6. INVESTMENT IN SARNIA POWER CORPORATION

The following table provides condensed financial information from the consolidated financial statements of Sarnia Power Corporation for the year ended December 31:

	2019	2018
Financial Position		
Assets		
Current assets	\$ 28,954,322	\$ 29,869,264
Non-current assets	82,468,580	78,052,051
Total assets	111,422,902	107,921,315
Regulatory balances	3,710,743	3,305,906
Total assets and regulatory balances	<u>\$ 115,133,645</u>	<u>\$ 111,227,221</u>
Liabilities		
Current liabilities	\$ 19,469,389	\$ 18,602,719
Long-term liabilities	39,653,834	39,051,221
Total liabilities	<u>59,123,223</u>	<u>57,653,940</u>
Equity		
Share capital	15,566,626	15,566,626
Retained earnings	31,776,180	29,011,333
Accumulated other comprehensive loss	(2,262,425)	(2,584,078)
Non-controlling interest	7,308,203	6,807,835
Total equity	<u>52,388,584</u>	<u>48,801,716</u>
Total liabilities and equity	<u>111,511,807</u>	<u>106,455,656</u>
Regulatory balances	<u>3,621,838</u>	<u>4,771,565</u>
Total liabilities, equity and regulatory balances	<u>\$ 115,133,645</u>	<u>\$ 111,227,221</u>
Results of Operations		
Revenues	\$ 132,877,280	\$ 130,136,596
Operating expenses	128,454,397	124,103,408
Income from operating activities	4,422,883	6,033,188
Regulatory balances	740,335	(1,005,279)
Other comprehensive income	373,798	1,199,271
Total comprehensive income	5,537,016	6,227,180
Non-controlling interest	(772,414)	(868,691)
Net income	<u>\$ 4,764,602</u>	<u>\$ 5,358,489</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

7. DEFERRED REVENUE

Provincial legislation restricts how funds relating to development charges, subdivider contributions, provincial and federal funding and building permits may be used.

	2019	2018
Development Charges Act	\$ 11,989,880	\$ 12,520,935
Recreational land (The Planning Act)	339,247	54,586
Gasoline Tax - Canada	3,526,704	792,996
Gasoline Tax - Ontario	2,363,022	1,610,369
Building Permit (Building Code Act)	1,236,997	918,084
Ontario Community Infrastructure Fund Reserve	325,251	583,166
Federal Harbour Reserve	2,467,299	2,643,010
Ontario Municipal Commuter Cycling Program	163,020	442,773
Total	<u>\$ 22,411,420</u>	<u>\$ 19,565,919</u>

Total activities for the above items is summarized as follows:

	2019	2018
Balance, beginning of the year	\$ 19,565,919	\$ 19,010,617
Developer contributions received	2,196,562	1,131,740
Canada grants	4,531,108	2,304,926
Ontario grants	3,973,369	3,505,265
Interest earned	423,607	330,932
Provincial Gasoline Tax funding utilized	(326,552)	(654,773)
Funds utilized by Municipality	<u>(7,952,593)</u>	<u>(6,062,788)</u>
Net increase	<u>2,845,501</u>	<u>555,302</u>
Balance, end of the year	<u>\$ 22,411,420</u>	<u>\$ 19,565,919</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

8. LONG-TERM LIABILITIES

- (a) The following is an analysis of the long-term liabilities by debt instrument:

	2019	2018
Long-term bank loans	\$ 11,768,817	\$ 11,092,440
Capital lease	27,600	29,325
Brownfield tax incentive grant program	<u>322,806</u>	<u>602,148</u>
Long-term liabilities, end of year	<u>\$ 12,119,223</u>	<u>\$ 11,723,913</u>

The long-term bank loans are issued on a demand basis.

- (b) On February 15, 2019, the Municipality borrowed \$1,000,000 at 3.56%. The Municipality borrowed \$1,000,000 and \$900,000 at 3.16% and 3.20% respectively on May 16 and November 18, 2019. These loans have ten-year terms. The loans are being used to finance the payments to GFIVE Inc. under the purchase and sale agreement for Municipal properties 220 Mitton Street North and a portion of 327 George Street. See note 16 for further disclosure.
- (c) On March 2, 2020, Sarnia City Council approved the early repayment of certain of its long-term bank loans. Loan repayments were made on March 13, 2020 in the amount of \$6,152,193. The Municipality incurred early repayments fees of \$273,611.
- (d) The annual principal payments after taking into account the early loan repayments noted above are:

2020	\$ 1,414,054
2021	446,227
2022	411,797
2023	421,035
2024	430,482
2025 to 2029	2,301,731
2030 onwards	<u>541,704</u>
	<u>\$ 5,967,030</u>

- (e) The annual principal and interest payments required to service the long-term liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (f) The Municipality created a brownfield tax incentive-based grant program to promote

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

8. LONG-TERM LIABILITIES

redevelopment of brownfields. Under this program the Municipality reimburses a portion of the municipal taxes (Municipality's portion only) to the developer in the form of an annual grant. The total amount outstanding is \$322,806 (2018 - \$602,148) and is non interest bearing.

