



The Corporation of the City of Stratford
Finance and Labour Relations Sub-committee
Open Session
AGENDA

Date: Tuesday, October 20, 2020
Time: 3:30 P.M.
Location: Electronically
Sub-committee Present: Councillor Clifford - Chair Presiding, Councillor Gaffney - Vice Chair, Councillor Beatty, Councillor Bunting, Councillor Ritsma
Staff Present: Janice Beirness - Acting Director of Corporate Services/Manager of Financial Services, Jodi Akins - Council Clerk Secretary

To watch the Sub-committee meeting live, click the following link: <https://stratford-ca.zoom.us/j/85312236788?pwd=cm93NIB0S2FrTEdtc0pxZnVTZWVpUT09>
A video recording of the meeting will also be available through a link on the City's website at <https://calendar.stratford.ca/meetings> following the meeting.

Pages

1. Call to Order

The Chair to call the meeting to Order.

2. Disclosure of Pecuniary Interest and the General Nature Thereof

The *Municipal Conflict of Interest Act* requires any member of Council declaring a pecuniary interest and the general nature thereof, where the interest of a member of Council has not been disclosed by reason of the member's absence from the meeting, to disclose the interest at the first open meeting attended by the member of Council and otherwise comply with the *Act*.

Name, Item and General Nature of Pecuniary Interest

-

3. Delegations

None scheduled.

4. Report of the Acting Director of Corporate Services

4.1. Draft 2019 Consolidated Financial Statements (FIN20-019)

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A representative from Millard, Rouse & Rosebrugh LLP will be in attendance at the meeting to present the report.

Motion by _____

Staff Recommendation: THAT the presentation by Millard, Rouse & Rosebrugh LLP be heard.

Motion by _____

Staff Recommendation: THAT the draft 2019 Consolidated Financial Statements be approved and the 2019 Audit Report be received for information.

4.2. Operating Budget Variance Report as at September 30, 2020 (FIN20-018)

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Motion by _____

Staff Recommendation: THAT the Operating Budget Variance report as of September 30, 2020 be received for information.

5. Advisory Committee/Outside Board Minutes

There are no Advisory Committee/Outside Board minutes to be provided to Sub-committee at this time.

6. Next Sub-committee Meeting

The next Finance and Labour Relations Sub-committee meeting is November 17, 2020 at 3:30 p.m.

7. Adjournment

Meeting Start Time:

Meeting End Time:

Motion by _____

Sub-committee Decision: THAT the Finance and Labour Relations Sub-committee meeting adjourn.



MANAGEMENT REPORT

Date:	October 20, 2020
To:	Finance and Labour Relations Sub-committee
From:	Janice Beirness, Acting Director of Corporate Services
Report#:	FIN20-019
Attachments:	Draft 2019 Consolidated Financial Statements 2019 Audit Report

Title: Draft 2019 Consolidated Financial Statements

Objective: To have the Auditors present the draft 2019 Consolidated Financial Statements and the 2019 Audit Report.

Background: The 2019 audit was conducted by Millard, Rouse & Rosebrugh LLP. This is the sixth year Millard's has performed the audit.

Analysis: The auditors will provide a verbal presentation of their audit opinion and discussion points regarding the annual audit.

Three significant changes are:

-Decrease in bank balance and increase in investments. In 2019, we moved \$7,000,000 from the reserve fund bank account to RBC Securities for better earning potential.

-Decrease in Employee benefits payable is due to a decrease in WSIB estimated value of future benefits costs.

-The annual surplus in the Consolidated Financial statements is \$15,114,355 which is decreased from 2018 by \$9,116,059. This is largely due to two large land sales in 2018 that increased revenue in that year as well as normal increases in expenses.

Financial Impact: None

Alignment with Strategic Priorities:

Strengthening our Plans, Strategies and Partnerships: Sound fiscal governance and adherence to regulations supports all Strategic Priorities of the City.

Staff Recommendation: THAT the draft 2019 Consolidated Financial Statements be approved and the 2019 Audit Report be received for information.



Janice Beirness, Acting Director of Corporate Services



Joan Thomson, Chief Administrative Officer

The Corporation of the City of Stratford

**Report to the Finance and Labour
Relations Sub-committee**

December 31, 2019

October 13, 2020

To the Members of the Finance and Labour Relations Sub-committee
The Corporation of the City of Stratford

Our audit of the financial statements of The Corporation of the City of Stratford (the City) for the year ended December 31, 2019 is complete and we have issued a draft report on these financial statements without qualification.

The report to the councillors been prepared to facilitate communication with those charged with governance, as required by Canadian Auditing Standards. These standards require that we communicate with those charged with governance regarding various matters including:

- Auditor responsibilities in relation to the consolidated financial statement audit
- Planned scope and timing of the audit
- Auditor independence
- Significant findings from the audit, including:
 - qualitative aspects of accounting practices
 - difficulties encountered during the audit
 - matters discussed with management
 - other matters relevant to the financial reporting process

We express our appreciation for the cooperation and assistance received from the management and the Finance Department of the City during the course of our audit.

