

**The Corporation of
The City of Sarnia**

Financial Statements
For the Year Ended December 31, 2020



CITY OF SARNIA

THE CORPORATION OF
THE CITY OF SARNIA

FINANCIAL STATEMENTS
2020

THE CORPORATION OF THE CITY OF SARNIA

2020

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
General Manager, Corporate Services	David Logan
General Manager, Community Services	Stacey Forfar
General Manager, Engineering & Operations	David Jackson
Fire Chief	Bryan Vangaver
Chief of Police	Norm Hansen

THE CORPORATION OF THE CITY OF SARNIA

2020

POLICE SERVICES BOARD

Chairperson	Mayor Mike Bradley
Vice Chairperson	Paul Wiersma
Councillors	Dave Boushy
	Joanne Rogers
	Shamel Hosni
Secretary	Joan Knight

SARNIA POWER CORPORATION

Chairperson	Richard Grogan
Vice Chairperson	Glenn Jones
Director	Steve Bolt

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, 2020, 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, 2020, 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.



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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
July 12, 2021

THE CORPORATION OF THE CITY OF SARNIA

Financial Statements

Consolidated Statement of Financial Position

As at December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and investments (note 4)	\$ 107,032,331	\$ 94,746,806
Taxes receivable	3,240,063	3,602,097
Accounts receivable	23,869,440	20,958,593
Long-term receivables (note 5)	1,138,390	228,199
Investment in Sarnia Power Corporation (note 6)	<u>64,161,906</u>	<u>61,810,017</u>
Total financial assets	<u>199,442,130</u>	<u>181,345,712</u>
LIABILITIES		
Accounts payable and accrued liabilities	18,317,908	16,290,652
Other current liabilities	11,211,102	11,189,657
Deferred revenue (note 7)	23,394,998	22,411,420
Long-term liabilities (note 8)	4,553,828	12,119,223
Landfill closure and post-closure liability (note 9)	128,826	150,071
Employee future benefits (note 10)	38,876,305	38,300,532
Accrued tax liabilities (note 12)	<u>1,688,001</u>	<u>1,420,096</u>
Total liabilities	<u>98,170,968</u>	<u>101,881,651</u>
NET FINANCIAL ASSETS	<u>101,271,162</u>	<u>79,464,061</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 13)	544,975,378	534,509,502
Inventory	564,787	525,602
Prepaid expenses	498,408	228,317
Land held for sale	<u>4,331,043</u>	<u>4,401,961</u>
Total non-financial assets	<u>550,369,616</u>	<u>539,665,382</u>
Accumulated Surplus (note 14)	<u>\$ 651,640,778</u>	<u>\$ 619,129,443</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, 2020

	2020 Budget (note 17)	2020	2019
REVENUE			
Property taxation (note 12)	\$ 82,132,496	\$ 80,205,954	\$ 77,876,060
User fees and service charges	46,877,873	43,791,896	46,718,400
User fees and service charges - other municipalities	3,284,194	3,355,019	3,357,566
Government transfers - operating (note 18)	4,652,733	5,932,730	4,268,587
Investment income	4,826,632	3,520,664	4,319,325
Penalties and interest on taxes	450,000	419,888	629,147
Gaming and casino revenues	400,000	149,833	-
Other	1,941,820	158,184	2,737,100
Total revenue	<u>144,565,748</u>	<u>137,534,168</u>	<u>139,906,185</u>
EXPENSES			
General government	11,365,630	9,407,037	10,280,279
Protection services	50,245,835	49,117,356	48,746,495
Transportation services	24,289,563	20,605,763	21,492,714
Health services	73,241	72,366	73,241
Environmental services	37,886,680	35,873,627	32,442,664
Social and family services	424,590	318,972	444,908
Recreation and cultural services	12,303,696	10,306,454	11,809,530
Planning and development	1,476,094	2,468,178	2,522,013
Non-functionalized unfunded liabilities	488,300	488,300	733,113
Total expenses	<u>138,553,629</u>	<u>128,658,053</u>	<u>128,544,957</u>
Net revenue	<u>6,012,119</u>	<u>8,876,115</u>	<u>11,361,228</u>
OTHER REVENUE/(EXPENSES)			
Government transfers - capital (note 18)	13,580,057	15,193,595	10,623,612
Capital funded through development charges	-	385,048	2,396,816
Other related to capital	-	3,213,032	127,241
Contribution of tangible capital assets	-	2,834,837	3,250,265
Share of LAWSS (decrease) increase	-	(343,181)	166,742
Sarnia Power Corporation, net change in equity	-	2,351,889	3,086,500
	<u>13,580,057</u>	<u>23,635,220</u>	<u>19,651,176</u>
Annual Surplus	<u>\$ 19,592,176</u>	<u>\$ 32,511,335</u>	<u>\$ 31,012,404</u>
Accumulated Surplus, Beginning of Year		619,129,443	588,117,039
Accumulated Surplus, End of Year		<u>\$ 651,640,778</u>	<u>\$ 619,129,443</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, 2020