- (g) Total activity for the year for long-term liabilities which are reported on the Consolidated Statement of Operations are as follows:

	2019	2018
Balance, beginning of year	\$ 11,723,913	\$ 12,389,587
Principal payments	(2,504,690)	(2,565,674)
Acquired debt	<u>2,900,000</u>	<u>1,900,000</u>
Balance, end of year	<u><u>\$ 12,119,223</u></u>	<u><u>\$ 11,723,913</u></u>

Actual interest payments related to long-term liabilities in the current year were \$375,919 (2018 - \$371,796). Interest rates on the long-term liabilities range from 0% - 4.77% (2018 - 0% - 4.77%).

- (h) Interest charges are recorded in the Consolidated Statement of Operations. Charges for long-term liabilities assumed by non-consolidated entities and individual ratepayers, in the case of tile drainage loans, are not recorded in these financial statements.

9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The Ontario Environmental and Protection Act sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post closure care of solid waste landfill sites.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include covering and landscaping of the landfill, pumping of ground water and leachate from the site, and ongoing environmental monitoring, site inspection and maintenance.

The estimated liability of \$150,071 (2018 - \$170,020) for the closed landfill sites, represents the sum of the discounted future cash flows for post closure care activities discounted at rate of 6.50%.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

10. EMPLOYEE FUTURE BENEFITS

	2019	2018
Sick leave benefit plan	\$ 3,762,600	\$ 3,795,600
Future payments required to WSIB	16,001,700	15,659,712
Post retirement benefits	17,273,025	16,848,900
Accrued vacation pay	1,113,239	1,262,305
Accrued overtime pay	149,968	404,003
Total	<u>\$ 38,300,532</u>	<u>\$ 37,970,520</u>

(a) Sick Leave Benefit Plan

Under the sick leave benefit plan for members of the Firefighters' Association, unused sick leave can be accumulated and employees may become entitled to a cash payment when they leave the Municipality's employment. For members of the Police Association, the sick leave benefit plan was terminated in 1991 at which time the unused sick leave was frozen with payout upon employee request or termination. For all other employee groups, the sick leave benefit plan was terminated prior to 1980, at which time the unused sick leave was frozen with payout due when the employee leaves the Municipality's employment. Information about the Municipality's sick leave benefit plan is as follows:

Accrued benefit liability as at January 1, 2019	\$ 3,795,600
Current service cost	143,400
Interest on accrued benefit obligation	120,000
Employer contribution	<u>(296,400)</u>
Estimated benefit liability as at December 31, 2019	<u>\$ 3,762,600</u>

Reserve funds have been established to provide for a portion of this past service liability. The balance is \$NIL (2018 - \$33,262). Possible payments over the next five years to employees who are eligible to retire are:

2020	\$ 685,857
2021	228,732
2022	-
2023	22,923
2024	<u>186,575</u>
Total	<u>\$ 1,124,087</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

10. EMPLOYEE FUTURE BENEFITS

(b) Workplace Safety and Insurance Board

The Workplace Safety and Insurance Board (WSIB) administers injured worker benefits on behalf of the Municipality as a Schedule II employer. The payments made for the year were \$1,069,936 (2018 - \$781,481). The estimate of the future benefit costs of \$16,001,700 (2018 - \$15,659,712) for WSIB claims was determined based on benefits currently in force with provision for benefits not yet awarded as follows:

Accidents prior to 1990 and Survivors' Pensions	13.23 %
Accidents from 1990 to 1997 and Non Economic Loss Pensions	31.64 %
Accidents after 1997	16.08 %

A reserve fund has been established to provide for a portion of this liability and is included in the Consolidated Statement of Financial Position. The balance at the end of the year is \$2,644,797 (2018 - \$1,919,756).

(c) Post-Retirement Benefits

The Municipality provides certain health and dental benefits on behalf of retired employees up to the age of 70 if they have at least 25 years service with the Municipality upon retirement. The Municipality also provides a health care spending account for members of the Firefighters' Association and Police Association from the age of 65 to age 70.

Information about the Municipality's health, dental and health care spending account obligations are as follows:

	2019	2018
Accrued benefit liability as at January 1, 2018	\$ 16,848,900	\$ 16,088,100
Current service cost	568,500	726,400
Interest cost	543,600	544,700
Amortization of actuarial experience (gain) loss	(117,900)	158,800
Estimated benefits paid	<u>(570,075)</u>	<u>(669,100)</u>
Accrued benefit liability as at December 31, 2019	<u>\$ 17,273,025</u>	<u>\$ 16,848,900</u>

The following shows the reconciliation between the benefit obligation and the accrued post-retirement benefit liability:

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

10. EMPLOYEE FUTURE BENEFITS

	2019	2018
Benefit obligation as at December 31, 2019	\$ 15,415,300	\$ 14,213,300
Unamortized gains	<u>1,857,725</u>	<u>2,635,600</u>
Post-retirement benefit liability as at December 31, 2019	<u>\$ 17,273,025</u>	<u>\$ 16,848,900</u>

An actuarial valuation was performed as at December 31, 2019 for sick leave benefits and post-retirement benefits. The actuarial estimate assumes a discount rate of 3.00% and an initial health care trend rate of 6.50% and an ultimate trend rate of 4.50%. The estimate includes a dental care trend rate of 4.00%. No reserve fund has been established to provide for this liability.

