



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

**Date:** Tuesday, June 20, 2023  
**Time:** 4:30 P.M.  
**Location:** Council Chamber, City Hall  
**Sub-committee Present:** Councillor Hunter - Chair Presiding, Councillor McCabe - Vice Chair, Councillor Beatty, Councillor Burbach, Councillor Nijjar  
**Staff Present:** Karmen Krueger - Director of Corporate Services, Samantha Day - Manager of Revenue and Taxation, Jodi Akins - Council Clerk Secretary

To watch the Sub-committee meeting live, please click the following link:

<https://video.isilive.ca/stratford/live.html>

A video recording of the meeting will also be available through a link on the City's website

<https://calendar.stratford.ca/meetings> following the meeting.

Pages

**1. Call to Order**

The Chair to call the meeting to Order.

Land Acknowledgment

Moment of Silent Reflection

**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 Director of Corporate Services**

**4.1 Festival Hydro Financial Results - 2022 year end and to March 31 2023 (FIN23-020)**

4 - 104

Jeff Graham, President and CEO of FHI & Rhyzome and Alyson Conrad, CFO of FHI & Rhyzome will be in attendance at the meeting to present the update.

Motion by

**THAT the presentation by Jeff Graham and Alyson Conrad be heard.**

Motion by

**Staff Recommendations: THAT the Festival Hydro Inc. 2022 audited financial statements and commentary for the year ended December 31, 2022, be received for information;**

**THAT the Festival Hydro Services Inc. 2022 audited financial statements and commentary for the year ended December 31, 2022, be received for information;**

**THAT the Festival Hydro Inc. financial statements and commentary for the period ending March 31, 2023, be received for information;**

**THAT the Festival Hydro Services Inc. financial statements and commentary for the period ending March 31, 2023, be received for information;**

**AND THAT the Festival Hydro Inc. April 2023 Board motion declaring a top-up common share dividend in the amount of \$248,269 for the year 2022, be received for information.**

**4.2 Destination Stratford 2023 Update 2 (FIN23-019)**

105 - 145

Zac Gribble, Executive Director of Destination Stratford, will be in attendance at the meeting to present the update.

Motion by

**THAT the presentation by Zac Gribble be heard.**

Motion by

**Staff Recommendation: THAT the Destination Stratford 2023 Update 2,**

dated June 20, 2023, be received for information.

#### **4.3 2023 Community Grant Appeal Request (FIN23-018)**

146 - 159

Motion by

**Staff Recommendation:** THAT the decision of Council on May 8, 2023, denying a grant request to Stratford Live Music and Food, be upheld.

### **5. Report of the Manager of Revenue and Taxation**

#### **5.1 Property Tax Billing and Collection Policy (FIN23-021)**

160 - 198

Motion by

**Staff Recommendation:** THAT Policy F.1.6 Collection of Municipal Taxes be rescinded;

**THAT Policy F.1.6 Property Tax Billing and Collection be adopted substantially in the form as attached to Report FIN23-021;**

**AND THAT Policy F.1.9 Vacant Tax Rebate Program for Commercial and Industrial Buildings be rescinded.**

#### **5.2 Tax Adjustments for 2022 (FIN23-022)**

199 - 201

Motion by

**Staff Recommendation:** THAT the report titled, "Tax Adjustments for 2022" (FIN23-022), be received for information.

### **6. Advisory Committee/Outside Board Minutes**

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

### **7. Next Sub-committee Meeting**

The next Finance and Labour Relations Sub-committee meeting is July 18, 2023 at 4:30 p.m. in the Council Chamber, City Hall.

### **8. Adjournment**

Meeting Start Time:

Meeting End Time:

Motion by

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




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## MANAGEMENT REPORT

**Date:** June 20, 2023  
**To:** Finance and Labour Relations Sub-committee  
**From:** Karmen Krueger, CPA, CA, Director of Corporate Services  
**Report #:** FIN23-020  
**Attachments:** 1. FHI Financial Results for year ending Dec 31 2022 and period ending March 31 2023;  
 2. FHSI Financial Results for year ending Dec 31 2022 and period ending March 31 2023

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**Title:** Financial Results, Statements and Commentary for Festival Hydro Inc. (FHI) and Festival Hydro Services Inc. (FHSI), for the year 2022 and for the period ending March 31, 2023

**Objective:** To receive an update on Festival Hydro financial results and activities.

**Background:** City Council is updated regularly on the financial and operating activities of Festival Hydro.

**Analysis:** As noted in the attached statements. Representatives from Festival Hydro have been invited to attend as a delegation to present the attached reports.

### **Financial Implications:**

#### **Financial impact to current year operating budget:**

The reports are being provided for information so there are no significant financial impacts to note.

The City receives quarterly interest payments of \$282,750 for the loan. To May 31, 2023, one quarterly interest payment was received and no dividends for 2023 to date. In 2022, total dividends declared/payable relating to 2022 were \$638,599 which will be received in 2023, and interest received was \$1,131,000, for total 2022 income of \$1,797,499.



## **Alignment with Strategic Priorities:**

### **Developing our Resources**

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

## **Alignment with One Planet Principles:**

### **Culture and Community**

Nurturing local identity and heritage, empowering communities, and promoting a culture of sustainable living.

**Staff Recommendations: THAT the Festival Hydro Inc. 2022 audited financial statements and commentary for the year ended December 31, 2022, be received for information;**

**THAT the Festival Hydro Services Inc. 2022 audited financial statements and commentary for the year ended December 31, 2022, be received for information;**

**THAT the Festival Hydro Inc. financial statements and commentary for the period ending March 31, 2023, be received for information;**

**THAT the Festival Hydro Services Inc. financial statements and commentary for the period ending March 31, 2023, be received for information;**

**AND THAT the Festival Hydro Inc. April 2023 Board motion declaring a top-up common share dividend in the amount of \$248,269 for the year 2022, be received for information.**

### **Prepared by:**

Karmen Krueger, CPA, CA  
Director of Corporate Services

### **Recommended by:**

Karmen Krueger, CPA, CA, Director of Corporate Services  
Joan Thomson, Chief Administrative Officer



## **Financial Statements**

Prepared For:

Finance & Labour Relations Sub-Committee

June 2023

**To:** Mark Hunter and the Finance and Labour Relations Committee  
**From:** Alyson Conrad, CFO  
**Re:** Commentary on FHI Financial Results –  
 For the year ended December 31, 2022

**BALANCE SHEET COMMENTARY:**

**Accounts Receivable:** The accounts receivable balance is \$57K less than it was in 2021 and \$360K higher than projections. This variance is as described below.

Electric/Water/Sewage receivables - These balances are \$147K higher in 2022 than in 2021 however the majority is current. Past due receivables are \$15K higher than they were in 2021 for electricity, water and sewer billing with less than 60 days arrears being up by \$34K and greater than 60 days arrears being down by \$19K.

A/R Recoverable Work – A/R recoverable work is down by \$273K from prior year. This is due to higher than typical subdivision work being completed last year.

**Due from Festival Hydro Services (FHSI):** The balance due to FHI is \$122K as compared to the projection of \$195K. The \$73K under projection is a result of less capital spend compared to projections and additional work completed by FHSI staff for FHI in the latter part of the year.

**Unbilled revenue:** Unbilled revenue is currently \$447K below prior year and \$1.22M below projections. Projections were estimated but it is difficult to predict balances due to usage and rate changes month over month. Class A GA was down \$570K from prior year. The provincial GA for Class A was down 45% from prior year. Class B GA was also down in December compared to prior year.

**Regulatory Asset/(Liability):** The regulatory asset balance has increased by \$2.66M since December 2021 and \$5.56M compared to projections. Regulatory balances are difficult to project month to month however the original projection was underestimated. In comparison to prior year, the increase is mainly driven by Wholesale Market Service (WMS) charges, Network charges and Connection charges. The variances in these three accounts total \$2.3M. The largest of the variances is WMS totaling \$1.6M. This variance was seen across the industry which led to the following decision and order from the OEB, “The weighted average WMS charges in the first ten months of 2022 (\$0.0063 per kilowatt-hour) is significantly higher than the current WMS rate charged to customers by electricity distributors. Given that there has been a large under-collection by distributors in 2021 and the first ten months of 2022, the OEB finds that the current WMS rate (effective January 1, 2022) does not sufficiently capture the increase in the WMS charge and costs incurred by the IESO. The OEB will therefore set the WMS rate at \$0.0045 per kilowatt-hour, including a CBR component of \$0.0004 per kilowatt-hour, effective January 1, 2023.” The remainder of the variance is spread out across several regulatory accounts, all to be cleared either at the next IRM application or the next Cost of Service application depending on the type of account.

