

**The Corporation of  
The City of Sarnia**

**Financial Statements**  
For the Year Ended December 31, 2018



**THE CORPORATION OF  
THE CITY OF SARNIA**

**FINANCIAL STATEMENTS**

**2018**

# THE CORPORATION OF THE CITY OF SARNIA

2018

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## CITY COUNCIL

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

## CITY ADMINISTRATION

Chief Administrative Officer	Chris Carter
City Clerk	Dianne Gould-Brown
Director of Finance	Suzanna Dieleman
City Solicitor	Daniel Byskal (acting)
Director of Engineering	Mike Berkvens
Director of Community Development Services and Standards	Tammie Ryall (acting)
Director of Parks and Recreation	Rob Harwood
Corporate Manager, Human Resources	Jim Crawford
Fire Chief	Bryan Vangaver (acting)
Chief of Police	Norm Hansen

**THE CORPORATION OF THE CITY OF SARNIA**

**2018**

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**POLICE SERVICES BOARD**

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

**SARNIA POWER CORPORATION**

Chairperson	Firman Bentley
Vice Chairperson	Richard Grogan
Director	Glenn Jones

**AUDITORS**

BDO Canada LLP

# THE CORPORATION OF THE CITY OF SARNIA

Financial Statements  
Year ended December 31, 2018

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## Independent Auditor's Report

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

#### Opinion

We have audited the consolidated financial statements of the Corporation of the City of Sarnia (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation of the City of Sarnia as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### Basis for Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

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## Independent Auditor's Report

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario  
TBD

# THE CORPORATION OF THE CITY OF SARNIA

## Financial Statements

### Consolidated Statement of Financial Position

As at December 31, 2018

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash and investments (note 4)	\$ 78,058,750	\$ 66,305,479
Taxes receivable	3,962,907	4,348,878
Accounts receivable	16,401,695	17,658,483
Long-term receivables (note 5)	253,253	310,136
Investment in Sarnia Power Corporation (note 6)	<u>58,723,517</u>	<u>55,034,482</u>
Total financial assets	<u>157,400,122</u>	<u>143,657,458</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	14,447,088	16,499,014
Other current liabilities	8,621,210	8,099,317
Deferred revenue (note 7)	19,565,919	19,010,617
Long-term liabilities (note 8)	11,723,913	12,389,587
Accrued interest on long-term liabilities	11,156	18,357
Landfill closure and post-closure liability (note 9)	170,020	188,751
Employee future benefits (note 10)	37,970,520	36,903,862
Accrued tax liabilities (note 12)	<u>782,870</u>	<u>2,185,541</u>
Total liabilities	<u>93,292,696</u>	<u>95,295,046</u>
<b>NET FINANCIAL ASSETS</b>	<u>64,107,426</u>	<u>48,362,412</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 13)	518,810,656	511,766,793
Inventory	553,436	510,023
Prepaid expenses	214,168	432,056
Land held for sale	<u>4,431,353</u>	<u>4,431,353</u>
Total non-financial assets	<u>524,009,613</u>	<u>517,140,225</u>
<b>Accumulated Surplus</b> (note 14)	<u>\$ 588,117,039</u>	<u>\$ 565,502,637</u>

Approved on behalf of City Council

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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, 2018

	<b>2018 Budget (note 17)</b>	<b>2018</b>	<b>2017</b>
<b>REVENUE</b>			
Property taxation (note 12)	\$ 75,851,023	\$ 77,913,088	\$ 73,855,013
User fees and service charges	44,123,124	46,062,978	43,604,089
User fees and service charges - other municipalities	3,463,918	3,686,579	3,341,407
Government transfers - operating (note 18)	3,523,811	3,856,854	3,471,344
Investment income	2,645,162	4,732,052	3,876,147
Penalties and interest on taxes	800,000	670,086	753,350
Other	1,977,763	2,573,430	2,463,375
Total revenue	<u>132,384,801</u>	<u>139,495,067</u>	<u>131,364,725</u>
<b>EXPENSES</b>			
General government	11,098,733	10,516,530	9,482,178
Protection services	47,566,349	47,637,189	46,002,617
Transportation services	22,302,589	21,490,302	20,594,093
Health services	74,566	73,241	73,536
Environmental services	38,903,107	35,534,748	33,756,563
Social and family services	379,811	473,195	447,752
Recreation and cultural services	11,071,978	11,423,901	11,047,708
Planning and development	1,815,933	2,132,267	1,368,527
Non-functionalized unfunded liabilities	1,088,200	991,173	(2,165,422)
Total expenses	<u>134,301,266</u>	<u>130,272,546</u>	<u>120,607,552</u>
Net revenue	<u>(1,916,465)</u>	<u>9,222,521</u>	<u>10,757,173</u>
<b>OTHER REVENUE/(EXPENSES)</b>			
Government transfers - capital (note 18)	4,068,750	8,844,716	11,354,409
Capital contributions - developers	-	378,873	-
Other related to capital	-	102,438	295,315
Donated assets	-	356,277	1,271,734
Share of LAWSS increase	-	20,542	1,411
Sarnia Power Corporation, net change in equity	-	3,689,035	1,702,943
	<u>4,068,750</u>	<u>13,391,881</u>	<u>14,625,812</u>
<b>Annual Surplus</b>	<u>\$ 2,152,285</u>	<u>\$ 22,614,402</u>	<u>\$ 25,382,985</u>
<b>Accumulated Surplus, Beginning of Year</b>		565,502,637	540,119,652
<b>Accumulated Surplus, End of Year</b>		<u>\$ 588,117,039</u>	<u>\$ 565,502,637</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, 2018

