

**The Corporation of  
The City of Sarnia**

**Financial Statements**  
**For the Year Ended December 31, 2023**



CITY OF SARNIA

THE CORPORATION OF  
THE CITY OF SARNIA

FINANCIAL STATEMENTS  
2023

# THE CORPORATION OF THE CITY OF SARNIA

2023

---

## CITY COUNCIL

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

## 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	Jeff Weber
Chief of Police	Derek Davis

# **THE CORPORATION OF THE CITY OF SARNIA**

**2023**

---

## **POLICE SERVICE BOARD**

Chairperson	Paul Wiersma
Vice Chairperson	Kelly Ash
Councillors	George Vandenberg Chrissy McRoberts Charlene Sebastian
Secretary	Joan Knight

## **SARNIA POWER CORPORATION**

Chairperson	Garry McDonald
Vice Chairperson	Steve Bolt
Director	Margaret Dragon

## **AUDITORS**

BDO Canada LLP



**CONTENTS**

**Page**

**Consolidated Financial Statements**

Management's Statement of Responsibility for Financial Reporting.....	4
Independent Auditor's Report.....	5 - 6
Consolidated Statement of Financial Position.....	7
Consolidated Statement of Operations.....	8
Consolidated Statement of Change in Net Financial Assets.....	9
Consolidated Statement of Cash Flows.....	10
Notes to the Consolidated Financial Statements.....	11 - 47
Schedule of Segmented Disclosure.....	48 - 49

**Trust Fund Financial Statements**

Independent Auditor's Report.....	50 - 51
Statement of Continuity of Trust Funds and Statement of Financial Position.....	52
Notes to the Financial Statements.....	53

## **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 3, 2024

A handwritten signature in black ink, appearing to read 'C. Carter'.

Chris Carter, Chief Administrative Officer

A handwritten signature in blue ink, appearing to read 'David Stockdale'.

David Stockdale, General Manager, Corporate Services

A handwritten signature in purple ink, appearing to read 'Jane Qi'.

Jane Qi, Treasurer

---

## Independent Auditor's Report

---

### To the Members of Council 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, 2023, 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, 2023, 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.

**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 13, 2024

# THE CORPORATION OF THE CITY OF SARNIA

## Financial Statements

### Consolidated Statement of Financial Position

As at December 31, 2023

	2023	2022 Restated (note 2)
<b>FINANCIAL ASSETS</b>		
Cash and investments (note 5)	\$ 122,487,113	\$ 119,648,344
Taxes receivable	3,623,315	3,306,024
Accounts receivable	26,631,584	29,570,276
Long-term receivables (note 6)	1,152,968	1,438,859
Investment in Sarnia Power Corporation (note 7)	<u>76,972,414</u>	<u>74,785,746</u>
Total financial assets	<u>230,867,394</u>	<u>228,749,249</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	26,714,576	23,385,911
Other current liabilities	10,789,295	10,751,681
Deferred revenue (note 8)	25,368,715	28,521,774
Long-term liabilities (note 9)	1,938,002	2,790,054
Asset retirement obligation (note 23)	2,308,691	2,188,774
Employee future benefits (note 10)	39,164,873	40,340,712
Accrued tax liabilities (note 12)	<u>896,716</u>	<u>715,895</u>
Total liabilities	<u>107,180,868</u>	<u>108,694,801</u>
<b>NET FINANCIAL ASSETS</b>	<u>123,686,526</u>	<u>120,054,448</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 13)	637,618,262	607,937,176
Inventory	900,671	802,975
Prepaid expenses	3,285,148	879,310
Land held for sale	<u>4,331,043</u>	<u>4,331,043</u>
Total non-financial assets	<u>646,135,124</u>	<u>613,950,504</u>
<b>Accumulated Surplus (note 14)</b>	<u><u>\$ 769,821,650</u></u>	<u><u>\$ 734,004,952</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, 2023

	2023 Budget (note 17)	2023	2022 Restated (note 2)
<b>REVENUE</b>			
Property taxation (note 12)	\$ 87,922,200	\$ 86,738,960	\$ 86,579,240
User fees and service charges	52,629,954	52,704,504	49,927,485
User fees and service charges - other municipalities	3,753,900	4,031,298	3,670,471
Government transfers - operating (note 18)	5,295,283	4,800,721	6,092,953
Investment income	6,790,952	10,661,039	6,670,389
Penalties and interest on taxes	450,000	644,353	616,614
Gaming and casino revenues	400,000	421,476	384,960
Contributions - developers	-	-	40,300
Other	1,454,820	4,448,795	2,913,858
Total revenue	158,697,109	164,451,146	156,896,270
<b>EXPENSES</b>			
General government	15,948,392	13,660,904	13,356,289
Protection services	61,105,735	58,911,102	52,232,730
Transportation services	25,914,126	25,313,441	24,934,925
Health services	-	80,200	94,876
Environmental services	38,678,305	38,986,360	36,868,414
Social and family services	458,157	456,617	370,754
Recreation and cultural services	13,688,021	14,374,645	12,724,173
Planning and development	1,729,843	2,561,584	1,880,503
Non-functionalized unfunded liabilities	(1,037,700)	(1,037,700)	44,875
Total expenses	156,484,879	153,307,153	142,507,539
Net revenue	2,212,230	11,143,993	14,388,731
<b>OTHER REVENUE/(EXPENSES)</b>			
Government transfers - capital (note 18)	-	20,216,453	18,459,413
Capital funded through development charges	-	1,764,271	1,512,435
Other related to capital	-	731,202	1,322,798
Contribution of tangible capital assets	-	825,764	-
Share of LAWSS (decrease) increase	-	(1,051,653)	1,538,398
Sarnia Power Corporation, net change in equity	-	2,186,668	5,662,912
	-	24,672,705	28,495,956
<b>Annual Surplus</b>	<u>\$ 2,212,230</u>	<u>\$ 35,816,698</u>	<u>\$ 42,884,687</u>
<b>Accumulated Surplus, Beginning of Year (note 2)</b>		734,004,952	693,020,550
Adjustment due to accounting standard		-	(1,900,285)
<b>Accumulated Surplus, End of Year</b>		<u>\$ 769,821,650</u>	<u>\$ 734,004,952</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, 2023