(d) Accrued Vacation Pay

The provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits is \$1,113,239 (2018 - \$1,262,305).

(e) Accrued Overtime Pay

The provisions of certain collective agreements between the Municipality and its unionized staff allow for the carry-over of accumulated unpaid overtime to future periods. The approximate value of this accumulated unpaid overtime is \$149,968 (2018 - \$404,003).

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

11. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees' Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefits to be received by the employees based on the length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 500,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted as at December 31, 2019. The results of this valuation disclosed total actuarial liabilities of \$107,687 million in respect of benefits accrued for service with actuarial assets at that date of \$104,290 million indicating an actuarial deficit of \$3,397 million.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2019 was \$5,648,615 (2018 - \$5,470,940) for current service. The OMERS employer and employee contribution rate was 9.00% to 15.80% depending on income level for 2019 (2018 - 9.00% to 14.60% depending on income level).

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

12. PROPERTY TAXATION REVENUE AND ACCRUED TAX LIABILITIES

	2019	2018
Taxation Revenue - General Levy	\$ 74,287,646	\$ 71,473,966
Taxation Revenue - Supplementary Tax Levy	503,534	504,774
Payment in Lieu Taxation Revenue	1,259,292	1,224,639
Other Taxation Revenue - Local Improvements	17,554	141,981
Taxation Revenue - Transit Levy	4,024,284	3,887,374
Taxation Revenue - Supplementary Transit Tax Levy	<u>24,626</u>	<u>27,901</u>
Subtotal of Taxation Revenue	80,116,936	77,260,635
Tax Write - offs	(1,320,165)	(437,267)
Tax Rebates and Exemptions	(283,485)	(312,951)
Change in Accrued Tax Liability	<u>(637,226)</u>	<u>1,402,671</u>
Subtotal of Tax Write - offs, Rebates and Exemptions	<u>2,240,876</u>	<u>(652,453)</u>
Total Property Taxation Revenue	<u><u>\$ 77,876,060</u></u>	<u><u>\$ 77,913,088</u></u>

Reconciliation of Assessment Appeal Provision and Accrued Tax Liability

	2019	2018
Estimate of expected appeals	\$ 2,062,200	\$ 1,318,993
Estimate of expected supplementary taxes	(923,362)	(817,381)
Other adjustments	<u>281,258</u>	<u>281,258</u>
Potential Future Tax Liability	<u><u>\$ 1,420,096</u></u>	<u><u>\$ 782,870</u></u>

The potential future tax liability includes an estimate of all potential changes due to the results of tax appeals and supplementary taxes as the result of Assessment Review Board Decisions, Minutes of Settlement, Post Roll Assessment notices, Supplementary and Omitted Assessments and other tax adjustments that are processed under the Municipal Act, 2001.

The actual future results will differ from these estimates as tax appeals are settled and actual assessment values are applied to supplemental properties.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements
Year Ended December 31, 2019

13. TANGIBLE CAPITAL ASSETS

2019	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2019	2018
Cost													
Balance, beginning of year	\$125,076,396	\$ 36,706,301	\$104,264,608	\$ 77,852,251	\$33,044,377	\$ 4,006,256	\$232,024,935	\$131,235,108	\$49,943,960	\$ 77,973,157	\$ 25,601,298	\$897,728,647	\$875,022,443
Add: additions during the year	-	453,567	1,973,364	3,960,704	1,985,655	1,229,357	19,407,414	4,068,916	3,172,873	3,474,377	16,918,245	56,644,472	30,770,263
Less: disposals during the year	(380)	(213,600)	(160,319)	(1,391,014)	(868,831)	(297,827)	(4,439,417)	(167,398)	(295,303)	(30,693)	(22,857,275)	(30,722,057)	(8,932,861)
LAWSS adjustment	27,607	14,650	1,008,516	1,753	-	-	-	1,832,840	-	-	23,019	2,908,385	868,802
Balance, end of year	125,103,623	36,960,918	107,086,169	80,423,694	34,161,201	4,937,786	246,992,932	136,969,466	52,821,530	81,416,841	19,685,287	926,559,447	897,728,647
Accumulated Amortization													
Balance, beginning of year	-	26,540,754	44,380,148	52,854,057	17,267,914	3,532,238	125,021,048	50,988,716	21,082,121	37,250,995	-	378,917,991	363,255,650
Add: amortization	-	1,304,311	2,427,926	3,124,689	1,847,876	228,472	5,299,507	1,960,070	865,532	1,406,224	-	18,464,607	17,693,063
Less: accumulated amortization on disposals	-	(176,220)	(130,674)	(1,012,746)	(631,781)	(297,827)	(3,807,427)	(106,279)	(176,687)	(22,250)	-	(6,361,891)	(2,326,331)
LAWSS adjustment	-	13,839	471,166	903	-	-	-	543,330	-	-	-	1,029,238	295,609
Balance, end of year	-	27,682,684	47,148,566	54,966,903	18,484,009	3,462,883	126,513,128	53,385,837	21,770,966	38,634,969	-	392,049,945	378,917,991
Net book value of tangible capital assets	\$125,103,623	\$ 9,278,234	\$ 59,937,603	\$ 25,456,791	\$15,677,192	\$ 1,474,903	\$120,479,804	\$ 83,583,629	\$31,050,564	\$ 42,781,872	\$ 19,685,287	\$534,509,502	\$518,810,656