	2018 Budget	2018	2017
<b>Annual Surplus</b>	\$ 2,152,285	\$ 22,614,402	\$ 25,382,985
Amortization of tangible capital assets	17,693,063	17,693,063	17,318,437
Proceeds from sale of tangible capital assets	-	32,352	89,608
Loss on sale of tangible capital assets	-	593,190	753,307
Acquisition of tangible capital assets	(27,066,201)	(25,362,468)	(22,047,651)
Change in inventory	-	(43,413)	30,275
Change in prepaid expenses	-	217,888	(85,766)
<b>Increase (decrease) in Net Financial Assets</b>	<u>(7,220,853)</u>	<u>15,745,014</u>	<u>21,441,195</u>
<b>Net Financial Assets, Beginning of Year</b>	<u>48,362,412</u>	<u>48,362,412</u>	<u>26,921,217</u>
<b>Net Financial Assets, End of Year</b>	<u>\$ 41,141,559</u>	<u>\$ 64,107,426</u>	<u>\$ 48,362,412</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 Flow

For the year ended December 31, 2018

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Annual Surplus	\$ 22,614,402	\$ 25,382,985
Items not involving cash:		
Amortization of tangible capital assets	17,693,063	17,318,437
Loss on sale of tangible capital assets	593,190	753,307
Change in employee future benefits	1,066,658	(1,972,286)
Change in landfill closure and post-closure liability	(18,731)	(17,588)
Change in accrued tax liabilities	(1,402,671)	(716,833)
Change in non-cash assets and liabilities		
Taxes receivable	385,971	617,600
Accounts receivable	1,256,788	(1,190,914)
Accounts payable and accrued liabilities	(2,051,926)	(2,309,615)
Other current liabilities	521,893	(103,956)
Deferred revenue	555,302	(355,988)
Inventory, prepaid expenses and land held for sale	174,475	(55,491)
	<u>41,388,414</u>	<u>37,349,658</u>
<b>CAPITAL ACTIVITIES</b>		
Proceeds on sale of tangible capital assets	32,352	89,608
Acquisition of tangible capital assets	(25,362,468)	(22,047,651)
Net change in cash from capital activities	<u>(25,330,116)</u>	<u>(21,958,043)</u>
<b>INVESTING ACTIVITIES</b>		
Long-term receivables	56,883	58,123
Investment in Sarnia Power Corporation	(3,689,035)	(1,702,943)
Net change in cash from investing activities	<u>(3,632,152)</u>	<u>(1,644,820)</u>
<b>FINANCING ACTIVITIES</b>		
Interest on net long-term liabilities	(7,201)	(31,114)
Long-term liabilities repaid	(2,565,674)	(4,411,394)
Acquired debt	1,900,000	350,000
Share of LAWSS debt adjustment	-	(28,238)
Net change in cash from financing	<u>(672,875)</u>	<u>(4,120,746)</u>
Net change in cash and equivalents	11,753,271	9,626,049
Cash and cash equivalents, beginning of year	<u>66,305,479</u>	<u>56,679,430</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 78,058,750</u></u>	<u><u>\$ 66,305,479</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, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of Consolidation

##### (i) Consolidated Financial Statements

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

##### (ii) Government Business Enterprises

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

##### (iii) Joint Local Board

The Lambton Area Water Supply System (LAWSS) has been consolidated on a proportionate basis based upon the water flow of the Municipality in proportion to the entire flows provided by the joint board for the 2nd previous year. Under the proportionate basis, the Municipality's pro rata share of each of the assets, liabilities, revenues and expenditures of the board are consolidated with similar items in the Municipality's financial statements. For 2018, the Municipality's share of the System was 59.41% (2017 – 58.76%). 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, 2018

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### 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, 2018

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### 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 40 years
Buildings	9 to 80 years
Machinery & Equipment	5 to 25 years
Vehicles	3 to 20 years
Computers	3 to 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 2018, tangible capital assets with a value of \$356,277 were contributed by developers to the City (2017 - \$1,271,734). These items were comprised of sanitary sewer, storm sewer, water and roads assets.

##### Interest Capitalization

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

##### Inventories

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

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (b) Basis of Accounting

##### (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.

##### (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.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (b) Basis of Accounting

##### (vii) Use of Estimates

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

##### (viii) Contaminated Sites

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

### 2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF LAMBTON

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

	<b>School Boards</b>	<b>County</b>	<b>Total</b>
Taxation and user charges	\$ 25,226,127	\$ 37,283,790	\$ 62,509,917
Share of payments in lieu of taxes	<u>37,750</u>	<u>450,709</u>	<u>488,459</u>
	<u>25,263,877</u>	<u>37,734,499</u>	<u>62,998,376</u>
Share of taxes written off	275,854	219,811	495,665
Share of tax rebates	<u>228,513</u>	<u>154,853</u>	<u>383,366</u>
	<u>504,367</u>	<u>374,664</u>	<u>879,031</u>
Amounts transferred	<u><u>\$ 24,759,510</u></u>	<u><u>\$ 37,359,835</u></u>	<u><u>\$ 62,119,345</u></u>



# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 3. TRUST FUNDS

The Municipality administers one trust fund in the amount of \$11,973 (2017 - \$11,718), which has not been included in the Consolidated Statement of Financial Position nor has its operations been included in the Consolidated Statement of Operations.

### 4. CASH AND INVESTMENTS

An operating line of credit is available by way of bank overdraft in the amount of \$8,000,000. Amounts obtained under this credit facility are due on demand and bear interest at the bank's prime rate less 0.65%, calculated and payable monthly. No amounts has been drawn on this line as of December 31, 2018 (2017 - \$NIL).