	2023 Budget	2023	2022 Restated (note 2)
<b>Annual Surplus</b>	\$ 2,212,230	\$ 35,816,698	\$ 42,884,687
Amortization of tangible capital assets	21,892,867	21,892,867	20,801,742
Amortization of tangible assets - asset retirement obligation	-	18,837	18,957
Proceeds from sale of tangible capital assets	-	50,037	126,931
Loss on sale of tangible capital assets	-	972,512	1,031,890
Acquisition of tangible capital assets	(43,524,103)	(52,615,335)	(54,230,180)
Change in inventory	-	(97,700)	(120,350)
Change in prepaid expenses	-	(2,405,838)	(498,466)
<b>Increase in Net Financial Assets</b>	<u>(19,419,006)</u>	<u>3,632,078</u>	<u>10,015,211</u>
<b>Net Financial Assets, Beginning of Year (note 2)</b>	120,054,448	120,054,448	112,112,529
Adjustment due to change in accounting standard	-	-	(2,073,292)
<b>Net Financial Assets, End of Year</b>	<u><u>\$ 100,635,442</u></u>	<u><u>\$ 123,686,526</u></u>	<u><u>\$ 120,054,448</u></u>

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

# THE CORPORATION OF THE CITY OF SARNIA

## Financial Statements

### Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023	2022 Restated (note 2)
<b>OPERATING ACTIVITIES</b>		
Annual Surplus	\$ 35,816,698	\$ 42,884,687
Items not involving cash:		
Amortization of tangible capital assets	21,911,703	20,820,699
Change in asset retirement obligation liability	119,917	115,482
Loss on sale of tangible capital assets	972,511	1,031,890
Change in employee future benefits	(1,175,839)	79,505
Change in accrued tax liabilities	180,821	(930,468)
Change in non-cash assets and liabilities		
Taxes receivable	(317,291)	17,339
Accounts receivable	2,938,692	501,872
Accounts payable and accrued liabilities	3,328,665	(1,200,030)
Other current liabilities	37,614	421,798
Deferred revenue	(3,153,059)	311,529
Inventory, prepaid expenses and land held for sale	(2,503,534)	(618,816)
	<u>58,156,898</u>	<u>63,435,487</u>
<b>CAPITAL ACTIVITIES</b>		
Proceeds on sale of tangible capital assets	50,037	126,931
Acquisition of tangible capital assets	(52,615,337)	(54,230,180)
Net change in cash from capital activities	<u>(52,565,300)</u>	<u>(54,103,249)</u>
<b>INVESTING ACTIVITIES</b>		
Long-term receivables	285,891	(398,343)
Investment in Sarnia Power Corporation	(2,186,668)	(5,662,911)
Net change in cash from investing activities	<u>(1,900,777)</u>	<u>(6,061,254)</u>
<b>FINANCING ACTIVITIES</b>		
Long-term liabilities	<u>(852,052)</u>	<u>(885,788)</u>
Net change in cash and equivalents	2,838,769	2,385,196
Cash and cash equivalents, beginning of year	<u>119,648,344</u>	<u>117,263,148</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 122,487,113</u></u>	<u><u>\$ 119,648,344</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, 2023

---

### 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 based on the average 3 years for the 2nd to 4th 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 2023, the Municipality's share of the System was 60.06% (2022 – 60.81%). 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, 2023

---

### 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, 2023

---

### 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 2023, tangible capital assets with a value of \$825,764 were contributed by developers to the City (2022 - \$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, 2023

---

### 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, 2023

---

### 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 CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (b) Basis of Accounting

##### (ix) Asset Retirement Obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. The cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

##### (x) Financial Instruments

The Municipality classifies its financial instruments as either fair value or amortized cost. The Municipality's accounting policy for each category is as follows:

###### Fair value

Fair value investments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

This category includes cash. Which is initially recognized at cost and subsequently carried at fair value. Changes in fair value are recognized in the statement of operations. The Municipality classifies this as a Level 1.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (b) Basis of Accounting

##### (x) Financial Instruments

###### Amortized Cost

This category includes accounts receivable, long-term receivables, GICs, bank loans, accounts payable and accrued liabilities, long-term debt and other long-term liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

### 2. CHANGE OF ACCOUNTING POLICY

Effective January 1, 2023 the municipality adopted new Public Sector Accounting Handbook Standard, 3280 Asset Retirement Obligations. As a result of the adoption, the presentation of the financial statements changed from the prior year. The standard requires a liability to be recognized as there is a legal obligation to incur retirement costs. This change in accounting policy has been applied using the modified retrospective approach with restatement of prior periods.

<b>Statement of Financial Position</b>	<b>As previously reported</b>	<b>Adjustment</b>	<b>Restated balance</b>
Tangible capital assets	\$ 607,783,126	\$ 154,050	\$ 607,637,176
Asset retirement obligation	-	(2,188,774)	2,188,774
Accumulated surplus	\$ 736,039,676	\$ (2,034,724)	\$ 734,004,952

<b>Statement of Operations</b>	<b>As previously reported</b>	<b>Adjustment</b>	<b>Restated balance</b>
Expenses			
General government	\$ 13,341,446	\$ 14,843	\$ 13,356,289
Environmental services	36,855,046	13,368	36,868,414
Planning and development	12,617,945	106,228	12,724,173
Annual surplus	43,019,126	(134,439)	42,884,687
Accumulated surplus, beginning of year	<u>693,020,550</u>	<u>(1,900,285)</u>	<u>691,120,265</u>
Accumulated surplus, end of year	<u>\$ 736,039,676</u>	<u>\$ (2,034,724)</u>	<u>\$ 734,004,952</u>