	2020 Budget	2020	2019
Annual Surplus	\$ 19,592,176	\$ 32,511,335	\$ 31,012,404
Amortization of tangible capital assets	19,791,168	19,791,168	18,464,607
Proceeds from sale of tangible capital assets	-	1,176,189	94,831
Loss on sale of tangible capital assets	-	2,784,562	1,408,060
Acquisition of tangible capital assets	(45,930,000)	(34,217,795)	(35,666,344)
Change in inventory	-	(39,185)	27,834
Change in prepaid expenses	-	(270,091)	(14,149)
Change in land held for sale	-	70,918	29,392
Increase in Net Financial Assets	<u>(6,546,656)</u>	<u>21,807,101</u>	<u>15,356,635</u>
Net Financial Assets, Beginning of Year	<u>79,464,061</u>	<u>79,464,061</u>	<u>64,107,426</u>
Net Financial Assets, End of Year	<u>\$ 72,917,405</u>	<u>\$ 101,271,162</u>	<u>\$ 79,464,061</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, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual Surplus	\$ 32,511,335	\$ 31,012,404
Items not involving cash:		
Amortization of tangible capital assets	19,791,168	18,464,607
Loss on sale of tangible capital assets	2,784,562	1,408,060
Change in employee future benefits	575,773	330,012
Change in landfill closure and post-closure liability	(21,245)	(19,949)
Change in accrued tax liabilities	267,905	637,226
Change in non-cash assets and liabilities		
Taxes receivable	362,034	360,810
Accounts receivable	(2,910,847)	(4,556,898)
Accounts payable and accrued liabilities	2,027,256	1,843,564
Other current liabilities	21,445	2,557,291
Deferred revenue	983,578	2,845,501
Inventory, prepaid expenses and land held for sale	(238,358)	43,077
	<u>56,154,606</u>	<u>54,925,705</u>
CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	1,176,189	94,831
Acquisition of tangible capital assets	(34,217,795)	(35,666,344)
Net change in cash from capital activities	<u>(33,041,606)</u>	<u>(35,571,513)</u>
INVESTING ACTIVITIES		
Long-term receivables	(910,191)	25,054
Investment in Sarnia Power Corporation	(2,351,889)	(3,086,500)
Net change in cash from investing activities	<u>(3,262,080)</u>	<u>(3,061,446)</u>
FINANCING ACTIVITIES		
Long-term liabilities repaid	(7,565,395)	(2,504,690)
Acquired debt	-	2,900,000
Net change in cash from financing activities	<u>(7,565,395)</u>	<u>395,310</u>
Net change in cash and equivalents	12,285,525	16,688,056
Cash and cash equivalents, beginning of year	<u>94,746,806</u>	<u>78,058,750</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 107,032,331</u></u>	<u><u>\$ 94,746,806</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, 2020

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 2020, the Municipality's share of the System was 58.34% (2019 – 61.58%). 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, 2020

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, 2020

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 2020, tangible capital assets with a value of \$2,834,837 were contributed by developers to the City (2019 - \$3,250,265). 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, 2020

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, 2020

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, 2020

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	\$ 24,359,511	\$ 38,675,589	\$ 63,035,100
Share of payments in lieu of taxes	<u>35,199</u>	<u>468,297</u>	<u>503,496</u>
	<u>24,394,710</u>	<u>39,143,886</u>	<u>63,538,596</u>
Share of taxes written off	932,358	778,774	1,711,132
Share of tax rebates	<u>122,497</u>	<u>143,454</u>	<u>265,951</u>
	<u>1,054,855</u>	<u>922,228</u>	<u>1,977,083</u>
Amounts transferred	<u><u>\$ 23,339,855</u></u>	<u><u>\$ 38,221,658</u></u>	<u><u>\$ 61,561,513</u></u>

3. TRUST FUNDS

The Municipality administers one trust fund in the amount of \$12,445 (2019 - \$12,276), 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, 2020

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 at December 31, 2020 (2019 - \$NIL).