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements
Year Ended December 31, 2019

13. TANGIBLE CAPITAL ASSETS

2018		Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2018
Cost													
Balance, beginning of year	\$125,068,127	\$	34,859,729	\$100,700,803	\$ 77,200,771	\$30,930,544	\$ 3,975,722	\$229,722,368	\$130,056,825	\$49,631,052	\$ 77,492,488	\$ 15,384,014	\$875,022,443
Add: additions during the year	-		1,870,784	3,576,416	693,055	3,788,537	30,534	2,302,567	1,398,977	364,001	562,644	16,182,748	30,770,263
Less: disposals during the year	-		(28,600)	(303,700)	(42,100)	(1,674,704)	-	-	(769,701)	(51,093)	(81,975)	(5,980,988)	(8,932,861)
LAWSS adjustment	8,269		4,388	291,089	525	-	-	-	549,007	-	-	15,524	868,802
Balance, end of year	125,076,396		36,706,301	104,264,608	77,852,251	33,044,377	4,006,256	232,024,935	131,235,108	49,943,960	77,973,157	25,601,298	897,728,647
Accumulated Amortization													
Balance, beginning of year	-		25,257,595	42,161,706	49,815,365	16,886,302	3,343,340	120,080,948	49,490,234	20,284,227	35,935,933	-	363,255,650
Add: amortization	-		1,301,672	2,371,222	3,067,927	1,728,466	188,898	4,940,100	1,892,347	834,085	1,368,346	-	17,693,063
Less: accumulated amortization on disposals	-		(22,567)	(286,828)	(29,470)	(1,346,854)	-	-	(551,137)	(36,191)	(53,284)	-	(2,326,331)
LAWSS adjustment	-		4,054	134,048	235	-	-	-	157,272	-	-	-	295,609
Balance, end of year	-		26,540,754	44,380,148	52,854,057	17,267,914	3,532,238	125,021,048	50,988,716	21,082,121	37,250,995	-	378,917,991
Net book value of tangible capital assets	\$125,076,396	\$	10,165,547	\$ 59,884,460	\$ 24,998,194	\$15,776,463	\$ 474,018	\$107,003,887	\$ 80,246,392	\$28,861,839	\$ 40,722,162	\$ 25,601,298	\$518,810,656

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements Year Ended December 31, 2019

14. ACCUMULATED SURPLUS

The accumulated surplus consists of the following balances:

	2019	2018
Surplus		
Investment in tangible capital assets	\$ 534,509,502	\$ 518,810,656
Land held for sale	4,401,961	4,431,353
Capital fund	(455,633)	(1,316,040)
Equity in Sarnia Power Corporation	61,810,017	58,723,517
Unfunded		
Long-term liabilities	(12,119,223)	(11,723,913)
Accrued interest on long-term liabilities	(14,842)	(11,156)
Landfill closure and post-closure liability	(150,071)	(170,020)
Employee future benefits	(38,300,532)	(37,970,520)
Accrued tax liabilities	(1,420,096)	(782,870)
Total Surplus	<u>548,261,083</u>	<u>529,991,007</u>
Reserves Set Aside for Specific Purpose by Council		
Working fund	11,146,564	10,395,215
Replacement of equipment	5,886,480	5,774,354
Capital projects	38,322,828	30,395,387
Other programs	1,169,263	1,010,179
Total Reserves	<u>56,525,135</u>	<u>47,575,135</u>
Discretionary Reserve Funds Set Aside for Specific Purpose by Council		
Insurance	4,120,674	3,151,019
Waterfront development	315,458	128,996
Sarnia Bay improvements	35,449	87,033
Harbour operations	2,712,199	2,443,473
Capital projects	5,130,442	2,910,834
Special projects	1,798,875	1,646,817
Other programs	230,128	182,725
Total Reserve Funds	<u>14,343,225</u>	<u>10,550,897</u>
Total Accumulated Surplus	<u>\$ 619,129,443</u>	<u>\$ 588,117,039</u>

The Municipality is committed to pay the interest earned on \$600,000 (2018 - \$600,000) of the reserve funds to outside agencies.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

15. JOINT LOCAL BOARD CONSOLIDATION - LAWSS

The following summarizes the financial position and operations of Lambton Area Water Supply System (LAWSS) which has been reported in these financial statements using the proportionate consolidation method.