<b>Statement of Changes Net Financial Assets</b>	<b>As previously reported</b>	<b>Adjustment</b>	<b>Restated balance</b>
Annual surplus	\$ 43,019,126	\$ (134,439)	\$ 42,884,687
Amortization of tangible capital assets - asset retirement obligation	-	18,957	18,957
Net financial assets, beginning of year	<u>112,112,529</u>	<u>(2,073,292)</u>	<u>110,039,237</u>
Net financial assets, end of year	<u>\$ 122,343,222</u>	<u>\$ (2,188,774)</u>	<u>\$ 120,054,448</u>



# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 3. 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:

	<b>School Boards</b>	<b>County</b>	<b>Total</b>
Taxation and user charges	\$ 20,873,161	\$ 42,665,944	\$ 63,539,105
Share of payments in lieu of taxes	<u>35,172</u>	<u>573,424</u>	<u>608,596</u>
	<u>20,908,333</u>	<u>43,239,368</u>	<u>64,147,701</u>
Share of taxes written off	831,901	824,391	1,656,292
Share of tax rebates	<u>38,308</u>	<u>35,795</u>	<u>74,103</u>
	<u>870,209</u>	<u>860,186</u>	<u>1,730,395</u>
Amounts transferred	<u><u>\$ 20,038,124</u></u>	<u><u>\$ 42,379,182</u></u>	<u><u>\$ 62,417,306</u></u>

### 4. TRUST FUNDS

The Municipality administers one trust fund in the amount of \$13,610 (2022 - \$12,888), 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, 2023

---

### 5. 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, 2023 (2022 - \$NIL).

The balance of cash and investments consists of the following:

	2023	2022
Cash on hand	\$ 17,239	\$ 16,864
Cash in bank	121,869,874	119,031,480
Investments (see note 14)	<u>600,000</u>	<u>600,000</u>
	<u><u>\$ 122,487,113</u></u>	<u><u>\$ 119,648,344</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 (2022 - six GICs), recorded at cost, with effective interest rates between 4.71% and 5.57% (2022 - 2.28% and 4.17%) maturing in 2024. The market value of these investments amounted to \$600,000 (2022 - \$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, 2023

### 6. LONG-TERM RECEIVABLES

	2023	2022
Loan receivable - employees re Ontario Police College, at 0% interest, repayable over 2 years	\$ 94,096	\$ 188,618
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	1,892	24,048
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
Loan receivable - Local Improvement Drain, at 4.45% - 9.20% interest, repayable in annual installments including principal and interest over 5 to 10 years	108,100	72,415
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	28,556	37,435
Loan Receivable - Sarnia Sting, at 3.0% interest, repayable in monthly installments including principal and interest of \$20,835 over 6 years with a final payment due May 2029. An early payment was made in 2023 in the amount of \$31,180	<u>1,234,784</u>	<u>1,474,827</u>
	1,467,428	2,697,343
Accounts receivable - current portion	<u>314,460</u>	<u>1,258,484</u>
Total long-term receivables	<u>\$ 1,152,968</u>	<u>\$ 1,438,859</u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

### 7. 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:

	2023	2022
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>44,676,152</u>	<u>42,489,484</u>
	<u>\$ 76,972,414</u>	<u>\$ 74,785,746</u>

The notes receivable are unsecured and bear interest at the rate of 7.93%. Interest received from these notes receivable amounted to \$1,274,409 (2022 - \$1,167,729) and is reported in the Consolidated Statement of Operations.

#### Continuity of Investment

	2023	2022
Balance, beginning of year	\$ 74,785,746	\$ 69,122,835
Adjustment due to recast prior year	<u>(1,124,307)</u>	<u>(183,899)</u>
Balance, adjusted beginning of year	73,661,439	68,938,936
Net income for the year	5,092,670	7,624,581
Dividends received during the year	<u>(1,781,695)</u>	<u>(1,777,771)</u>
Net increase in equity during the year	<u>3,310,975</u>	<u>5,846,810</u>
Balance, end of year	<u>\$ 76,972,414</u>	<u>\$ 74,785,746</u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

### 7. 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:

	2023	2022
<b>Financial Position</b>		
Assets		
Current assets	\$ 36,535,515	\$ 31,702,654
Non-current assets	109,849,398	103,424,359
Total assets	146,384,913	135,127,013
Regulatory balances	6,777,728	8,349,095
Total assets and regulatory balances	<u>\$153,162,641</u>	<u>\$143,476,108</u>
Liabilities		
Current liabilities	\$ 24,765,027	\$ 30,042,847
Long-term liabilities	56,930,689	44,260,708
Total liabilities	81,695,716	74,303,555
Equity		
Share capital	15,566,626	15,566,626
Retained earnings	45,192,564	41,350,626
Accumulated other comprehensive loss	(516,412)	14,550
Non-controlling interest	9,766,256	9,229,497
Total equity	70,009,034	66,161,299
Total liabilities and equity	151,704,750	140,464,854
Regulatory balances	1,457,891	3,011,254
Total liabilities, equity and regulatory balances	<u>\$153,162,641</u>	<u>\$143,476,108</u>
<b>Results of Operations</b>		
Revenues	\$139,839,712	\$143,787,515
Operating expenses	133,441,400	139,538,130
Income from operating activities	6,398,312	4,249,385
Regulatory Balances	136,996	2,026,650
Other comprehensive (loss) income	(617,039)	2,584,605
Total comprehensive income	5,918,269	8,860,640
Non-controlling interest	(825,599)	(1,236,059)
Net income	<u>\$ 5,092,670</u>	<u>\$ 7,624,581</u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

### 8. DEFERRED REVENUE

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

	2023	2022
Development Charges Act	\$ 13,283,493	\$ 14,094,328
Recreational land (The Planning Act)	525,381	535,801
Canada Community Building Fund	1,930,249	3,931,566
Gasoline Tax - Ontario	3,482,477	3,986,928
Building Permit (Building Code Act)	1,802,853	1,605,173
Ontario Community Infrastructure Fund Reserve	3,958,572	4,057,232
Federal Harbour Reserve	341,742	271,603
Ontario Municipal Commuter Cycling Program	32,755	31,018
Other Senior Government Grants	11,193	8,125
Total	<u>\$ 25,368,715</u>	<u>\$ 28,521,774</u>

Total activities for the above items is summarized as follows:

