

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of Stratford

Opinion

We have audited the consolidated financial statements of The Corporation of the City of Stratford (the 'Corporation'), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, changes in net debt 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 as at December 31, 2019, and the consolidated results of its operations, its consolidated changes and net debt 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 *Auditors' Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Corporation 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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. 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Corporation 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 group Entity to express an opinion on the 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.



October 20, 2020
Brantford, Ontario

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

CORPORATION OF THE CITY OF STRATFORD

Consolidated Statement of Financial Position

For the year ended December 31, 2019 with comparative figures for 2018

| | 2019 | 2018 |
|--|-----------------------|-----------------------|
| Financial assets | | |
| Cash and cash equivalents (note 2) | \$ 26,160,772 | \$ 33,110,555 |
| Other receivables | 5,791,515 | 6,954,830 |
| Taxes receivable | 2,664,938 | 2,542,338 |
| Loans receivable (note 3) | 1,509,013 | 1,748,377 |
| Investments (note 4) | 24,706,067 | 17,280,207 |
| Investment in government business enterprises (note 5) | 44,217,304 | 43,406,750 |
| Land held for resale | 1,045,550 | 1,045,550 |
| | <u>106,095,159</u> | <u>106,088,607</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 14,732,533 | \$ 14,422,279 |
| Deferred revenue (note 7) | 20,050,615 | 18,658,155 |
| Solid waste landfill closure and post closure liability (note 8) | 2,094,297 | 1,412,134 |
| Employee benefits payable (note 10) | 11,925,000 | 13,869,245 |
| Long term debt (note 11) | 62,327,653 | 68,755,668 |
| | <u>111,130,098</u> | <u>117,117,481</u> |
| Net debt | <u>(5,034,939)</u> | <u>(11,028,874)</u> |
| Non-financial assets | | |
| Prepaid expenses | 878,040 | 692,896 |
| Inventory | 327,718 | 312,741 |
| Other non financial assets | 133,007 | 145,162 |
| Tangible capital assets (note 17) | 297,530,651 | 288,598,197 |
| | <u>298,869,416</u> | <u>289,748,996</u> |
| Accumulated surplus (note 13) | <u>\$ 293,834,477</u> | <u>\$ 278,720,122</u> |

Commitments (note 9)
Contingencies (note 14)

The accompanying notes are an integral part of these consolidated financial statements.



CAO, City of Stratford



Treasurer, City of Stratford

CORPORATION OF THE CITY OF STRATFORD
Consolidated Statement of Operations

For the year ended December 31, 2019 with comparative figures for 2018

| | 2019 budget (note 18) | 2019 actual | 2018 actual |
|---|--------------------------|-----------------------|-----------------------|
| Revenue: | | | |
| Net municipal taxation | \$ 60,847,420 | \$ 59,392,354 | \$ 57,230,770 |
| Payments-in-lieu of taxation | - | 465,694 | 509,717 |
| Conditional grants | 26,450,221 | 32,772,769 | 33,949,462 |
| Revenue from other municipalities | 7,631,849 | 2,854,717 | 4,117,713 |
| User fees and service charges | 21,168,286 | 24,340,999 | 23,070,154 |
| Licences, permits and rents | 4,580,280 | 11,629,222 | 8,073,107 |
| Fines and penalties | 610,000 | 574,168 | 618,441 |
| Other revenue | 12,463,033 | 5,159,469 | 12,771,995 |
| Net earnings from government business enterprises | - | 810,554 | 1,741,735 |
| Total revenue | 133,751,089 | 137,999,946 | 142,083,094 |
| Expenses: | | | |
| General government | 9,427,038 | \$ 8,301,985 | \$ 8,073,816 |
| Protection services | 22,604,365 | 21,693,923 | 20,562,970 |
| Transportation services | 19,434,810 | 13,770,754 | 13,171,360 |
| Environmental services | 32,112,885 | 13,640,567 | 11,863,621 |
| Health services | 5,533,184 | 7,406,742 | 7,477,506 |
| Social and family services | 25,187,036 | 25,049,075 | 25,062,924 |
| Social housing | 11,684,264 | 14,735,206 | 13,186,499 |
| Recreation and cultural services | 13,357,992 | 13,153,735 | 12,157,169 |
| Planning and development | 8,209,105 | 5,133,604 | 6,296,815 |
| Total expenses | 147,550,679 | 122,885,591 | 117,852,680 |
| Annual surplus (deficit) | (13,799,590) | 15,114,355 | 24,230,414 |
| Opening accumulated surplus | 278,720,122 | 278,720,122 | 254,489,708 |
| Ending accumulated surplus | \$ 264,920,532 | \$ 293,834,477 | \$ 278,720,122 |

The accompanying notes are an integral part of these consolidated financial statements.

CORPORATION OF THE CITY OF STRATFORD
Consolidated Statement of Changes in Net Debt

For the year ended December 31, 2019 with comparative figures for 2018

| | 2019 budget (note 18) | 2019 | 2018 |
|--|--------------------------|-----------------------|------------------------|
| Annual surplus | (13,799,590) \$ | 15,114,355 \$ | 24,230,414 |
| Acquisition of tangible capital assets | 17,763,883 | (21,521,859) | (13,853,074) |
| Acquisition of tangible capital assets-WIP | - | 2,521,821 | (4,494,262) |
| Amortization of tangible capital assets | 8,476,582 | 8,717,893 | 8,401,854 |
| (Gain)/loss on disposal of tangible capital assets | - | 1,099,477 | (36,224) |
| Proceeds from sale of tangible capital assets | - | 250,214 | 232,909 |
| Change in net financial assets | \$ 12,440,875 | \$ 6,181,901 | \$ 14,481,617 |
| Change in inventory | - | (14,977) | (38,248) |
| Change in other non financial assets | - | 12,155 | 728 |
| Change in prepaid expenses | - | (185,144) | 3,289 |
| Change in net debt | \$ 12,440,875 | \$ 5,993,935 | \$ 14,447,386 |
| Net debt, beginning of the year | \$ (11,028,874) | (11,028,874) | (25,476,260) |
| Net debt, end of the year | \$ 1,412,001 | \$ (5,034,939) | \$ (11,028,874) |

The accompanying notes are an integral part of these consolidated financial statements.