The balance of cash and investments consists of the following:

	2020	2019
Cash on hand	\$ 20,383	\$ 28,552
Cash in bank	106,411,948	94,118,254
Investments (see note 14)	<u>600,000</u>	<u>600,000</u>
	<u>\$ 107,032,331</u>	<u>\$ 94,746,806</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 (2019 - six GICs), recorded at cost, with effective interest rates between 1.90% and 0.78% (2019 - 2.10% and 2.49%) maturing in 2021. The market value of these investments amounted to \$600,000 (2019 - \$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, 2020

5. LONG-TERM RECEIVABLES

	2020	2019
Loan receivable - employees re Ontario Police College, at 0% interest, repayable over 2 years	\$ 97,018	\$ 68,141
Loan receivable - Bluewater Gymnastics, at 4.50% interest, repayable in monthly installments including principal and interest of \$1,898 with final payment due January 2024	65,480	75,269
Mortgage receivable - Bayside Mall Land Purchase, at 0% interest, repayable over 20 years at \$50,000 per year	950,000	-
Loan receivable - Local Improvement Drain, at 5.00% - 5.95% interest, repayable in annual installments including principal and interest over 5 to 10 years	108,726	86,196
Loan receivable - Municipal Facade Improvement Program, at 1.35% to 1.50% interest, repayable in quarterly installments including principal and interest of \$4,042 with a final payment due June 2027	70,629	91,459
	<u>1,291,853</u>	<u>321,065</u>
Accounts receivable - current portion	<u>153,463</u>	<u>92,866</u>
Total long-term receivables	<u>\$ 1,138,390</u>	<u>\$ 228,199</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

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:

	2020	2019
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>31,865,644</u>	<u>29,513,755</u>
	<u>\$ 64,161,906</u>	<u>\$ 61,810,017</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 (2019 - \$1,167,729) and is reported in the Consolidated Statement of Operations.

Continuity of Investment

	2020	2019
Balance, beginning of year	\$ 61,810,017	\$ 58,723,517
Net income for the year	4,034,243	4,764,602
Dividends received during the year	<u>(1,682,354)</u>	<u>(1,678,102)</u>
Net increase in equity during the year	<u>2,351,889</u>	<u>3,086,500</u>
Balance, end of year	<u>\$ 64,161,906</u>	<u>\$ 61,810,017</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

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:

	2020	2019
Financial Position		
Assets		
Current assets	\$ 31,820,186	\$ 28,954,322
Non-current assets	91,378,024	82,468,580
Total assets	123,198,210	111,422,902
Regulatory balances	5,731,053	3,710,743
Total assets and regulatory balances	<u>\$ 128,929,263</u>	<u>\$ 115,133,645</u>
Liabilities		
Current liabilities	\$ 23,303,815	\$ 19,469,389
Long-term liabilities	46,369,834	39,653,834
Total liabilities	<u>69,673,649</u>	<u>59,123,223</u>
Equity		
Share capital	15,566,626	15,566,626
Retained earnings	34,990,209	31,776,180
Accumulated other comprehensive loss	(3,124,564)	(2,262,425)
Non-controlling interest	7,689,479	7,308,203
Total equity	<u>55,121,750</u>	<u>52,388,584</u>
Total liabilities and equity	<u>124,795,399</u>	<u>111,511,807</u>
Regulatory balances	4,133,864	3,621,838
Total liabilities, equity and regulatory balances	<u>\$ 128,929,263</u>	<u>\$ 115,133,645</u>
Results of Operations		
Revenues	\$ 146,388,973	\$ 132,877,280
Operating expenses	142,283,769	128,454,397
Income from operating activities	4,105,204	4,422,883
Regulatory balances	1,584,955	740,335
Other comprehensive (loss) income	(1,001,905)	373,798
Total comprehensive income	4,688,254	5,537,016
Non-controlling interest	(654,011)	(772,414)
Net income	<u>\$ 4,034,243</u>	<u>\$ 4,764,602</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

7. DEFERRED REVENUE

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

	2020	2019
Development Charges Act	\$ 12,940,296	\$ 11,989,880
Recreational land (The Planning Act)	337,989	339,247
Gasoline Tax - Canada	3,851,503	3,526,704
Gasoline Tax - Ontario	3,150,749	2,363,022
Building Permit (Building Code Act)	1,295,868	1,236,997
Ontario Community Infrastructure Fund Reserve	877,743	325,251
Federal Harbour Reserve	787,835	2,467,299
Ontario Municipal Commuter Cycling Program	<u>153,015</u>	<u>163,020</u>
Total	<u><u>\$ 23,394,998</u></u>	<u><u>\$ 22,411,420</u></u>