	2023	2022
Balance, beginning of the year	\$ 28,521,774	\$ 28,210,245
Developer contributions received	1,006,101	3,190,733
Canada grants	6,724,307	6,873,266
Ontario grants	10,033,661	8,163,916
Interest earned	1,444,994	568,624
Internal borrowings for Developmental Charges Reserve	370,298	5,945,204
Provincial Gasoline Tax funding utilized	(1,915,330)	(1,128,035)
Funds utilized by Municipality	<u>(20,817,090)</u>	<u>(23,302,179)</u>
Net increase	<u>(3,153,059)</u>	<u>311,529</u>
Balance, end of the year	<u>\$ 25,368,715</u>	<u>\$ 28,521,774</u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 9. LONG-TERM LIABILITIES

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

	2023	2022
Long-term bank loans	\$ 1,917,302	\$ 2,767,629
Capital lease	<u>20,700</u>	<u>22,425</u>
Long-term liabilities, end of year	<u><u>\$ 1,938,002</u></u>	<u><u>\$ 2,790,054</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:

2024	\$ 894,398
2025	945,409
2026	82,670
2027	1,725
2028	1,725
2029 to 2033	8,625
2034 onwards	<u>3,450</u>
	<u><u>\$ 1,938,002</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.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 9. LONG-TERM LIABILITIES

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

	2023	2022
Balance, beginning of year	\$ 2,790,054	\$ 3,675,842
Principal payments	<u>(852,052)</u>	<u>(885,788)</u>
Balance, end of year	<u><u>\$ 1,938,002</u></u>	<u><u>\$ 2,790,054</u></u>

Actual interest payments related to long-term liabilities in the current year were \$122,590 (2022 - \$44,975). Interest rates on the long-term liabilities range from 0% - 5.57% (2022 - 0% - 5.57%).



# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

### 10. EMPLOYEE FUTURE BENEFITS

	2023	2022
Sick leave benefit plan	\$ 4,181,500	\$ 3,930,500
Future payments required to WSIB	13,239,300	14,306,300
Post retirement benefits	20,255,400	20,477,100
Accrued vacation pay	1,309,749	1,370,219
Accrued overtime pay	178,924	256,593
Total	<u>\$ 39,164,873</u>	<u>\$ 40,340,712</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:

	2023	2022
Accrued benefit liability, beginning of year	\$ 3,930,500	\$ 3,812,100
Current service cost	139,900	221,600
Interest on accrued benefit obligation	180,100	110,200
Employer contribution	<u>(69,000)</u>	<u>(213,400)</u>
Estimated benefit liability, end of year	<u>\$ 4,181,500</u>	<u>\$ 3,930,500</u>

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

2024	\$ 820,371
2025	324,758
2026	205,253
2027	669,518
2028	<u>75,999</u>
Total	<u>\$ 2,095,899</u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 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 \$921,406 (2022 - \$1,284,965). The estimate of the future benefit costs of \$13,239,300 (2022 - \$14,306,300) for WSIB claims was determined based on benefits currently in-force with provision for benefits not yet awarded as follows:

	2023	2022
In-force claims	\$ 5,938,200	\$ 6,126,200
Provision for future claims	2,188,300	2,257,600
Unamortized gains	5,112,800	5,922,500
	<u>\$ 13,239,300</u>	<u>\$ 14,306,300</u>

An actuarial valuation was performed as at December 31, 2022 to establish the obligations that exist as at that date. Extrapolations during the 2023 fiscal period were based on the prior valuation as at December 31, 2022. A discount rate of 4.60% was used to determine the value of obligations at December 31, 2023. 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 \$4,082,013 (2022 - \$4,189,543).

#### (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.

Due to a change in discount rate 4.60% (2022 - 5.00%) there was a loss recognized from the actual obligation at the end of period of \$563,000 which brings a total of \$4,559,400 unamortized gains, \$753,100 amortized in 2023.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 10. EMPLOYEE FUTURE BENEFITS

#### (c) Post-Retirement Benefits

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

	2023	2022
Accrued benefit liability, beginning of year	\$ 20,477,100	\$ 19,961,525
Current service cost	567,000	792,500
Interest cost	739,100	498,900
Plan improvements	-	233,100
Amortization of actuarial experience (gain) loss	(753,100)	(279,125)
Estimated benefits paid	<u>(774,700)</u>	<u>(729,800)</u>
Accrued benefit liability, end of year	<u>\$ 20,255,400</u>	<u>\$ 20,477,100</u>

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

	2023	2022
Benefit obligation as at December 31, 2023	\$ 15,696,000	\$ 14,601,600
Unamortized gains	<u>4,559,400</u>	<u>5,875,500</u>
Post-retirement benefit liability as at December 31, 2023	<u>\$ 20,255,400</u>	<u>\$ 20,477,100</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, 2023. The actuarial estimate assumes a discount rate of 4.60% 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 \$1,309,749 (2022 - \$1,370,219).

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 10. EMPLOYEE FUTURE BENEFITS

#### (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 \$178,924 (2022 - \$256,593).

### 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 600,000 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, 2023. The results of this valuation disclosed total actuarial liabilities of \$136,185 million in respect of benefits accrued for service with actuarial assets at that date of \$131,983 million indicating an actuarial deficit of \$4,202 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 2023 was \$6,335,691 (2022 - \$5,907,090) for current service. The OMERS employer and employee contribution rate was 9.00% to 15.80% depending on income level for 2023 (2022 - 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, 2023

### 12. PROPERTY TAXATION REVENUE AND ACCRUED TAX LIABILITIES

	2023	2022
Taxation Revenue - General Levy	\$ 81,754,359	\$ 79,488,686
Taxation Revenue - Supplementary Tax Levy	526,388	657,568
Payment in Lieu Taxation Revenue	1,509,128	1,405,835
Other Taxation Revenue - Local Improvements	-	41,551
Taxation Revenue - Transit Levy	4,871,787	4,469,081
Taxation Revenue - Supplementary Transit Tax Levy	29,195	38,815
Subtotal of Taxation Revenue	88,690,857	86,101,536
Tax Write - offs	(1,696,592)	(362,661)
Tax Rebates and Exemptions	(74,484)	(90,103)
Change in Accrued Tax Liability	(180,821)	930,468
Subtotal of Tax Write - offs, Rebates and Exemptions	1,951,897	(477,704)
Total Property Taxation Revenue	<u>\$ 86,738,960</u>	<u>\$ 86,579,240</u>