CORPORATION OF THE CITY OF STRATFORD
Consolidated Statement of Cash Flows

For the year ended December 31, 2019 with comparative figures for 2018

| | 2019 | 2018 |
|---|---------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 15,114,355 | \$ 24,230,414 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 8,717,893 | 8,401,854 |
| Government business enterprises net earnings | (1,801,654) | (2,732,875) |
| (Gain)/loss on disposal of tangible capital assets | 1,099,477 | (36,224) |
| Changes in non-cash operating working capital: | | |
| Other receivables | 1,163,315 | 2,749,755 |
| Taxes receivable | (122,600) | (21,481) |
| Inventory | (14,977) | (38,248) |
| Prepaid expenses | (185,144) | 3,289 |
| Other non financial assets | 12,155 | 728 |
| Accounts payable and accrued liabilities | 310,254 | 3,118,494 |
| Deferred revenue | 1,392,460 | 2,510,029 |
| Employee benefits payable | (1,944,245) | 177,332 |
| Land held for resale | (0) | 154,063 |
| Solid waste landfill closure and post closure liability | 682,163 | (192,695) |
| | 24,423,451 | 38,324,435 |
| Financing activities: | | |
| Proceeds from long term debt | - | 6,113,000 |
| Repayment of long term debt | (6,428,015) | (5,973,638) |
| | (6,428,015) | 139,362 |
| Investing activities: | | |
| Dividends from Government business enterprises | 991,100 | 991,140 |
| Net increase in investments | (7,425,860) | (395,914) |
| Net (increase)/decrease in loans receivable | 239,364 | (334,825) |
| | (6,195,396) | 260,401 |
| Capital transactions | | |
| Purchase of tangible capital assets | (19,000,038) | (18,347,336) |
| Proceeds from the sale of tangible capital assets | 250,214 | 232,909 |
| | (18,749,824) | (18,114,427) |
| Change in cash and cash equivalents | (6,949,783) | 20,609,771 |
| Cash and cash equivalents, beginning of year | 33,110,555 | 12,500,784 |
| Cash and cash equivalents, end of year | \$ 26,160,772 | \$ 33,110,555 |

The accompanying notes are an integral part of these consolidated financial statements.

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements

For the year ended December 31, 2019

1. Significant accounting policies:

The consolidated financial statements of the Corporation of the City of Stratford (the "Corporation") are prepared by management in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada. Significant aspects of accounting policies are as follows:

(a) Reporting entity:

These consolidated financial statements reflect the assets, liabilities, revenues, and expenditures of the Corporation and include the activities of all committees of Council and the following local boards, municipal enterprises and utilities which are accountable to the Corporation for the administration of their financial affairs and resources and are owned or controlled by the Corporation.

(i) Consolidated entities:

- Stratford Public Library
- Police Services Board
- Board of Parks
- Stratford City Centre Committee
- Perth & Stratford Housing Corporation
- SEED CO

(ii) Proportionally consolidated entities:

The following entities are proportionally consolidated with the financial statements of the Corporation based on an approved funding agreement effective January 1, 2019.

| | 2019 | 2018 |
|--|--------|--------|
| Perth District Health Unit | 42.27% | 43.21% |
| Spruce Lodge Home for the Aged | 42.27% | 43.21% |
| Spruce Lodge Home Assistance Corporation | 42.27% | 43.21% |
| Spruce Lodge Foundation | 42.27% | 43.21% |

The method of consolidation is based on notional weighted assessment as stated in the new shared services costing agreement.

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

1. Significant accounting policies (continued):

(a) Reporting entity (continued):

(iii) Equity accounting:

Government business enterprises are accounted for by the modified equity method. Under the modified equity method, the accounting principles of government business enterprises are not adjusted to conform to the Corporation's accounting principles and inter-organizational transactions and balances are not eliminated. However, inter-organizational gains and losses are eliminated on assets remaining with the government reporting entities at the reporting date.

The government business enterprises include:

- Festival Hydro Inc.
- Festival Hydro Services Inc.

(b) Accrual accounting:

Revenues and expenditures are reported on the accrual basis of accounting. 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 the receipt of goods or services and the creation of a legal obligation to pay.

(c) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash on hand, cash held in financial institutions and temporary investments with maturities of 60 days or less.

(d) Bank indebtedness:

Bank indebtedness is a fluctuating short term line of credit held in a financial institution.

(e) 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, and include interest charges when these charges are directly attributable to the capital project. Donated or contributed assets are capitalized and recorded at their estimated fair value upon acquisition. Leased capital assets are valued at the present value of the future minimum lease payments. Certain tangible capital assets for which historical cost information is not available have been recorded at current replacement cost deflated by a relevant inflation factor.

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

1. Significant accounting policies (continued):

(e) Tangible capital assets (continued):

Works of art and other historical treasures are accounted for in the same method as the other tangible capital assets, with the exception that they are not amortized.

Work in progress identified in this and subsequent notes relates to assets under construction. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follow:

| | |
|----------------------------------|-----------------|
| Land Improvements | 20 to 30 years |
| Buildings and building equipment | 15 to 50 years |
| Computer equipment | 5 years |
| Furniture and fixtures | 15 to 30 years |
| Vehicles | 2 to 25 years |
| Machinery and equipment | 5 to 25 years |
| Linear | 20 to 40 years |
| Other capital assets | 50 years |
| Roads | 15 to 60 years |
| Bridges | 60 to 75 years |
| Water and wastewater facilities | 35 to 100 years |
| Underground and other networks | 100 years |

(f) Land held for resale:

The land held for resale is recorded at the lower of cost and net realizable value.

(g) Tax revenues:

In 2019 the Corporation billed over \$59.2 million in property tax revenue for municipal purposes. A further \$13.4 million in provincial education taxes were billed on behalf of the Province of Ontario for education purposes and remitted to the Province during the year. The authority to levy and collect property taxes is established under the Municipal Act, 2001, the Assessment Act, the Education Act and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province of Ontario each year in order to fund the costs of education on a Province wide basis.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The Corporation may receive supplementary assessment rolls over the course of the year from MPAC that identify new or omitted assessments. Property taxes for these supplemental/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any given year may also be reduced as a result of reductions in assessment values rising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenue.

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

1. Significant accounting policies (continued):

(h) Deferred revenue:

The recreational land (Planning Act), development charges funds, and sub divider contributions are prescribed by legislation, or agreement and are reported as deferred revenue on the consolidated statement of financial position. Grants that are received in the year, but are subject to external restrictions that have not been fulfilled, are recorded in deferred revenue until those obligations are met. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(i) Long-term investments:

Long-term investments are recorded at cost less any amounts written-off to reflect a permanent decline in market value below cost. Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise government and corporate bonds, debentures, pooled investment funds and short-term instruments of various financial institutions.

Investment income earned are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

(j) Inventory:

Inventory is valued at the lower of cost and net realizable value on a first-in, first-out basis.

(k) Employee benefits payable:

The Corporation provides post-retirement health care, life insurance and unused sick leave benefits to eligible retired employees. The benefits earned by employees are actuarially determined using management's best estimate of salary escalation, retirement ages of employees and expected benefit costs.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the average remaining service life of the related employee group. Employee future benefit liabilities are discounted at the Corporation's cost of borrowing using estimated rates for debt with maturities similar to expected benefit payments in the future. The costs of workplace safety and insurance obligations are actuarially determined and are expensed.

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

1. Significant accounting policies (continued):

(l) Use of estimates:

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The amounts subject to such estimates include employee benefits payable, assessment appeals, claims provisions, and solid waste landfill closure and post-closure liability. Actual results could differ significantly from those estimates.