Total activities for the above items is summarized as follows:

	2020	2019
Balance, beginning of the year	<u>\$ 22,411,420</u>	<u>\$ 19,565,919</u>
Developer contributions received	1,375,943	2,196,562
Canada grants	2,911,739	4,531,108
Ontario grants	4,151,563	3,973,369
Interest earned	328,032	423,607
Internal borrowings for Developmental Charges Reserve	4,177,531	-
Provincial Gasoline Tax funding utilized	(372,426)	(326,552)
Funds utilized by Municipality	<u>(11,588,804)</u>	<u>(7,952,593)</u>
Net increase	<u>983,578</u>	<u>2,845,501</u>
Balance, end of the year	<u><u>\$ 23,394,998</u></u>	<u><u>\$ 22,411,420</u></u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

8. LONG-TERM LIABILITIES

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

	2020	2019
Long-term bank loans	\$ 4,484,488	\$ 11,768,817
Capital lease	25,875	27,600
Brownfield tax incentive grant program	<u>43,465</u>	<u>322,806</u>
Long-term liabilities, end of year	<u><u>\$ 4,553,828</u></u>	<u><u>\$ 12,119,223</u></u>

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

- (b) 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.
- (c) The Bank loan from the Royal Bank of Canada (RBC) matured on January 27, 2021. City Council approved the loan extension for 2 years at an interest rate of 1.39% with a 5 year amortization period
- (d) Subsequent to the end of the year, the annual principal payments after taking into account the RBC bank loan maturity and extension at an interest rate of 1.39% with a 5 year amortization period noted above are:

2021	\$ 877,788
2022	885,619
2023	897,984
2024	910,522
2025	923,235
2026 to 2030	50,055
2031 onwards	<u>8,625</u>
	<u><u>\$ 4,553,828</u></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.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

8. LONG-TERM LIABILITIES

- (f) The Municipality created a brownfield tax incentive-based grant program to promote 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 \$43,465 (2019 - \$322,806) 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:

	2020	2019
Balance, beginning of year	\$ 12,119,223	\$ 11,723,913
Principal payments	(7,565,395)	(2,504,690)
Acquired debt	<u>-</u>	<u>2,900,000</u>
Balance, end of year	<u>\$ 4,553,828</u>	<u>\$ 12,119,223</u>

Actual interest payments related to long-term liabilities in the current year were \$161,646 (2019 - \$375,919). Interest rates on the long-term liabilities range from 0% - 4.77% (2019 - 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 \$128,826 (2019 - \$150,071) 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, 2020

10. EMPLOYEE FUTURE BENEFITS

	2020	2019
Sick leave benefit plan	\$ 3,840,700	\$ 3,762,600
Future payments required to WSIB	15,942,400	16,001,700
Post retirement benefits	17,742,525	17,273,025
Accrued vacation pay	1,202,198	1,113,239
Accrued overtime pay	148,482	149,968
Total	<u>\$ 38,876,305</u>	<u>\$ 38,300,532</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:

	2020	2019
Accrued benefit liability as at January 1, 2020	\$ 3,762,600	\$ 3,795,600
Current service cost	173,100	143,400
Interest on accrued benefit obligation	106,300	120,000
Employer contribution	<u>(201,300)</u>	<u>(296,400)</u>
Estimated benefit liability as at December 31, 2020	<u>\$ 3,840,700</u>	<u>\$ 3,762,600</u>

Possible payments over the next five years to employees who are eligible to retire are:

2021	\$ 916,264
2022	-
2023	134,835
2024	195,282
2025	<u>357,861</u>
Total	<u>\$ 1,604,242</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

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 \$875,053 (2019 - \$1,069,936). The estimate of the future benefit costs of \$15,942,400 (2019 - \$16,001,700) 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 \$3,652,824 (2019 - \$2,644,797).

(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:

	2020	2019
Accrued benefit liability as at January 1, 2020	\$ 17,273,025	\$ 16,848,900
Current service cost	663,800	568,500
Interest cost	473,100	543,600
Amortization of actuarial experience (gain) loss	(51,500)	(117,900)
Estimated benefits paid	<u>(615,900)</u>	<u>(570,075)</u>
Accrued benefit liability as at December 31, 2020	<u>\$ 17,742,525</u>	<u>\$ 17,273,025</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

10. EMPLOYEE FUTURE BENEFITS

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

	2020	2019
Benefit obligation as at December 31, 2020	\$ 16,600,000	\$ 15,415,300
Unamortized gains	<u>1,142,525</u>	<u>1,857,725</u>
Post-retirement benefit liability as at December 31, 2020	<u>\$ 17,742,525</u>	<u>\$ 17,273,025</u>

An actuarial valuation was performed as at December 31, 2020 for sick leave benefits and post-retirement benefits. The actuarial estimate assumes a discount rate of 2.25% 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 \$1,202,198 (2019 - \$1,113,239).