### Reconciliation of Assessment Appeal Provision and Accrued Tax Liability

	2023	2022
Estimate of expected appeals	\$ 1,539,488	\$ 1,316,844
Estimate of expected supplementary taxes	(644,688)	(602,865)
Other adjustments	1,916	1,916
Potential Future Tax Liability	<u>\$ 896,716</u>	<u>\$ 715,895</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, 2023

13. TANGIBLE CAPITAL ASSETS

2023	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2023	2022 Restated
Cost													
Balance, Beginning of year	\$122,173,327	\$ 53,852,752	\$119,253,308	\$ 89,850,354	\$37,808,802	\$ 7,051,908	\$265,892,657	\$144,121,063	\$60,938,426	\$ 86,700,874	\$ 58,823,519	\$ 1,046,466,990	\$ 997,218,871
Add: adjustment for asset retirement obligation	-	-	-	-	-	-	-	-	-	-	-	-	265,081
Add: additions during the year	-	3,122,845	24,298,165	7,735,574	5,241,484	1,098,879	16,759,933	4,790,179	23,845,008	2,635,217	15,458,817	104,986,101	63,335,978
Less: disposals during the year	-	(172,500)	(849,149)	(567,110)	(1,015,821)	(127,861)	(1,145,570)	(807,677)	(169,327)	(278,514)	(50,964,152)	(56,097,681)	(16,453,267)
LAWSS Adjustment	(9,542)	(5,064)	(634,486)	(606)	-	-	-	(633,470)	-	-	(533,644)	(1,816,812)	2,100,327
Balance, end of year	122,163,785	56,798,033	142,067,838	97,018,212	42,034,465	8,022,926	281,507,020	147,470,095	84,614,107	89,057,577	22,784,540	1,093,538,598	1,046,466,990
Accumulated Amortization													
Balance, beginning of year	-	32,919,587	52,394,783	62,886,117	19,476,024	4,154,093	142,026,790	57,717,828	24,051,190	42,903,402	-	438,529,814	421,705,362
Add: adjustment for asset retirement obligation	-	-	-	-	-	-	-	-	-	-	-	-	92,074
Add: amortization	-	1,223,032	3,120,174	3,711,979	2,217,020	770,832	5,948,323	2,144,113	1,228,608	1,547,622	-	21,911,703	20,820,699
Less: accumulated amortization on disposals	-	(172,500)	(514,448)	(555,051)	(938,616)	(89,231)	(914,916)	(575,415)	(141,430)	(209,374)	-	(4,110,981)	(4,866,927)
LAWSS Adjustment	-	(5,041)	(191,653)	(443)	-	-	-	(213,063)	-	-	-	(410,200)	778,606
Balance, end of year	-	33,965,078	54,808,856	66,042,602	20,754,428	4,835,694	147,060,197	59,073,463	25,138,368	44,241,650	-	455,920,336	438,529,814
Net book value of tangible capital assets	\$122,163,785	\$ 22,832,955	\$ 87,258,982	\$ 30,975,610	\$21,280,037	\$ 3,187,232	\$134,446,823	\$ 88,396,632	\$59,475,739	\$ 44,815,927	\$ 22,784,540	\$ 637,618,262	\$ 607,937,176

THE CORPORATION OF THE CITY OF SARNIA

Notes to the Consolidated Financial Statements  
Year Ended December 31, 2023

13. TANGIBLE CAPITAL ASSETS

2022	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2022 Restated
<b>Cost</b>												
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
Add: adjustment for asset retirement obligation	-	240,120	24,961	-	-	-	-	-	-	-	-	265,081
Add: addition 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
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)
LAWSS Adjustment	18,701	9,924	707,090	1,187	-	-	-	1,241,601	-	-	121,824	2,100,327
<b>Balance, end of year</b>	<u>122,173,327</u>	<u>53,852,752</u>	<u>119,253,308</u>	<u>89,850,354</u>	<u>37,808,802</u>	<u>7,051,908</u>	<u>265,892,657</u>	<u>144,121,063</u>	<u>60,938,426</u>	<u>86,700,874</u>	<u>58,823,519</u>	<u>1,046,466,990</u>
<b>Accumulated Amortization</b>												
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
Add: adjustment for asset retirement obligation	-	74,969	17,105	-	-	-	-	-	-	-	-	92,074
Add: amortization	-	1,713,168	2,517,611	3,407,793	1,983,956	621,708	5,954,187	2,087,253	1,023,549	1,511,474	-	20,820,699
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)
LAWSS Adjustment	-	9,834	362,750	803	-	-	-	405,219	-	-	-	778,606
<b>Balance, end of year</b>	<u>-</u>	<u>32,919,587</u>	<u>52,394,783</u>	<u>62,886,117</u>	<u>19,476,024</u>	<u>4,154,093</u>	<u>142,026,790</u>	<u>57,717,828</u>	<u>24,051,190</u>	<u>42,903,402</u>	<u>-</u>	<u>438,529,814</u>
<b>Net book value of tangible capital assets</b>	<u>\$122,173,327</u>	<u>\$ 20,933,165</u>	<u>\$ 66,858,525</u>	<u>\$ 26,964,237</u>	<u>\$18,332,778</u>	<u>\$ 2,897,815</u>	<u>\$123,865,867</u>	<u>\$ 86,403,235</u>	<u>\$36,887,236</u>	<u>\$ 43,797,472</u>	<u>\$ 58,823,519</u>	<u>\$ 607,937,176</u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

### 14. ACCUMULATED SURPLUS

The accumulated surplus consists of the following balances:

	2023	2022 Restated (note 2)
<b>Surplus</b>		
Investment in tangible capital assets	\$ 637,618,262	\$ 607,937,176
Capital assets financed by internal borrowings and to be funded in future year	(10,075,280)	(9,704,982)
Land held for sale	4,331,043	4,331,043
Capital fund	(2,105,954)	(1,451,409)
Equity in Sarnia Power Corporation	76,972,414	74,785,746
Unfunded		
Long-term liabilities	(1,938,002)	(2,790,054)
Accrued interest on long-term liabilities	(878)	(316)
Asset Retirement Obligation	(2,308,691)	(2,188,774)
Employee future benefits	(39,164,873)	(40,340,712)
Accrued tax liabilities	(896,716)	(715,895)
Total Surplus	<u>662,431,325</u>	<u>629,861,823</u>
<b>Reserves Set Aside for Specific Purpose by Council</b>		
Working fund	13,220,443	19,913,840
Replacement of equipment	4,628,692	5,929,426
Capital projects	73,904,583	64,026,546
Other programs	<u>1,490,414</u>	<u>1,168,322</u>
Total Reserves	<u>93,244,132</u>	<u>91,038,134</u>
<b>Discretionary Reserve Funds Set Aside for Specific Purpose by Council</b>		
Insurance	7,403,647	6,986,202
Airport Operator	370,007	332,496
Harbour operations	3,658,499	3,474,752
Special projects	1,959,943	1,932,365
Other programs	<u>754,097</u>	<u>379,180</u>
Total Reserve Funds	<u>14,146,193</u>	<u>13,104,995</u>
Total Accumulated Surplus	<u><u>\$ 769,821,650</u></u>	<u><u>\$ 734,004,952</u></u>



# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 14. ACCUMULATED SURPLUS

The Municipality is committed to pay the interest earned on \$600,000 (2022 - \$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 \$10,075,280 as at December 31, 2023.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 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 60.06% (2022 - 60.81%) proportionate interest in the following:

	2023	2022 Restated
<b>Statement of Financial Position</b>		
Financial Assets	<u>\$ 19,319,521</u>	<u>\$ 16,327,395</u>
Liabilities		
Current liabilities	837,685	107,005
Asset Retirement Obligation	<u>266,500</u>	<u>252,439</u>
Total liabilities	<u>1,104,185</u>	<u>359,444</u>
Net Financial Assets	<u>18,215,336</u>	<u>15,967,951</u>
Non-Financial Assets		
Tangible capital assets	<u>93,006,364</u>	<u>90,716,570</u>
Accumulated Surplus	<u><u>\$ 111,221,700</u></u>	<u><u>\$ 106,684,521</u></u>
<b>Statement of Operations</b>		
Revenues	\$ 12,734,864	\$ 10,944,282
Expenses - excluding amortization	6,021,177	5,959,721
Amortization	<u>2,176,508</u>	<u>1,726,903</u>
Net revenues	<u><u>\$ 4,537,179</u></u>	<u><u>\$ 3,257,658</u></u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 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 2023 are charges for the operation of the water treatment plant in the amount of \$2,822,143 (2022 - \$2,821,431).

#### (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 2024.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 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) 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 2024.

#### (h) 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 2024.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 16. CONTRACTUAL OBLIGATIONS

**(i) 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 by the end of 2024.

**(j) Van Bree Drainage and Bulldozing Limited**

At its March 11, 2024 meeting, City Council accepted the tender submitted by Van Bree Drainage and Bulldozing Limited in the amount of \$3,913,349 for Phase 3 of the Plank Road reconstruction. The work is expected to be completed by the end of 2024.

**(k) Birnam Excavating Ltd.**

At its March 11, 2024 meeting, City Council accepted the tender submitted by Birnam Excavating Ltd. in the amount of \$5,602,863 for Wellington Street, Queen Street, and Victoria Street reconstruction as part of the ongoing combined sewer separation program. The work is expected to be completed by the end of 2024.

**(l) Cope Construction and Contracting**

At its March 11, 2024 meeting, City Council accepted the tender submitted by Cope Construction and Contracting in the amount of \$2,530,613 for Tecumseh Street and Rose Street reconstruction as part of the ongoing combined sewer program. The work is expected to be completed by the end of 2024.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 17. BUDGET FIGURES

Budget data presented in these consolidated financial statements are based upon the 2023 operating budget as approved by Council and adopted by the City on January 10, 2023. 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.

	<b>2023 Budget</b>	<b>2022 Budget</b>
<b>Revenues</b>		
Approved Operating Budget	\$ 171,667,549	\$ 162,378,641
Adjustments:		
Net contribution from reserve and reserve funds	(8,170,800)	(6,581,193)
Tax Reductions	(634,200)	(623,200)
Internal allocation elimination entries	(4,895,411)	(4,167,476)
LAWSS consolidated adjustment	<u>729,971</u>	<u>281,832</u>
Adjusted Operating Budget per Statement of Operations	158,697,109	151,288,604
 <b>Expenses</b>		
Approved Operating Budget	171,667,549	162,378,641
Adjustments:		
Net contribution to reserve, reserve funds and capital	(28,353,652)	(30,026,188)
Debt principal repayments	(1,503,101)	(1,594,458)
Internal allocation elimination entries	(4,895,411)	(4,167,476)
Unfunded liability adjustment	(175,853)	1,245,144
LAWSS consolidated adjustment	(1,995,058)	(1,958,889)
Amortization - not including LAWSS	20,604,492	19,751,733
Loss on disposals of TCAs	1,022,549	1,158,820
Accretion - ARO - not including LAWSS	<u>113,364</u>	<u>-</u>
Adjusted Operating Budget per Statement of Operations	<u>156,484,879</u>	<u>146,787,327</u>
Total Net Revenue	<u><u>\$ 2,212,230</u></u>	<u><u>\$ 4,501,277</u></u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