**Bank Indebtedness:** The bank indebtedness is \$3.1M more than projection and \$3.7M more than the prior year. As noted in prior reports, the IESO invoices in 2022 varied wildly month to month. In the last 3 months of the year, FHI's paid IESO invoices totaled \$19.7M. In Q4 of 2021 the total invoices paid were \$13.7M with a difference of \$6M. The difference has caused us to utilize more of our line of credit in the last quarter than we previously had to. Due to the current line of credit rate, FHI does plan to draw on the SWAP loan in Q1 of 2023.

**Accounts Payable:** The balance is \$1.3M lower than 2021 and \$437K lower than projections. The main variance is the accrued cost of power true up from settlement completed in mid-January for December was lower than prior year by \$1.65M. These amounts will be included on the next IESO invoice in February.

**Deposits:** Total deposits on hand (both short term and long term) have increased by \$233K compared to prior year. This is mostly due to construction deposits on hand increase by \$337K compared to prior year. Customer electric deposits have decreased from prior year.

**Employee Future Benefits –** A full actuarial was completed in 2022 and the decrease was based on the results. The main driver for the decrease was the change in discount rate from 3% to 5%. This created a reduction of the liability. Claims costs did increase by approximately \$30K due to increasing market costs but this was offset by a decrease in the composition of active and retirees from the 2018 actuarial.

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Net income for the year is \$2.35M before the gain on the swap and the OCI, which is \$472K above budget and \$295K ahead of projections.

### **INCOME STATEMENT COMMENTARY**

**Gross Margin on Service Revenue (Distribution Revenue)** – The gross margin on service revenue (or Distribution Revenue) is above budget by \$46K and below projections by \$215K. FHI is ahead of budget due to an increase in usage for greater than 50 kW customers compared to the prior year (3M kWh). There is also an increase due to a higher IRM rate than was budgeted for. Projections were anticipated to be higher, however with a milder early winter, FHI did not see usage increase in Q4.

While there is no impact to distribution revenue, it should be noted that service revenue and cost of power were both down compared to budget by \$16M and projections by \$18M. In previous years we have seen global adjustment and cost of power increasing annually by approximately 10% year over year. In 2022, the average global adjustment and cost of power decreased by 1% compared to 2021. It was noted on the IESO's website that GA has decreased because 85% of non-hydro renewable energy contract costs are being shifted from the rate base to the tax base.

**Other Revenue** – Other revenue is above budget by \$16K and is ahead of projections by \$4K. As noted, when providing projections we had larger scrap metal sales than budgeted in early 2022. This was offset by decreases in late payment charges and lower than budget street light work.

**Operating and Maintenance (O & M) Expenses:** O&M costs are \$59K above than budget and \$20K less than projections. Increase from budget is due to additional tree trimming completed in Q4 to assist with outage risks. The decrease in projections is due to labour estimations being down for overtime and maintenance work.

**Billing, Collecting & Admin Costs:** Billing and collection costs are \$145K under budget and \$26K less than projection. Admin costs were \$231K below budget and \$83K less than projection. The decrease in billing for the year was due to staffing delays for CSRs as well as the IT position that was not filled after May. The difference from projection was bad debt being lower than expected by \$35K. As mentioned throughout the year, administration costs were down mainly due to a delay in staffing the VP of IT position as well as executive incentive compensation being budgeted but not implemented. The actuals came in lower than projections due to the VP of IT leaving in Q4 as well as not engaging third party assistance with a review of FHI's commodity accounts that was projected but a third party vendor was not found.

**Interest expense:** Interest expense is \$111K over budget and \$26K under projection. The main variance from budget is due to the many increases to the line of credit rate throughout the year. The variance from projections is due to a correction in the SWAP expense amount totaling \$43K. In September, October, and November there was an accrual entry that was posted in the wrong direction to account for the SWAP interest. This was included in projections but corrected in December. A portion of this was offset by the increase in interest rate income on regulatory asset balances.

**Income tax expense:** Current tax expense is \$104K under budget and \$290K under projection. The majority of the change is due to a detailed review being completed by the tax accountants. FHI was able to take advantage of accelerated CCA rates which allows for more favourable CCA rates for asset additions.

## LOAN COVENANT RATIOS

The Loan Covenant liquidity ratios and debt to equity ratios as prescribed by our major lender, RBC, are being met.

## **CASH FLOW COMMENTARY:**

The cash indebtedness balance at the end of the year is \$3.7M. As noted, the reason for the large bank indebtedness balance was the higher than typical IESO invoices in Q4. FHI pays the IESO invoice in advance of bills being collected from customers. When the global adjustment varies throughout the year, only a portion are collected through the IESO invoice, the remainder is settled through the IRM application which can impact the amount that is carried in regulatory assets. Other balances such as wholesale market service, network and connection charges are also cleared through the IRM. When there are large variances, as there are in 2022, it can significantly impact cash flow.

In most months, FHI's cash balance turns positive in the first week or two of the month before the IESO bill is paid. Due to the high RBC prime rate charged on the line of credit, FHI will draw on the SWAP loan to benefit from the lower rate.

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Financial Statements of



Year ended December 31, 2022



KPMG LLP  
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 London ON N6A 5P2  
 Canada  
 Tel 519 672-4880  
 Fax 519 672-5684

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Festival Hydro Inc.

### ***Opinion***

We have audited the financial statements of Festival Hydro Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 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 Entity's internal control.



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- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 28, 2023

# Festival Hydro Inc.

## Statement of Financial Position

December 31, 2022, with comparative information for December 31, 2021

	Notes	2022	2021
<b>Assets</b>			
Accounts receivable	6, 22	\$ 8,079,655	\$ 8,124,901
Unbilled revenue	22	4,783,498	5,230,771
Inventories	7	177,526	163,443
Prepaid expenses		230,441	357,282
Income tax receivable		511,562	356,057
Due from corporations under common control	20	122,147	332,803
<b>Total current assets</b>		<b>13,904,829</b>	<b>14,565,257</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	58,854,033	57,113,909
Intangible assets and goodwill	9	1,806,282	1,734,841
Unrealized gain on interest rate swap	22	784,886	-
<b>Total non-current assets</b>		<b>61,445,201</b>	<b>58,848,750</b>
<b>Total assets</b>		<b>75,350,030</b>	<b>73,414,007</b>
Regulatory balances	13	7,503,962	4,527,854
<b>Total assets and regulatory balances</b>		<b>\$ 82,853,992</b>	<b>\$ 77,941,861</b>

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

# Festival Hydro Inc.

## Statement of Financial Position

December 31, 2022, with comparative information for December 31, 2021

	Notes	2022	2021
<b>Liabilities and Equity</b>			
Bank indebtedness	5	\$ 3,740,695	\$ 15,768
Accounts payable and accrued liabilities		8,658,017	9,902,642
Deferred revenue		273,286	194,274
Income tax payable		-	-
Dividend payable	15, 21	248,269	500,556
Current portion of long-term debt	14, 22	16,328,464	16,307,717
Customer deposits	11	1,016,175	1,169,542
Due to the Corporation of the City of Stratford	20	624,251	625,460
<b>Total current liabilities</b>		<b>30,889,157</b>	<b>28,715,959</b>
<b>Non-current liabilities</b>			
Deferred revenue		2,641,341	2,453,813
Customer deposits	11	980,367	594,311
Deferred tax liabilities	10	2,381,370	1,308,987
Employee future benefits	12	1,009,878	1,361,643
Unrealized loss on interest rate swap	22	-	938,948
Long-term debt	14, 22	9,812,012	10,540,477
<b>Total non-current liabilities</b>		<b>16,824,968</b>	<b>17,198,179</b>
<b>Total liabilities</b>		<b>47,714,125</b>	<b>45,914,138</b>
Share capital	15	15,568,388	15,568,388
Accumulated other comprehensive loss		(54,479)	(357,737)
Retained earnings		18,525,126	15,085,495
<b>Total equity</b>		<b>34,039,035</b>	<b>30,296,146</b>
<b>Total liabilities and equity</b>		<b>81,753,160</b>	<b>76,210,284</b>
Regulatory balances	13	1,100,832	1,731,577
<b>Total liabilities, equity and regulatory balances</b>		<b>82,853,992</b>	<b>77,941,861</b>

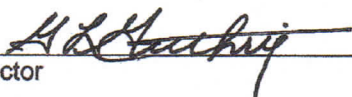
Commitments and contingencies (note 23)

Guarantee (note 24)

Subsequent event (Note 25)

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

On behalf of the Board:

  
Director

  
Director

# Festival Hydro Inc.

## Statement of Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021

	Notes	2022	2021
Sale of energy	16	\$ 55,589,074	\$ 59,559,802
Distribution revenue	16	12,174,085	11,582,698
Other income	17	1,118,521	1,195,884
Cost of power purchased		58,141,145	60,698,856
Operating expenses	18	6,759,045	6,014,814
Depreciation and amortization	8,9	2,505,726	2,412,000
		<b>67,405,916</b>	<b>69,125,670</b>
Finance income	19	1,747,174	664,530
Finance costs	19	(1,574,778)	(1,604,249)
Income tax expense	10	1,096,421	917,289
<b>Net income</b>		<b>551,739</b>	<b>1,355,706</b>
Net movement in regulatory balances:			
Net movement in regulatory balances	13	2,534,470	1,168,069
Income tax	10,13	992,021	590,859
<b>Other comprehensive income (loss)</b>			
Items that will not be reclassified to profit and loss:			
Remeasurements of employee future benefits	12	303,258	80,606
Tax on remeasurements	10	(80,363)	(21,361)
Net movement in regulatory balances	13	80,363	21,361

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

# Festival Hydro Inc.

## Statement of Changes in Equity

Year ended December 31, 2022, with comparative information for December 31, 2021

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
<b>Balance at January 1, 2021</b>	<b>\$15,568,388</b>	<b>\$12,861,747</b>	<b>\$ (438,343)</b>	<b>\$ 27,991,792</b>
Net income after net movement in regulatory balances	–	3,114,634	–	3,114,634
Other comprehensive loss	–	–	80,606	80,606
Dividends, paid or payable	–	(890,886)	–	(890,886)
<b>Balance at December 31, 2021</b>	<b>\$15,568,388</b>	<b>\$15,085,495</b>	<b>\$ (357,737)</b>	<b>\$ 30,296,146</b>
<b>Balance at January 1, 2022</b>	<b>\$15,568,388</b>	<b>\$15,085,495</b>	<b>\$ (357,737)</b>	<b>\$ 30,296,146</b>
Net income after net movement in regulatory balances	–	4,078,230	–	4,078,230
Other comprehensive loss	–	–	303,258	303,258
Dividends, paid or payable	–	(638,599)	–	(638,599)
<b>Balance at December 31, 2022</b>	<b>\$15,568,388</b>	<b>\$18,525,126</b>	<b>\$ (54,479)</b>	<b>\$ 34,039,035</b>

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



# Festival Hydro Inc.

## Statement of Cash Flows

Year ended December 31, 2022, with comparative information for December 31, 2021

Cash provided by (used in)	Notes	2022	2021
<b>Net income after net movement in regulatory balances</b>		\$4,078,230	\$3,114,634
<b>Adjustments for</b>			
Depreciation - property, plant and equipment	8	2,243,817	2,113,654
Amortization - intangible assets	9	261,909	298,348
Amortization of deferred revenue		(76,869)	(60,633)
Employee future benefits		(48,508)	(50,668)
Net finance costs	19	(172,396)	939,718
Income tax expense	10	1,096,421	917,289
		7,382,604	7,272,342
<b>Changes in non-cash operating working capital</b>			
Accounts receivable		45,246	(1,104,430)
Unbilled revenue		447,273	1,140,450
Inventories		(14,083)	9,169
Prepaid expenses		126,841	32,564
Accounts payable and accrued liabilities		(1,244,625)	1,314,930
Due from related parties		210,656	294,268
Due from the City of Stratford		(1,209)	(6,477)
Dividends declared		(252,287)	385,345
Customer deposits		232,689	269,859
		(449,499)	2,335,678
Regulatory balances	13	(3,526,490)	(1,758,928)
Interest paid	19	(1,574,778)	(1,604,248)
Interest received		23,340	18,445
Income tax paid, net of refund		(5,476)	(888,101)
Purchase of property, plant and equipment	8	(3,983,941)	(3,780,502)
Purchase of intangible assets	9	(333,350)	(77,945)
Contributions received from customers, net of repayments		341,267	479,666
Dividends	15	(890,886)	(505,541)
Proceeds from long-term debt		-	900,000
Repayment of long-term debt		(707,718)	(1,429,445)
Decrease in bank indebtedness during the year		(3,724,927)	961,421
Bank indebtedness, beginning of the year		(15,768)	(977,189)

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

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 1. Reporting entity:

Festival Hydro Inc. (the "Corporation") is a wholly owned subsidiary of the City of Stratford. The Corporation was incorporated on July 11, 2000 under the Business Corporations Act (Ontario) pursuant to Section 142 of the Electricity Act Laws of the Province of Ontario, Canada. The address of the Corporation's registered office is 187 Erie Street, Stratford, Ontario, Canada.

The principal activity of the Corporation is to distribute electricity to the residents and businesses in the City of Stratford and the towns of Brussels, Dashwood, Hensall, Seaforth, St. Marys and Zurich, under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the Ontario Energy Board and adjustments to the Corporation's distribution and power rates require OEB approval.

The financial statements are for the Corporation as at and for the year ended December 31, 2022.

### 2. Basis of preparation:

#### (a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements were approved by the Board of Directors on April 27, 2023.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

#### (c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

#### (d) Use of estimates and judgements

Information about judgements made in applying accounting policies that have an effect on the amounts recognized in the financial statements is included in the following notes:

Note 3(l)	Determination of the performance obligation for contribution and the related amortization period
Note 3(m)	Whether an arrangement contains a lease
Note 6	Estimate for impairment for uncollected amounts, based on the lifetime expected credit losses
Note 8	Property, plant and equipment: useful lives and the identification of significant components of property, plant and equipment.
Note 9	Intangible assets: useful lives and goodwill impairment testing.
Note 12	Measurement of the defined benefit obligation – actuarial assumptions
Note 23	Recognition and measurement of commitments and contingencies.



## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 2. Basis of preparation (continued)

(e) Rate regulation

The Corporation is regulated by the Ontario Energy Board, under the authority granted by the Ontario Energy Board Act, 1998. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, amongst other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Corporation is required to bill certain classes of customers for the debt retirement charges. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

(f) Rate setting

***Distribution revenue***

For the distribution revenue included in sale of energy, the Corporation files a "Cost of Service" ("COS") rate application with the OEB where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each class. The COS application is reviewed by the OEB and interveners on record. Rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years, the Corporation has chosen to file a Price Cap Incentive Rate Mechanism ("IRM") application. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

On May 27, 2014, the Corporation filed its 2015 Cost of Service application. The OEB issued its final Decision and Order dated June 5, 2015. The decision allows for a total service revenue requirement of \$11,210,828 based on a total rate base of \$61,778,759. The deemed debt portion of the rate base (60%) at \$27,067,256 earns a weighted average rate of 4.05%. The deemed equity portion of the rate base (40%) at \$24,711,504 earns a deemed return on equity of 9.30%. The rates were effective May 1, 2015 with an implementation date of June 1, 2015.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 2. Basis of preparation (continued)

#### (f) Rate setting (continued)

##### ***Distribution revenue (continued)***

Festival filed its 2021 IRM application for distribution rates and was approved new rates by the OEB effective January 1, 2021. The Corporation's approved adjustment to distribution rates was 1.90%, as a result of an OEB approved inflation factor of 2.20%, less a stretch factor of 0.30% determined by the relative efficiency of the Corporation. The application included the approval of rate riders for the disposition of certain deferral and variance balances.

Festival filed its 2022 IRM application for distribution rates and was approved new rates by the OEB effective January 1, 2022. The Corporation's approved adjustment to distribution rates was 3.00%, as a result of an OEB approved inflation factor of 3.30%, less a stretch factor of 0.30% determined by the relative efficiency of the Corporation. The application included the approval of rate riders for the disposition of certain deferral and variance balances.

##### ***Electricity rates***

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity and the global adjustment. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

### 3. Significant accounting policies:

The accounting policies set out below have been applied consistently for both years presented in these financial statements in accordance with IFRS.

#### (a) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or other comprehensive income ("OCI"). When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB. Any resulting impairment loss is recognized in profit or loss in the year incurred.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 3. Significant accounting policies (continue):

(a) Regulatory balances (continued)

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(b) Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts. On the statement of cash flows, cash and cash equivalents includes bank overdrafts (revolving credit facility) that are repayable on demand and form an integral part of the Corporation's cash management.

(c) Financial instruments

All financial assets are classified as loans and receivables, except for marketable securities which are classified as available for sale and derivatives which are measured as fair value through profit and loss. All financial liabilities are classified as other financial liabilities. These financial instruments are recognized initially at fair value adjusted for any directly attributable transaction costs.

Loans and receivables and other financial liabilities are subsequently measured at amortized cost using the effective interest method less any impairment for the financial assets.

Available for sale financial assets are subsequently measured at fair value, within the changes therein recognized in other comprehensive income until the assets are sold. Upon sale of an available for sale asset, the Corporation has elected to record the accumulated unrealized change in value of the asset as a transfer through other comprehensive income into profit and loss.

The Corporation holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein, are recognized in the statement of comprehensive income. Hedge accounting has not been used in the preparation of these financial statements.

(d) Inventories

Inventories are stated at lower of cost and net realizable value and consist of maintenance materials and supplies. Cost is determined on a weighted average basis, net of a provision for obsolescence, as applicable. The Corporation classifies all major construction related component of its electricity distribution infrastructure to property, plant and equipment.