If you have any particular comments or concerns, please do not hesitate to contact me.

Yours very truly,

MILLARD, ROUSE & ROSEBRUGH LLP



Cameron Johnston CPA, CA, LPA
Engagement Partner

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Introduction

This report summarizes significant matters that we believe should be brought to your attention for the City. We emphasize that the audit and this report would not necessarily identify all matters that may be of interest to the committee.

This report has been prepared solely for the purpose of assisting the finance committee in the discharge of its oversight responsibility and should not be used for any other purpose. We disclaim any obligation to any other party that may rely upon this report.

Audit Scope and Responsibility

INDEPENDENT AUDITORS' REPORT

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2019, and the results of its operations, its changes in its net financial assets, 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 *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 may identify during our audit.

Independence

As external auditors of the City, we are required to be independent in accordance with Provincial professional requirements. These standards require that we disclose to the Finance Committee all relationships that, in our professional judgement, may reasonably be thought to bear on our independence. We provided a letter to management at the commencement of our audit, which confirms our independence with respect to the City.

We confirm that we are not aware of any relationship or non-audit services that would impair our independence for purposes of expressing an opinion on the financial statements.

Responsibility of Management

Preparation of financial statements

The preparation of the financial statements, including the accompanying notes, is the responsibility of management. This includes the preparation of the financial statements in accordance with Canadian public sector accounting standards.

Management is responsible for selecting the significant accounting policies used in the preparation of the financial statements, for applying judgment in preparing accounting estimates contained in the financial statements, and for preparing or obtaining documentation supporting amounts and disclosures in the financial statements. In addition, management is responsible for assessing the impact of any misstatements detected during the preparation and audit of the financial statements, individually and in aggregate, on the fair presentation of amounts and disclosures contained in the financial statements and determining if such adjustments should be recorded.

Management's representations

The transactions and estimates reflected in the accounts and in the financial statements are within the direct control of management. Accordingly, the fairness of the representations made through the financial statements is an implicit and integral part of management's responsibility.

Throughout the course of our audit, we obtain representations from management in the form of answers to our audit inquiries. We will also obtain a formal representation letter from management at the conclusion of the audit.

Reportable Matters

CPA Canada has specified matters that should be brought to the attention of management. The following summarizes the matters to be communicated.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the financial statements. Within the context of the audit, management has represented to us that there have not been any material changes in the accounting principles and policies during the year.

We have not noted any significant unusual transactions.

Materiality

Millard, Rouse & Rosebrugh LLP planned the audit with the objective of having reasonable assurance of detecting misstatements that would be material to the financial statements taken as a whole. As required by audit standards, materiality was utilized during the conduct of the audit and the evaluation of any misstatements identified.

Misstatements and significant audit adjustments

Misstatements represent audit findings for which we do not agree with the amount, classification, presentation or disclosure of items in the financial statements.

A misstatement may arise from an error or from fraud and other irregularities. An error refers to an unintentional misstatement in financial statements, including an omission of amount or disclosure.

Fraud and other irregularities refer to an intentional misstatement in financial statements, including an omission of amount or disclosure, or to a misstatement arising from theft of the Corporation's assets.

In conducting our procedures, we may identify misstatements that require adjustments to the recorded amounts. These audit adjustments are discussed with management, who in consultation with us, determine if an adjustment should be recorded.

During the course of our audit, we did not discover any misstatements arising from fraud or other irregularities.

Internal controls

Management is responsible for the design and operation of an effective system of internal control that provides reasonable assurance that the accounting systems provide timely, accurate and reliable financial information, as well as safeguard the assets of the City.

Through our role as auditors of your financial statements we possess an understanding of the City and its operating environment, including internal control. However, a financial statement audit is not designed to provide assurance on internal control. Professional standards do require us to communicate to the finance committee significant deficiencies and material weaknesses in internal control that have come to our attention in the course of performing the audit.

During the course of our audit, we did not discover any significant deficiencies in internal control.

Fraud and illegal acts

Our inquiries of management and our testing of financial records did not reveal any fraud, illegal or possible illegal acts. However, please be aware that improper conduct is usually carefully and often elaborately concealed and therefore, the probability of detecting such acts is not high. Management is also asked in the formal letter of representations to disclose if they are aware of any fraud, illegal or possible illegal acts that would impact the financial statements.

Difficulties

We did not encounter any difficulties in the performance of the audit. We have had no disagreements with management, and have resolved all auditing, accounting and presentation issues to our satisfaction.