(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 \$148,482 (2019 - \$149,968).

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

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, 2020. The results of this valuation disclosed total actuarial liabilities of \$111,820 million in respect of benefits accrued for service with actuarial assets at that date of \$108,609 million indicating an actuarial deficit of \$3,211 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 2020 was \$5,809,575 (2019 - \$5,648,615) for current service. The OMERS employer and employee contribution rate was 9.00% to 15.80% depending on income level for 2020 (2019 - 9.00% to 15.80% depending on income level).

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

12. PROPERTY TAXATION REVENUE AND ACCRUED TAX LIABILITIES

	2020	2019
Taxation Revenue - General Levy	\$ 76,431,404	\$ 74,287,646
Taxation Revenue - Supplementary Tax Levy	292,076	503,534
Payment in Lieu Taxation Revenue	1,365,774	1,259,292
Other Taxation Revenue - Local Improvements	-	17,554
Taxation Revenue - Transit Levy	4,244,351	4,024,284
Taxation Revenue - Supplementary Transit Tax Levy	<u>14,851</u>	<u>24,626</u>
Subtotal of Taxation Revenue	82,348,456	80,116,936
Tax Write - offs	(1,572,248)	(1,320,165)
Tax Rebates and Exemptions	(302,349)	(283,485)
Change in Accrued Tax Liability	<u>(267,905)</u>	<u>(637,226)</u>
Subtotal of Tax Write - offs, Rebates and Exemptions	<u>2,142,502</u>	<u>2,240,876</u>
Total Property Taxation Revenue	<u><u>\$ 80,205,954</u></u>	<u><u>\$ 77,876,060</u></u>

Reconciliation of Assessment Appeal Provision and Accrued Tax Liability

	2020	2019
Estimate of expected appeals	\$ 1,670,030	\$ 2,062,200
Estimate of expected supplementary taxes	(263,287)	(923,362)
Other adjustments	<u>281,258</u>	<u>281,258</u>
Potential Future Tax Liability	<u><u>\$ 1,688,001</u></u>	<u><u>\$ 1,420,096</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, 2020**

13. TANGIBLE CAPITAL ASSETS

2020	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2020	2019
Cost													
Balance, beginning 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
Add: additions during the year	-	6,158,745	3,649,832	5,769,359	1,009,708	415,100	8,419,861	3,380,346	7,619,750	2,406,921	13,055,777	51,885,399	56,644,472
Less: disposals during the year	(2,920,500)	(359,029)	(752,538)	(1,096,444)	(945,909)	(168,124)	(918,637)	(631,676)	(725,471)	(51,221)	(14,856,945)	(23,426,494)	(30,722,057)
LAWSS adjustment	(41,219)	(21,874)	(1,517,249)	(2,617)	-	-	-	(2,736,590)	-	-	(91,877)	(4,411,426)	2,908,385
Balance, end of year	122,141,904	42,738,760	108,466,214	85,093,992	34,225,000	5,184,762	254,494,156	136,981,546	59,715,809	83,772,541	17,792,242	950,606,926	926,559,447
Accumulated Amortization													
Balance, beginning 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
Add: amortization	-	2,004,814	2,375,644	3,232,948	1,885,906	307,743	5,600,971	1,981,685	947,091	1,454,366	-	19,791,168	18,464,607
Less: accumulated amortization on disposals	-	(358,343)	(514,935)	(867,370)	(822,028)	(168,124)	(796,421)	(499,960)	(546,275)	(35,342)	-	(4,608,798)	(6,361,891)
LAWSS adjustment	-	(21,120)	(739,620)	(1,489)	-	-	-	(838,538)	-	-	-	(1,600,767)	1,029,238
Balance, end of year	-	29,308,035	48,269,655	57,330,992	19,547,887	3,602,502	131,317,678	54,029,024	22,171,782	40,053,993	-	405,631,548	392,049,945
Net book value of tangible capital assets	\$122,141,904	\$ 13,430,725	\$ 60,196,559	\$ 27,763,000	\$14,677,113	\$ 1,582,260	\$123,176,478	\$ 82,952,522	\$37,544,027	\$ 43,718,548	\$ 17,792,242	\$544,975,378	\$534,509,502