(e) Property, plant and equipment ("PP&E")

Items of property, plant and equipment used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation and accumulated impairment losses. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 3. Significant accounting policies (continued):

(e) Property, plant and equipment ("PP&E")

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs on qualifying assets are capitalized as part of the cost of the asset and are based on the Corporation's cost of borrowing. For construction projects of less than one year in length, borrowing costs are not capitalized unless specific identifiable loans are acquired for the express purpose of financing a specific construction activity.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. Land is not depreciated. Construction in progress assets are not amortized until the project is complete and in service.

Depreciation begins when an asset becomes available for use. Depreciation is provided on a straight-line basis over the estimated useful lives. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative years are as follows:

Buildings	10 to 60 years
Distribution substation equipment	30 to 60 years
Distribution system equipment	30 to 60 years
Transformers	35 to 40 years
Meters	15 to 40 years
Other capital assets	4 to 20 years

Other capital assets include vehicles, office and computer equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within other income in the statement of comprehensive income.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 3. Significant accounting policies (continued):

#### (f) Intangible assets

Intangible assets include goodwill, computer software and capital contributions paid under capital cost recovery agreements ("CCRAs").

##### (i) Goodwill

Goodwill represents the excess of cost over fair value of net assets which arose upon amalgamation of the former electrical distribution entities. Goodwill is measured at cost less accumulated impairment losses.

##### (ii) Computer software

Computer software acquired prior to January 1, 2014, is measured at deemed cost less accumulated depreciation. All other software that is acquired or developed by the Corporation, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

##### (iii) Capital contributions paid under capital cost recovery agreements

Capital contributions paid under CCRAs are measured at cost less accumulated amortization and accumulated impairment losses.

##### (iv) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are:

Computer software	5 years
CCRAs	15 to 25 years

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted if appropriate.

#### (g) Impairment

##### (i) Financial assets measured at amortized cost

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 3. Significant accounting policies (continued):

#### (ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than regulatory assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated as at December 31 of each year.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Corporation has determined that it has one cash generating unit. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### (i) Employee benefits

##### (i) Pension plan

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("Fund"). The Fund is a contributory defined benefit pension plan which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 3. Significant accounting policies (continued):

#### (i) Pension plan (continued)

OMERS is a defined benefit plan, however, as the plan assets and pension obligations are not segregated in separate accounts for each member entity, sufficient information is not available to enable the Corporation to directly account for the plan. As such, the plan has been accounted for as a defined contribution plan. The contribution payable is recognized as an employee benefit expense in the statement of comprehensive income in the period in which the service was rendered by the employee, since it is not practicable to determine the Corporation's portion of person obligations of the fair value of plan assets.

#### (ii) Employee future benefits, other than pension

The Corporation has an unfunded benefit plan providing post-employment benefits (other than pension) to its employees. The Corporation provides its retired employees (20 years service; less than age 65) with life insurance and medical benefits beyond those provided by government sponsored plans. Life insurance is provided for current retirees including those over age 65.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses, are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

#### (j) Deferred revenue and assets transferred from customers

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. Cash contributions are initially recorded under current liabilities as customer deposits. Once the distribution system asset is completed or modified, as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue.

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction. The contributions in aid of construction account, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is reported as deferred revenue, and is amortized to other income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

#### (k) Customer deposits

Security deposits from electricity customers are cash collections to guarantee the payment of electricity bills. The electricity customer security deposits liability includes related interest amounts, calculated using OEB prescribed interest rates, and owed to the customers with a corresponding amount charged to finance costs. Deposits that are refundable upon demand are classified as a current liability. Annually, accrued interest is applied directly to the customers' accounts.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 3. Significant accounting policies (continued):

(k) Customer deposits (continued)

Security deposits on offers to connect are cash collections from specific customers to guarantee the payment of additional costs relating to expansion projects. This liability includes related interest amounts owed to the customers with a corresponding amount charged to finance costs. Deposits are classified as a current liability when the Corporation no longer has an unconditional right to defer payment of the liability for at least 12 months after the reporting period.

(l) Revenue Recognition

*(i) Sale and distribution of electricity*

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

*(ii) Capital contributions*

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.



# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 3. Significant accounting policies (continued):

#### (l) Revenue Recognition (continued)

##### (ii) *Other revenue*

Revenue earned from the provision of services is recognized as the service is rendered. Government grants and the related performance incentive payments under Conservation and Demand Management ("CDM") programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

#### (m) Leased assets

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 3. Significant accounting policies (continued):

(n) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest expense on customer deposits, the demand notes payable, revolving credit facility and long-term borrowings.

Changes in the fair value of interest rate swap agreements are recorded either in finance income, or costs, depending on whether an unrealized gain or loss is required.

(o) Income taxes

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act. Pursuant to the Electricity Act, 1998 (Ontario), the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes.

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to other comprehensive income or items recognized directly in equity, in which case, it is recognized in accumulated comprehensive income or retained earnings, respectively.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

Rate-regulated accounting requires the recognition of regulatory balances and related deferred tax assets and liabilities for the amount of deferred taxes expected to be refunded to or recovered from customers through future electricity distribution rates. A gross up to reflect the income tax benefits associated with reduced revenues resulting from the realization of deferred tax assets is recorded within regulatory credit or debt balances. Deferred taxes that are not included in the rate-setting process are charged or credited to the statements of comprehensive income.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 3. Significant accounting policies (continued):

(o) Income taxes (continued)

The benefits of the refundable and non-refundable apprenticeship and other ITCs are credited against the related expense in the statements of comprehensive income.

### 4. Standards issued but not yet adopted:

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. These standards or amendments relate to the measurement and disclosure of financial assets and liabilities. The extent of the impact on adoption of these standards and amendments has not yet been determined.

- i. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- ii. Definition of Accounting Estimates (Amendments to IAS 8)
- iii. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

i. Classification of Liabilities as Current or Non-current (Amendments to IAS 1):

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On July 15, 2020 the IASB issued an amendment to defer the effective date by one year. The amendments are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted.

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option.

The amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty, and when classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognized as equity.

The Corporation intends to adopt this standard in its financial statements for the annual period beginning January 1, 2023. The extent of the impact of adoption of the standard has not yet been determined

ii. Definition of Accounting Estimates (Amendments to IAS 8):

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 4. Standards issued but not yet adopted (continued):

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2023. The extent of the impact of adoption of the standard has not yet been determined.

#### iii. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2):

On February 12, 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

The amendments help companies provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2023. The Company does not expect this standard to have a material impact on the financial statements.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 5. Bank indebtedness:

	2022	2021
Cash	\$ 660	\$ 1,660
Revolving credit facility	(3,741,355)	(17,428)
<b>Bank indebtedness</b>	<b>\$ (3,740,695)</b>	<b>\$ (15,768)</b>

### 6. Accounts receivable:

	2022	2021
Energy, water and sewer	\$ 6,523,810	\$ 6,223,521
Other	1,555,845	1,901,380
<b>Total</b>	<b>\$ 8,079,655</b>	<b>\$ 8,124,901</b>

Included in accounts receivable is \$1,230,333 (2021 - \$1,193,417) of customer receivables for water consumption and sewer ("water & sewer") that the Corporation bills and collects on behalf of the City of Stratford and the Town of St. Marys. As the Corporation does not assume liability for collection of these amounts, any amount related to City of Stratford and Town of St. Marys water & sewer charges that are determined to be uncollectible are charged to the City of Stratford and Town of St. Marys, respectively. At year end, there is nil (2021 - nil) included in the provision for impairment for uncollectable amounts relating to water and sewer.