The consolidated financial statements include the Municipality's 61.58% (2018 - 59.41%) proportionate interest in the following:

	2019	2018
Statement of Financial Position		
Financial Assets	<u>\$ 10,844,853</u>	<u>\$ 7,742,198</u>
Liabilities		
Current liabilities	<u>252,841</u>	<u>58,214</u>
Net Financial Assets	<u>10,592,012</u>	<u>7,683,984</u>
Non-Financial Assets		
Tangible capital assets	<u>86,748,811</u>	<u>86,596,640</u>
Accumulated Surplus	<u><u>\$ 97,340,823</u></u>	<u><u>\$ 94,280,624</u></u>
Statement of Operations		
Revenues	\$ 10,005,603	\$ 9,939,525
Expenses - excluding amortization	4,969,369	5,050,938
Amortization	<u>1,976,035</u>	<u>1,952,098</u>
Net revenues	<u><u>\$ 3,060,199</u></u>	<u><u>\$ 2,936,489</u></u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

16. CONTRACTUAL OBLIGATIONS

(a) Ontario Clean Water Agency

In accordance with service agreements entered into with the Ontario Clean Water Agency (OCWA), a portion of the sewage and water system is operated by the Agency. The Municipality is obligated to meet all operating costs and repay the long-term liabilities related to these projects.

OCWA is contracted to operate the water treatment plant on behalf of LAWSS. Included in the Consolidated Statement of Operations for 2019 are charges for the operation of the water treatment plant in the amount of \$2,721,471 (2018 - \$2,634,356).

(b) GFIVE Inc – Purchase and Sale Agreement

The Municipality entered into a purchase and sale agreement on July 4, 2017 with GFIVE Inc. Municipal properties 220 Mitton Street North and a portion of 327 George Street were sold and obligations of the Municipality after closing are to pay up to \$5,350,000 upon completion of 7 milestone phases for the decommissioning and demolition of buildings located on these properties. As at December 31, 2019, there is no remaining obligation (2018 - \$1,900,000).

(c) Halton Recycling Ltd. (Emterra Environmental)

The Municipality entered into a four year agreement with Halton Recycling Ltd. on September 5, 2018 for the collection, processing and marketing of recyclable materials in the Municipality by Halton Recycling Ltd (operating as Emterra Environmental). The maximum payment over the agreement term is \$7,601,004.

(d) Marcotte Disposal Inc.

The Municipality entered into a four year agreement with Marcotte Disposal Inc. on September 5, 2018 for the curbside collection of waste and yard waste materials in the Municipality by Marcotte Disposal Inc. The maximum payment over the agreement term is \$6,760,618

(e) CRS Tunnelling Inc.

As part of its sewer and storm water separation project, the Municipality entered into an agreement effective January 20, 2020 with CRS Tunnelling Inc. for micro-tunnelling work. The cost of the work to be performed under the agreement is approximately \$21,400,000 and the work is expected to be completed by the end of January, 2021.

(f) Maple Reinders Constructors Inc.

As part of its sewer upgrade project, the Municipality entered into an agreement effective March 25, 2020 with Maple Reinders Constructors Inc. for the construction of a waste water pumping station. The cost of work to be performed under the agreement is approximately \$12,400,000 and is expected to be completed by the end of June 30, 2021.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

16. CONTRACTUAL OBLIGATIONS

(g) Oversize Load Corridor Project

At its January 20, 2020 meeting, City Council directed City staff to proceed with the full scope of the Oversize Load Corridor project. The Oversize Load Corridor project is a shared project under a Memorandum of Understanding between the Municipality, the County of Lambton and St. Clair Township. The total project is estimated to be \$16,950,000 and the Municipality has committed to fund its share in the amount of \$7,000,000, of which funding for \$2,300,000 has already been identified, with a remaining commitment of \$4,700,000.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

17. BUDGET FIGURES

Budget data presented in these consolidated financial statements are based upon the 2019 operating budget as approved by Council and adopted by the City on January 15, 2019. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting.

The chart below reconciles the approved budget with the budget figures as presented in these consolidated statements.

	2019 Budget	2018 Budget
Revenues		
Approved Operating Budget	\$ 145,075,897	\$ 139,596,680
Adjustments:		
Net contribution from reserve and reserve funds	(2,273,736)	(1,294,053)
Proceeds on debt issuance	(2,529,207)	(2,564,873)
Internal allocation elimination entries	(3,852,839)	(3,812,084)
LAWSS consolidated adjustment	15,742	459,131
Adjusted Operating Budget per Statement of Operations	136,435,857	132,384,801
 Expenses		
Approved Operating Budget	145,075,897	139,596,680
Adjustments:		
Net contribution to reserve, reserve funds and capital	(20,957,357)	(16,294,119)
Debt principal repayments	(5,319,577)	(5,575,901)
Internal allocation elimination entries	(4,306,839)	(4,254,084)
Unfunded liability adjustment	592,474	1,813,862
LAWSS consolidated adjustment	(3,742,705)	1,855,966
Amortization, additions and deletions	18,660,240	17,158,862
Loss on disposals of TCAs	1,502,510	-
Adjusted Operating Budget per Statement of Operations	131,504,643	134,301,266
Total Net Revenue (Expense)	<u>\$ 4,931,214</u>	<u>\$ (1,916,465)</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