THE CORPORATION OF THE CITY OF SARNIA

**Notes to the Consolidated Financial Statements
Year Ended December 31, 2020**

13. TANGIBLE CAPITAL ASSETS

2019	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2019
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
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
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)
LAWSS adjustment	27,607	14,650	1,008,516	1,753	-	-	-	1,832,840	-	-	23,019	2,908,385
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
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
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
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)
LAWSS adjustment	-	13,839	471,166	903	-	-	-	543,330	-	-	-	1,029,238
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
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

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

14. ACCUMULATED SURPLUS

The accumulated surplus consists of the following balances:

	2020	2019
Surplus		
Investment in tangible capital assets	\$ 544,975,378	\$ 534,509,502
Capital assets financed by internal borrowings and to be funded in future years	(4,177,531)	-
Land held for sale	4,331,043	4,401,961
Capital fund	1,924,886	(455,633)
Equity in Sarnia Power Corporation	64,161,906	61,810,017
Unfunded		
Long-term liabilities	(4,553,828)	(12,119,223)
Accrued interest on long-term liabilities	(511)	(14,842)
Landfill closure and post-closure liability	(128,826)	(150,071)
Employee future benefits	(38,876,305)	(38,300,532)
Accrued tax liabilities	<u>(1,688,001)</u>	<u>(1,420,096)</u>
Total Surplus	<u>565,968,211</u>	<u>548,261,083</u>
Reserves Set Aside for Specific Purpose by Council		
Working fund	16,134,274	11,146,564
Replacement of equipment	3,956,485	5,886,480
Capital projects	54,415,896	38,322,828
Other programs	<u>1,211,859</u>	<u>1,169,263</u>
Total Reserves	<u>75,718,514</u>	<u>56,525,135</u>
Discretionary Reserve Funds Set Aside for Specific Purpose by Council		
Insurance	5,529,425	4,120,674
Waterfront development	-	315,458
Sarnia Bay improvements	-	35,449
Harbour operations	2,351,916	2,712,199
Capital projects	-	5,130,442
Special projects	1,944,529	1,798,875
Other programs	<u>128,183</u>	<u>230,128</u>
Total Reserve Funds	<u>9,954,053</u>	<u>14,343,225</u>
Total Accumulated Surplus	<u><u>\$ 651,640,778</u></u>	<u><u>\$ 619,129,443</u></u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

14. ACCUMULATED SURPLUS

The Municipality is committed to pay the interest earned on \$600,000 (2019 - \$600,000) of the reserve funds to outside agencies.

Internal Borrowings

As part of the 2020 capital budget, Council approved the internal borrowing of up to \$8,242,500 from Reserves to currently fund a portion of the Municipality's sewer upgrade project that will ultimately be funded from charges collected in the future under the Development Charges Act. The internal borrowings totaled \$4,177,531 as at December 31, 2020.

Reserve Consolidation

As its March 2, 2020 meeting, City council approved the consolidation of a number of Discretionary Reserve Funds into the capital related Reserves Set Aside for Specific Purpose by Council. This was done in order to simplify the access to capital funding for the Municipality's approved capital projects.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

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 58.34% (2019 - 61.58%) proportionate interest in the following:

	2020	2019
Statement of Financial Position		
Financial Assets	<u>\$ 13,249,052</u>	<u>\$ 10,844,853</u>
Liabilities		
Current liabilities	<u>279,416</u>	<u>252,841</u>
Net Financial Assets	<u>12,969,636</u>	<u>10,592,012</u>
Non-Financial Assets		
Tangible capital assets	<u>87,389,393</u>	<u>86,748,811</u>
Accumulated Surplus	<u><u>\$ 100,359,029</u></u>	<u><u>\$ 97,340,823</u></u>
Statement of Operations		
Revenues	\$ 10,004,837	\$ 10,005,603
Expenses - excluding amortization	5,151,963	4,969,369
Amortization	<u>1,834,668</u>	<u>1,976,035</u>
Net revenues	<u><u>\$ 3,018,206</u></u>	<u><u>\$ 3,060,199</u></u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

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 2020 are charges for the operation of the water treatment plant in the amount of \$2,539,680 (2019 - \$2,721,471).

(b) 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.

(c) 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

(d) 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 during 2021.

(e) 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, 2022.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

16. CONTRACTUAL OBLIGATIONS

(f) 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.

(g) Bluewater Power Services Corporation

The Municipality entered into two six year agreements with Bluewater Power Services Corporation, a subsidiary of Bluewater Power Corporation, on January 1, 2021 for the provision of water meter reading services and water meter maintenance and installation services. The cost of work to be performed under the two agreements is approximately \$6,777,000 over the six-year term.