Cooperation during the audit

We report that we have received excellent cooperation from staff and management of the City. To our knowledge, we were provided with complete access to all necessary accounting records and other documentation. Issues identified as a result of our audit work, whether in amounts for the financial statements or disclosure, were discussed with management and issues have been resolved to our satisfaction. There were no limitations placed on the scope of our audit.

Current Accounting and Reporting Developments

We continually monitor the potential impact of new accounting pronouncements on the accounting practices of The Corporation of the City of Stratford.

Public Sector Accounting Standards are changing for Financial Statement Presentation, Foreign Currency Translation, Portfolio Investments, Financial Instruments and Asset Retirement Obligations. The changes will be effective for year ends beginning on or after April 1, 2021.

Public Sector Accounting Standards are changing for revenue. The changes will be effective for year ends beginning on or after April 1, 2022. Early adoption is permitted.

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.

Date approved
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
	106,095,159	106,088,607
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
	111,130,098	117,117,481
Net debt	(5,034,939)	(11,028,874)
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
	298,869,416	289,748,996
Accumulated surplus (note 13)	\$ 293,834,477	\$ 278,720,122
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	\$ 8,373,555	\$ 8,073,816
Protection services	22,604,365	21,825,186	20,562,970
Transportation services	19,434,810	13,997,781	13,171,360
Environmental services	32,112,885	13,763,333	11,863,621
Health services	5,533,184	7,478,233	7,477,506
Social and family services	25,187,036	25,116,235	25,062,924
Social housing	11,684,264	14,867,824	13,186,499
Recreation and cultural services	13,357,992	12,283,637	12,157,169
Planning and development	8,209,105	5,179,807	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 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 Cost	Market Value	2018 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
		\$	44,217,304	\$	43,406,750

(a) Festival Hydro Inc.:

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

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:		
Revenues	\$ 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

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	<u>\$ 9,489,600</u>	<u>\$ 9,151,200</u>

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	<u>\$ 853,000</u>	<u>\$ 928,500</u>

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	\$ 2,246,257	\$ 4,273,323
Capital purposes	28,890,592	26,722,933
Total reserve funds	\$ 31,136,849	\$ 30,996,256
Amounts to be recovered:		
Investment in Government Business Enterprises	\$ (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

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

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
	11,037,637	12,961,802	10,351,915	27,585,644	7,834,452	35,922,553	20,372,931	9,095,431	2,837,581	137,999,946
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
	8,470,249	21,721,618	15,130,041	12,624,774	7,476,537	25,110,534	14,892,654	12,280,848	5,178,336	122,885,591
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
	16,669,069	11,299,170	14,464,523	21,965,271	7,382,557	32,154,083	22,097,991	10,255,332	5,795,098	142,083,094
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
	8,073,816	20,562,970	13,171,360	11,863,621	7,477,506	25,062,924	13,186,499	12,157,169	6,296,815	117,852,680
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.



MANAGEMENT REPORT

Date:	October 20, 2020
To:	Finance and Labour Relations Sub-committee
From:	Janice Beirness, Acting Director of Corporate Services
Report#:	FIN20-018
Attachments:	Appendix One - Operating Variance Report as at September 30, 2020

Title: Operating Budget Variance Report as at September 30, 2020

Objective: To explain variances to budget on the Statement of Operations as of September 30, 2020.

Background: Regular monitoring of budgetary performance provides an early warning of potential problems and gives decision makers time to consider actions that may be needed if major deviations in budget to actual results become evident. This is especially important during the COVID 19 pandemic as we try to mitigate revenue losses.

Analysis: An analysis of some department variances is as follows:

- In the CAO's office, revenue includes grant money for the Service Delivery Review and Community Transportation. There are also additional expenses for these two projects.
- In Corporate Services, Clerks revenue for civil ceremonies, marriage licenses, business licenses and lottery licenses are under budget due to the closure of City Hall. Property tax supplemental income is also under budget mostly due to timing of MPAC information.
- In the Fire Department, salaries and wages are under budget by \$203,747. The current contract expired December 31, 2018.
- In Building and Planning, building permit revenue is under budget \$291,401. Other revenue that is under budget includes Bed and Breakfast licenses and facility rentals. Salaries and wages, consultants, training and building maintenance expenses are under budget.
- In Public Works, salaries and wages are under budget \$447,416 and fuel is under budget \$140,945. These expenses could increase depending on the weather in the last quarter of 2020.

- In the Library, revenue is over budget due to PCIN memberships being paid for the full year already. Salaries and wages are under budget \$227,241 due to cost saving measures during the pandemic.
- In the Airport, fuel sales as well as fuel purchases are under budget.
- In Social Services, additional grant money was received due to the pandemic. The expenses are under budget due to Childcare grants not distributed to daycares yet. Those distributions will be done in the last quarter of 2020.
- Britannia Street apartment expenses are under budget due the timing of the long-term debt payments and property taxes not paid yet.
- Anne Hathaway Daycare is waiting for payments from the Childcare Division.
- In Community Services, rental revenue is under budget and transit revenue is under budget. Salaries and wages are under budget \$1,185,303 and materials and utilities are under budget.
- In external boards and services, budgeted County roads payments have not been made yet. This will be resolved in the last quarter of 2020.
- In other revenue, Hydro dividends have been deferred.