The balance of cash and investments consists of the following:

	<b>2018</b>	<b>2017</b>
Cash on hand	\$ 23,412	\$ 15,236
Cash in bank	77,435,338	65,248,556
Investments	<u>600,000</u>	<u>1,041,687</u>
	<u><u>\$ 78,058,750</u></u>	<u><u>\$ 66,305,479</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 (2017 - ten GICs), recorded at cost, with effective interest rates between 2.20% and 2.36% (2017 - 1.20% and 1.62%) maturing in 2019. The market value of these investments amounted to \$600,000 (2017 - \$1,041,687). Interest is receivable on an annual basis.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

### 5. LONG-TERM RECEIVABLES

	2018	2017
Loan receivable - employees re Ontario Police College, at 0% interest, repayable over 2 years	\$ 64,830	\$ 58,304
Loan receivable - Bluewater Gymnastics, at 4.50% interest, repayable in monthly installments including principal and interest of \$1,898 with final payment due July 2023	94,198	112,296
Loan receivable - Local Improvement Drain, at 2.63% - 5.70% interest, repayable in annual installments including principal and interest over 5 to 10 years	63,531	69,440
Loan receivable - Municipal Facade Improvement Program, at 1.125% to 2.75% interest, repayable in quarterly installments including principal and interest of \$8,670 with a final payment due June 2027	127,411	163,844
Mortgage receivable - Seaway Centre, due in annual installments increasing 4.5% each successive installment with a final installment due July 15, 2018. Provided installments are made when due, no interest is payable thereon. The mortgage may be discharged in whole or in part, at the option of the mortgagee at any time in the amount of the present value of the future installments calculated at the lowest rate of interest charged by the Municipality's bankers to the Municipality on the date of such payment. This mortgage is reported in the accompanying Consolidated Statement of Financial Position at the actual amount of future installments.	-	27,829
	<u>349,970</u>	<u>431,713</u>
Accounts receivable - current portion	<u>96,717</u>	<u>121,577</u>
Total long-term receivables	<u>\$ 253,253</u>	<u>\$ 310,136</u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 6. INVESTMENT IN SARNIA POWER CORPORATION

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

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

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

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

The investment is composed of the following:

	<b>2018</b>	<b>2017</b>
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>26,427,255</u>	<u>22,738,220</u>
	<u>\$ 58,723,517</u>	<u>\$ 55,034,482</u>

The notes receivable are unsecured and bear interest at the rate of 6.98%. Interest received from these notes receivable amounted to \$1,153,978 (2017 - \$1,163,980) and is reported in the Consolidated Statement of Operations.

#### Continuity of Investment

	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 55,034,482	\$ 53,331,539
Net income for the year	5,358,489	3,154,201
Dividends received during the year	<u>(1,669,454)</u>	<u>(1,451,258)</u>
Net increase in equity during the year	<u>3,689,035</u>	<u>1,702,943</u>
Balance, end of year	<u>\$ 58,723,517</u>	<u>\$ 55,034,482</u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

### 6. INVESTMENT IN SARNIA POWER CORPORATION

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

	2018	2017
Financial Position		
Assets		
Current assets	\$ 29,869,264	\$ 39,400,753
Non-current assets	<u>78,052,051</u>	<u>72,265,546</u>
Total assets	107,921,315	111,666,299
Regulatory balances	<u>3,305,906</u>	<u>2,314,833</u>
<b>Total assets and regulatory balances</b>	<b><u>\$ 111,227,221</u></b>	<b><u>\$ 113,981,132</u></b>
Liabilities		
Current liabilities	\$ 18,602,719	\$ 26,623,854
Long-term liabilities	<u>39,051,221</u>	<u>38,974,758</u>
Total liabilities	<u>57,653,940</u>	<u>65,598,612</u>
Equity		
Share capital	15,566,626	15,566,626
Retained earnings	29,011,333	26,354,271
Accumulated other comprehensive loss	(2,584,078)	(3,616,051)
Non-controlling interest	<u>6,807,835</u>	<u>6,209,788</u>
Total equity	<u>48,801,716</u>	<u>44,514,634</u>
Total liabilities and equity	<u>106,455,656</u>	<u>110,113,246</u>
Regulatory balances	<u>4,771,565</u>	<u>3,867,886</u>
<b>Total liabilities, equity and regulatory balances</b>	<b><u>\$ 111,227,221</u></b>	<b><u>\$ 113,981,132</u></b>
Results of Operations		
Revenues	\$ 131,967,003	\$ 132,202,296
Operating expenses	<u>126,544,383</u>	<u>126,880,646</u>
Income from operating activities	5,422,620	5,321,650
Regulatory balances	(394,711)	(550,157)
Other comprehensive income	<u>1,199,271</u>	<u>(1,105,949)</u>
Total comprehensive income	6,227,180	3,665,544
Non-controlling interest	<u>(868,691)</u>	<u>(511,343)</u>
<b>Net income</b>	<b><u>\$ 5,358,489</u></b>	<b><u>\$ 3,154,201</u></b>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 7. DEFERRED REVENUE

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

	<b>2018</b>	<b>2017</b>
Development Charges Act	\$ 12,520,935	\$ 11,534,908
Recreational land (The Planning Act)	54,586	354,266
Gasoline Tax - Canada	792,996	1,869,541
Gasoline Tax - Ontario	1,610,369	1,251,827
Building Permit (Building Code Act)	918,084	851,565
Ontario Community Infrastructure Fund Reserve	583,166	191,835
Federal Harbour Reserve	2,643,010	2,956,675
Ontario Municipal Commuter Cycling Program	442,773	-
Total	<u>\$ 19,565,919</u>	<u>\$ 19,010,617</u>

Total activities for the above items is summarized as follows:

	<b>2018</b>	<b>2017</b>
Balance, beginning of the year	<u>\$ 19,010,617</u>	<u>\$ 19,366,605</u>
Developer contributions received	1,131,740	1,505,523
Canada grants	2,304,926	2,239,107
Ontario grants	3,505,265	2,311,037
Interest earned	330,932	191,691
Provincial Gasoline Tax funding utilized	(654,773)	(1,122,152)
Funds utilized by Municipality	<u>(6,062,788)</u>	<u>(5,481,194)</u>
Net increase (decrease)	<u>555,302</u>	<u>(355,988)</u>
Balance, end of the year	<u>\$ 19,565,919</u>	<u>\$ 19,010,617</u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 8. LONG-TERM LIABILITIES