18. GOVERNMENT TRANSFERS

	2019	2018
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 3,022,300	\$ 2,485,200
Program Support	582,093	471,215
Provincial Gas Tax	248,937	480,002
Source Protection Municipal Implementation Fund	8,680	25,369
Roadside Drug Testing Devices Fund	13,619	-
Ontario Cannabis Legalization Implementation Fund	116,746	-
	<u>3,992,375</u>	<u>3,461,786</u>
Government of Canada		
Program Support	100,501	81,403
Federal Harbour	175,711	313,665
	<u>276,212</u>	<u>395,068</u>
Total Operating	<u>4,268,587</u>	<u>3,856,854</u>
Capital		
Province of Ontario		
Small Communities Fund	4,352,314	1,650,801
Ontario Community Infrastructure Fund	3,196,535	1,523,093
Provincial Gas Tax	33,159	162,217
Public Transit Infrastructure Fund	79,654	861,168
Clean Water and Wastewater Fund	-	555,116
Drainage Grants	12,843	50,572
Ontario Municipal Commuter Cycling Program	279,753	147,309
Criminal Intelligence Service Ontario	16,000	37,537
Main Street Revitalization Initiative	-	447,082
Airports Capital Assistance Program	686,131	-
	<u>8,656,389</u>	<u>5,434,895</u>
Government of Canada		
Federal Gas Tax	1,786,037	3,409,821
Enabling Accessibility Fund	59,508	-
Disaster Mitigation Adaptation Fund	11,362	-
National Trade Corridor Grant	110,316	-
	<u>1,967,223</u>	<u>3,409,821</u>
Total Capital	<u>10,623,612</u>	<u>8,844,716</u>
Total Government Transfers	<u>\$14,892,199</u>	<u>\$12,701,570</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

19. SEGMENTED REPORTING

The City of Sarnia has adopted a business approach to the various responsibilities carried out by the Municipality and has separated the financial transactions to better reflect the true cost of each segment. The following provides a brief description of the individual segments used. Refer to Schedule A - Schedule of Segment Disclosure.

General Government

General Government is comprised of various departments including the Mayor & Council, Chief Administration Officer, Clerk, Finance, Legal and Human Resources. These departments support and provide a variety of services to other departments within the Municipality and the public.

Protection Services

Protection Services is comprised of the Police Services, Fire Services and By-law Enforcement departments. The Sarnia Police Services' mandate is to ensure public safety within the municipality. Through patrols, detective work, education, and other efforts the police department works to deter and prevent crime. The Sarnia Fire Rescue Service serves the residents of the City of Sarnia by providing fire prevention, public education and fire suppression services. It operates out of five stations covering an area of 168 square kilometres and approximately 72,000 residents. The services provided include fire suppression and prevention, water rescue, high-angle rescue, confined space rescue, specialized vehicle extrication and industrial firefighting. The By-law Enforcement department includes parking enforcement, building permits and animal control.

Transportation Services

Transportation Services consists of road maintenance and construction as well as Sarnia Transit, winter control, and streetlighting. Sarnia Transit is responsible for providing public transportation within the transit service area of the city. The Municipality's Transit employees operate and maintain a fleet of 22 buses on the conventional transit system and 7 specialized vehicles on the Care-a-Van service. Road maintenance and construction maintains approximately 443 kilometres of roads and takes care of pothole maintenance, hot mix patching, paving, street cleaning, signage, and winter control.

Environmental Services

Environmental Services consists of sanitary sewage systems, storm sewer maintenance, waterworks system construction and maintenance, waste collection, waste disposal, recycling and compost. The sewage division constructs and maintains the Municipality's storm and sanitary sewage systems. Environmental Services also ensures the maintenance and proper operation of 49 wastewater pump stations and 4 stormwater pump stations. The Municipality also operates 2 wastewater treatment plants.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

19. SEGMENTED REPORTING

Health Services

Health Services consists of grants to the Physician Recruitment Taskforce and Bluewater Health Foundation.

Social and Family Services

Social and Family Services consists of Strangway Centre programming and activities. The Strangway Centre provides leisure, educational and social activities and services.

Recreation and Cultural Services

Recreation and Cultural Services provide for all of the City's parks, trees, floral displays, sports and recreation facilities, beaches, pools, arenas, special events and more. Numerous recreational programs are offered throughout the year for the enjoyment of the general public.

Planning and Development

Planning and Development's function is to assist City Council, the development community and the public in matters relating to land use planning and building construction.