### 7. Inventories:

The amount of inventories consumed by the Corporation and recognized as an expense during 2022 was \$149,137 (2021 - \$166,873). During 2022, an amount of nil (2021 - nil) was recorded as an expense for the write-down of obsolete or damaged inventory to net realizable value.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 8. Property, plant and equipment:

#### a) Cost or deemed cost

	Land and buildings	Distribution & substation equipment	Other distribution system equipment	Transformer station	Total
Balance at January 1, 2021	\$2,663,162	\$47,579,167	\$2,810,734	\$14,049,010	\$67,102,073
Additions	477,555	2,698,194	326,676	143,417	3,645,842
Transfers	-	-	134,660	-	134,660
Disposals/retirements	(6,795)	(230,606)	(155,736)	-	(393,137)
<b>Balance at December 31, 2021</b>	<b>\$3,133,922</b>	<b>\$ 50,046,755</b>	<b>\$ 3,116,334</b>	<b>\$ 14,192,427</b>	<b>\$ 70,489,438</b>
Balance at January 1, 2022	\$3,133,922	\$50,046,755	\$3,116,334	\$14,192,427	\$70,489,438
Additions	357,228	3,022,647	281,971	86,263	\$3,748,109
Transfers	-	-	235,832	-	\$235,832
Disposals/retirements	(27,578)	(297,300)	(375,808)	-	(\$700,686)
<b>Balance at December 31, 2022</b>	<b>\$3,463,572</b>	<b>\$52,772,102</b>	<b>\$3,258,329</b>	<b>\$14,278,690</b>	<b>\$73,772,693</b>

#### b) Accumulated depreciation

	Land and buildings	Distribution & substation equipment	Other distribution system equipment	Transformer station	Total
Balance at January 1, 2021	\$ 337,380	\$ 7,977,726	\$ 1,119,839	\$ 2,220,066	\$ 11,655,011
Depreciation	96,716	1,413,877	268,888	334,173	2,113,654
Disposals/retirements	(6,795)	(230,605)	(155,736)	-	(393,136)
<b>Balance at December 31, 2021</b>	<b>\$ 427,301</b>	<b>\$ 9,160,998</b>	<b>\$ 1,232,991</b>	<b>\$ 2,554,239</b>	<b>\$ 13,375,529</b>
Balance at January 1, 2022	\$427,301	\$9,160,998	\$1,232,991	\$2,554,239	\$13,375,529
Depreciation	120,660	1,491,865	285,635	345,657	\$2,243,817
Disposals/retirements	(27,578)	(297,300)	(375,808)	-	(\$700,686)
<b>Balance at December 31, 2022</b>	<b>\$520,383</b>	<b>\$10,355,563</b>	<b>\$1,142,818</b>	<b>\$2,899,896</b>	<b>\$14,918,660</b>

#### c) Carrying amounts

	Land and buildings	Distribution & substation equipment	Other distribution system equipment	Transformer station	Total
December 31, 2021	\$2,706,621	\$40,885,757	\$1,883,343	\$11,638,188	\$57,113,909
December 31, 2022	\$2,943,189	\$42,416,539	\$2,115,511	\$11,378,794	\$58,854,033

#### d) Borrowing costs

During the year, no borrowing costs (2021 – nil) were capitalized as part of the cost of property, plant and equipment.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 9. Intangible assets and goodwill:

#### a) Cost or deemed cost

	Goodwill	Computer software	Land Rights	CCRA's	Total
Balance at January 1, 2021	\$ 515,359	\$ 1,593,915	\$ 3,150	\$ 966,935	\$ 3,079,359
Additions	-	77,945	-	-	77,945
Disposals	-	(252,888)	-	-	(252,888)
<b>Balance at December 31, 2021</b>	<b>\$ 515,359</b>	<b>\$ 1,418,972</b>	<b>\$ 3,150</b>	<b>\$ 966,935</b>	<b>\$ 2,904,416</b>
Balance at January 1, 2022	\$515,359	\$ 1,418,972	\$ 3,150	\$ 966,935	\$ 2,904,416
Additions	-	111,889	-	-	111,889
Work in Progress	-	221,461	-	-	221,461
Disposals	-	(312,506)	-	-	(312,506)
<b>Balance at December 31, 2022</b>	<b>\$ 515,359</b>	<b>\$ 1,439,816</b>	<b>\$ 3,150</b>	<b>\$ 966,935</b>	<b>\$ 2,925,260</b>

#### b) Accumulated amortization

	Goodwill	Computer software	Land Rights	CCRA's	Total
Balance at January 1, 2021	\$ -	\$ 750,096	\$ -	\$ 374,019	\$ 1,124,115
Amortization	-	243,875	-	54,473	298,348
Disposals	-	(252,888)	-	-	(252,888)
<b>Balance at December 31, 2021</b>	<b>\$ -</b>	<b>\$ 741,083</b>	<b>\$ -</b>	<b>\$ 428,492</b>	<b>\$ 1,169,575</b>
Balance at January 1, 2022	\$ -	\$ 741,083	\$ -	\$ 428,492	\$ 1,169,575
Amortization	-	207,436	-	54,473	261,909
Disposals	-	(312,506)	-	-	(312,506)
<b>Balance at December 31, 2022</b>	<b>\$ -</b>	<b>\$ 636,013</b>	<b>\$ -</b>	<b>\$ 428,492</b>	<b>\$ 1,118,978</b>

#### c) Carrying amounts

	Goodwill	Computer software	Land Rights	CCRA's	Total
December 31, 2021	\$ 515,359	\$ 677,889	\$ 3,150	\$ 538,443	\$ 1,734,841
December 31, 2022	\$ 515,359	\$ 803,803	\$ 3,150	\$ 483,970	\$ 1,806,282

#### d) Goodwill impairment

Management has determined that the Corporation's rate regulated operations are one cash generating unit. Therefore, the goodwill was allocated to the Corporation as a whole. The annual impairment test is based on the Corporation's value in use. Value in use was determined by discounting the future cash flows of the Corporation and was based on the following key assumptions:

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 9. Intangible assets and goodwill:

#### d) Goodwill impairment (continued)

A detailed valuation of the Corporation was undertaken during 2022 based on financial results of the Corporation as at December 31, 2022. Cash flows were projected based on actual operating results and the cost of capital and rate of return as approved in the 2015 Cost of Service application. A discounted cash flow model was utilized based on free cash flows for 20 years, followed by a terminal value calculated based on a steady-state cash flow, with the terminal value within range of market-based terminal multiples. The recoverable amount of the Corporation was determined to be greater than the carrying value of goodwill and no impairment was recorded as at December 31, 2022 or December 31, 2021.

### 10. Income taxes:

	2022	2021
<b>Income tax expense</b>		
Current tax expense:		
Current year	\$ 160,945	\$ 322,507
Prior year	(56,545)	3,923
Total current tax expense	104,400	326,430
Deferred tax expense:		
Change in recognized deductible temporary differences	992,021	590,859
Total current and deferred income tax in profit or loss, before movement of regulatory balance	1,096,421	917,289
Other comprehensive income:		
Employee future benefits	80,363	(21,361)
Total current and deferred tax, before movement in regulatory balances	1,176,784	938,650
Net movement in regulatory balances	(1,072,384)	(612,220)
<b>Income tax expense recognized in statement of comprehensive Income</b>	<b>\$104,400</b>	<b>\$326,430</b>
<b>Reconciliation of effective tax rate</b>		
	2022	2021
Income before taxes	\$4,486,834	\$3,538,670
Canada and Ontario statutory income tax rates	26.5%	26.5%
Expected tax provision on income tax at statutory rates	1,189,011	937,748
Increase (decrease) in income tax resulting from:		
Permanent differences	2,212	1,420
Recognized deductible temporary difference due from customers	(1,072,384)	(612,220)
Other	(14,439)	(518)
<b>Income tax expense</b>	<b>\$ 104,400</b>	<b>\$ 326,430</b>



# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 10. Income taxes (continued):

	2022	2021
Deferred tax assets (liabilities):		
Property, plant, equipment and intangible assets	(\$2,488,634)	(\$1,968,063)
Employee future benefits	267,618	360,835
Other	(160,354)	298,241
	<b>(\$2,381,370)</b>	<b>(\$1,308,987)</b>

### 11. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers as well as construction deposits. These customer deposits bear interest at the OEB's prescribed interest rate, which is the Bank of Canada's prime business rate less 2%.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service. Due to the demand nature of these deposits, they are classified as current liabilities.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred revenue.

Customer deposits comprise:

	2022	2021
Electricity deposits	\$ 957,164	\$1,061,051
Construction deposits	1,039,378	702,802
<b>Total customer deposits</b>	<b>\$1,996,542</b>	<b>\$1,763,853</b>
Consisting of:		
Short-term	\$ 1,016,175	\$ 1,169,542
Long-term	980,367	594,311

### 12. Employee future benefits:

#### (a) Employee future benefits, other than pension

The Corporation provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Corporation has reflected its share of the defined benefit costs and related liabilities, as calculated by the actuary, in these financial statements. The accrued benefit liability and the corresponding expense were based on results and assumptions determined by actuarial valuation as at December 31, 2022.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 12. Employee future benefits (continued):

Changes in the present value of the defined benefit unfunded obligation and the accrued benefit liability:

	2022	2021
<b>Defined benefit obligation, beginning of year</b>	\$ 1,361,643	\$ 1,492,917
Included in profit or loss:		
Current service cost	36,217	39,189
Interest cost	38,994	37,165
	75,211	76,354
Included in OCI:		
Actuarial (gains) losses arising from changes in financial assumptions	(303,258)	(80,606)
Benefits paid during the year	(123,718)	(127,022)
<b>Defined benefit obligation, end of year</b>	<b>\$1,009,878</b>	<b>\$1,361,643</b>

The significant actuarial assumptions used in the valuation are as follows:

	2022	2021
Discount rate	5.05%	3.00%
Rate of compensation increase	3.30%	2.50%
Initial health care cost trend rate	4.70%	4.70%
Initial dental cost trend rate	4.90%	4.90%
Year that rate reaches the rate it is assumed to be	2040	2040
Cost trend rate declines to	4.00%	4.00%

Significant actuarial assumptions for benefit obligation measurement purposes are the discount rate and assumed medical and dental cost trend rates. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions, in isolation of one another, occurring at the end of the reporting period. This analysis may not be representative of the actual change since it is unlikely these changes in assumptions would occur in isolation from each other. The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

	2022	2021
Benefit Obligation, end of year	\$1,009,878	\$1,361,644
1% increase in health care trend rate	26,900	50,156
1% decrease in health care trend rate	(24,300)	(44,744)
1% increase in discount rate	(96,500)	(167,544)
1% decrease in discount rate	119,000	215,456

#### (b) Pension plan

The Corporation provides a pension plan for its employees through the Ontario Municipal Employees Retirement System. The plan is a multi-employer, contributory defined benefit pension plan. In 2022, the Corporation made employer contributions of \$365,116 to OMERS (2021 - \$353,752). The Corporation's net benefit expense has been allocated as follows:

- \$138,744 (2021 - \$134,426) capitalized as part of PP&E
- \$186,209 (2021 - \$180,413) charged to operating expenses
- \$40,163 (2021 - \$38,913) charged to CDM and billable work

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 12. Employee future benefits (continued):

#### (b) Pension plan (continued)

As at December 31, 2022, OMERS states that their plan was 95% funded (2021 – 97%). OMERS has a strategy to return the plan to a fully funded position. The Corporation is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions. The Corporation's contributions represent less than 1% of the total annual contributions to the OMERS plan.

### 13. Regulatory assets and liabilities:

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

In the tables below, the "Additions" column consists of new additions to regulatory balances (for both debits and credits). The "Recovery/reversal" column consists of amounts collected through rate riders or transactions reversing an existing regulatory balance. The "Other movements" column consists of reclassification between the regulatory debit and credit balances. For the years ended December 31, 2022 and 2021, the Corporation did not record any impairments related to regulatory debit balances.

	January 1, 2022	Additions	Recovery/ reversal	Other Movements	December 31, 2022	Notes
<b>Regulatory deferral account debit balances</b>						
Settlement (Group 1) variances	\$ 2,939,939	\$ 386,141	\$ (313,926)	\$ 2,075,470	\$ 5,087,624	(1)
Stranded meters	2,292	21	-	-	2,313	(2)
LRAM	268,628	(244,237)	256	-	24,646	(1)
Deferred Taxes	1,308,987	1,072,383	-	-	2,381,370	(4)
Rate application costs	8,008	-	-	-	8,008	(3)
	<b>\$ 4,527,854</b>	<b>\$1,214,308</b>	<b>\$ (313,670)</b>	<b>\$ 2,075,470</b>	<b>\$ 7,503,962</b>	

	January 1, 2021	Additions	Recovery/ reversal	Other Movements	December 31, 2021	Notes
<b>Regulatory deferral account debit balances</b>						
Settlement (Group 1) variances	\$ 1,605,348	\$ 1,538,071	\$ (203,135)	\$ (345)	\$ 2,939,939	(1)
Stranded meters	2,286	6	-	-	2,292	(2)
LRAM	494,049	(219,691)	(5,730)	-	268,628	(1)
Deferred Taxes	696,766	612,221	-	-	1,308,987	(4)
Rate application costs	8,008	-	-	-	8,008	(3)
	<b>\$ 2,806,457</b>	<b>\$1,930,607</b>	<b>\$ (208,865)</b>	<b>\$(345)</b>	<b>\$ 4,527,854</b>	

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 13. Regulatory assets and liabilities (continued):

	January 1, 2022	Additions	Recovery/ reversal	Other Movements	December 31, 2022	Notes
<b>Regulatory deferral account credit balances</b>						
Settlement (Group 1) variances	\$ (1,286,576)	2,500,939	\$ 313,670	\$ (2,075,470)	(547,437)	(1)
IFRS transition adjustments	(10,783)	-	-	-	(10,783)	(5)
PILS	(434,218)	(108,394)	-	-	(542,612)	
	<b>\$ (1,731,577)</b>	<b>\$ 2,392,545</b>	<b>\$ 313,670</b>	<b>\$ (2,075,470)</b>	<b>\$ (1,100,832)</b>	

	January 1, 2021	Additions	Recovery/ reversal	Other Movements	December 31, 2021	Notes
<b>Regulatory deferral account credit balances</b>						
Settlement (Group 1) variances	\$ (1,507,500)	11,714	\$ 208,865	\$ 345	(1,286,576)	(1)
IFRS transition adjustments	(10,783)	-	-	-	(10,783)	(5)
PILS	(272,186)	(162,032)	-	-	(434,218)	
	<b>\$ (1,790,469)</b>	<b>\$ (150,318)</b>	<b>\$ 208,865</b>	<b>\$ 345</b>	<b>\$ (1,731,577)</b>	

- 1) The changes in settlement (Group 1) and LRAM balances outstanding from December 31, 2021 were approved for disposition as part of the 2022 IRM application with rates effective January 1, 2022 to be collected over a 12-month period.
- 2) As part of the 2015 COS application, the OEB approved the disposition of stranded meters through a rate rider effective May 1, 2015 (implemented June 1, 2015) with recovery over a 7-month period ending December 31, 2015. Since the residual balance is not material, it will remain in place until the next COS application.
- 3) The 2015 COS rate application costs were approved for recovery by the OEB and have been amortized over a forty-three-month period ending December 31, 2019.
- 4) Disposition is not requested for the deferred tax balance as it is being reversed through timing differences in the recognition of deferred tax assets. No carrying charges are calculated on this balance.
- 5) As part of the 2015 COS application, the OEB approved the disposition of the account 1575/76 IFRS transition account balance used to record the difference arising on adoption of new asset useful lives and overhead rates and write off of end-of-life assets. These account balances were included as a rate rider effective May 1, 2015 (implemented June 1, 2015) and were recovered over a 7-month period ended December 31, 2015. Since the residual balance is not material, it will remain in place until the next COS application.

Carrying charges are applied to all regulatory account balances at the OEB prescribed interest rates, with the exception of the deferred tax assets on which no carrying charges are applied.

As part of the Corporation's 2022 IRM application, the change in debit and credit balance settlement (Group 1) variance accounts occurring during fiscal 2021 were approved as part of 2022 distribution rates for recovery over a 12-month period commencing January 1, 2022. As such, the risk associated with the recovery of variance accounts is limited to the incremental value of non-settlement variances arising since 2021.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 14. Long-term debt:

Long-term debt consists of the following:

	2022	2021
Royal Bank revolving term loan, bearing interest at 2.93%, plus a stamping fee of 0.42%, payable in monthly principal instalments of approximately \$35,000 plus interest, increasing by \$1,000 yearly until maturity on May 31, 2038, secured by a general security agreement.	9,875,000	10,366,000
Royal Bank loan, bearing interest at 2.62%, payable in monthly principal instalments of \$19,768, maturing November 25, 2025, secured by a general security agreement.	665,476	882,194
Notes payable to shareholder, bearing interest at 7.25% per annum, with interest payments only, due on demand, unsecured.	15,600,000	15,600,000
	<b>26,140,476</b>	<b>26,848,194</b>
Less: current portion	16,328,464	16,307,717
<b>Long-term debt</b>	<b>\$9,812,012</b>	<b>\$10,540,477</b>

#### Interest rate swaps

The Corporation entered into an interest rate swap agreement on a notional principal of \$14,000,000 effective May 31, 2013, which matures May 31, 2038. The swap is a receive-variable, pay-fixed swap with the Royal Bank. This agreement has effectively converted variable interest rates to an effective fixed interest rate of 2.93% plus stamping fee of 0.42% on the Royal Bank revolving term loan. The stamping fee is subject to change every 10 years, with the first maturity being May 31, 2023.

Additionally, the Corporation entered into an interest rate swap agreement on a notional principal of \$5,000,000. The Corporation has not yet made any draws on this available credit and is not required to do so until the effective date of December 31, 2024. This agreement has effectively converted variable interest rates to an effective fixed interest rate of 2.51% plus stamping fee of 0.42% on the Royal Bank revolving term loan.

