

**The Corporation of
The City of Sarnia**

Financial Statements
For the Year Ended December 31, 2022



CITY OF SARNIA

THE CORPORATION OF
THE CITY OF SARNIA

FINANCIAL STATEMENTS
2022

THE CORPORATION OF THE CITY OF SARNIA

2022

CITY COUNCIL

Mayor	Mike Bradley
Councillors	Dave Boushy
	Terry Burrell
	Bill Dennis
	Anne Marie Gillis
	Adam Kilner
	Chrissy McRoberts
	George Vandenberg
	Brian White

CITY ADMINISTRATION

Chief Administrative Officer	Chris Carter
General Manager, Corporate Services	David Stockdale
General Manager, Community Services	Stacey Forfar
General Manager, Engineering & Operations	David Jackson
Fire Chief	Bryan Vangaver
Chief of Police	Derek Davis

THE CORPORATION OF THE CITY OF SARNIA

2022

POLICE SERVICES BOARD

Chairperson	Paul Wiersma
Vice Chairperson	Kelly Ash
Councillors	Mayor Mike Bradley George Vandenberg Charlene Sebastian
Secretary	Joan Knight

SARNIA POWER CORPORATION

Chairperson	Garry McDonald
Vice Chairperson	Glenn Jones
Director	Steve Bolt

AUDITORS

BDO Canada LLP

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Management's Statement of Responsibility for Financial Reporting

Management of The Corporation of The City of Sarnia is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgments and estimates necessary to prepare the consolidated financial statements in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Management is also responsible for providing reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced. Management is required to design a system of internal controls to achieve these responsibilities and to ensure the proper authorization of transactions and the integrity of the financial data. BDO Canada LLP, whose report follows, were appointed as independent auditors by City Council to audit the consolidated financial statements.

City Council is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. These consolidated financial statements have been approved by City Council.

Sarnia, Ontario, Canada

June 12, 2023



Chris Carter, Chief Administrative Officer



David Stockdale, General Manager, Corporate Services



Jane Qi, Treasurer



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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, 2022, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the City of Sarnia as at December 31, 2022, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 Consolidated Financial Statements

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



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Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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
June 19, 2023

THE CORPORATION OF THE CITY OF SARNIA

Financial Statements

Consolidated Statement of Financial Position

As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and investments (note 4)	\$ 119,648,344	\$ 117,263,148
Taxes receivable	3,306,024	3,323,363
Accounts receivable	29,570,276	30,072,148
Long-term receivables (note 5)	1,438,859	1,040,516
Investment in Sarnia Power Corporation (note 6)	74,785,746	69,122,835
Total financial assets	<u>228,749,249</u>	<u>220,822,010</u>
LIABILITIES		
Accounts payable and accrued liabilities	23,303,808	24,479,741
Other current liabilities	10,751,681	10,329,883
Deferred revenue (note 7)	28,521,774	28,210,245
Long-term liabilities (note 8)	2,790,054	3,675,842
Landfill closure and post-closure liability (note 9)	82,103	106,200
Employee future benefits (note 10)	40,340,712	40,261,207
Accrued tax liabilities (note 12)	715,895	1,646,363
Total liabilities	<u>106,506,027</u>	<u>108,709,481</u>
NET FINANCIAL ASSETS	<u>122,243,222</u>	<u>112,112,529</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 13)	607,783,126	575,513,509
Inventory	802,975	682,625
Prepaid expenses	879,310	380,844
Land held for sale	4,331,043	4,331,043
Total non-financial assets	<u>613,796,454</u>	<u>580,908,021</u>
Accumulated Surplus (note 14)	<u><u>\$ 736,039,676</u></u>	<u><u>\$ 693,020,550</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, 2022

	2022 Budget (note 17)	2022	2021
REVENUE			
Property taxation (note 12)	\$ 85,189,701	\$ 86,579,240	\$ 83,605,650
User fees and service charges	50,925,660	49,927,485	47,140,214
User fees and service charges - other municipalities	3,634,249	3,670,471	3,342,060
Government transfers - operating (note 18)	4,854,083	6,092,953	6,733,623
Investment income	4,070,091	6,670,389	3,803,355
Penalties and interest on taxes	450,000	616,614	626,900
Gaming and casino revenues	400,000	384,960	178,931
Contributions - developers	-	40,300	118,470
Other	1,764,820	2,913,858	7,609,246
Total revenue	<u>151,288,604</u>	<u>156,896,270</u>	<u>153,158,449</u>
EXPENSES			
General government	14,392,634	13,341,446	12,641,145
Protection services	55,178,522	52,232,730	52,090,597
Transportation services	25,482,738	24,934,925	22,364,698
Health services	94,876	94,876	97,693
Environmental services	36,284,346	36,855,046	34,445,617
Social and family services	442,827	370,754	299,008
Recreation and cultural services	12,895,677	12,617,945	11,705,963
Planning and development	1,970,832	1,880,503	1,380,438
Non-functionalized unfunded liabilities	44,875	44,875	1,143,400
Total expenses	<u>146,787,327</u>	<u>142,373,100</u>	<u>136,168,559</u>
Net revenue	<u>4,501,277</u>	<u>14,523,170</u>	<u>16,989,890</u>
OTHER REVENUE/(EXPENSES)			
Government transfers - capital (note 18)	-	18,459,413	17,209,769
Capital funded through development charges	-	1,512,435	2,820,169
Other related to capital	-	1,322,798	(1,604,576)
Share of LAWSS increase	-	1,538,398	1,003,591
Sarnia Power Corporation, net change in equity	-	5,662,912	4,960,929
	<u>-</u>	<u>28,495,956</u>	<u>24,389,882</u>
Annual Surplus	<u>\$ 4,501,277</u>	<u>\$ 43,019,126</u>	<u>\$ 41,379,772</u>
Accumulated Surplus, Beginning of Year		693,020,550	651,640,778
Accumulated Surplus, End of Year		<u>\$ 736,039,676</u>	<u>\$ 693,020,550</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, 2022