(m) Transactions on behalf of others:

Trust funds operated by the Corporation amounting to \$2,709,369 (2018 - \$2,626,182) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations, as they are reported on separately.

(n) Government transfer revenue:

Government transfer revenue is recorded once it is authorized by the transferring government and the Corporation is eligible to receive the transfer. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3410 of the Public Sector Accounting Handbook and recognized as revenue in the period in which the resources are used for the purpose specified.

Government transfers include social assistance program funding representing 80-100% of certain social services programs, social service administration funding covering 50% of certain administration costs and transfers for social housing totaling approximately 20% of costs of the program.

In addition, the Corporation periodically receives senior government capital funding in the form of infrastructure grants and receives ongoing funding from both senior levels of government as a result of an allocation of gas tax funds.

(o) Contaminated sites:

Public Sector Accounting Handbook section 3260 - Liability for Contaminated Sites, requires that the City recognize a liability for remediation of contaminated sites when contamination of a site, for which the City is directly responsible or accepts responsibility, exceeds an existing environmental standard and a reasonable estimate of the remediation costs can be made. The City has established an inventory of contaminated sites and is in the process of evaluating if it will be required to recognize a liability for remediation of any of the sites.

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

2. Cash and cash equivalents and bank indebtedness:

The following is a breakdown of cash and cash equivalents and bank indebtedness:

| | 2019 | | 2018 | |
|---------------|------|------------|-------|------------|
| Bank accounts | \$ | 26,157,136 | \$ | 33,106,968 |
| Petty Cash | | | 3,636 | 3,587 |
| | | 26,160,772 | | 33,110,555 |

3. Loans receivable:

The following loans are outstanding at December 31:

| | 2019 | | 2018 | |
|---|------|-----------|------|-----------|
| Stratford Perth Museum | \$ | 296,048 | \$ | 308,516 |
| Heritage Conservation District Loans | | 119,414 | | 150,220 |
| Stratford Soccer Association | | 80,000 | | 90,000 |
| Stratford Perth Museum (2) | | 139,152 | | 146,314 |
| Stratford Tourism Alliance | | 42,188 | | 84,375 |
| Stratford Chef School | | 298,544 | | 394,233 |
| Stratford Soccer Association Turf Field | | 533,667 | | 574,719 |
| | \$ | 1,509,013 | \$ | 1,748,377 |

The Stratford Perth Museum loan matures in 2038, has an interest rate of 3% with repayments of \$1,791 being made monthly.

The Heritage Conservative District loans are interest free 10 year loans with maturity dates between May 2020 and July 2027.

The Stratford Perth Museum (2) matures in 2038, has an interest rate of .5% with repayments of \$656.34 being made monthly.

The Stratford Soccer Association loan is a 15 year interest free loan maturing September 2028 with a yearly payment of \$10,000.

The Stratford Tourism loan is a 4 year interest free loan.

The Stratford Chef School loan is a 6 year loan at an interest rate of 5%.

The Stratford Soccer Association turf field loan is a 15 year interest free loan maturing December 2032 with a yearly payment of \$41,051.33.

4. Investments:

| | 2019 | | 2018 | |
|---------------------|---------------|--------------|--------------|--------------|
| | Cost | Market Value | Cost | Market Value |
| Deposit notes/GIC's | 4,546,386 | 4,405,376 | 1,102,666 | 1,102,796 |
| Fixed Income | 20,159,681 | 19,880,819 | 16,177,541 | 15,553,677 |
| | \$ 24,706,067 | \$24,286,195 | \$17,280,207 | \$16,656,473 |

Long-term investments earn interest between 1.75% and 6.25% and have maturity dates between June 2020 and June 2025.

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

5. Investment in Government Business Enterprises:

The Corporation holds a 100% interest in Festival Hydro Inc. and Festival Hydro Services Inc. as follows

| | | | 2019 | | 2018 |
|------------------------------|-----|----|-------------------|----|-------------------|
| Festival Hydro Inc. | (a) | \$ | 42,879,435 | \$ | 42,166,296 |
| Festival Hydro Services Inc. | (b) | | 1,337,869 | | 1,240,454 |
| | | \$ | <u>44,217,304</u> | \$ | <u>43,406,750</u> |

(a) Festival Hydro Inc.:

| | | | 2019 | | 2018 |
|--|--|----|-------------------|----|-------------------|
| Financial position: | | | | | |
| Current asse | | \$ | 14,882,974 | \$ | 13,989,874 |
| Capital asse | | | 54,738,043 | | 53,711,085 |
| Deferred tax asse | | | - | | - |
| Other Asse | | | <u>2,027,793</u> | | <u>2,096,216</u> |
| Total assets | | | <u>71,648,810</u> | | <u>69,797,175</u> |
| Liabilities: | | | | | |
| Regulatory balance | | | 1,286,173 | | 1,112,545 |
| Current liabilities | | | 12,558,503 | | 12,413,601 |
| Demand loan payable to the City of Stratfo | | | 15,600,000 | | 15,600,000 |
| Post-employment benefi | | | 1,472,268 | | 1,287,745 |
| Other liabilities | | | <u>15,114,361</u> | | <u>14,617,447</u> |
| Total liabilities | | | <u>44,745,132</u> | | <u>43,918,793</u> |
| Regulatory balance | | | 910,416 | | 424,631 |
| Equity | | \$ | <u>27,279,435</u> | \$ | <u>26,566,296</u> |
| Financial activities: | | | | | |
| Revenue | | \$ | 84,262,436 | \$ | 81,751,261 |
| Operating expens | | | (79,590,913) | | (76,925,947) |
| Finance costs (inc) | | | (1,907,482) | | (1,549,035) |
| Income tax | | | (572,745) | | (718,011) |
| Net movement in regulatory balan | | | (249,098) | | (166,056) |
| Other comprehensive income (los | | | (237,959) | | 82,358 |
| Equity, beginning of year | | | 26,566,296 | | 25,082,866 |
| Dividends paid or payable on common shar | | | (991,100) | | (991,140) |
| Equity, end of year | | \$ | <u>27,279,435</u> | \$ | <u>26,566,296</u> |
| Investment in Festival Hydro Inc.: | | | | | |
| Equity, end of year | | \$ | 27,279,435 | \$ | 26,566,296 |
| Demand loan payable to the City of Stratfo | | | 15,600,000 | | 15,600,000 |
| Net investment | | \$ | <u>42,879,435</u> | \$ | <u>42,166,296</u> |

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

5. Investment in Government Business Enterprises (continued):

(b) Festival Hydro Services Inc.:

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Financial position: | | |
| Current assets | \$ 198,320 | \$ 75,011 |
| Capital assets | 3,114,952 | 2,604,209 |
| Other assets | 31,780 | 37,052 |
| Total assets | 3,345,052 | 2,716,272 |
| Current liabilities | 260,348 | 71,402 |
| Demand loan payable to the City of Stratford | 372,000 | 372,000 |
| Other liabilities | 1,746,835 | 1,404,416 |
| Total liabilities | 2,379,183 | 1,847,818 |
| Equity | \$ 965,869 | \$ 868,454 |
| Financial activities: | | |
| Revenue | \$ 1,337,536 | \$ 1,418,746 |
| Operating expenses | (1,154,428) | (1,058,397) |
| Finance costs (net) | (38,693) | (17,044) |
| Income tax | (47,000) | (85,000) |
| Net assets, beginning of year | 868,454 | 610,149 |
| Dividends on common shares | - | - |
| Equity, end of year | \$ 965,869 | \$ 868,454 |
| | 2019 | 2018 |
| Investment in Festival Hydro Services Inc.: | | |
| Equity, end of year | \$ 965,869 | \$ 868,454 |
| Demand loan payable to the City of Stratford | 372,000 | 372,000 |
| Net investment | \$ 1,337,869 | \$ 1,240,454 |

During the year, and within the normal course of operations, the Corporation was provided water and sewer billing and collection services by Festival Hydro Inc. Amounts paid to Festival Hydro Inc. by the Corporation were \$493,735 (2018 - \$487,994).

The Corporation also leases space from Festival Hydro Inc. for which it paid rent of \$36,058 (2018 - \$35,420) during the year.

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

6. Pension agreement:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The 2019 contribution rates are 9.0% for employee earnings below the year's maximum pensionable earnings and 14.6% thereafter for employees with a normal retirement age of 65. The 2019 contribution rates are 9.2% for employees earnings below the year's maximum pensionable earnings and 15.8% thereafter for employees with a normal retirement age of 60. Employees and employers contribute jointly to the plan.

OMERS is a multi-employer pension plan, therefore any pension plan surplus or deficit is a joint responsibility of all Ontario municipalities and their employees. As a result, the Corporation does not recognize any share of the OMERS pension surplus or deficit. Employer contributions for current service amounted to \$3,435,962 (2018 - \$3,302,538) and are matched by employee contributions in a similar manner. Employer contributions are recognized as an expenditure in the consolidated statement of financial activities in the year contributions are made. The OMERS pension plan has a deficit. If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

7. Deferred revenue:

| | December 31, 2018 | | Additions | | Withdrawals | | December 31, 2019 | |
|--------------------------------------|-------------------|------------|-----------|-----------|-------------|-----------|-------------------|------------|
| Obligatory reserve funds: | | | | | | | | |
| Development charges | \$ | 10,525,644 | \$ | 1,228,551 | \$ | 145,688 | \$ | 11,608,507 |
| Subdivider contributions | | 109,936 | | 2,018 | | - | | 111,954 |
| Recreational land (The Planning Act) | | 470,633 | | 37,312 | | - | | 507,945 |
| Federal gas tax | | 5,362,080 | | 4,037,030 | | 2,405,516 | | 6,993,594 |
| Provincial gas tax | | - | | 467,207 | | 80,026 | | 387,181 |
| Other current miscellaneous | | 1,594,204 | | 223,552 | | 1,599,962 | | 217,794 |
| Other consolidated entities: | | | | | | | | |
| Other | | 595,658 | | 32,113 | | 404,131 | | 223,640 |
| | \$ | 18,658,155 | \$ | 6,027,783 | \$ | 4,635,323 | \$ | 20,050,615 |

| | December 31, 2017 | | Additions | | Withdrawals | | December 31, 2018 | |
|--------------------------------------|-------------------|------------|-----------|-----------|-------------|-----------|-------------------|------------|
| Obligatory reserve funds: | | | | | | | | |
| Development charges | \$ | 8,971,013 | \$ | 3,425,743 | \$ | 1,871,112 | \$ | 10,525,644 |
| Subdivider contributions | | 107,925 | | 2,011 | | - | | 109,936 |
| Recreational land (The Planning Act) | | 344,482 | | 126,151 | | - | | 470,633 |
| Federal gas tax | | 5,735,392 | | 2,089,811 | | 2,463,123 | | 5,362,080 |
| Provincial gas tax | | 467,582 | | 463,135 | | 930,717 | | - |
| Other current miscellaneous | | 421,055 | | 1,173,149 | | - | | 1,594,204 |
| Other consolidated entities: | | | | | | | | |
| Other | | 100,677 | | 501,360 | | 6,379 | | 595,658 |
| | \$ | 16,148,126 | \$ | 7,781,360 | \$ | 5,271,331 | \$ | 18,658,155 |

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

8. Solid waste landfill closure and post-closure liability:

Solid waste landfill closure and post-closure liability, accounts for anticipated closure and post-closure costs for the existing and closed landfill sites. This liability is the estimated cost to date, based on a volumetric basis, of the expenditures related to those activities required when the site or phase stops accepting waste.

Post-closure activities include all activities related to monitoring the site once it can no longer accept waste, including acquisition of any additional land for buffer zones, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage system and final cover.

The estimated liability for the care of landfill sites is the present value of future cash flows associated with closure and post-closure costs. The liability includes the portion of the landfill that was closed in 1995. This liability is not funded with reserves.

Key assumptions in arriving at the liability are:

| | 2019 | 2018 |
|--|---------------------|---------------------|
| The landfill is expected to reach capacity in 2043 | | |
| Remaining capacity as at December 31, 2019 | 1.25 million tonnes | 1.25 million tonnes |
| Expected closing cost in 2019 dollars | \$ 2,094,297 | \$ 1,412,134 |
| Costs still to be recognized | \$ 2,365,816 | \$ 1,715,934 |
| Expected inflation rate | 2% | 2% |
| Discount rate | 3.20% | 4.00% |
| Estimated time needed for post-closure care | 50 Years | 50 Years |

9. Contractual obligations:

(a) The City has a contract with Ontario Clean Water Agency to operate the sewage system. The term of the agreement is 10 years for the period January 1, 2018 to December 31, 2027. The contract fees amounting to \$1,402,412 (2018 - \$1,399,555) are reported in the Consolidated Statement of Operations. The 2020 commitment is \$1,418,099.

(b) The City has contractual lease agreements for vehicles that are renewed every one to three years. The 2020 commitment is \$30,164 (2019 - \$43,605). The commitment thereafter will be affected by changes to the leased fleet and inflation.

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

10. Employee benefits payable:

Employee future benefits are liabilities of the Corporation to its employees and early retirees for benefits earned but not taken. Details are as follows:

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Post-retirement benefits (a) | \$ 9,763,156 | \$ 9,434,109 |
| Workplace Safety and Insurance Board Obligation (b) | 2,161,844 | 4,435,136 |
| | <u>\$ 11,925,000</u> | <u>\$ 13,869,245</u> |

The Corporation provides benefits to retirees until they reach 65 years of age, provides certain benefits to employees on long-term disability, allows certain employees to accumulate unused sick leave to be taken as a cash payment on termination. Above values are based on actuarial and management estimates as at December 31, 2019.