The Corporation has determined these swaps do not meet the standard to apply hedge accounting. Since the standard is not met, the interest rate swap contracts have been recorded at their fair value at December 31, 2022 with the combined unrealized gain for the year of \$1,723,834 (2021 – \$646,085) recorded as finance cost in the statement of comprehensive income.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 14. Long-term debt continued:

#### Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Current and long- term debt	Dividends payable	Retained earnings	Total (financing cash flows)
Balance at January 1, 2022	\$ 26,848,194	\$ 500,556	\$ 15,085,495	
Dividends paid	-	(500,556)	(390,330)	\$ (890,886)
Proceeds from long-term debt	-	-	-	-
Repayments of long-term debt	(707,718)	-	-	(707,718)
<b>Total changes from financing cash flows</b>	<b>\$ (707,718)</b>	<b>\$ (500,556)</b>	<b>\$ (390,330)</b>	<b>\$ (1,598,604)</b>
Dividend declared but not paid	-	248,269	(248,269)	-
Net income after net movements in regulatory balances	-	-	4,078,230	-
Balance at December 31, 2022	\$ 26,140,476	\$ 248,269	\$ 18,525,126	\$ -

### 15. Share capital:

	2022	2021
<b>Authorized:</b>		
Unlimited Class A special shares, non-cumulative, 5.0%		
Unlimited Class B special shares		
Unlimited Common shares		
<b>Issued:</b>		
6,100 Class A special shares	\$ 6,100,000	\$ 6,100,000
6,995 Common shares	9,468,388	9,468,388
	<b>\$ 15,568,388</b>	<b>\$15,568,388</b>

Dividends paid on the 6,100 class A special shares during the year totalled \$152,500 (2021 - \$152,500). Dividends paid on the 6,995 common shares during the year totalled \$486,099 (2021 - \$738,386). A common share dividend was declared on December 15, 2022 and is payable on all common shares on record at December 31, 2022, with the dividend to be paid in 2023. The dividend amount payable at December 31, 2022 is \$248,269 (2021 - \$500,556).

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 16. Revenue from Contracts with Customer:

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Sources of revenue are as documented in the table below.

	2022 Sale of Energy	2022 Distribution Revenue	2021 Sale of Energy	2021 Distribution Revenue
Residential	\$ 17,226,469	\$ 6,928,900	\$ 16,035,245	\$ 6,695,809
Commercial	35,806,876	4,757,459	39,685,538	4,553,668
Large Users	2,762,863	314,993	2,653,924	321,241
Other	(207,133)	172,733	1,185,095	11,980
	<b>\$ 55,589,074</b>	<b>\$ 12,174,085</b>	<b>\$ 59,559,802</b>	<b>\$ 11,582,698</b>

### 17. Other income:

	2022	2021
Collection, late payment and other service charges	\$ 124,331	\$ 187,699
Pole attachment and other rental income	108,836	128,767
Miscellaneous	853,362	852,693
Solar generation	31,992	26,725
	<b>\$ 1,118,521</b>	<b>\$ 1,195,884</b>

Collection, late payment and other service charges are based on service charge rates and retailer rates as approved by the OEB. Pole attachment and other rentals consist primarily of pole attachment charges and charges for office and service centre space.

Miscellaneous includes revenues from City of Stratford and Town of St. Marys water and sewage billing services, street lighting services, management fees charged to Festival Hydro Services Inc. and other revenue sources.

### 18. Operating expenses:

	2022	2021
Salaries and benefits	\$ 3,329,138	\$ 3,003,417
External services	1,924,106	1,664,018
Materials and supplies	584,647	624,585
Other support costs	921,154	722,794
	<b>\$ 6,759,045</b>	<b>\$ 6,014,814</b>

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 19. Finance income and costs:

	2022	2021
Interest income on loan to corporation under common control	\$ 10,862	\$ 13,587
Interest on bank account	12,036	2,991
Interest on written off trade receivables	442	1,867
Unrealized gain on interest rate swap	1,723,834	646,085
<b>Finance income</b>	<b>\$ 1,747,174</b>	<b>\$ 664,530</b>
Interest expense on demand notes payable	\$1,131,000	\$1,131,000
Interest expense on long-term debt	338,185	378,136
Interest on revolving credit facility	84,552	24,449
Interest expense on deposits	21,041	6,207
Other interest expense	-	64,457
<b>Finance costs</b>	<b>\$ 1,574,778</b>	<b>\$ 1,604,249</b>
<b>Net finance income (costs)</b>	<b>\$ 172,396</b>	<b>\$ (939,719)</b>

Other interest expenses of \$64,457 in 2021 are related to accrued interest and discharge fees for the early payment of the Infrastructure Ontario Projects Corporation (OIPC) loans with a combined principal payout of \$842,668.

### 20. Related party transactions:

#### a) Parent and ultimate controlling party

The parent and sole shareholder of the Corporation is the Corporation of the City of Stratford (the "City"). The City of Stratford produces financial statements that are available for public use.

#### b) Key management personnel

The key management personnel of the Corporation has been defined as members of its Board of Directors and executive management team members. Total compensation of key management in 2022 was \$833,946 (2021 - \$662,748).



# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 20. Related party transactions (continued):

#### (b) Transactions with the Corporation of the City of Stratford

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts, with the parent, the City of Stratford, for the years ended December 31:

	2022	2021
<b>Revenues:</b>		
Energy sales	\$ 1,475,873	\$ 1,612,278
Water and sewer administration fee	499,716	494,093
Street lighting services	18,760	34,878
Service centre space rental	33,477	27,638
<b>Expenses:</b>		
Interest on demand notes payable	\$ 1,131,000	\$ 1,131,000
Property taxes	121,157	118,062
Tree trimming	54,494	78,073
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Receivable balances:</b>		
Accounts receivable	\$ 371,073	\$ 370,838
<b>Payable balances:</b>		
Accounts payable and accrued charges	\$ 995,324	\$ 996,298
Demand notes payable	15,600,000	15,600,000
Dividends payable	248,269	500,556
Total payables	\$16,843,593	\$17,096,854
The net amount owing to the Corporation of the City of Stratford for accounts receivable, accounts payable and accrued charges is \$624,251 (2021 - \$625,460).		
Dividends paid or payable	\$ 638,599	\$ 890,886

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 20. Related party transactions (continued):

#### (c) Transactions with corporations under common control of the parent

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts, with Festival Hydro Services Inc., a wholly-owned subsidiary of the City of Stratford, for the years ended December 31:

	2022	2021
<b>Revenues:</b>		
Operational services	\$ 33,397	\$ 40,872
Management fee	64,851	57,518
Office and fibre room rentals	1,470	1,225
Joint pole rentals	55,308	71,311
Interest earned	10,862	13,712
Energy sales	28,689	25,687
Water billing and collection services	75,120	73,410
<b>Total revenues</b>	<b>\$269,697</b>	<b>\$283,735</b>
<b>Expenses:</b>		
Fiber and WIFI services	\$154,148	\$154,148
Information technology and management services	273,165	128,117
<b>Total expenses</b>	<b>\$427,313</b>	<b>\$282,265</b>
<b>Receivable balance:</b>		
	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Due from corporations under common control	\$122,147	\$332,803

### 21. Capital management:

The Corporation's main objectives when managing capital is to:

- ensure ongoing access to funding to maintain, refurbish and expand the electricity distribution system;
- ensure sufficient liquidity is available (either through cash and cash equivalents or committed credit facilities) to meet the needs of the business;
- ensure compliance with covenants related to its credit facilities; and
- prudent management of its capital structure with regard to recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation monitors forecasted cash flows, capital expenditures, debt repayment and key credit ratios. The Corporation manages capital by preparing short-term and long-term cash flow forecasts, statements of financial position and comprehensive statements of income. In addition, the Corporation accesses its revolving credit facility to fund net periodic net cash outflows and to maintain available liquidity.

There have been no changes in the Corporation's approach to capital management during the year. As at December 31, 2022, the Corporation's definition of capital included borrowings under its revolving credit facility, long-term debt and obligations including the current portion thereof, and equity, and had remained unchanged from the definition as at December 31, 2021. As at December 31, 2022, equity amounted to \$34,039,035 (2021 - \$30,296,146), borrowings in the form of demand notes payable and long-term debt, including the current portion thereof, amounted to \$26,140,476 (2021 - \$26,848,194) and the revolving credit facility amounted to \$3,720,132 (2021 - \$17,428).

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 21. Capital management (continued):

The OEB regulates the amount of deemed interest on debt and rate of return that may be recovered by the Corporation, through its electricity distribution rates, in respect of its regulated electricity distribution business. The OEB permits such recoveries on the basis of a deemed capital structure represented by 60% debt and 40% equity. The actual capital structure and finance costs for the Corporation may differ from the OEB deemed structure.

The Corporation is subject to debt agreements that contain various covenants. The Corporation's credit agreement with Royal Bank provides a revolving demand facility, letter of guarantee which is posted with the IESO as prudential support, and a long-term loan facility. These combined facilities are subject to a funded indebtedness debt to equity ratio of no more than 65%.

The Corporation has customary covenants typically associated with long-term debt. As at December 31, 2022 and December 31, 2021, the Corporation was in compliance with all with all credit agreement covenants and limitations associated with its long-term debt.