	2022 Budget	2022	2021
Annual Surplus	\$ 4,501,277	\$ 43,019,126	\$ 41,379,772
Amortization of tangible capital assets	20,801,742	20,801,742	20,508,953
Proceeds from sale of tangible capital assets	-	126,931	65,979
Loss on sale of tangible capital assets	-	1,031,890	1,285,529
Acquisition of tangible capital assets	(48,962,238)	(54,230,180)	(52,398,592)
Change in inventory	-	(120,350)	(117,838)
Change in prepaid expenses	-	(498,466)	117,564
Increase in Net Financial Assets	<u>(23,659,219)</u>	<u>10,130,693</u>	<u>10,841,367</u>
Net Financial Assets, Beginning of Year	<u>112,112,529</u>	<u>112,112,529</u>	<u>101,271,162</u>
Net Financial Assets, End of Year	<u>\$ 88,453,310</u>	<u>\$ 122,243,222</u>	<u>\$ 112,112,529</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, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual Surplus	\$ 43,019,126	\$ 41,379,772
Items not involving cash:		
Amortization of tangible capital assets	20,801,742	20,508,953
Loss on sale of tangible capital assets	1,031,890	1,285,529
Change in employee future benefits	79,505	1,384,902
Change in landfill closure and post-closure liability	(24,097)	(22,626)
Change in accrued tax liabilities	(930,468)	(41,638)
Change in non-cash assets and liabilities		
Taxes receivable	17,339	(83,300)
Accounts receivable	501,872	(6,202,708)
Accounts payable and accrued liabilities	(1,175,933)	6,161,833
Other current liabilities	421,798	(881,219)
Deferred revenue	311,529	4,815,247
Inventory, prepaid expenses and land held for sale	(618,816)	(274)
	<u>63,435,487</u>	<u>68,304,471</u>
CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	126,931	65,979
Acquisition of tangible capital assets	(54,230,180)	(52,398,592)
Net change in cash from capital activities	<u>(54,103,249)</u>	<u>(52,332,613)</u>
INVESTING ACTIVITIES		
Long-term receivables	(398,343)	97,874
Investment in Sarnia Power Corporation	(5,662,911)	(4,960,929)
Net change in cash from investing activities	<u>(6,061,254)</u>	<u>(4,863,055)</u>
FINANCING ACTIVITIES		
Long-term liabilities	(885,788)	(877,986)
Net change in cash and equivalents	2,385,196	10,230,817
Cash and cash equivalents, beginning of year	<u>117,263,148</u>	<u>107,032,331</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 119,648,344</u></u>	<u><u>\$ 117,263,148</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, 2022

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 2022, the Municipality's share of the System was 60.81% (2021 – 59.34%). 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, 2022

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, 2022

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 30 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	50 to 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 2022, tangible capital assets with a value of \$nil were contributed by developers to the City (2021 - \$NIL). These items are 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, 2022

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.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Basis of Accounting

(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.

(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. In 2022 \$500,000 was recognized for the contaminated sites liability, recorded under Other Current Liabilities.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

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	\$ 20,843,808	\$ 40,984,208	\$ 61,828,016
Share of payments in lieu of taxes	<u>35,172</u>	<u>524,177</u>	<u>559,349</u>
	<u>20,878,980</u>	<u>41,508,385</u>	<u>62,387,365</u>
Share of taxes written off	206,898	175,261	382,159
Share of tax rebates	<u>47,910</u>	<u>42,863</u>	<u>90,773</u>
	<u>254,808</u>	<u>218,124</u>	<u>472,932</u>
Amounts transferred	<u><u>\$ 20,624,172</u></u>	<u><u>\$ 41,290,261</u></u>	<u><u>\$ 61,914,433</u></u>

3. TRUST FUNDS

The Municipality administers one trust fund in the amount of \$12,888 (2021 - \$12,570), 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, 2022

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, 2022 (2021 - \$NIL).

The balance of cash and investments consists of the following:

	2022	2021
Cash on hand	\$ 16,864	\$ 15,753
Cash in bank	119,031,480	116,647,395
Investments (see note 14)	<u>600,000</u>	<u>600,000</u>
	<u><u>\$ 119,648,344</u></u>	<u><u>\$ 117,263,148</u></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 (2021 - six GICs), recorded at cost, with effective interest rates between 2.28% and 4.17% (2021 - 0.94% and 0.70%) maturing in 2023. The market value of these investments amounted to \$600,000 (2021 - \$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, 2022

5. LONG-TERM RECEIVABLES

	2022	2021
Loan receivable - employees re Ontario Police College, at 0% interest, repayable over 2 years	\$ 188,618	\$ 138,804
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	24,048	45,230
Mortgage receivable - Bayside Mall Land Purchase, at 0% interest, repayable over 20 years at \$50,000 per year. The full amount of this receivable was paid in 2023	900,000	900,000
Loan receivable - Local Improvement Drain, at 4.45% - 5.95% interest, repayable in annual installments including principal and interest over 5 to 10 years	72,415	91,012
Loan receivable - Municipal Facade Improvement Program, at 1.35% interest, repayable in quarterly installments including principal and interest of \$2,335 with a final payment due June 2027	37,435	49,622
Loan Receivable - Sarnia Sting, at 3.0% interest, repayable in monthly installments including principal and interest of \$20,835 over 7 years with a final payment due June 2029	<u>1,474,827</u>	<u>-</u>
	2,697,343	1,224,668
Accounts receivable - current portion	<u>1,258,484</u>	<u>184,152</u>
Total long-term receivables	<u><u>\$ 1,438,859</u></u>	<u><u>\$ 1,040,516</u></u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements Year Ended December 31, 2022

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:

	2022	2021
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>42,489,484</u>	<u>36,826,573</u>
	<u>\$ 74,785,746</u>	<u>\$ 69,122,835</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 (2021 - \$1,167,729) and is reported in the Consolidated Statement of Operations.