### 18. GOVERNMENT TRANSFERS

	2023	2022
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 3,601,400	\$ 3,623,200
Program Support	391,625	378,102
Provincial Gas Tax	838,934	732,742
Safe Restart Fund	-	1,022,931
	<u>4,831,959</u>	<u>5,756,975</u>
Government of Canada		
Program Support	38,900	145,816
Federal Harbour	(70,138)	190,162
	<u>(31,238)</u>	<u>335,978</u>
<b>Total Operating</b>	<u>4,800,721</u>	<u>6,092,953</u>
Capital		
Province of Ontario		
Provincial Gas Tax	865,682	300,598
Ministry of Environment	119,533	18,137
Drainage Grants	53,440	68,971
Main Street Revitalization Initiative	-	27,630
Ontario Community Infrastructure Fund	6,478,605	3,430,437
Ontario Municipal Commuter Cycling Program	-	59,862
Investing in Canada Infrastructure Program	1,697,239	927,135
Southwestern Ontario Development Fund	291,161	330,839
Community, Culture and Recreation Stream	-	922,750
Other Provincial Support	-	60,101
	<u>9,505,660</u>	<u>6,146,460</u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 18. GOVERNMENT TRANSFERS

	2023	2022
Government of Canada		
Canada Community Building Fund	4,370,653	5,765,007
Disaster Mitigation and Adaptation Fund	2,160,314	1,960,837
Investing in Canada Infrastructure Program	2,201,418	1,616,446
Healthy Communities Initiative	-	250,000
Canada Community Revitalization Fund	-	450,000
National Trade Corridors Fund	1,146,249	1,394,693
Community, Culture and Recreation Stream	-	(483,602)
Regional Air Transportation Initiative	832,159	1,359,572
	<u>10,710,793</u>	<u>12,312,953</u>
<b>Total Capital</b>	<u>20,216,453</u>	<u>18,459,413</u>
<b>Total Government Transfers</b>	<u><u>\$25,017,174</u></u>	<u><u>\$24,552,366</u></u>



# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 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, 2023

---

### 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 \$100,000,000 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 \$3,321,634 (2022 - \$2,796,659) and is included in accumulated surplus.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

---

### 21. PUBLIC LIABILITY INSURANCE

Claims settled during the year, amounting to \$218,257 (2022 - \$149,884), have been provided for from the reserve fund. Of the total amount of claims settled in 2023, \$158,209 has accordingly been reported as an expenditure on the Consolidated Statement of Operations, and \$60,048 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 \$2,721,776 (2022 - \$3,203,548).

### 23. ASSET RETIREMENT OBLIGATIONS

The City applied new Section PS 3280 on January 1, 2023 using the modified retroactive method with restatement. Asset retirement obligations were recognized related to the remediation required for asbestos present in Centennial Park and four municipal buildings, along with monitoring and remediation costs at Canatara Park. As at year end, an obligation of \$2,308,691 has been accrued on the statement of financial position. This amount includes 60.06% of Lambton Area Water Supply System (LAWSS) which has been reported in these financial statements using the proportionate consolidated method. The amount for the City was determined based on total undiscounted expenditures of \$29,981,958 present valued at a discount rate of 5.57% as follows:

Buildings with asbestos	1 - 20 years
Parks	5 - 100 years

Payment to settle the asset retirement obligations will occur at the end of their life in full.

	2023	2022
Asset retirement obligation, beginning of year	\$ 2,188,774	\$ 2,073,292
Accretion expense	113,365	107,383
Accretion expense - LAWSS	8,445	8,099
Adjustment due to allocation change from prior year - LAWSS	(1,893)	-
Asset retirement obligation, end of year	<u>\$ 2,308,691</u>	<u>\$ 2,188,774</u>

The modified retroactive transitional approach requires a full restatement using assumptions and discount rates that are current as of January 1, 2022 to calculate the adjustments. As a result of this application, The City recorded an adjustment to opening accumulated surplus of \$1,900,285 at January 1, 2022.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

### 23. ASSET RETIREMENT OBLIGATIONS

Significant estimates and assumptions are made in determining the asset retirement costs as there are numerous factors that will affect the amount ultimately payable. Those uncertainties may result in future actual expenditures that are different than the amounts currently recorded. At each reporting date, as more information and experience is obtained as it relates to these asset retirement obligations, the estimates of the timing, the undiscounted cash flows and the discount rates may change. Adjustments to these factors are accounted for as an adjustment to the asset retirement obligation and the related tangible capital asset in the current period on a prospective basis.

### 24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

#### Credit Risk

Credit risk is the risk of financial loss to the Municipality if a debtor fails to make payments of interest and principal when due. The Municipality is exposed to this risk relating to its cash, debt holdings in its investment portfolio and accounts receivable. The Municipality holds its cash accounts with a federally regulated chartered bank.

The Municipality's investment policy operates within the constraints of the investment provisions within the Municipal Act.

Accounts receivable are primarily due from Canada Revenue Agency, federal government grants, provincial grants, other municipal governments, and residents of Sarnia. Credit risk is mitigated by the financial solvency of the provincial and upper tier governments and the highly diversified nature of the resident population.

The City measures its exposure to credit risk based on how long the amounts have been outstanding. The amounts outstanding at year end were as follows:

Items	Past Due				
	Total	Current	31-60 days	61-90 days	>90 days
Federal	\$ 8,788,122	\$ 5,640,475	\$ 1,251,136	\$ 599,867	\$ 1,296,644
Provincial	4,291,751	2,795,501	20,000	377,416	1,098,834
Upper-tier	440,809	439,458	-	1,351	-
Municipal	178,470	124,918	-	-	53,552
Other	12,932,432	12,437,335	93,768	38,557	362,772
Total receivables	<u>\$ 26,631,584</u>	<u>\$21,437,687</u>	<u>\$ 1,364,904</u>	<u>\$ 1,017,191</u>	<u>\$ 2,811,802</u>

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2023

### 24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

#### Liquidity Risk

Liquidity risk is the risk that the Municipality will not be able to meet all cash outflow obligations as they come due. The Municipality mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting. The following table sets out the contractual maturities as of December 31, 2023 (representing undiscounted contractual cash-flow of financial liabilities):