(a) The actuarial analysis is only for the City of Stratford, not including WSIB. Significant assumptions used in the actuarial valuation are as follows:

| | 2019 | 2018 |
|-------------------------------|-------|-------|
| Discount rate | 3.20% | 4.00% |
| Rate of compensation increase | 1.50% | 1.50% |
| Healthcare cost increase | 5.00% | 5.00% |

The benefit obligation continuity is as follows:

| | 2019 | 2018 |
|---|--------------|--------------|
| Accrued benefit obligation end of prior year | \$ 9,472,100 | \$ 8,651,600 |
| Adjustment to accrued benefit obligation at January 1 | \$ 613,200 | \$ 657,700 |
| Current period benefit cost | 517,000 | 521,600 |
| Retirement interest expenditure | 304,600 | 332,000 |
| Benefits paid | (974,900) | (690,800) |
| Accrued benefit obligation, December 31 | 9,932,000 | 9,472,100 |
| Unamortized actuarial loss (gain) | (442,400) | (320,900) |
| Liability for post-retirement benefits | \$ 9,489,600 | \$ 9,151,200 |

Post-retirement benefits expense is as follows:

| | 2019 | 2018 |
|--|------------|------------|
| Current period benefit cost | \$ 517,000 | \$ 521,600 |
| Retirement interest expenditure | 304,600 | 332,000 |
| Amortization of actuarial (gain) loss | 31,400 | 74,900 |
| Total post-retirement benefits expense | \$ 853,000 | \$ 928,500 |

Reserves have been established to partially provide for this past service liability. The balance at the end of the year is \$5,895,566 (2018 - \$6,066,378). An amount of \$0 (2018 - \$301,632) was paid out of reserves to employees who left the Corporation's employment during the current year.

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

10. Employee benefits payable (continued):

- (b) The City of Stratford is a Workplace Safety and Insurance Board (WSIB) Schedule 2 employer. The City has recorded an accrual for the estimate of future benefit costs and administrative loading as calculated by WSIB. During the year \$302,391 (2018 - \$296,110) was paid by the City to the WSIB in relation to those benefits.

11. Long-term debt:

The balance of long-term debt reported on the consolidated statement of financial position consists of total long-term debt incurred by municipal enterprises. The amount at the end of the year is as follows:

| | 2019 | 2018 |
|---|----------------------|----------------------|
| OSIFA debenture bearing interest at 2.57% due June 2032 | \$ 16,748,065 | \$ 18,087,916 |
| OSIFA debenture bearing interest at 2.78% due September 2024 | 335,000 | 402,000 |
| OSIFA debenture bearing interest at 2.74% due November 2028 | 2,602,813 | 2,892,015 |
| OMEIFA debenture bearing interest at 4.96% due November 2034 | 10,089,821 | 10,762,475 |
| OMEIFA debenture bearing interest at 2.70% due November 2034 | 878,401 | 925,338 |
| OMEIFA debenture bearing interest at 4.28% due December 2024 | 1,833,333 | 2,199,997 |
| OMEIFA debenture bearing interest at 3.21% due December 2026 | 9,819,898 | 11,222,741 |
| OMEIFA debenture bearing interest at 3.42% due December 2033 | 5,705,467 | 6,113,000 |
| Royal Bank loan payable, interest at 2.63% per annum, due February 2026 | 1,787,307 | 2,572,763 |
| Royal Bank loan payable, interest at 2.42% per annum, due June 2024 | 1,057,058 | 1,237,125 |
| Royal Bank loan payable, interest at 2.84% per annum, due April 2027 | 3,927,425 | 4,067,514 |
| Royal Bank loan payable, interest at 2.88% per annum, due April 2028 | 3,887,134 | 4,025,130 |
| Royal Bank loan payable, interest at 1.75% per annum, due April 2020 | 91,100 | 361,007 |
| Royal Bank loan payable, interest at 2.49% per annum, due April 2025 | 1,128,806 | 1,324,025 |
| Royal Bank loan payable, interest at 2.51% per annum, due April 2023 | 1,214,623 | 1,278,525 |
| Royal Bank loan payable, interest at 2.80% per annum, due April 2026 | 1,221,402 | 1,284,097 |
| | <u>\$ 62,327,653</u> | <u>\$ 68,755,668</u> |

Principal repayments are summarized as follows:

| | |
|------------|----------------------|
| 2020 | \$ 6,009,359 |
| 2021 | 5,965,976 |
| 2022 | 5,661,560 |
| 2023 | 5,310,196 |
| 2024 | 5,290,851 |
| Thereafter | <u>34,089,711</u> |
| | <u>\$ 62,327,653</u> |

Long-term liabilities and commitments to be financed from reserves beyond the term of Council are covered by by-law. The principal and interest payments required to service existing and pending issues and commitments are within the debt repayment limit prescribed by the Ministry of Municipal Affairs.

Total interest expense on long term debt was \$2,166,465 (2018 - \$2,144,659).

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

12. 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 Corporation has undertaken some portion of the risk, which would normally have been covered by outside insurers.

The Corporation is self insured for public liability claims up to \$50,000 for any individual claim and \$50,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

Claims settled during the year amounted to \$110,016 (2018 - \$118,345) and have been provided for in the revenue fund and are accordingly reported as an expenditure in the consolidated statement of financial activities. Total unsettled claims at the end of the year are \$430,645 (2018 - \$400,276).

13. Accumulated surplus:

The accumulated surplus balance is comprised of balances in reserves and reserve funds, operating surplus, capital surplus, unfunded liabilities to be recovered in the future, investment in government business enterprises and investment in tangible capital assets.

| | 2019 | 2018 |
|--|------------------------|------------------------|
| Reserves set aside for specific purpose by Council: | | |
| Revenue purposes | \$ 9,798,639 | \$ 8,920,243 |
| Current purposes | 2,384,575 | 1,072,200 |
| Total reserves | \$ 12,183,214 | \$ 9,992,443 |
| Reserve Funds set aside for specific purpose by Council: | | |
| Current purposes | \$ 2,246,258 | \$ 4,273,323 |
| Capital purposes | 28,890,592 | 26,722,933 |
| Total reserve funds | \$ 31,136,850 | \$ 30,996,256 |
| Amounts to be recovered: | | |
| Investment in Government Business Enterprise | \$ (7,800,000) | \$ (7,800,000) |
| Solid waste landfill closure and post closure liability | (2,094,297) | (1,412,134) |
| Employee benefits payable | (11,925,000) | (13,869,245) |
| Long-term debt | (62,327,653) | (68,755,668) |
| Interest accrual on debt | (141,208) | (146,889) |
| Total amounts to be recovered | \$ (84,288,158) | \$ (91,983,936) |
| Cumulative operating deficit | \$ (7,990,933) | \$ (3,335,138) |
| Investment in Government Business Enterprise | 44,217,304 | 43,406,750 |
| Land held for resale | 1,045,550 | 1,045,550 |
| Work in Progress | 12,684,364 | 15,206,185 |
| Investment in tangible capital assets | 284,846,287 | 273,392,012 |
| Total accumulated surplus | \$ 293,834,477 | \$ 278,720,122 |

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

14. Contingencies:

As of December 31, 2019, certain legal actions and other contingent liabilities are pending against the Corporation. Reference can be made to note 12 for details of the public liability insurance maintained by the Corporation. Not all contingencies can be estimated at year end since the outcome of these matters is indeterminate at this time.