20. OUTSTANDING LITIGATION

The Municipality and/or its related boards have been named defendants in certain legal actions. The final liability, if any, of these claims is indeterminable as the Municipality and/or its related board have established defence actions.

21. PUBLIC LIABILITY INSURANCE

In recent years, there have been substantial increases in the premiums charged by the insurance industry for public liability insurance. As a result, the Municipality has conducted mitigation efforts to reduce the inherent risks, and has contracted out operational and property risks to private insurers. Municipal liability on inherent risks remains within the deductible of said insurance policies and the aggregate of claims in excess of policy limits (\$50,000,000 on operations risks and \$200,000,000 on property risks).

The City has various insurance policies to cover its operations and policies. The City self-insures for the deductible under the various policies and for single/aggregate claims that exceed policy limits of \$50,000,000.

The Municipality has established a reserve fund for self-insurance. The balance at the end of the year is \$1,475,877 (2018 - \$1,231,263) and is reported on the Consolidated Statement of Financial Position.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2019

21. PUBLIC LIABILITY INSURANCE

Claims settled during the year, amounting to \$267,808 (2018 - \$204,334), have been provided for from the reserve fund and are accordingly reported as an expenditure on the Consolidated Statement of Operations.

22. INTER - ENTITY TRANSACTIONS

The Municipality has contracted with Bluewater Power Distribution Corporation to provide billing and collection services for water and sewer charges on a cost recovery basis. The Municipality has also contracted with Bluewater Power Distribution Corporation to provide water meter management, repair and replacement services. Charges for the year were \$2,270,690 (2018 - \$2,388,668).

23. COMPARATIVE AMOUNTS

Certain comparative amounts presented in the financial statements have been reclassified to conform with the current year's presentation.

24. SUBSEQUENT EVENT

Covid - 19 Impacts

Subsequent to December 31, 2019, the Covid-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments around the world, including the Canadian, Ontario and local governments, enacting emergency measures to combat the spread of the virus. On March 18, 2020, The City of Sarnia declared an emergency in accordance with the Emergency Management and Civil Protection Act, 1990 to assist the Municipality in managing its response to the pandemic.

The Municipality also closed municipal buildings, parks and facilities to the public and cancelled all public programming and activities for a period of time. City Council continues to undertake its responsibilities through remote meeting technology.

The Municipality has undertaken measures to mitigate the financial impacts of the closure of revenue-generating facilities and the cancellation of programming however, the full extent of the financial impact of these closures and other covid-19 related expenses on the Municipality's operations, including property taxation, is not known and cannot be quantified at this time.

Schedule A

**Schedule of Segment Disclosure
For the Year Ended December 31, 2019**

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2019 Total
REVENUES									
Property taxation	\$ 73,919,750	\$ -	\$ 3,956,310	\$ -	\$ -	\$ -	\$ -	\$ -	77,876,060
User fees and service charges	852,472	1,956,662	4,149,989	35,449,228	-	281,723	3,905,229	2,519,913	49,115,216
Grants	3,274,599	403,490	4,810,194	6,149,714	-	54,687	79,508	120,007	14,892,199
Rents and financial	4,075,073	24,498	343,846	179,824	-	3,828	27,613	293,790	4,948,472
Other municipalities	1,919	1,559,789	948,833	37,715	-	-	5,000	804,310	3,357,566
Other	6,554,987	227,631	914,153	1,194,600	-	2,031	398,460	75,986	9,367,848
	<u>88,678,800</u>	<u>4,172,070</u>	<u>15,123,325</u>	<u>43,011,081</u>	<u>-</u>	<u>342,269</u>	<u>4,415,810</u>	<u>3,814,006</u>	<u>159,557,361</u>
EXPENSES									
Salaries, wages, employee benefits & non-functionalized unfunded liabilities	6,267,116	43,249,624	8,913,807	10,150,022	-	209,655	5,812,499	895,020	75,497,743
Materials	1,390,309	3,991,240	4,217,891	2,684,184	-	207,708	3,150,179	357,439	15,998,950
Contracted services	577,513	223,499	1,663,571	11,222,367	-	28,921	1,214,280	1,275,466	16,205,617
Net long-term liability interest charges	130,125	-	-	136,480	-	-	113,001	-	379,606
Amortization of tangible capital assets	1,064,940	996,647	6,731,296	8,121,125	-	-	1,550,599	-	18,464,607
Other	1,216,730	494,362	37,380	170,620	73,241	-	5,901	200	1,998,434
	<u>10,646,733</u>	<u>48,955,372</u>	<u>21,563,945</u>	<u>32,484,798</u>	<u>73,241</u>	<u>446,284</u>	<u>11,846,459</u>	<u>2,528,125</u>	<u>128,544,957</u>
NET SURPLUS (DEFICIT)	<u>\$ 78,032,067</u>	<u>\$ (44,783,302)</u>	<u>\$ (6,440,620)</u>	<u>\$ 10,526,283</u>	<u>\$ (73,241)</u>	<u>\$ (104,015)</u>	<u>\$ (7,430,649)</u>	<u>\$ 1,285,881</u>	<u>\$ 31,012,404</u>