(h) Van Bree Drainage and Bulldozing Limited

The Municipality entered into an agreement with Van Bree Drainage and Bulldozing Limited on February 8, 2021 for construction work to be performed on the Rapids Parkway pumping station and forcemain project. The cost of the work to be performed under the agreement is approximately \$3,250,000 and the work is expected to be completed during 2021.

(i) Birnam Excavating Ltd.

At its March 22, 2021 meeting, City Council accepted the tender submitted by Birnam Excavating Ltd. in the amount of \$3,817,192 for watermain replacement and road reconstruction for Plank Road and Gladwish Drive. This Phase 1 work is expected to be completed in 2021.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

17. BUDGET FIGURES

Budget data presented in these consolidated financial statements are based upon the 2020 operating budget as approved by Council and adopted by the City on December 3, 2020. 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.

	2020 Budget	2019 Budget
Revenues		
Approved Operating Budget	\$ 154,543,011	\$ 145,075,897
Adjustments:		
Net contribution from reserve and reserve funds	(4,042,793)	(2,273,736)
Tax Reductions	(797,367)	(871,500)
Internal allocation elimination entries	(5,168,823)	(5,510,546)
LAWSS consolidated adjustment	31,720	15,742
Adjusted Operating Budget per Statement of Operations	<u>144,565,748</u>	<u>136,435,857</u>
Expenses		
Approved Operating Budget	154,543,011	145,075,897
Adjustments:		
Net contribution to reserve, reserve funds and capital	(28,085,140)	(20,957,357)
Debt principal repayments	(4,624,931)	(5,319,577)
Internal allocation elimination entries	(4,320,916)	(4,306,839)
Unfunded liability adjustment	(567,265)	592,474
LAWSS consolidated adjustment	1,205,966	(3,742,705)
Amortization, additions and deletions	19,527,844	18,660,240
Loss on disposals of TCAs	875,060	1,502,510
Adjusted Operating Budget per Statement of Operations	<u>138,553,629</u>	<u>131,504,643</u>
Total Net Revenue	<u>\$ 6,012,119</u>	<u>\$ 4,931,214</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

18. GOVERNMENT TRANSFERS

	2020	2019
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 3,415,100	\$ 3,022,300
Program Support	398,253	582,093
Investing in Canada Infrastructure Program	59,841	-
Provincial Gas Tax	-	248,937
Source Protection Municipal Implementation Fund	-	8,680
Roadside Drug Testing Devices Fund	-	13,619
Ontario Cannabis Legalization Implementation Fund	-	116,746
Safe Restart Fund	<u>1,874,659</u>	<u>-</u>
	5,747,853	3,992,375
Government of Canada		
Program Support	18,440	100,501
Federal Harbour	94,620	175,711
Investing in Canada Infrastructure Program	<u>71,817</u>	<u>-</u>
	184,877	276,212
Total Operating	<u>5,932,730</u>	<u>4,268,587</u>
Capital		
Province of Ontario		
Provincial Gas Tax	341,227	33,159
Public Transit Infrastructure Fund	-	79,654
Drainage Grants	18,063	12,843
Airports Capital Assistance Program	-	686,131
Ontario Community Infrastructure Fund	2,396,867	3,196,535
Ontario Municipal Commuter Cycling Program	10,005	279,753
Criminal Intelligence Service Ontario	-	16,000
Small Communities Fund	3,505,825	4,352,314
Southwestern Ontario Development Fund	196,810	-
Community, Culture and Recreation Stream	<u>13,409</u>	<u>-</u>
	6,482,206	8,656,389

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

18. GOVERNMENT TRANSFERS

	2020	2019
Government of Canada		
Federal Gas Tax	1,847,094	1,786,037
Disaster Mitigation and Adaptation Fund	651,938	-
Enabling Accessibility Fund	-	59,508
Harbour Contribution Agreement	1,584,844	-
Disaster Mitigation Adaptation Fund	-	11,362
Small Communities Fund	3,505,825	-
Southwestern Ontario Development Fund	1,105,595	110,316
Community, Culture and Recreation Stream	16,092	-
	<u>8,711,388</u>	<u>1,967,223</u>
Total Capital	<u>15,193,594</u>	<u>10,623,612</u>
Total Government Transfers	<u>\$21,126,324</u>	<u>\$14,892,199</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2020

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 and Corporate Services. 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, 2020

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 \$1,876,601 (2019 - \$1,475,877) 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, 2020

21. PUBLIC LIABILITY INSURANCE

Claims settled during the year, amounting to \$189,671 (2019 - \$267,808), 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 subsidiaries of Bluewater Power Corporation to provide billing and collection services for water and sewer charges on a cost recovery basis, water meter management, repair and replacement services and contractor services as part of the Oversize Load Corridor project. Charges for the year were \$4,287,418 (2019 - \$2,270,690).