15. Financial Information for the Library Board:

The Ministry of Culture provides operating and pay equity grants to the Library. A condition of this grant is that the Library Board supply its financial information to the Ministry. This information may be included in the consolidated financial statements provided that the financial information of the library is identified either by a separate schedule or a note.

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Revenue | | |
| Other grant revenue | \$ 6,921 | \$ 15,521 |
| Public library operating grant | 60,827 | 50,798 |
| Pay equity grant | - | 604 |
| Fees and charges | 343,891 | 338,517 |
| Donations | 9,879 | 9,059 |
| Total revenue | 421,518 | 414,499 |
| Expenses | | |
| Wages | 2,129,029 | 2,039,854 |
| Materials | 83,487 | 253,160 |
| Services | 317,781 | 309,526 |
| Other | 41,493 | 22,417 |
| Total expenses | 2,571,791 | 2,624,956 |
| Deficiency of revenue over expenses | \$ 2,150,273 | \$ 2,210,457 |
| Deficiency was funded as follows: | | |
| Transfer from (to) reserves and reserve funds | (268,797) | (52,057) |
| Contribution from the Corporation | 2,150,273 | 2,262,514 |
| | \$ 1,881,476 | \$ 2,210,457 |

For the year ended December 31, 2019

16. Segmented information:

The Corporation of the City of Stratford is a diversified municipal government institution that provides a wide range of services to its citizens. For reporting purposes the Corporation's operations and activities are organized in segments. The services and activities of each segment are as follows:

General government

This item is related to the revenues and expenses of the operations of the Corporation itself and cannot be directly attributed to a specific segment.

Protection services

Protection is comprised of police services, fire department and building department. The police services department is to ensure the safety and protection of the citizens and their property, preserve peace and good order, detect offenders and enforce the law. The fire department provides fire suppression service, fire prevention programs, training and education related to prevention and detection of fires. The building department enforces the building and construction codes and municipal by-laws.

Transportation services

Transportation services includes public works services related to planning, development and maintenance of the roadway systems, street lighting, transit and parallel transit, parking administration and control and the operations of the Stratford Municipal Airport.

Environmental services

Environmental services include providing sanitary and storm sewer, water, waste collection and disposal and recycling services.

Health services

Health services are comprised of public health services which works to improve the overall health of the population and overcome health inequalities by providing services to individuals and communities. This segment also includes ambulance services and cemetery operations.

Social and Family services

Social Services provides services that are meant to help the less fortunate in society through Ontario Works assistance, child care subsidy program and best start and special needs programs. This segment also includes the operations of a municipal day care.

Social housing

Housing services are meant to help the less fortunate through social housing, affordable housing and public housing programs.

Recreation and Cultural services

Recreation and cultural services are meant to improve the health and development of the citizens. Programs such as swimming, skating, day camps, festivals and library services are provided at locations such as parks, library, art gallery, recreation complexes, arenas, sports fields and other municipal buildings. This segment also includes grants to numerous community organizations providing recreation and cultural activities.

Planning and Development

Planning and development services manages urban development for business interests, environmental concerns, heritage matters, local neighbourhoods and the city centre. This segment also includes economic development and tourism.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are used in preparation of segmented financial information. The revenue fund reports on municipal services that are funded primarily by property taxation revenues. Taxation and payments-in-lieu of taxes are apportioned based on the segment's net surplus. The segmented information follows the same accounting policies as disclosed in note 1.

CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

16. Segmented information (continued):

| For the year ended December 31 | General Government | Protection Services | Transportation Services | Environmental Services | Health Services | Social and Family Services | Social Housing | Recreation and Cultural Services | Planning & Development | 2019 Total |
|---------------------------------------|-----------------------|------------------------|----------------------------|---------------------------|--------------------|-------------------------------|-------------------|-------------------------------------|---------------------------|--------------------|
| Revenue | | | | | | | | | | |
| Taxation | \$ 4,122,583 | \$ 10,620,198 | \$ 7,363,992 | \$ 6,144,645 | \$ 3,638,930 | \$ 12,221,631 | \$ 7,248,453 | \$ 5,977,252 | \$ 2,520,365 | \$ 59,858,048 |
| Grants | 102,517 | 567,884 | 1,589,870 | 4,400,447 | 3,433,724 | 19,134,629 | 3,208,045 | 120,475 | 215,178 | 32,772,769 |
| Other Municipalities | 126,041 | 1,539,885 | | | | 1,150,344 | | 39,447 | | 2,855,717 |
| Fees and user charges | 1,851,864 | 214,322 | 334,239 | 15,131,434 | 64,162 | 3,395,194 | 2,575,331 | 774,453 | | 24,340,999 |
| Licences and permits | 602,176 | 16,425 | | | | | | 600 | | 619,201 |
| Rents, fines, penalties | 946,748 | | 667,569 | | 475,866 | | 7,341,102 | 2,151,904 | | 11,583,189 |
| Other | 3,285,709 | 3,088 | 396,244 | 1,909,118 | 221,770 | 20,756 | | 31,300 | 102,038 | 5,970,024 |
| | <u>11,037,637</u> | <u>12,961,802</u> | <u>10,351,915</u> | <u>27,585,644</u> | <u>7,834,452</u> | <u>35,922,553</u> | <u>20,372,931</u> | <u>9,095,431</u> | <u>2,837,581</u> | <u>137,999,946</u> |
| Expenses | | | | | | | | | | |
| Salaries & benefits | 3,717,313 | 19,178,306 | 6,209,511 | 2,128,795 | 3,616,699 | 6,870,528 | 1,120,872 | 5,584,647 | 779,045 | 49,205,716 |
| Material | 492,840 | 779,370 | 4,044,312 | 2,273,177 | 342,051 | 816,997 | 3,032,147 | 1,555,652 | 267,804 | 13,604,350 |
| Contracted Services | 2,811,987 | 1,061,271 | 1,638,744 | 4,279,775 | 478,565 | 3,445,488 | 3,169,837 | 1,747,617 | 909,458 | 19,542,742 |
| External Transfers | 408,440 | | | | 2,770,588 | 13,402,656 | 6,470,602 | 1,263,219 | 3,216,875 | 27,532,380 |
| Amortization | 566,313 | 588,553 | 3,081,658 | 2,293,461 | 133,811 | 201,380 | 386,460 | 1,478,683 | 4,380 | 8,734,699 |
| Other | 473,356 | 114,118 | 155,816 | 1,649,566 | 134,823 | 373,485 | 712,736 | 651,030 | 774 | 4,265,704 |
| | <u>8,470,249</u> | <u>21,721,618</u> | <u>15,130,041</u> | <u>12,624,774</u> | <u>7,476,537</u> | <u>25,110,534</u> | <u>14,892,654</u> | <u>12,280,848</u> | <u>5,178,336</u> | <u>122,885,591</u> |
| Net Revenue (expenditures) | \$ 2,567,388 | \$ (8,759,816) | \$ (4,778,126) | \$ 14,960,870 | \$ 357,915 | \$ 10,812,019 | \$ 5,480,277 | \$ (3,185,417) | \$ (2,340,755) | \$ 15,114,355 |