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

	<b>2018</b>	<b>2017</b>
Long-term bank loans	\$ 11,092,440	\$ 11,173,048
Capital lease	29,325	31,050
Brownfield tax incentive grant program	602,148	881,489
Installment (serial) debentures	<u>-</u>	<u>304,000</u>
Long-term liabilities, end of year	<u><u>\$ 11,723,913</u></u>	<u><u>\$ 12,389,587</u></u>

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

- (b) The annual principal payments are:

2019	\$ 2,377,817
2020	2,119,562
2021	1,462,143
2022	695,171
2023	643,219
2024 to 2028	3,403,301
2029 onwards	<u>1,022,700</u>
	<u><u>\$ 11,723,913</u></u>

- (c) 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.
- (d) The Municipality created a brownfield tax incentive-based grant program to promote redevelopment of brownfields. Under this program the Municipality reimburses a portion of the municipal taxes (Municipality's portion only) to the developer in the form of an annual grant. The total amount outstanding is \$602,148 (2017 - \$881,489) and is non interest bearing.
- (e) On August 21, 2018, the Municipality borrowed \$950,000 at 3.55% and on November 13, 2018, the Municipality borrowed \$950,000 at 3.98%. Both loans have ten-year terms. The loans are being used to finance the payments to GFIVE Inc. under the purchase and sale agreement for Municipal properties 220 Mitton Street North and a portion of 327 George Street. See note 16 for further disclosure.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements Year Ended December 31, 2018

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### 8. LONG-TERM LIABILITIES

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

	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 12,389,587	\$ 16,479,219
Principal payments	(2,565,674)	(4,411,394)
Acquired debt	1,900,000	350,000
Adjustment to City share of LAWSS debt	<u>-</u>	<u>(28,238)</u>
Balance, end of year	<u><u>\$ 11,723,913</u></u>	<u><u>\$ 12,389,587</u></u>

Actual interest payments related to long-term liabilities in the current year were \$371,796 (2017 - \$520,332). Interest rates on the long-term liabilities range from 0% - 4.77% (2017 - 0% - 6.25%).

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

### 9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

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

The estimated liability of \$170,020 (2017 - \$188,751) for the closed landfill sites, represents the sum of the discounted future cash flows for post closure care activities discounted at the Municipality's current long-term borrowing rate of 6.50%.

### 10. EMPLOYEE FUTURE BENEFITS

	<b>2018</b>	<b>2017</b>
Sick leave benefit plan	\$ 3,795,600	\$ 3,468,200
Future payments required to WSIB	15,659,712	15,756,739
Post retirement benefits	16,848,900	16,088,100
Accrued vacation pay	1,262,305	1,200,102
Accrued overtime pay	<u>404,003</u>	<u>390,721</u>
Total	<u><u>\$ 37,970,520</u></u>	<u><u>\$ 36,903,862</u></u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 10. EMPLOYEE FUTURE BENEFITS

#### (a) Sick Leave Benefit Plan

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

Accrued benefit liability as at January 1, 2018	\$ 3,468,200
Current service cost	212,600
Interest on accrued benefit obligation	<u>114,800</u>
Estimated benefit liability as at December 31, 2018	<u><u>\$ 3,795,600</u></u>

Reserve funds amounting to \$33,262 (2017 - \$32,554) have been established to provide for a portion of this past service liability. Possible payments over the next four years to employees who are eligible to retire are:

2019	\$ 193,655
2020	1,254
2021	153,686
2022	337,705
2023	<u>201,640</u>
Total	<u><u>\$ 887,940</u></u>

#### (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 \$781,481 (2017 - \$1,520,958). The estimate of the future benefit costs of \$15,659,712 (2017 - \$15,756,739) for WSIB claims was determined based on benefits currently in force with provision for benefits not yet awarded as follows:

Accidents prior to 1990 and Survivors' Pensions	22.28 %
Accidents from 1990 to 1997 and Non Economic Loss Pensions	35.87 %
Accidents after 1997	16.42 %

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 \$1,919,756 (2017 - \$942,281).



# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 10. EMPLOYEE FUTURE BENEFITS

#### (c) Post-Retirement Benefits

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

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

	<b>2018</b>
Accrued benefit liability as at January 1, 2018	\$ 16,088,100
Current service cost	726,400
Interest cost	544,700
Amortization of actuarial experience loss	158,800
Estimated benefits paid	<u>(669,100)</u>
Accrued benefit liability as at December 31, 2018	<u>\$ 16,848,900</u>

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

	<b>2018</b>
Benefit obligation as at December 31, 2018	\$ 14,213,300
Unamortized gains	<u>2,635,600</u>
Post-retirement benefit liability as at December 31, 2018	<u>\$ 16,848,900</u>

An actuarial valuation was performed as at December 31, 2018 for sick leave benefits and post-retirement benefits. The actuarial estimate assumes a discount rate of 3.75% and an initial health care trend rate of 6.50% and an ultimate trend rate of 4.50%. The estimate includes a dental care trend rate of 4.00%. No reserve fund has been established to provide for this liability.

#### (d) Accrued Vacation Pay

The provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits is \$1,262,305 (2017 - \$1,200,102).

#### (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 \$404,003 (2017 - \$390,721).

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 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 482,000 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, 2018. The results of this valuation disclosed total actuarial liabilities of \$99,058 million in respect of benefits accrued for service with actuarial assets at that date of \$94,867 million indicating an actuarial deficit of \$4,191 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 2018 was \$5,470,940 (2017 - \$5,380,731) for current service. The OMERS employer and employee contribution rate was 9.00% to 15.80% depending on income level for 2018 (2017 - 9.00% to 14.60% depending on income level).