23. COMPARATIVE AMOUNTS

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

24. COVID - 19 IMPACTS

The Covid-19 outbreak was declared a pandemic by the World Health Organization in early 2020. This has resulted in governments around the world, including the Canadian, Ontario and local governments enacting emergency measures and taking various initiatives to manage the response to the pandemic and 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 various periods of time during 2020. City Council continues to undertake its responsibilities through remote meeting technology.

The Municipality received \$3,137,377 in 2020 in combined Federal and Provincial funding under the Safe Restart program to address Covid-19 related pressures and expenses. The City utilized \$1,874,659 of Safe Restart funding in 2020, which has been included in revenue. The remaining Safe Restart funds are included in other current liabilities to be utilized for future Covid-19 related pressures and expenses.

The Municipality continues to undertake 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 ongoing 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, 2020

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2020 Total
REVENUES									
Property taxation	\$ 76,056,463	\$ -	\$ 4,149,491	\$ -	\$ -	\$ -	\$ -	\$ -	80,205,954
User fees and service charges	601,832	1,291,621	2,974,225	36,614,114	-	87,963	1,903,296	703,895	44,176,946
Grants	4,796,751	299,973	6,391,715	9,528,683	-	54,014	-	55,188	21,126,324
Rents and financial	3,426,453	669	147,823	158,160	-	2,097	15,987	189,363	3,940,552
Other municipalities	1,799	1,377,571	817,141	268,156	-	-	-	890,351	3,355,018
Other	5,343,129	104,314	1,742,136	691,579	-	700	302,731	180,005	8,364,594
	<u>90,226,427</u>	<u>3,074,148</u>	<u>16,222,531</u>	<u>47,260,692</u>	<u>-</u>	<u>144,774</u>	<u>2,222,014</u>	<u>2,018,802</u>	<u>161,169,388</u>
EXPENSES									
Salaries, wages, employee benefits & non-functionalized unfunded liabilities	5,418,705	43,299,900	8,102,012	9,791,627	-	203,547	4,693,601	744,409	72,253,801
Materials	1,604,127	4,162,053	3,696,633	5,541,093	-	94,668	3,233,930	455,603	18,788,107
Contracted services	383,290	296,383	1,640,649	12,012,899	-	22,329	459,139	1,273,064	16,087,753
Net long-term liability interest charges	22,874	-	-	19,234	-	-	105,208	-	147,316
Amortization of tangible capital assets	1,748,312	1,080,505	7,071,649	8,206,839	-	-	1,683,863	-	19,791,168
Other	193,373	639,185	171,333	347,978	72,366	-	165,673	-	1,589,908
	<u>9,370,681</u>	<u>49,478,026</u>	<u>20,682,276</u>	<u>35,919,670</u>	<u>72,366</u>	<u>320,544</u>	<u>10,341,414</u>	<u>2,473,076</u>	<u>128,658,053</u>
NET SURPLUS (DEFICIT)	<u>\$ 80,855,746</u>	<u>\$ (46,403,878)</u>	<u>\$ (4,459,745)</u>	<u>\$ 11,341,022</u>	<u>\$ (72,366)</u>	<u>\$ (175,770)</u>	<u>\$ (8,119,400)</u>	<u>\$ (454,274)</u>	<u>\$ 32,511,335</u>

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 municipal	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 liabilities 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>



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, 2020, 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, 2020, 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
July 12, 2021

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

**Statement of Continuity of Trust Fund
Year ended December 31, 2020**

	2020 Total	2019 Total
FUND BALANCE, BEGINNING OF YEAR	<u>\$ 12,276</u>	<u>\$ 11,973</u>
REVENUES		
Interest earned	<u>169</u>	<u>303</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 12,445</u></u>	<u><u>\$ 12,276</u></u>

**Statement of Financial Position
as at December 31, 2020**

	2020 Total	2019 Total
ASSETS		
Trust funds, amounts held with the Corporation of the City of Sarnia	<u><u>\$ 12,445</u></u>	<u><u>\$ 12,276</u></u>
FUND BALANCE	<u><u>\$ 12,445</u></u>	<u><u>\$ 12,276</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, 2020

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.