CORPORATION OF THE CITY OF STRATFORD

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

16. Segmented information (continued):

| For the year ended December 31 | General Government | Protection Services | Transportation Services | Environmental Services | Health Services | Social and Family Services | Social Housing | Recreation and Cultural Services | Planning & Development | 2018 Total |
|---------------------------------------|-----------------------|------------------------|----------------------------|---------------------------|--------------------|-------------------------------|-------------------|-------------------------------------|---------------------------|-----------------------|
| Revenue | | | | | | | | | | |
| Taxation | \$ 3,955,668 | \$ 10,074,577 | \$ 6,453,148 | \$ 5,812,437 | \$ 3,663,513 | \$ 12,279,275 | \$ 6,460,565 | \$ 5,956,256 | \$ 3,085,048 | \$ 57,740,485 |
| Grants | 750,037 | 300,396 | 5,144,765 | 1,708,451 | 3,186,510 | 11,296,160 | 10,732,033 | 333,981 | 497,130 | \$ 33,949,462 |
| Other Municipalities | 145,179 | 394,209 | | | | 1,164,599 | 2,375,428 | 38,298 | | \$ 4,117,713 |
| Fees and user charges | 447,244 | 221,670 | 1,328,605 | 14,113,113 | | 3,637,567 | 2,529,965 | 788,139 | 3,850 | \$ 23,070,154 |
| Licences and permits | 1,092,485 | 28,425 | | | | | | | | \$ 1,120,910 |
| Rents, fines, penalties | 759,644 | 9,560 | 861,229 | | 331,230 | 3,761,386 | | 1,847,592 | | \$ 7,570,640 |
| Other | 9,518,812 | 270,332 | 676,776 | 331,270 | 201,304 | 15,098 | | 1,291,067 | 2,209,070 | \$ 14,513,730 |
| | <u>16,669,069</u> | <u>11,299,170</u> | <u>14,464,523</u> | <u>21,965,271</u> | <u>7,382,557</u> | <u>32,154,083</u> | <u>22,097,991</u> | <u>10,255,332</u> | <u>5,795,098</u> | <u>142,083,094</u> |
| Expenses | | | | | | | | | | |
| Salaries & benefits | 3,723,462 | 17,843,803 | 5,064,119 | 3,440,072 | 3,780,615 | 7,061,275 | 1,133,989 | 5,590,985 | 1,088,819 | \$ 48,727,139 |
| Material | 394,093 | 635,479 | 2,038,060 | 1,398,284 | 310,234 | 883,095 | 2,547,457 | 1,501,852 | 146,586 | \$ 9,855,140 |
| Contracted Services | 2,570,142 | 1,150,961 | 3,034,501 | 4,078,543 | 174,105 | 3,309,239 | 2,195,551 | 1,764,290 | 1,659,285 | \$ 19,936,618 |
| External Transfers | 403,340 | | | | 3,082,606 | 12,517,586 | 5,754,743 | 1,040,263 | 3,186,510 | \$ 25,985,048 |
| Amortization | 547,146 | 520,147 | 2,918,159 | 2,195,814 | 118,071 | 197,224 | 363,103 | 1,556,731 | 4,084 | \$ 8,420,479 |
| Other | 435,632 | 412,580 | 116,521 | 750,909 | 11,875 | 1,094,505 | 1,191,656 | 703,048 | 211,530 | \$ 4,928,256 |
| | <u>8,073,816</u> | <u>20,562,970</u> | <u>13,171,360</u> | <u>11,863,621</u> | <u>7,477,506</u> | <u>25,062,924</u> | <u>13,186,499</u> | <u>12,157,169</u> | <u>6,296,815</u> | <u>117,852,680</u> |
| Net Revenue (expenditures) | \$ 8,595,253 | \$ (9,263,800) | \$ 1,293,163 | \$ 10,101,650 | \$ (94,949) | \$ 7,091,160 | \$ 8,911,491 | \$ (1,901,836) | \$ (501,717) | \$ 24,230,414 |