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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

	2018	2017
Taxation Revenue - General Levy	\$ 71,473,966	\$ 68,823,617
Taxation Revenue - Supplementary Tax Levy	504,774	431,764
Payment in Lieu Taxation Revenue	1,224,639	1,192,538
Other Taxation Revenue - Local Improvements	141,981	171,351
Taxation Revenue - Transit Levy	3,887,374	3,838,062
Taxation Revenue - Supplementary Transit Tax Levy	<u>27,901</u>	<u>19,344</u>
Subtotal of Taxation Revenue	77,260,635	74,476,676
Tax Write - offs	(437,267)	(1,214,756)
Tax Rebates and Exemptions	(312,951)	(123,739)
Change in Accrued Tax Liability	<u>1,402,671</u>	<u>716,832</u>
Subtotal of Tax Write - offs, Rebates and Exemptions	<u>(652,453)</u>	<u>621,663</u>
Total Property Taxation Revenue	<u><u>\$ 77,913,088</u></u>	<u><u>\$ 73,855,013</u></u>

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

	2018	2017
Estimate of expected appeals	\$ 1,318,993	\$ 2,517,700
Estimate of expected supplementary taxes	(817,381)	(604,784)
Other adjustments	<u>281,258</u>	<u>272,625</u>
Potential Future Tax Liability	<u><u>\$ 782,870</u></u>	<u><u>\$ 2,185,541</u></u>

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

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

**THE CORPORATION OF THE CITY OF SARNIA**

**Notes to the Consolidated Financial Statements  
Year Ended December 31, 2018**

**13. TANGIBLE CAPITAL ASSETS**

<b>2018</b>	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Machinery &amp; Equipment</b>	<b>Vehicles</b>	<b>Computers</b>	<b>Roads</b>	<b>Water Distribution</b>	<b>Sanitary Sewer</b>	<b>Storm Sewer</b>	<b>Assets Under Construction</b>	<b>2018</b>	<b>2017</b>
<b>Cost</b>													
Balance, beginning of year	\$125,068,127	\$ 34,859,729	\$ 100,700,803	\$ 77,200,771	\$30,930,544	\$ 3,975,722	\$229,722,368	\$130,056,825	\$49,631,052	\$ 77,492,488	\$ 15,384,014	\$875,022,443	\$858,565,341
Add: additions during the year	-	1,870,784	3,576,416	693,055	3,788,537	30,534	2,302,567	1,398,977	364,001	562,644	16,182,748	30,770,263	39,371,509
Less: disposals during the year	-	(28,600)	(303,700)	(42,100)	(1,674,704)	-	-	(769,701)	(51,093)	(81,975)	(5,980,988)	(8,932,861)	(21,765,894)
LAWSS adjustment	8,269	4,388	291,089	525	-	-	-	549,007	-	-	15,524	868,802	(1,148,513)
<b>Balance, end of year</b>	<b>125,076,396</b>	<b>36,706,301</b>	<b>104,264,608</b>	<b>77,852,251</b>	<b>33,044,377</b>	<b>4,006,256</b>	<b>232,024,935</b>	<b>131,235,108</b>	<b>49,943,960</b>	<b>77,973,157</b>	<b>25,601,298</b>	<b>897,728,647</b>	<b>875,022,443</b>
<b>Accumulated Amortization</b>													
Balance, beginning of year	-	25,257,595	42,161,706	49,815,365	16,886,302	3,343,340	120,080,948	49,490,234	20,284,227	35,935,933	-	363,255,650	350,684,847
Add: amortization	-	1,301,672	2,371,222	3,067,927	1,728,466	188,898	4,940,100	1,892,347	834,085	1,368,346	-	17,693,063	17,318,437
Less: accumulated amortization on disposals	-	(22,567)	(286,828)	(29,470)	(1,346,854)	-	-	(551,137)	(36,191)	(53,284)	-	(2,326,331)	(4,368,198)
LAWSS adjustment	-	4,054	134,048	235	-	-	-	157,272	-	-	-	295,609	(379,436)
<b>Balance, end of year</b>	<b>-</b>	<b>26,540,754</b>	<b>44,380,148</b>	<b>52,854,057</b>	<b>17,267,914</b>	<b>3,532,238</b>	<b>125,021,048</b>	<b>50,988,716</b>	<b>21,082,121</b>	<b>37,250,995</b>	<b>-</b>	<b>378,917,991</b>	<b>363,255,650</b>
<b>Net book value of tangible capital assets</b>	<b>\$125,076,396</b>	<b>\$ 10,165,547</b>	<b>\$ 59,884,460</b>	<b>\$ 24,998,194</b>	<b>\$15,776,463</b>	<b>\$ 474,018</b>	<b>\$107,003,887</b>	<b>\$ 80,246,392</b>	<b>\$28,861,839</b>	<b>\$ 40,722,162</b>	<b>\$ 25,601,298</b>	<b>\$518,810,656</b>	<b>\$511,766,793</b>