Continuity of Investment

	2022	2021
Balance, beginning of year	\$ 69,122,835	\$ 64,161,906
Adjustment due to recast prior year	<u>(183,899)</u>	<u>-</u>
Balance, adjusted beginning of year	68,938,936	64,161,906
Net income for the year	7,624,581	6,521,260
Dividends received during the year	<u>(1,777,771)</u>	<u>(1,560,331)</u>
Net increase in equity during the year	<u>5,846,810</u>	<u>4,960,929</u>
Balance, end of year	<u>\$ 74,785,746</u>	<u>\$ 69,122,835</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements Year Ended December 31, 2022

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:

	2022	2021
Financial Position		
Assets		
Current assets	\$ 31,702,654	\$ 31,147,750
Non-current assets	103,424,359	96,049,509
Total assets	135,127,013	127,197,259
Regulatory balances	8,349,095	6,204,712
Total assets and regulatory balances	<u>\$143,476,108</u>	<u>\$133,401,971</u>
Liabilities		
Current liabilities	\$ 30,042,847	\$ 25,548,180
Long-term liabilities	44,260,708	44,954,637
Total liabilities	<u>74,303,555</u>	<u>70,502,817</u>
Equity		
Share capital	15,566,626	15,566,626
Retained earnings	41,350,626	37,727,869
Accumulated other comprehensive loss	14,550	(2,209,503)
Non-controlling interest	9,229,497	8,281,641
Total equity	<u>66,161,299</u>	<u>59,366,633</u>
Total liabilities and equity	<u>140,464,854</u>	<u>129,869,450</u>
Regulatory balances	3,011,254	3,532,521
Total liabilities, equity and regulatory balances	<u>\$143,476,108</u>	<u>\$133,401,971</u>
Results of Operations		
Revenues	\$143,787,515	\$134,881,147
Operating expenses	<u>139,538,130</u>	<u>130,818,320</u>
Income from operating activities	4,249,385	4,062,827
Net Loss from Discontinued Operations	-	1,084,508
Regulatory Balances	2,026,650	1,154,002
Other comprehensive (loss) income	<u>2,584,605</u>	<u>1,063,406</u>
Total comprehensive income	8,860,640	7,364,743
Non-controlling interest	<u>(1,236,059)</u>	<u>(1,027,382)</u>
Net income	<u>\$ 7,624,581</u>	<u>\$ 6,337,361</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

7. DEFERRED REVENUE

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

	2022	2021
Development Charges Act	\$ 14,094,328	\$ 12,791,495
Recreational land (The Planning Act)	535,801	548,689
Gasoline Tax - Canada	3,931,566	7,425,958
Gasoline Tax - Ontario	3,986,928	3,905,773
Building Permit (Building Code Act)	1,605,173	1,257,118
Ontario Community Infrastructure Fund Reserve	4,057,232	1,728,566
Federal Harbour Reserve	271,603	461,765
Ontario Municipal Commuter Cycling Program	31,018	90,881
Other Senior Government Grants	8,125	-
Total	<u>\$ 28,521,774</u>	<u>\$ 28,210,245</u>

Total activities for the above items is summarized as follows:

	2022	2021
Balance, beginning of the year	\$ 28,210,245	\$ 23,394,998
Developer contributions received	3,190,733	2,072,285
Canada grants	6,873,266	7,240,724
Ontario grants	8,163,916	4,582,043
Interest earned	568,624	252,226
Internal borrowings for Developmental Charges Reserve	5,945,204	(417,753)
Provincial Gasoline Tax funding utilized	(1,128,035)	(426,970)
Funds utilized by Municipality	<u>(23,302,179)</u>	<u>(8,487,308)</u>
Net increase	<u>311,529</u>	<u>4,815,247</u>
Balance, end of the year	<u>\$ 28,521,774</u>	<u>\$ 28,210,245</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

8. LONG-TERM LIABILITIES

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

	2022	2021
Long-term bank loans	\$ 2,767,629	\$ 3,651,692
Capital lease	<u>22,425</u>	<u>24,150</u>
Long-term liabilities, end of year	<u><u>\$ 2,790,054</u></u>	<u><u>\$ 3,675,842</u></u>

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

- (b) The Bank loan from the Royal Bank of Canada (RBC) matured on January 27, 2023. City Council approved the loan extension for 3 years at an interest rate of 5.57% with a 3 year amortization period.
- (c) The annual principal payments after taking into account the RBC bank loan maturity and extension at an interest rate of 5.57% with a 3 year amortization period noted above are:

2023	\$ 851,753
2024	894,380
2025	945,391
2026	83,005
2027	1,725
2028 to 2032	8,625
2033 onwards	<u>5,175</u>
	<u><u>\$ 2,790,054</u></u>

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

	2022	2021
Balance, beginning of year	\$ 3,675,842	\$ 4,553,828
Principal payments	<u>(885,788)</u>	<u>(877,986)</u>
Balance, end of year	<u><u>\$ 2,790,054</u></u>	<u><u>\$ 3,675,842</u></u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

8. LONG-TERM LIABILITIES

Actual interest payments related to long-term liabilities in the current year were \$44,975 (2021 - \$60,234). Interest rates on the long-term liabilities range from 0% - 5.57% (2021 - 0% - 2.23%).