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

17. Tangible capital assets:

| | General Land | Land Improvements | Buildings and Building Equipment | Computer Equipment | Furniture and Fixtures | Vehicles | Linear Assets | Machinery and Equipment | Bridges - Walking | Other | Infrastructure Roads | Bridges | W/WW Facilities | Underground and Other Networks | Total | Work In Progress | Grand Total |
|---------------------------------|--------------|-------------------|----------------------------------|--------------------|------------------------|------------|---------------|-------------------------|-------------------|---------|----------------------|-----------|-----------------|--------------------------------|-------------|------------------|-------------|
| Cost | | | | | | | | | | | | | | | | | |
| Balance, Dec 31, 2018 | 17,074,786 | 10,109,666 | 74,642,636 | 3,957,916 | 6,470,702 | 10,820,999 | 5,998,517 | 16,481,231 | 57,542 | 109,738 | 119,932,325 | 9,829,092 | 85,118,631 | 90,649,451 | 451,253,231 | 15,206,185 | 466,459,416 |
| Additions | - | 107,106 | 8,598,061 | 180,734 | 279,154 | 327,040 | - | 1,579,384 | - | - | 4,108,209 | - | 5,607,179 | 734,991 | 21,521,858 | 1,286,971 | 22,808,829 |
| Adjustments | (423) | (723) | (144,063) | - | (3,315) | - | - | (32,162) | - | - | (706) | - | - | - | (181,392) | - | (181,392) |
| Disposals | - | 123,248 | 2,122,336 | 1,449,921 | 941,169 | 1,273,712 | - | 1,001,141 | - | - | - | - | - | - | 6,911,527 | 3,808,792 | 10,720,319 |
| Balance, Dec 31, 2019 | 17,074,363 | 10,092,801 | 80,974,298 | 2,688,729 | 5,805,372 | 9,874,327 | 5,998,517 | 17,027,312 | 57,542 | 109,738 | 124,039,828 | 9,829,092 | 90,725,810 | 91,384,442 | 465,682,170 | 12,684,364 | 478,366,534 |
| Accumulated Amortization | | | | | | | | | | | | | | | | | |
| Balance, Dec 31, 2018 | - | 2,100,939 | 31,981,384 | 3,460,833 | 4,937,841 | 5,943,998 | 4,934,997 | 10,874,526 | 11,668 | 14,074 | 52,435,996 | 3,292,016 | 33,492,954 | 24,379,993 | 177,861,220 | - | 177,861,220 |
| Amortization | - | 305,387 | 1,936,580 | 195,807 | 300,948 | 883,323 | 77,688 | 956,748 | 1,918 | 1,443 | 2,030,443 | 120,740 | 1,135,548 | 872,507 | 8,819,080 | - | 8,819,080 |
| Adjustments | - | (532) | (73,882) | - | (1,951) | - | - | (24,388) | - | - | (434) | - | - | - | (101,187) | - | (101,187) |
| Disposals | - | 108,097 | 1,222,816 | 1,444,648 | 862,830 | 1,168,805 | - | 936,033 | - | - | - | - | - | - | 5,743,229 | - | 5,743,229 |
| Balance, Dec 31, 2019 | - | 2,297,697 | 32,621,266 | 2,211,992 | 4,374,008 | 5,658,516 | 5,012,685 | 10,870,853 | 13,586 | 15,517 | 54,466,005 | 3,412,756 | 34,628,502 | 25,252,500 | 180,835,884 | - | 180,835,884 |
| Net Book Value Dec 31, 2019 | 17,074,363 | 7,795,104 | 48,353,032 | 476,737 | 1,431,364 | 4,215,811 | 985,832 | 6,156,459 | 43,956 | 94,221 | 69,573,823 | 6,416,336 | 56,097,308 | 66,131,942 | 284,846,287 | 12,684,364 | 297,530,651 |
| Cost | | | | | | | | | | | | | | | | | |
| Balance, Dec 31, 2017 | 17,075,222 | 9,759,456 | 73,029,337 | 3,846,967 | 6,463,647 | 9,338,407 | 5,998,517 | 15,757,339 | 57,542 | 109,738 | 116,705,204 | 8,292,310 | 82,365,832 | 90,301,317 | 439,100,834 | 10,711,923 | 449,812,757 |
| Additions | - | 350,956 | 1,778,940 | 110,949 | 41,976 | 1,753,287 | - | 1,951,498 | - | - | 3,227,753 | 1,536,782 | 2,752,799 | 348,134 | 13,853,074 | 4,504,251 | 18,357,325 |
| Adjustments | (436) | (746) | (144,944) | - | (3,689) | - | - | (30,971) | - | - | (632) | - | - | - | (181,418) | - | (181,418) |
| Disposals | - | - | 20,697 | - | 31,232 | 270,695 | - | 1,196,635 | - | - | - | - | - | - | 1,519,259 | 9,989 | 1,529,248 |
| Balance, Dec 31, 2018 | 17,074,786 | 10,109,666 | 74,642,636 | 3,957,916 | 6,470,702 | 10,820,999 | 5,998,517 | 16,481,231 | 57,542 | 109,738 | 119,932,325 | 9,829,092 | 85,118,631 | 90,649,451 | 451,253,231 | 15,206,185 | 466,459,416 |
| Accumulated Amortization | | | | | | | | | | | | | | | | | |
| Balance, Dec 31, 2017 | - | 1,804,627 | 30,161,424 | 3,227,102 | 4,653,411 | 5,451,782 | 4,851,031 | 11,229,922 | 9,750 | 12,631 | 50,463,157 | 3,181,521 | 32,406,466 | 23,510,533 | 170,963,358 | - | 170,963,358 |
| Amortization | - | 296,837 | 1,912,413 | 233,731 | 317,965 | 752,601 | 83,966 | 859,831 | 1,918 | 1,443 | 1,973,259 | 110,495 | 1,086,488 | 869,460 | 8,500,407 | - | 8,500,407 |
| Adjustments | - | (525) | (71,756) | - | (2,303) | - | - | (23,549) | - | - | (420) | - | - | - | (98,553) | - | (98,553) |
| Disposals | - | - | 20,697 | - | 31,232 | 260,385 | - | 1,191,678 | - | - | - | - | - | - | 1,503,992 | - | 1,503,992 |
| Balance, Dec 31, 2018 | - | 2,100,939 | 31,981,384 | 3,460,833 | 4,937,841 | 5,943,998 | 4,934,997 | 10,874,526 | 11,668 | 14,074 | 52,435,996 | 3,292,016 | 33,492,954 | 24,379,993 | 177,861,220 | - | 177,861,220 |
| Net Book Value Dec 31, 2018 | 17,074,786 | 8,008,727 | 42,661,252 | 497,083 | 1,532,861 | 4,877,001 | 1,063,520 | 5,606,705 | 45,874 | 95,664 | 67,496,329 | 6,537,076 | 51,625,677 | 66,269,458 | 273,392,012 | 15,206,185 | 288,598,197 |

CORPORATION OF THE CITY OF STRATFORD
Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2019

18. Budget:

The Financial Plan (budget) By-Law adopted by Council on December 9, 2019 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$NIL. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations represent the Financial Plan adopted by Council December 9, 2019 including proportionate consolidated budgets of local boards with adjustments as follows:

| | 2019 |
|---|------------------------|
| Financial Plan (budget) Bylaw deficit for the year | \$ (147,428) |
| Add: | |
| Budgeted principal repayment of debt | 6,743,600 |
| Budgeted transfer to accumulated surplus | 12,597,300 |
| Capital Expenditures | 17,763,883 |
| Less: | |
| Budgeted transfers from accumulated surplus | (33,157,996) |
| Unfinanced Capital | (9,122,367) |
| Amortization | (8,476,582) |
| Budget surplus (deficit) per statement of operations | \$ (13,799,590) |

19. Financial information for SEED Co.:

| | 2019 | 2018 |
|-------------------------------------|------------|------------|
| Revenue | | |
| Ontario grants | \$ 207,216 | \$ 226,517 |
| Federal grants | - | 270,613 |
| Other revenue | 50,338 | 42,551 |
| Special project revenue | 25,000 | 591,120 |
| Total revenue | 282,554 | 1,130,801 |
| Expenses | | |
| Wages | 407,058 | 422,527 |
| Materials | 42,386 | 37,259 |
| Services | 190,140 | 181,107 |
| Special project | 80,797 | 787,434 |
| Other | 188,901 | 173,585 |
| Total expenses | 909,282 | 1,601,913 |
| Deficiency of revenue over expenses | \$ 626,728 | \$ 471,112 |
| Deficiency was funded as follows: | | |
| Contribution from the Corporation | 609,210 | 597,300 |
| Contribution (to) from reserve | 17,518 | (126,188) |
| | \$ 626,728 | \$ 471,112 |

20. Subsequent event:

Subsequent to year end, the outbreak of a novel strain of coronavirus has resulted in the declaration of a pandemic by the World Health Organization. Measures in place to combat the health threat of the virus have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of the outbreak is unknown at this time, as are the efficacy of the government and central bank interventions. Recreation centres and other City facilities have been closed to the public and are now subject to limited reopenings. At the time of financial statement preparation, it is not possible to reliably estimate the length and severity of the measures nor their impact on the future financial results of the City.