Overall, there is a net surplus of \$5,038,754. However, Social Services grants will be distributed, and the department will be within budget at yearend. County Roads will also be settled before yearend. After removing these 2 surpluses the remaining surplus as of September 30, 2020 is \$1,661,151.

There will continue to be lost revenue in the last quarter of 2020 especially in facility rentals, parking, transit and building permits. There have not been any additional expense savings identified for the last quarter, for example seasonal staff savings have been fully realized already. This makes it difficult to predict what the December 31, 2020 surplus or deficit will be.

Normally variance reports are done quarterly, however this year it is important to keep Council aware of the variances in the last quarter. Staff will provide variance reports as of October 31, 2020 and November 30, 2020.

Financial Impact: Yearend projections as noted in Appendix One less the amounts for Social Services and County roads indicate an operating surplus of \$1,661,151 as of September 30, 2020.

Alignment with Strategic Priorities (delete any that do not apply):

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Staff Recommendation: THAT the Operating Budget Variance report as of September 30, 2020 be received for information.



Janice Beirness, Acting Director of Corporate Services



Joan Thomson, Chief Administrative Officer

CITY OF STRATFORD
Statement of Operations
September 30, 2020

Department	2020 Actual Sept 30	2020 Budget Sept 30	Variance
<u>Revenue Fund</u>			
Mayor and Council			
Revenue	(1,560)	-	(1,560)
Expense	307,007	392,392	(85,385)
Net	305,447	392,392	(86,945)
Chief Administrator			
Revenue	(349,165)	-	(349,165)
Expense	836,845	597,422	239,423
Net	487,680	597,422	(109,742)
Human Resources			
Revenue	-	-	
Expense	416,351	470,952	(54,601)
Net	416,351	470,952	(54,601)
Corporate Services			
Revenue	(3,114,128)	(3,224,696)	110,568
Expense	8,184,612	8,169,249	15,363
Net	5,070,484	4,944,553	125,931
Fire Department			
Revenue	(144,872)	(125,757)	(19,115)
Expense	5,657,649	5,875,375	(217,726)
Net	5,512,777	5,749,618	(236,841)
Police Services			
Revenue	(1,670,421)	(1,472,247)	(198,174)
Expense	10,002,243	10,422,542	(420,299)
Net	8,331,822	8,950,295	(618,473)
Building and Planning			
Revenue	(817,489)	(1,254,384)	436,895
Expense	1,906,061	2,270,129	(364,068)
Net	1,088,572	1,015,745	72,827
Public Works			
Revenue	(597,035)	(601,378)	4,343
Expense	9,395,395	10,242,464	(847,069)
Net	8,798,360	9,641,086	(842,726)
Library			
Revenue	(386,535)	(334,791)	(51,744)
Expense	2,048,755	2,286,456	(237,701)
Net	1,662,220	1,951,665	(289,445)

Department		2020 Actual Sept 30	2020 Budget Sept 30	Variance
Airport	Revenue	(149,606)	(194,733)	45,127
	Expense	287,021	349,704	(62,683)
	Net	137,415	154,971	(17,556)
Industrial Land	Revenue	(1,572,300)	(1,792,503)	220,203
	Expense	2,369,327	2,590,270	(220,943)
	Net	797,027	797,767	(740)
Social Services	Revenue	(22,443,880)	(20,773,586)	(1,670,294)
	Expense	20,635,463	21,324,626	(689,163)
	Net	(1,808,417)	551,040	(2,359,457)
Britannia St Apartments	Revenue	(297,880)	(299,997)	2,117
	Expense	127,186	247,555	(120,369)
	Net	(170,694)	(52,442)	(118,252)
Anne Hathaway Daycare	Revenue	(591,826)	(1,196,964)	605,138
	Expense	1,151,931	1,244,295	(92,364)
	Net	560,105	47,331	512,774
Community Services	Revenue	(1,148,973)	(3,116,432)	1,967,459
	Expense	7,833,599	9,914,617	(2,081,018)
	Net	6,684,626	6,798,185	(113,559)
External Boards & Services	Revenue	-	-	-
	Expense	5,855,297	6,873,443	(1,018,146)
	Net	5,855,297	6,873,443	(1,018,146)
Grants		508,425	617,676	(109,251)
Other Revenue		(1,253,895)	(1,500,000)	246,105
Tax Revenue		(62,458,567)	(62,437,910)	(20,657)
Net (Surplus)/Deficit		(20,661,403)	(15,228,867)	(5,038,754)