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 \$82,103 (2021 - \$106,200) 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, 2022

10. EMPLOYEE FUTURE BENEFITS

	2022	2021
Sick leave benefit plan	\$ 3,930,500	\$ 3,812,100
Future payments required to WSIB	14,306,300	14,895,400
Post retirement benefits	20,477,100	19,961,525
Accrued vacation pay	1,370,219	1,394,829
Accrued overtime pay	<u>256,593</u>	<u>197,353</u>
Total	<u>\$ 40,340,712</u>	<u>\$ 40,261,207</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 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:

	2022	2021
Accrued benefit liability, beginning of year	\$ 3,812,100	\$ 3,840,700
Current service cost	221,600	205,600
Interest on accrued benefit obligation	110,200	86,100
Employer contribution	<u>(213,400)</u>	<u>(320,300)</u>
Estimated benefit liability, end of year	<u>\$ 3,930,500</u>	<u>\$ 3,812,100</u>

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

2023	\$ 586,910
2024	202,807
2025	391,241
2026	191,629
2027	<u>723,930</u>
Total	<u>\$ 2,096,517</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

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 \$1,284,965 (2021 - \$1,774,566). The estimate of the future benefit costs of \$14,306,300 (2021 - \$14,895,400) for WSIB claims was determined based on benefits currently in-force with provision for benefits not yet awarded as follows:

	2022	2021
In-force claims	\$ 6,126,200	\$ 8,338,700
Provision for future claims	2,257,600	3,095,300
Unamortized gains	<u>5,922,500</u>	<u>3,461,400</u>
	<u>\$ 14,306,300</u>	<u>\$ 14,895,400</u>

An actuarial valuation was performed as at December 31, 2022 to establish the obligations that exist as at that date. Extrapolations during the 2022 fiscal period were based on the prior valuation as at December 31, 2019. A discount rate of 5.00% was used to determine the value of obligations at December 31, 2022. Inflation was assumed to be 2.50% per year. 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 \$4,189,543 (2021 - \$3,414,933).

(c) Post-Retirement Benefits

The Municipality provides certain health and dental benefits on behalf of retired employees up to the age of 65 if they have at least 25 years service with the Municipality upon retirement. The Municipality also provides a healthcare spending account for members of the Firefighters' Association from the age of 65 to age 75, members of the Police Association from the age of 65 to age 70 and members of other employee groups to age 70.

Negotiation of new collective agreements during 2021 resulted in enhancements to retiree benefits. These enhancements resulted in an expense and increase in the accrued benefit liability in 2021 of \$2,117,800. Refinements related to the 2021 enhancements to the retiree benefits account have been made for the reporting period of 2022 which resulted in an expense and increase in the accrued benefit liability in 2022 of \$233,100. Due to a change in discount rate 5.00% (2021 - 2.75%) there was a significant gain recognized from the actual obligation at the end of period of \$3,673,100 which brings a total of \$5,875,500 unamortized gains, \$279,125 amortized in 2022.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

10. EMPLOYEE FUTURE BENEFITS

(c) Post-Retirement Benefits

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

	2022	2021
Accrued benefit liability, beginning of year	\$ 19,961,525	\$ 17,742,525
Current service cost	792,500	767,400
Interest cost	498,900	378,800
Plan improvements	233,100	2,117,800
Amortization of actuarial experience (gain) loss	(279,125)	15,300
Estimated benefits paid	<u>(729,800)</u>	<u>(1,060,300)</u>
Accrued benefit liability, end of year	<u>\$ 20,477,100</u>	<u>\$ 19,961,525</u>

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

	2022	2021
Benefit obligation as at December 31, 2022	\$ 14,601,600	\$ 17,480,000
Unamortized gains	<u>5,875,500</u>	<u>2,481,525</u>
Post-retirement benefit liability as at December 31, 2022	<u>\$ 20,477,100</u>	<u>\$ 19,961,525</u>

An actuarial valuation was performed as at December 31, 2021 for sick leave benefits and post-retirement benefits with an extrapolation completed for December 31, 2022. The actuarial estimate assumes a discount rate of 5.00% and an initial health care trend rate of 6.50% and an ultimate trend rate of 4.00%. 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 \$1,370,219 (2021 - \$1,394,829).

(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

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements Year Ended December 31, 2022

10. EMPLOYEE FUTURE BENEFITS

(e) **Accrued Overtime Pay**

value of this accumulated unpaid overtime is \$256,593 (2021 - \$197,353).

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, 2022. The results of this valuation disclosed total actuarial liabilities of \$130,306 million in respect of benefits accrued for service with actuarial assets at that date of \$123,628 million indicating an actuarial deficit of \$6,678 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 2022 was \$5,907,090 (2021 - \$5,754,287) for current service. The OMERS employer and employee contribution rate was 9.00% to 15.80% depending on income level for 2022 (2021 - 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, 2022

12. PROPERTY TAXATION REVENUE AND ACCRUED TAX LIABILITIES

	2022	2021
Taxation Revenue - General Levy	\$ 79,488,686	\$ 77,959,988
Taxation Revenue - Supplementary Tax Levy	657,568	418,404
Payment in Lieu Taxation Revenue	1,405,835	1,353,459
Other Taxation Revenue - Local Improvements	41,551	82,069
Taxation Revenue - Transit Levy	4,469,081	4,348,121
Taxation Revenue - Supplementary Transit Tax Levy	38,815	20,250
Subtotal of Taxation Revenue	<u>86,101,536</u>	<u>84,182,291</u>
Tax Write - offs	(362,661)	(544,550)
Tax Rebates and Exemptions	(90,103)	(73,730)
Change in Accrued Tax Liability	930,468	41,639
Subtotal of Tax Write - offs, Rebates and Exemptions	<u>(477,704)</u>	<u>576,641</u>
Total Property Taxation Revenue	<u>\$ 86,579,240</u>	<u>\$ 83,605,650</u>