Schedule A

Schedule of Segment Disclosure
For the Year Ended December 31, 2018

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2018 Total
REVENUES									
Property taxation	\$ 74,042,970	\$ -	\$ 3,870,118	\$ -	\$ -	\$ -	\$ -	\$ -	77,913,088
User fees and service charges	918,089	1,930,067	3,457,483	35,336,429	-	305,737	3,551,073	942,973	46,441,851
Grants	2,581,576	319,127	4,070,918	5,032,273	-	53,740	467,082	176,854	12,701,570
Rents and financial	4,872,906	17,398	116,767	86,759	-	3,305	20,158	284,845	5,402,138
Other municipal	5,568	1,473,362	909,416	539,890	-	-	-	758,343	3,686,579
Other	4,651,291	32,445	656,511	1,145,520	-	3,291	247,059	5,605	6,741,722
	<u>87,072,400</u>	<u>3,772,399</u>	<u>13,081,213</u>	<u>42,140,871</u>	<u>-</u>	<u>366,073</u>	<u>4,285,372</u>	<u>2,168,620</u>	<u>152,886,948</u>
EXPENSES									
Salaries, wages, employee benefits & non-functionalized unfunded liabilities	6,607,872	43,018,128	9,108,384	10,035,460	-	206,759	5,661,601	900,268	75,538,472
Materials	2,334,177	3,804,007	4,822,512	2,151,215	-	236,726	3,311,326	650,209	17,310,172
Contracted services	481,907	145,572	1,166,075	15,048,134	-	26,184	801,056	591,304	18,260,232
Net long-term liabilities interest charges	27,016	-	8	196,472	-	-	140,742	357	364,595
Amortization of tangible capital assets	1,040,640	970,539	6,250,598	7,902,073	-	-	1,529,213	-	17,693,063
Other	14,397	413,816	256,289	274,788	73,241	6,000	67,281	200	1,106,012
	<u>10,506,009</u>	<u>48,352,062</u>	<u>21,603,866</u>	<u>35,608,142</u>	<u>73,241</u>	<u>475,669</u>	<u>11,511,219</u>	<u>2,142,338</u>	<u>130,272,546</u>
NET SURPLUS (DEFICIT)	<u>\$ 76,566,391</u>	<u>\$ (44,579,663)</u>	<u>\$ (8,522,653)</u>	<u>\$ 6,532,729</u>	<u>\$ (73,241)</u>	<u>\$ (109,596)</u>	<u>\$ (7,225,847)</u>	<u>\$ 26,282</u>	<u>\$ 22,614,402</u>

Independent Auditor's Report

**To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the City of Sarnia**

Opinion

We have audited the trust fund financial statements of the Corporation of the City of Sarnia (the Municipality), which comprise the statement of financial position as at December 31, 2019, and the statement of continuity of trust funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the City of Sarnia as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

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 Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the 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 - Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist the Municipality to comply with the reporting requirements of the Bereavement Authority of Ontario. As a result, the financial statements may not be suitable for another purpose.

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

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

In preparing the financial statements, management is responsible for assessing the Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements - continued

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 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 Municipality'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 Municipality'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 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 Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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, Licensed Public Accountants

Sarnia, Ontario
September 14, 2020

**THE CORPORATION OF THE CITY OF SARNIA
TRUST FUND**

**Statement of Continuity of Trust Fund
Year ended December 31, 2019**

	2019 Total	2018 Total
FUND BALANCES, BEGINNING OF YEAR	<u>\$ 11,973</u>	<u>\$ 11,718</u>
REVENUES		
Interest earned	<u>303</u>	<u>255</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 12,276</u></u>	<u><u>\$ 11,973</u></u>

**Statement of Financial Position
as at December 31, 2019**

	2019 Total	2018 Total
ASSETS		
Trust funds, amounts held with the Corporation of the City of Sarnia	<u><u>\$ 12,276</u></u>	<u><u>\$ 11,973</u></u>
FUND BALANCE	<u><u>\$ 12,276</u></u>	<u><u>\$ 11,973</u></u>

The accompanying notes are an integral part of this financial statement.

THE CORPORATION OF THE CITY OF SARNIA TRUST FUND

Notes to the Financial Statements

For the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

The Trust Fund financial statements are the representation of management and have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of CPA Canada. Precise determination of some assets and liabilities may be dependent upon future events and involves the use of estimates and approximations. These estimates have been based upon the information available using careful judgment and review.

(a) Basis of Accounting

- i) Sources of financing and expenditures are reported on the accrual basis of accounting.
- ii) The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

2. NATURE OF TRUST FUND

The Cemetery Care and Maintenance trust fund was established in accordance with the Cemeteries Act for the care and maintenance of certain cemetery grounds.

3. STATEMENT OF CHANGE IN CASH FLOWS

A statement of changes in cash flows has not been provided since the sources and uses of cash are readily apparent from the information included in the financial statements.