**THE CORPORATION OF THE CITY OF SARNIA**

Notes to the Consolidated Financial Statements  
Year Ended December 31, 2018

**13. TANGIBLE CAPITAL ASSETS**

2017	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Computers	Roads	Water Distribution	Sanitary Sewer	Storm Sewer	Assets Under Construction	2017
<b>Cost</b>												
Balance, beginning of year	\$125,298,186	\$ 29,921,140	\$ 88,915,020	\$ 75,586,692	\$30,399,464	\$ 3,791,187	\$228,101,092	\$127,415,813	\$ 49,149,291	\$ 78,790,365	\$ 21,197,091	\$ 858,565,341
Add: additions during the year	3,909	5,247,963	13,328,046	1,884,850	1,694,823	184,535	1,727,745	3,655,466	481,761	408,023	10,754,388	39,371,509
Less: disposals during the year	(222,900)	(303,500)	(1,158,972)	(270,447)	(1,163,743)	-	(106,469)	(279,182)	-	(1,705,900)	(16,554,781)	(21,765,894)
LAWSS adjustment	(11,068)	(5,874)	(383,291)	(324)	-	-	-	(735,272)	-	-	(12,684)	(1,148,513)
<b>Balance, end of year</b>	<b>125,068,127</b>	<b>34,859,729</b>	<b>100,700,803</b>	<b>77,200,771</b>	<b>30,930,544</b>	<b>3,975,722</b>	<b>229,722,368</b>	<b>130,056,825</b>	<b>49,631,052</b>	<b>77,492,488</b>	<b>15,384,014</b>	<b>875,022,443</b>
<b>Accumulated Amortization</b>												
Balance, beginning of year	-	24,271,247	41,121,803	47,023,562	16,145,906	3,110,215	115,283,405	48,093,991	19,456,853	36,177,865	-	350,684,847
Add: amortization	-	1,266,674	2,160,849	3,037,701	1,693,939	233,125	4,881,190	1,856,774	827,374	1,360,811	-	17,318,437
Less: accumulated amortization on disposals	-	(275,023)	(950,728)	(245,601)	(953,543)	-	(83,647)	(256,913)	-	(1,602,743)	-	(4,368,198)
LAWSS adjustment	-	(5,303)	(170,218)	(297)	-	-	-	(203,618)	-	-	-	(379,436)
<b>Balance, end of year</b>	<b>-</b>	<b>25,257,595</b>	<b>42,161,706</b>	<b>49,815,365</b>	<b>16,886,302</b>	<b>3,343,340</b>	<b>120,080,948</b>	<b>49,490,234</b>	<b>20,284,227</b>	<b>35,935,933</b>	<b>-</b>	<b>363,255,650</b>
<b>Net book value of tangible capital assets</b>	<b>\$125,068,127</b>	<b>\$ 9,602,134</b>	<b>\$ 58,539,097</b>	<b>\$ 27,385,406</b>	<b>\$14,044,242</b>	<b>\$ 632,382</b>	<b>\$109,641,420</b>	<b>\$ 80,566,591</b>	<b>\$ 29,346,825</b>	<b>\$ 41,556,555</b>	<b>\$ 15,384,014</b>	<b>\$ 511,766,793</b>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 14. ACCUMULATED SURPLUS

The accumulated surplus consists of the following balances:

	2018	2017
Surplus		
Investment in tangible capital assets	\$ 518,810,656	\$ 511,766,793
Land held for sale	4,431,353	4,431,353
Capital fund	(1,316,040)	(264,761)
Equity in Sarnia Power Corporation	58,723,517	55,034,482
Unfunded		
Long-term liabilities	(11,723,913)	(12,389,587)
Accrued interest on long-term liabilities	(11,156)	(18,357)
Landfill closure and post-closure liability	(170,020)	(188,751)
Employee future benefits	(37,970,520)	(36,903,862)
Accrued tax liabilities	(782,870)	(2,185,541)
Total Surplus	<u>529,991,007</u>	<u>519,281,769</u>
Reserves Set Aside for Specific Purpose by Council		
Working fund	10,395,215	5,979,270
Replacement of equipment	5,774,354	6,067,313
Capital projects	30,395,387	22,868,869
Other programs	1,010,179	1,667,064
Total Reserves	<u>47,575,135</u>	<u>36,582,516</u>
Discretionary Reserve Funds Set Aside for Specific Purpose by Council		
Insurance	3,151,019	1,873,819
Waterfront development	128,996	464,593
Sarnia Bay improvements	87,033	154,589
Harbour operations	2,443,473	1,977,255
Capital projects	2,910,834	3,026,776
Special projects	1,646,817	1,971,751
Other programs	182,725	169,569
Total Reserve Funds	<u>10,550,897</u>	<u>9,638,352</u>
Total Accumulated Surplus	<u>\$ 588,117,039</u>	<u>\$ 565,502,637</u>

The Municipality is committed to pay the interest earned on \$600,000 (2017 - \$600,000) of the reserve funds to outside agencies.

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 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 59.41% (2017 - 58.76%) proportionate interest in the following:

	<b>2018</b>	<b>2017</b>
Statement of Financial Position		
Financial Assets	<u>\$ 7,742,198</u>	<u>\$ 4,448,028</u>
Liabilities		
Current liabilities	<u>58,214</u>	<u>1,287,755</u>
Net Financial Assets	<u>7,683,984</u>	<u>3,160,273</u>
Non-Financial Assets		
Tangible capital assets	<u>86,596,640</u>	<u>88,183,862</u>
Accumulated Surplus	<u><u>\$ 94,280,624</u></u>	<u><u>\$ 91,344,135</u></u>
Statement of Operations		
Revenues	\$ 9,939,525	\$ 10,636,699
Expenses - excluding amortization	5,050,938	5,601,757
Amortization	<u>1,952,098</u>	<u>1,916,199</u>
Net revenues	<u><u>\$ 2,936,489</u></u>	<u><u>\$ 3,118,743</u></u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 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 the LAWSS. Included in the Consolidated Statement of Operations for 2018 are charges for the operation of the water treatment plant in the amount of \$2,634,356 (2017 - \$2,518,057).

#### (b) GFIVE Inc – Purchase and Sale Agreement

The Municipality entered into a purchase and sale agreement on July 4, 2017 with GFIVE Inc. Municipal properties 220 Mitton Street North and a portion of 327 George Street were sold and obligations of the Municipality after closing are to pay up to \$5,350,000 upon completion of 7 milestone phases for the decommissioning and demolition of buildings located on these properties. As at December 31, 2018, the total remaining obligation is \$1,900,000. This agreement expires two years from date of closing or upon completion of all 7 phases.