Reconciliation of Assessment Appeal Provision and Accrued Tax Liability

	2022	2021
Estimate of expected appeals	\$ 1,316,844	\$ 3,132,646
Estimate of expected supplementary taxes	(602,865)	(1,767,541)
Other adjustments	1,916	281,258
Potential Future Tax Liability	<u>\$ 715,895</u>	<u>\$ 1,646,363</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, 2022**

13. TANGIBLE CAPITAL ASSETS

2022	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2022	2021
Cost													
Balance, beginning of year	\$122,154,626	\$ 45,743,059	\$110,628,567	\$ 87,253,704	\$37,080,820	\$ 6,402,320	\$259,046,929	\$139,567,001	\$60,139,036	\$ 84,944,646	\$ 44,258,163	\$ 997,218,871	\$ 950,606,926
Add: additions during the year	-	8,207,085	8,522,251	3,477,479	3,407,561	1,006,762	7,336,164	3,695,729	890,058	1,921,838	24,871,051	63,335,978	53,113,860
Less: disposals during the year	-	(347,436)	(629,561)	(882,016)	(2,679,579)	(357,174)	(490,436)	(383,268)	(90,668)	(165,610)	(10,427,519)	(16,453,267)	(7,888,219)
LAWSS adjustment	18,701	9,924	707,090	1,187	-	-	-	1,241,601	-	-	121,824	2,100,327	1,386,304
Balance, end of year	122,173,327	53,612,632	119,228,347	89,850,354	37,808,802	7,051,908	265,892,657	144,121,063	60,938,426	86,700,874	58,823,519	1,046,201,909	997,218,871
Accumulated Amortization													
Balance, beginning of year	-	31,451,256	49,806,287	60,249,178	19,769,071	3,884,260	136,511,273	55,441,114	23,097,908	41,495,015	-	421,705,362	405,631,548
Add: amortization	-	1,694,613	2,517,209	3,407,793	1,983,956	621,708	5,954,187	2,087,253	1,023,549	1,511,474	-	20,801,742	20,508,955
Less: accumulated amortization on disposals	-	(329,640)	(308,970)	(771,657)	(2,277,003)	(351,875)	(438,670)	(215,758)	(70,267)	(103,087)	-	(4,866,927)	(4,947,550)
LAWSS adjustment	-	9,834	362,750	803	-	-	-	405,219	-	-	-	778,606	512,409
Balance, end of year	-	32,826,063	52,377,276	62,886,117	19,476,024	4,154,093	142,026,790	57,717,828	24,051,190	42,903,402	-	438,418,783	421,705,362
Net book value of tangible capital assets	\$122,173,327	\$ 20,786,569	\$ 66,851,071	\$ 26,964,237	\$18,332,778	\$ 2,897,815	\$123,865,867	\$ 86,403,235	\$36,887,236	\$ 43,797,472	\$ 58,823,519	\$ 607,783,126	\$ 575,513,509

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements
Year Ended December 31, 2022

13. TANGIBLE CAPITAL ASSETS

2021	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2021
Cost												
Balance, beginning 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
Add: additions during the year	-	3,031,148	2,900,340	2,813,327	4,963,083	1,347,423	5,289,483	2,978,548	537,997	1,238,121	28,014,390	53,113,860
Less: disposals during the year	-	(33,600)	(1,218,689)	(654,423)	(2,107,263)	(129,865)	(736,710)	(1,237,720)	(114,770)	(66,016)	(1,589,163)	(7,888,219)
LAWSS adjustment	12,722	6,751	480,702	808	-	-	-	844,627	-	-	40,694	1,386,304
Balance, end of year	122,154,626	45,743,059	110,628,567	87,253,704	37,080,820	6,402,320	259,046,929	139,567,001	60,139,036	84,944,646	44,258,163	997,218,871
Accumulated Amortization												
Balance, beginning 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
Add: amortization	-	2,170,162	2,395,854	3,288,927	1,875,326	411,623	5,846,561	2,021,033	1,013,160	1,486,309	-	20,508,955
Less: accumulated amortization on disposals	-	(33,600)	(1,097,236)	(371,243)	(1,654,142)	(129,865)	(652,966)	(876,177)	(87,034)	(45,287)	-	(4,947,550)
LAWSS adjustment	-	6,659	238,014	502	-	-	-	267,234	-	-	-	512,409
Balance, end of year	-	31,451,256	49,806,287	60,249,178	19,769,071	3,884,260	136,511,273	55,441,114	23,097,908	41,495,015	-	421,705,362
Net book value of tangible capital assets	\$122,154,626	\$ 14,291,803	\$ 60,822,280	\$ 27,004,526	\$17,311,749	\$ 2,518,060	\$122,535,656	\$ 84,125,887	\$37,041,128	\$ 43,449,631	\$ 44,258,163	\$575,513,509

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

14. ACCUMULATED SURPLUS

The accumulated surplus consists of the following balances:

	2022	2021
Surplus		
Investment in tangible capital assets	\$ 607,783,126	\$ 575,513,509
Capital assets financed by internal borrowings and to be funded in future year	(9,704,982)	(3,759,778)
Land held for sale	4,331,043	4,331,043
Capital fund	(1,369,306)	(1,023,489)
Equity in Sarnia Power Corporation	74,785,746	69,122,835
Unfunded		
Long-term liabilities	(2,790,054)	(3,675,842)
Accrued interest on long-term liabilities	(316)	(417)
Landfill closure and post-closure liability	(82,103)	(106,200)
Employee future benefits	(40,340,712)	(40,261,207)
Accrued tax liabilities	(715,895)	(1,646,363)
Total Surplus	<u>631,896,547</u>	<u>598,494,091</u>
Reserves Set Aside for Specific Purpose by Council		
Working fund	19,913,840	19,753,051
Replacement of equipment	5,929,426	4,295,757
Capital projects	64,026,546	57,770,959
Other programs	1,168,322	1,398,114
Total Reserves	<u>91,038,134</u>	<u>83,217,881</u>
Discretionary Reserve Funds Set Aside for Specific Purpose by Council		
Insurance	6,986,202	5,727,964
Airport Operator	332,496	145,648
Harbour operations	3,474,752	2,897,150
Special projects	1,932,365	1,934,591
Other programs	379,180	603,225
Total Reserve Funds	<u>13,104,995</u>	<u>11,308,578</u>
Total Accumulated Surplus	<u><u>\$ 736,039,676</u></u>	<u><u>\$ 693,020,550</u></u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements Year Ended December 31, 2022

14. ACCUMULATED SURPLUS

The Municipality is committed to pay the interest earned on \$600,000 (2021 - \$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. As part of the 2021 capital budget, Council approved the internal borrowing of up to \$3,849,492 from Reserves to currently fund a portion of the Municipality's Rapid's Parkway extension project that will ultimately be funded from charges collected in the future under the Development Charges Act. The internal borrowings net of repayments totaled \$9,704,982 as at December 31, 2022.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

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 60.81% (2021 - 59.34%) proportionate interest in the following:

	2022	2021
Statement of Financial Position		
Financial Assets	<u>\$ 16,327,395</u>	<u>\$ 14,575,448</u>
Liabilities		
Current liabilities	<u>107,005</u>	<u>833,150</u>
Net Financial Assets	<u>16,220,390</u>	<u>13,742,298</u>
Non-Financial Assets		
Tangible capital assets	<u>90,706,098</u>	<u>89,913,015</u>
Accumulated Surplus	<u><u>\$ 106,926,488</u></u>	<u><u>\$ 103,655,313</u></u>
Statement of Operations		
Revenues	\$ 10,944,282	\$ 10,415,240
Expenses - excluding amortization	5,946,402	5,393,495
Amortization	<u>1,726,705</u>	<u>1,725,461</u>
Net revenues	<u><u>\$ 3,271,175</u></u>	<u><u>\$ 3,296,284</u></u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements Year Ended December 31, 2022

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 2022 are charges for the operation of the water treatment plant in the amount of \$2,821,431 (2021 - \$2,525,532).

(b) Halton Recycling Ltd. (Emterra Environmental)

The Municipality entered into a four year agreement with Halton Recycling Ltd. on September 5, 2018, expiring June 30, 2023, 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. The Municipality will no longer be responsible for collection and processing of residential recyclable materials but will be continuing with multi-family dumpster collection and roll off bin collection services for city operations departments. A one year contract extension was approved on May 15, 2023, with a total cost of \$748,079.

(c) Marcotte Disposal Inc.

The Municipality entered into a four year agreement with Marcotte Disposal Inc. on September 5, 2018, expiring June 30, 2023, 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. On May 15, 2023 City Council approved the extension of the current contract with Marcotte Disposal for a two year term, expiring June 30, 2025. The maximum payment over the two year extension is \$5,013,146.

(d) 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 2023.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

16. CONTRACTUAL OBLIGATIONS

(e) 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, all of which has been identified and approved.

(f) 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.

(g) 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 by the end of 2023.

(h) 2220742 Ontario Ltd. (Bronte Construction)

At its February 28, 2022 meeting, City Council accepted the tender submitted by 2220742 Ontario Ltd. (Bronte Construction) in the amount of \$6,006,949 for dock construction phase of the oversize load corridor project. This phase of the project is expected to be completed by the end of 2023.

(i) Quad Pro Construction Inc.

At its February 28, 2022 meeting, City Council accepted the tender submitted by Quad Pro Construction in the amount of \$6,719,212 for construction of a new fire station at 1133 Colborne Road and demolition of existing station. This phase of the project is expected to be completed by the end of 2023.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

16. CONTRACTUAL OBLIGATIONS

(j) Carlington Construction Inc.

At its February 28, 2022 meeting, City Council accepted the tender submitted by Carlington Construction Inc. in the amount of \$3,057,519 for rehabilitation of the Vidal St. Utility Bridge, including watermain replacement. This phase of the project is expected to be completed by the end of 2023.

(k) Clarke Construction Inc.

At its March 13, 2023 meeting, City Council accepted the tender submitted by Clarke Construction Inc in the amount of \$2,917,357 for reconstruction of a portion of Vidal and Brock streets as part of the ongoing combined sewer separation project. The work is expected to be completed by the end of 2023.

(l) Van Bree Drainage and Bulldozing Limited

At its April 17, 2023 meeting, City Council accepted the tender submitted by Van Bree Drainage and Bulldozing Limited in the amount of \$2,955,305 for construction of the new Clearwater Transit Terminal. This work is expected to be completed during 2023 and 2024.