	<b>Total</b>	<b>within 1 year</b>	<b>1-5 years</b>	<b>&gt;5 years</b>
Accounts payable and accrued liabilities	\$ 26,714,576	\$ 17,737,760	\$ 8,976,816	\$ -
Other current liabilities	1,137,759	1,137,759	-	-
Long-term debt	1,938,002	894,398	1,033,254	10,350
	<u>\$ 29,790,337</u>	<u>\$ 19,769,917</u>	<u>\$ 10,010,070</u>	<u>\$ 10,350</u>

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

### 25. FINANCIAL INSTRUMENTS - CLASSIFICATION

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	<b>2023</b>		<b>2022</b>	
	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Amortized Cost</b>
Cash	\$121,887,113	\$ -	\$119,048,344	\$ -
Accounts receivable	-	26,631,584	-	29,570,276
Long-term receivables	-	1,152,968	-	1,438,859
Investments	-	600,000	-	600,000
Accounts payable and accrued liabilities	-	26,714,576	-	23,385,911
Other current liabilities	-	1,137,759	-	1,472,588
Long-term debt	-	1,938,002	-	2,790,054
Total	<u>\$121,887,113</u>	<u>\$ 58,174,889</u>	<u>\$119,048,344</u>	<u>\$ 59,257,688</u>

### 26. COMPARATIVE AMOUNTS

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

Schedule A

Schedule of Segment Disclosure  
For the Year Ended December 31, 2023

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	2023 Total
<b>REVENUES</b>									
Property taxation	\$ 81,937,017	\$ -	\$ 4,801,943	\$ -	\$ -	\$ -	\$ -	\$ -	86,738,960
User fees and service charges	793,451	1,158,219	3,623,208	43,092,534	-	305,482	3,305,138	2,190,743	54,468,775
Grants	3,644,441	317,042	14,157,571	6,650,501	-	53,503	115,000	79,116	25,017,174
Rents and financial	9,045,751	18,574	669,579	674,267	-	8,689	60,073	828,459	11,305,392
Other municipalities	1,862	1,740,348	994,516	358,249	-	-	10,000	926,323	4,031,298
Other	4,253,763	1,452,324	2,038,068	(234,929)	-	675	76,213	(23,862)	7,562,252
	99,676,285	4,686,507	26,284,885	50,540,622	-	368,349	3,566,424	4,000,779	189,123,851
<b>EXPENSES</b>									
Salaries, wages, employee benefits & non-functionalized unfunded liabilities	6,479,122	47,586,754	9,250,619	11,653,601	-	161,271	5,705,255	880,727	81,717,349
Materials	3,518,142	7,142,968	4,554,455	3,657,264	-	263,768	5,437,682	1,485,383	26,059,662
Contracted services	1,426,498	1,736,840	3,578,020	13,756,883	-	31,141	785,804	192,769	21,507,955
Net long-term liability interest charges	-	-	-	-	-	-	123,152	-	123,152
Amortization of tangible capital assets	1,082,665	1,922,265	7,644,599	9,306,082	-	-	1,937,256	-	21,892,867
Amortization of tangible assets - ARO	79	-	-	136	-	-	18,622	-	18,837
Accretion Expense - ARO	6,908	-	-	22,414	-	-	92,486	-	121,808
Other	75,442	632,050	247,819	569,058	80,200	-	260,954	-	1,865,523
	12,588,856	59,020,877	25,275,512	38,965,438	80,200	456,180	14,361,211	2,558,879	153,307,153
<b>NET SURPLUS (DEFICIT)</b>	<u>\$ 87,087,429</u>	<u>\$ (54,334,370)</u>	<u>\$ 1,009,373</u>	<u>\$ 11,575,184</u>	<u>\$ (80,200)</u>	<u>\$ (87,831)</u>	<u>\$ (10,794,787)</u>	<u>\$ 1,441,900</u>	<u>\$ 35,816,698</u>

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 Restated (note 2)
<b>REVENUES</b>									
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 municipal	1,863	1,481,153	1,020,078	241,055	-	-	-	926,322	3,670,471
Other	6,634,951	80,504	1,504,928	3,213,020	-	20,124	324,605	44,794	11,822,926
	<u>100,796,062</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>185,392,226</u>
<b>EXPENSES</b>									
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 liabilities interest charges	-	-	-	-	-	-	44,874	-	44,874
Amortization of tangible capital assets	1,471,393	1,593,578	7,464,948	8,426,338	-	-	1,845,485	-	20,801,742
Amortization of tangible assets - ARO	79	-	-	256	-	-	18,622	-	18,957
Accretion Expense - ARO	6,545	-	-	21,331	-	-	87,606	-	115,482
Other	35,691	597,199	319,359	413,516	80,000	-	434,875	-	1,880,640
	<u>12,749,683</u>	<u>52,693,864</u>	<u>25,021,761</u>	<u>36,924,911</u>	<u>94,876</u>	<u>372,186</u>	<u>12,763,842</u>	<u>1,886,416</u>	<u>142,507,539</u>
<b>NET SURPLUS (DEFICIT)</b>	<u>\$ 88,046,379</u>	<u>\$ (49,446,452)</u>	<u>\$ (2,917,283)</u>	<u>\$ 14,134,930</u>	<u>\$ 54,854</u>	<u>\$ (133,000)</u>	<u>\$ (8,537,572)</u>	<u>\$ 1,682,831</u>	<u>\$ 42,884,687</u>

---

## Independent Auditor's Report

---

### To the Members of Council 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, 2023, 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, 2023, 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.



### **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 13, 2024

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

**Statement of Continuity of Trust Fund  
Year ended December 31, 2023**

	<b>2023 Total</b>	<b>2022 Total</b>
FUND BALANCE, BEGINNING OF YEAR	\$ 12,888	\$ 12,570
<b>REVENUES</b>		
Interest earned	722	318
FUND BALANCE, END OF YEAR	\$ 13,610	\$ 12,888

**Statement of Financial Position  
as at December 31, 2023**

	<b>2023 Total</b>	<b>2022 Total</b>
<b>ASSETS</b>		
Trust funds, amounts held with the Corporation of the City of Sarnia	\$ 13,610	\$ 12,888
FUND BALANCE	\$ 13,610	\$ 12,888

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, 2023**

---

### **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.