#### (c) Halton Recycling Ltd. (Emterra Environmental)

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



# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 17. BUDGET FIGURES

Budget data presented in these consolidated financial statements are based upon the 2018 operating budget as approved by Council and adopted by the City on December 6, 2017. 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>2018 Budget</b>	<b>2017 Budget</b>
<b>Revenues</b>		
Approved Operating Budget	\$ 139,596,680	\$ 135,465,569
Adjustments:		
Net contribution from reserve and reserve funds	(1,294,053)	(1,143,293)
Proceeds on debt issuance	(2,564,873)	(3,703,893)
Internal allocation elimination entries	(3,812,084)	(3,648,689)
LAWSS consolidated adjustment	459,131	170,289
Adjusted Operating Budget per Statement of Operations	<u>132,384,801</u>	<u>127,139,983</u>
<b>Expenses</b>		
Approved Operating Budget	139,596,680	135,465,569
Adjustments:		
Net contribution to reserve, reserve funds and capital	(16,294,119)	(17,187,065)
Debt principal repayments	(5,575,901)	(8,333,354)
Internal allocation elimination entries	(4,254,084)	(4,084,689)
Unfunded liability adjustment	1,813,862	(2,141,991)
LAWSS consolidated adjustment	1,855,966	1,020,605
Amortization, additions and net of disposals	17,158,862	16,799,815
Adjusted Operating Budget per Statement of Operations	<u>134,301,266</u>	<u>121,538,890</u>
<b>Total Net Revenue (Expense)</b>	<u><u>\$ (1,916,465)</u></u>	<u><u>\$ 5,601,093</u></u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

### 18. GOVERNMENT TRANSFERS

	2018	2017
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 2,485,200	\$ 2,491,201
Program Support	471,215	400,074
Provincial Gas Tax	480,002	306,362
Source Protection Municipal Implementation Fund	25,369	-
	<u>3,461,786</u>	<u>3,197,637</u>
Government of Canada		
Program Support	81,403	50,567
Federal Harbour	313,665	223,140
	<u>395,068</u>	<u>273,707</u>
<b>Total Operating</b>	<u>3,856,854</u>	<u>3,471,344</u>
Capital		
Province of Ontario		
Provincial Gas Tax	162,217	802,334
Public Transit Infrastructure Fund	861,168	759,014
Clean Water and Wastewater Fund	555,116	1,184,401
Canada 150	-	124,585
Drainage Grants	50,572	36,210
Ontario Community Infrastructure Fund	1,523,093	1,159,796
Ontario Municipal Commuter Cycling Program	147,309	-
Criminal Intelligence Service Ontario	37,537	8,000
Main Street Revitalization Initiative	447,082	-
Small Communities Fund	1,650,801	720,092
	<u>5,434,895</u>	<u>4,794,432</u>
Government of Canada		
Federal Gas Tax	3,409,821	2,193,213
Canada 150 Community Infrastructure Program	-	2,131
Clean Water and Wastewater Fund	-	2,368,802
Enabling Accessibility Fund	-	43,500
Municipal Asset Management Program	-	50,000
Harbour	-	1,902,331
	<u>3,409,821</u>	<u>6,559,977</u>
<b>Total Capital</b>	<u>8,844,716</u>	<u>11,354,409</u>
<b>Total Government Transfers</b>	<u>\$12,701,570</u>	<u>\$14,825,753</u>

# THE CORPORATION OF THE CITY OF SARNIA

## Notes to the Consolidated Financial Statements

Year Ended December 31, 2018

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### 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.

#### General Government

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

#### Protection Services

Protection Services is comprised of the Police Services, Fire Services and By-law Enforcement departments. The 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, 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, and recycling. 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, 2018

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### 19. SEGMENTED REPORTING

#### Health Services

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

#### Social and Family Services

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

#### Recreation and Cultural Services

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

#### Planning and Development

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

### 20. OUTSTANDING LITIGATION

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

### 21. PUBLIC LIABILITY INSURANCE

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

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

The Municipality has established a reserve fund for self-insurance. The balance at the end of the year is \$1,231,263 (2017 - \$931,538) and is reported on the Consolidated Statement of Financial Position.

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

## **Notes to the Consolidated Financial Statements**

**Year Ended December 31, 2018**

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### **21. PUBLIC LIABILITY INSURANCE**

Claims settled during the year, amounting to \$204,334 (2017 - \$261,565), have been provided for from the reserve fund and are accordingly reported as an expenditure on the Consolidated Statement of Operations.

### **22. INTER - ENTITY TRANSACTIONS**

The Municipality has contracted with Bluewater Power Distribution Corporation to provide billing and collection services for water and sewer charges on a cost recovery basis. The Municipality has also contracted with Bluewater Power Distribution Corporation to provide water meter management, repair and replacement services. Charges for the year were \$2,388,668 (2017 - \$2,172,756).