(m) Van Bree Drainage and Bulldozing Limited

At its May 15, 2023 meeting, City Council accepted the tender submitted by Van Bree Drainage and Bulldozing Limited in the amount of \$2,941,000 for Phase 2 of the Rapids Parkway Extension Project, Rapids Parkway South. The work is expected to be completed by the end of 2023.

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

17. BUDGET FIGURES

Budget data presented in these consolidated financial statements are based upon the 2022 operating budget as approved by Council and adopted by the City on December 7, 2021. 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.

	2022 Budget	2021 Budget
Revenues		
Approved Operating Budget	\$ 162,378,641	\$ 155,759,099
Adjustments:		
Net contribution from reserve and reserve funds	(6,581,193)	(4,726,928)
Tax Reductions	(623,200)	(623,200)
Internal allocation elimination entries	(4,167,476)	(3,963,640)
LAWSS consolidated adjustment	281,832	142,232
Adjusted Operating Budget per Statement of Operations	<u>151,288,604</u>	<u>146,587,563</u>
Expenses		
Approved Operating Budget	162,378,641	155,759,099
Adjustments:		
Net contribution to reserve, reserve funds and capital	(30,026,188)	(30,254,870)
Debt principal repayments	(1,594,458)	(1,290,760)
Internal allocation elimination entries	(4,167,476)	(3,963,640)
Unfunded liability adjustment	1,245,144	2,623,833
LAWSS consolidated adjustment	(1,958,889)	(1,799,120)
Amortization - not including LAWSS	19,751,733	19,485,065
Loss on disposals of TCAs	1,158,820	1,209,749
Adjusted Operating Budget per Statement of Operations	<u>146,787,327</u>	<u>141,769,356</u>
Total Net Revenue	<u><u>\$ 4,501,277</u></u>	<u><u>\$ 4,818,207</u></u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

18. GOVERNMENT TRANSFERS

	2022	2021
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 3,623,200	\$ 3,601,300
Program Support	378,102	568,051
Investing in Canada Infrastructure Program	-	50,539
Provincial Gas Tax	732,742	346,137
Safe Restart Fund	1,022,931	1,514,409
	<u>5,756,975</u>	<u>6,080,436</u>
Government of Canada		
Program Support	145,816	266,465
Federal Harbour	190,162	326,069
Investing in Canada Infrastructure Program	-	60,653
	<u>335,978</u>	<u>653,187</u>
Total Operating	<u>6,092,953</u>	<u>6,733,623</u>
Capital		
Province of Ontario		
Provincial Gas Tax	300,598	52,684
Ministry of Environment	18,137	-
Drainage Grants	68,971	(88)
Main Street Revitalization Initiative	27,630	-
Ontario Community Infrastructure Fund	3,430,437	2,098,535
Ontario Municipal Commuter Cycling Program	59,862	62,135
Investing in Canada Infrastructure Program	927,135	832,339
Small Communities Fund	-	4,695,518
Southwestern Ontario Development Fund	330,839	52,489
Community, Culture and Recreation Stream	922,750	(705,123)
Other Provincial Support	60,101	-
	<u>6,146,460</u>	<u>7,088,489</u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements

Year Ended December 31, 2022

18. GOVERNMENT TRANSFERS

	2022	2021
Government of Canada		
Canada Community Building Fund	5,765,007	878,966
Disaster Mitigation and Adaptation Fund	1,960,837	1,035,859
Investing in Canada Infrastructure Program	1,616,446	1,130,295
Healthy Communities Initiative	250,000	-
Canada Community Revitalization Fund	450,000	-
Small Communities Fund	-	4,999,932
Southwestern Ontario Development Fund	1,394,693	1,329,480
Community, Culture and Recreation Stream	(483,602)	744,781
Regional Air Transportation Initiative	<u>1,359,572</u>	<u>1,967</u>
	<u>12,312,953</u>	<u>10,121,280</u>
Total Capital	<u>18,459,413</u>	<u>17,209,769</u>
Total Government Transfers	<u><u>\$24,552,366</u></u>	<u><u>\$23,943,392</u></u>

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements Year Ended December 31, 2022

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, 2022

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 \$2,796,659 (2021 - \$2,313,031) 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, 2022

21. PUBLIC LIABILITY INSURANCE

Claims settled during the year, amounting to \$149,884 (2021 - \$150,313), have been provided for from the reserve fund. Of the total amount of claims settled in 2022, \$45,378 has accordingly been reported as an expenditure on the Consolidated Statement of Operations, and \$104,506 has been reported as a Tangible Capital Asset on the Consolidated Statement of Financial Position.

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 \$3,203,548 (2021 - \$3,820,388).

23. 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 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 a State of Emergency in accordance with the Emergency Management and Civil Protection Act, 1990 to assist the Municipality in managing its response to the pandemic. Throughout the first quarter of 2022, the Ontario provincial government has been winding down its Covid-19 pandemic restrictions and protocols. To align with these changes, on March 4, 2022, the City of Sarnia's State of Emergency was terminated. The Municipality believes it is positioned to respond to the Covid-19 pandemic within normal resources and processes.

The Municipality received \$nil in 2022 (2021 - \$2,774,693) in combined Federal and Provincial funding under the Safe Restart program and was allocated an additional \$nil (2021 - \$nil) in claims-based funding to address Covid-19 pandemic-related pressures and expenses. The Municipality utilized \$1,022,931 in 2022 (2021 - \$1,514,409) of Safe Restart funding, which has been included in revenue. The remaining Safe Restart funds are included in accounts payable and accrued liabilities for the unused portions the Municipality will need to pay back.