### **23. COMPARATIVE AMOUNTS**

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

**The Corporation of the City of Sarnia Schedule A**

**Schedule of Segment Disclosure**

**For the Year Ended December 31, 2018**

	<b>General Government</b>	<b>Protection Services</b>	<b>Transportation Services</b>	<b>Environmental Services</b>	<b>Health Services</b>	<b>Social and Family Services</b>	<b>Recreation and Cultural Services</b>	<b>Planning and Development</b>	<b>2018 Total</b>
<b>REVENUES</b>									
Property taxation	\$ 74,042,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	74,042,973
User fees and service charges	918,090	1,930,067	7,486,395	35,336,429	-	305,737	3,392,278	942,973	50,311,969
Grants	2,581,575	319,127	4,070,919	5,032,273	-	53,740	467,082	176,854	12,701,570
Rents and financial	4,872,906	17,398	116,767	86,759	-	3,305	20,158	284,845	5,402,138
Other municipalities	5,568	1,473,362	909,416	539,890	-	-	-	758,343	3,686,579
Other	4,651,288	32,445	656,511	1,145,520	-	3,291	247,059	5,605	6,741,719
	<u>87,072,400</u>	<u>3,772,399</u>	<u>13,240,008</u>	<u>42,140,871</u>	<u>-</u>	<u>366,073</u>	<u>4,126,577</u>	<u>2,168,620</u>	<u>152,886,948</u>
<b>EXPENSES</b>									
Salaries, wages, employee benefits & non-functionalized unfunded liabilities	6,607,872	43,018,128	9,108,384	10,035,460	-	206,759	5,661,601	900,268	75,538,472
Materials	2,334,177	3,804,007	4,830,625	2,151,215	-	236,726	3,303,213	650,209	17,310,172
Contracted services	481,907	145,572	1,178,589	15,048,134	-	26,184	788,542	591,304	18,260,232
Net long-term liability interest charges	27,016	-	8	196,472	-	-	140,742	357	364,595
Amortization of tangible capital assets	1,040,640	970,539	6,250,598	7,902,073	-	-	1,529,213	-	17,693,063
Other	14,397	413,816	256,289	274,788	73,241	6,000	67,281	200	1,106,012
	<u>10,506,009</u>	<u>48,352,062</u>	<u>21,624,493</u>	<u>35,608,142</u>	<u>73,241</u>	<u>475,669</u>	<u>11,490,592</u>	<u>2,142,338</u>	<u>130,272,546</u>
<b>NET SURPLUS (DEFICIT)</b>	<u>\$ 76,566,391</u>	<u>\$ (44,579,663)</u>	<u>\$ (8,384,485)</u>	<u>\$ 6,532,729</u>	<u>\$ (73,241)</u>	<u>\$ (109,596)</u>	<u>\$ (7,364,015)</u>	<u>\$ 26,282</u>	<u>\$ 22,614,402</u>

**The Corporation of the City of Sarnia Schedule A**

**Schedule of Segment Disclosure**

**For the Year Ended December 31, 2017**

	<b>General Government</b>	<b>Protection Services</b>	<b>Transportation Services</b>	<b>Environmental Services</b>	<b>Health Services</b>	<b>Social and Family Services</b>	<b>Recreation and Cultural Services</b>	<b>Planning and Development</b>	<b>2017 Total</b>
<b>REVENUES</b>									
Property taxation	\$ 70,036,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	70,036,966
User fees and service charges	1,029,818	2,028,675	7,157,225	33,500,548	-	296,136	3,059,973	349,759	47,422,134
Grants	2,511,963	247,393	8,711,090	2,963,305	-	61,348	239,864	90,790	14,825,753
Rents and Financial	4,318,333	462	121,577	53,278	-	2,180	21,439	112,227	4,629,496
Other municipal	1,889	1,428,232	868,919	285,544	-	-	-	756,823	3,341,407
Other	3,093,277	71,420	1,004,993	1,175,638	-	1,531	381,652	6,270	5,734,781
	<u>80,992,246</u>	<u>3,776,182</u>	<u>17,863,804</u>	<u>37,978,313</u>	<u>-</u>	<u>361,195</u>	<u>3,702,928</u>	<u>1,315,869</u>	<u>145,990,537</u>
<b>EXPENSES</b>									
Salaries, wages, employee benefits & non-functionalized unfunded liabilities	5,946,982	39,927,906	7,656,622	9,255,812	-	187,837	5,194,786	737,882	68,907,827
Materials	1,787,807	3,269,262	5,082,597	3,759,914	-	225,951	3,201,492	364,514	17,691,537
Contracted services	597,794	133,943	1,081,634	12,238,594	-	18,922	809,639	228,905	15,109,431
Net long-term liabilities interest charges	573	-	58	319,295	-	-	166,801	2,480	489,207
Amortization of tangible capital assets	1,123,083	908,189	6,167,635	7,701,740	-	-	1,417,790	-	17,318,437
Other	201,919	450,117	144,256	208,585	73,536	6,000	6,500	200	1,091,113
	<u>9,658,158</u>	<u>44,689,417</u>	<u>20,132,802</u>	<u>33,483,940</u>	<u>73,536</u>	<u>438,710</u>	<u>10,797,008</u>	<u>1,333,981</u>	<u>120,607,552</u>
<b>NET SURPLUS (DEFICIT)</b>	<u>\$ 71,334,088</u>	<u>\$ (40,913,235)</u>	<u>\$ (2,268,998)</u>	<u>\$ 4,494,373</u>	<u>\$ (73,536)</u>	<u>\$ (77,515)</u>	<u>\$ (7,094,080)</u>	<u>\$ (18,112)</u>	<u>\$ 25,382,985</u>

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## Independent Auditor's Report

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

### **Opinion**

We have audited the trust fund financial statements of the Corporation of the City of Sarnia (the Municipality), which comprise the statement of financial position as at December 31, 2018, 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, 2018, and its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis for Opinion**

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

### **Emphasis of Matter - Basis of Accounting**

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

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

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

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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



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## Independent Auditor's Report

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### 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.

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario  
TBD

**THE CORPORATION OF THE CITY OF SARNIA  
TRUST FUNDS**

**Statement of Continuity of Trust Funds  
Year ended December 31, 2018**

	<b>2018 Total</b>	<b>2017 Total</b>
FUND BALANCES, BEGINNING OF YEAR	\$ 11,718	\$ 11,552
<b>REVENUES</b>		
Interest earned	255	166
FUND BALANCE, END OF YEAR	<u>\$ 11,973</u>	<u>\$ 11,718</u>

**Statement of Financial Position  
as at December 31, 2018**

	<b>2018 Total</b>	<b>2017 Total</b>
<b>ASSETS</b>		
Trust funds	<u>\$ 11,973</u>	<u>\$ 11,718</u>
FUND BALANCE	<u>\$ 11,973</u>	<u>\$ 11,718</u>

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

# THE CORPORATION OF THE CITY OF SARNIA TRUST FUNDS

## Notes to the Financial Statements

For the Year Ended December 31, 2018

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### 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 FUNDS

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.