Schedule A

Schedule of Segment Disclosure
For the Year Ended December 31, 2022

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2022 Total
REVENUES									
Property taxation	\$ 82,095,323	\$ -	\$ 4,483,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,579,240
User fees and service charges	812,853	1,173,539	4,408,676	39,552,461	-	162,943	3,102,967	2,266,781	51,480,220
Grants	4,894,244	481,669	10,376,946	7,743,981	149,730	52,290	774,251	79,255	24,552,366
Rents and financial	6,356,828	30,547	309,933	309,324	-	3,829	24,447	252,095	7,287,003
Other municipalities	1,863	1,481,153	1,020,078	241,055	-	-	-	926,322	3,670,471
Other	6,634,949	80,504	1,504,928	3,213,020	-	20,124	324,605	44,794	11,822,924
	<u>100,796,060</u>	<u>3,247,412</u>	<u>22,104,478</u>	<u>51,059,841</u>	<u>149,730</u>	<u>239,186</u>	<u>4,226,270</u>	<u>3,569,247</u>	<u>185,392,224</u>
EXPENSES									
Salaries, wages, employee benefits & non-functionalized unfunded liabilities	7,152,383	45,240,213	9,807,542	10,226,455	-	201,214	5,170,429	825,141	78,623,377
Materials	3,320,897	4,686,626	4,720,739	4,373,116	14,876	141,590	4,419,372	900,380	22,577,596
Contracted services	762,695	576,248	2,709,173	13,463,899	-	29,382	742,579	160,895	18,444,871
Net long-term liability interest charges	-	-	-	-	-	-	44,874	-	44,874
Amortization of tangible capital assets	1,471,273	1,593,578	7,464,948	8,426,458	-	-	1,845,485	-	20,801,742
Other	35,689	597,199	319,359	413,516	80,000	-	434,875	-	1,880,638
	<u>12,742,937</u>	<u>52,693,864</u>	<u>25,021,761</u>	<u>36,903,444</u>	<u>94,876</u>	<u>372,186</u>	<u>12,657,614</u>	<u>1,886,416</u>	<u>142,373,098</u>
NET SURPLUS (DEFICIT)	<u>\$ 88,053,123</u>	<u>\$ (49,446,452)</u>	<u>\$ (2,917,283)</u>	<u>\$ 14,156,397</u>	<u>\$ 54,854</u>	<u>\$ (133,000)</u>	<u>\$ (8,431,344)</u>	<u>\$ 1,682,831</u>	<u>\$ 43,019,126</u>

Schedule A

Schedule of Segment Disclosure
For the Year Ended December 31, 2021

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2021 Total
REVENUES									
Property taxation	\$ 79,268,820	\$ -	\$ 4,336,830	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,605,650
User fees and service charges	738,298	2,264,065	5,225,779	37,565,598	-	44,013	1,923,278	2,317,821	50,078,852
Grants	5,383,880	495,262	6,108,691	11,612,276	97,723	83,804	149,883	11,874	23,943,393
Rents and financial	4,035,772	12,402	90,068	133,775	-	1,521	8,675	148,042	4,430,255
Other municipal	1,863	1,373,861	847,672	210,505	-	-	-	908,159	3,342,060
Other	5,294,281	44,829	3,916,989	2,776,774	-	-	102,938	12,310	12,148,121
	<u>94,722,914</u>	<u>4,190,419</u>	<u>20,526,029</u>	<u>52,298,928</u>	<u>97,723</u>	<u>129,338</u>	<u>2,184,774</u>	<u>3,398,206</u>	<u>177,548,331</u>
EXPENSES									
Salaries, wages, employee benefits & non-functionalized unfunded liabilities	6,198,294	46,172,241	9,186,624	10,174,134	-	222,165	5,501,838	609,217	78,064,513
Materials	2,906,016	4,587,483	3,718,796	2,952,901	9,493	75,082	3,904,528	422,021	18,576,320
Contracted services	719,569	558,556	2,260,901	12,588,676	-	8,624	493,656	369,597	16,999,579
Net long-term liabilities interest charges	-	-	-	-	-	-	60,140	-	60,140
Amortization of tangible capital assets	1,903,517	1,278,903	7,306,726	8,240,223	-	-	1,779,585	-	20,508,954
Other	38,780	745,212	247,746	696,898	88,200	-	142,217	-	1,959,053
	<u>11,766,176</u>	<u>53,342,395</u>	<u>22,720,793</u>	<u>34,652,832</u>	<u>97,693</u>	<u>305,871</u>	<u>11,881,964</u>	<u>1,400,835</u>	<u>136,168,559</u>
NET SURPLUS (DEFICIT)	<u>\$ 82,956,738</u>	<u>\$ (49,151,976)</u>	<u>\$ (2,194,764)</u>	<u>\$ 17,646,096</u>	<u>\$ 30</u>	<u>\$ (176,533)</u>	<u>\$ (9,697,190)</u>	<u>\$ 1,997,371</u>	<u>\$ 41,379,772</u>



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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 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, 2022, 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, 2022, 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.



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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.

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
June 19, 2023

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

**Statement of Continuity of Trust Fund
Year ended December 31, 2022**

	2022 Total	2021 Total
FUND BALANCE, BEGINNING OF YEAR	<u>\$ 12,570</u>	<u>\$ 12,445</u>
REVENUES		
Interest earned	<u>318</u>	<u>125</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 12,888</u></u>	<u><u>\$ 12,570</u></u>

**Statement of Financial Position
as at December 31, 2022**

	2022 Total	2021 Total
ASSETS		
Trust funds, amounts held with the Corporation of the City of Sarnia	<u><u>\$ 12,888</u></u>	<u><u>\$ 12,570</u></u>
FUND BALANCE	<u><u>\$ 12,888</u></u>	<u><u>\$ 12,570</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, 2022

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.