### 22. Financial instruments and risk management:

#### Fair value disclosure

The carrying values of accounts receivable, unbilled revenue, and the revolving term facility, accounts payable and accrued liabilities approximate their fair values due to the short maturity of these instruments. The fair values of customer deposits approximate their carrying amounts taking into account interest accrued on the outstanding balance. Cash is measured at fair value.

The swap agreements are measured at fair value, which is provided by a third-party, banking institution and is based on market rates at the date of the valuation. The valuation of the interest rate swaps resulted in an unrealized gain recorded on the statement of financial position at December 31, 2022 of \$784,886 (2021 - \$938,948 unrealized loss).

The fair value of the long-term borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The carrying amounts and fair values of the Corporation's long-term loans consist of the following:

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 22. Financial instruments and risk management (continued):

	2022	2021
<b>Carrying amounts:</b>		
Demand notes payable, 7.25%	\$15,600,000	\$15,600,000
Term Loan 2.93% maturing May 1, 2038 plus stamping fee of 0.42%	9,875,000	10,366,000
Term Loan 2.62% maturing November 25, 2025	665,476	882,194
<b>Total</b>	<b>\$26,140,476</b>	<b>\$26,848,194</b>

	2022	2021
<b>Fair values:</b>		
Demand notes payable valued based on current revolving credit facility rate of 3.95%	\$12,556,106	\$16,422,603
Term Loan 2.93 % plus stamping fee of 0.42% booked at market value	9,581,114	11,304,948
Term Loan 2.62% maturing November 25, 2025, booked at market interest rate of 2.95%	609,697	865,230
<b>Total</b>	<b>\$22,746,917</b>	<b>\$28,592,781</b>

### Financial risks

The following is a discussion of financial risks and related mitigation strategies that have been identified by the Corporation for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed. The Corporation's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

#### a) Credit risk

The Corporation is exposed to credit risk as a result of the risk of counterparties defaulting on their obligations. The Corporation's exposure to credit risk primarily relates to accounts receivable and unbilled revenue. The Corporation monitors and limits its exposure to credit risk on a continuous basis.

The Corporation's credit risk associated with accounts receivable and unbilled revenue is primarily related to electricity bill payments from electricity customers. The Corporation obtains security deposits from certain customers in accordance with direction provided by the OEB and as outlined in the Corporation's conditions of service. As of December 31, 2022, the Corporation held security deposits related to electricity receivables in the amount of \$957,164 (2021 - \$1,061,051).

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 22. Financial instruments and risk management (continued):

#### (a) Credit risk (continued)

As at December 31, 2022, there were no significant concentrations of credit risk with respect to any one customer. No single customer accounts for revenue in excess of 5% of total distribution revenue. The Corporation earns its revenue from a broad base of approximately 21,000 customers (2021 - 21,000 customers) located throughout its service territory.

The credit risk and mitigation strategies with respect to unbilled revenue are the same as for accounts receivable. The credit risk related to cash is mitigated by the Corporation's treasury policies on assessing and monitoring the credit exposures of counterparties.

Credit risk associated with electricity accounts receivable and unbilled revenue (electricity only) is as follows:

	2022	2021
Not more than 30 days	\$ 6,448,968	\$ 6,635,586
More than 30 but less than 90 days	405,840	295,071
More than 90 days	167,531	179,511
Less allowance for impairment	(173,017)	(178,684)
Unbilled revenue	4,783,498	5,230,771
	<b>\$ 11,632,820</b>	<b>\$12,162,255</b>

As at December 31, 2022, the Corporation's accounts receivable and unbilled revenue which were not past due or impaired were assessed by management to have no significant collection risk and no additional allowance for impairment was required for these balances.

Reconciliation between the opening and closing allowance for impairment is as follows:

	2022	2021
Balance, beginning of year	\$ 178,684	\$ 152,435
Provision for impairment	<b>53,870</b>	120,944
Write offs	(72,374)	(108,245)
Recoveries	12,837	13,550
<b>Balance, end of year</b>	<b>\$ 173,017</b>	<b>\$ 178,684</b>

Unbilled revenue represents amounts for which the Corporation has a contractual right to receive cash through future billings and are unbilled at year end. Unbilled revenue is considered current and no provision for impairment was established as at December 31, 2022 (2021 – nil).

#### (b) Interest rate risk

The Corporation is exposed to fluctuations in interest rates for the valuation of its employee future benefit obligations (note 12). The Corporation is also exposed to short-term interest rate risk on the net of cash position and short-term borrowings under its Revolving Credit Facility and customer deposits. The Corporation manages interest rate risk by monitoring its mix of fixed and floating rate instruments and taking action as necessary to maintain an appropriate balance.

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 22. Financial instruments and risk management (continued):

#### (b) Interest rate risk (continued)

As at December 31, 2022, aside from the valuation of its employee future benefit obligations, the Corporation was exposed to interest rate risk predominately from short-term borrowings under its revolving credit facility and customer deposits, while most of its remaining obligations were either non-interest bearing or bear fixed interest rates, and its financial assets were predominately short-term in nature and mostly non-interest bearing. The Corporation estimates that a 100 basis point increase in short-term interest rates, with all other variables held constant, would result in an increase of approximately \$61,266 (2021 - \$17,921) to annual finance costs. A decrease of 100 basis points would result in a reduction in financing costs of \$61,266 (2021 - \$17,921).

#### (c) Liquidity risk

The Corporation is exposed to liquidity risk related to its ability to fund its obligations as they become due. The Corporation monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and financial requirements. The Corporation has access to credit facilities and monitors cash balances daily. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing finance costs.

The Corporation has a revolving credit facility available of \$10,000,000 with a Canadian chartered bank. As at December 31, 2022, \$3,720,132 (2021 - \$17,428) was drawn on this facility.

As a purchaser of electricity through the Independent Electricity System Operator ("IESO"), the Corporation is required to provide security to minimize the risk of default based on its expected activity in the market. The IESO may draw on this security if the Corporation fails to make payment required by a default notice issue by the IESO. The Corporation has a \$3.6 million revolving term facility by way of a letter of guarantee with Royal Bank, of which \$3,095,139 (2021 - \$3,095,139) has been assigned to secure the prudential support required by the IESO.

The majority of accounts payable, as reported on the statement of financial position, is due within 30 days. Liquidity risks associated with financial commitments are as follows:

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 22. Financial instruments and risk management (continued):

Contractual cash flows, including interest, at year end are:

December 31, 2022					
	Carrying Amounts	Total	Due within 1 year	Due within 1 to 5 years	Due > 5 years
Revolving credit facility	\$ 3,741,355	\$ 3,741,355	\$ 3,741,355	\$ -	\$ -
Accounts payable and accrued liabilities	8,658,017	8,658,017	8,658,017	-	-
Due to City of Stratford	624,251	624,251	624,251	-	-
Demand notes payable	15,600,000	15,600,000	15,600,000	-	-
Term Loan 2.93 % plus stamping fee of 0.42%	9,875,000	12,645,318	828,224	3,308,138	8,508,956
Term Loan 2.62% maturing November 25, 2025	665,476	691,894	237,221	454,673	-
	\$ 39,164,099	\$ 41,960,835	\$ 29,689,068	\$ 3,762,811	\$ 8,508,956
December 31, 2021					
	Carrying Amounts	Total	Due within 1 year	Due within 1 to 5 years	Due > 5 years
Revolving credit facility	\$ 17,428	\$ 17,428	\$ 17,428	\$ -	\$ -
Accounts payable and accrued liabilities	9,902,642	9,902,642	9,902,642	-	-
Due to City of Stratford	625,460	625,460	625,460	-	-
Demand notes payable	15,600,000	15,600,000	15,600,000	-	-
Term Loan 2.93 % plus stamping fee of 0.42%	10,366,000	13,475,135	829,817	3,311,494	9,333,824
Term Loan 2.62% maturing November 25, 2025	882,194	929,115	237,221	691,894	-
	\$ 37,393,724	\$ 40,549,780	\$ 27,212,568	\$ 4,003,388	\$ 9,333,824

# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 23. Commitments and contingencies:

#### Operating leases

The Corporation entered into a non-cancellable operating lease for service centre space for a period of five years dated November 15, 2015. The contract is subject to an annual increase based on the Ontario Consumer Price Index. Minimum lease payments required are \$997 per month for 2022.

#### Connection and cost recovery agreement - St. Mary's transformer station

The Corporation and Hydro One Networks Inc. entered into a twenty-five-year capital cost recovery agreement ("CCRA") in September 2002 relating to Hydro One Networks Inc. building new feeder positions at the existing St. Mary's Transformer Station. Under the terms of the agreement, the Corporation has guaranteed new load growth which, if not met, would require the Corporation to provide a financial contribution toward the capital investment of the transformer station.

The CCRA has been trued-up effective July 5, 2013. Since load growth had fallen below a target amount, a cumulative contribution in the amount of \$550,200 has been paid to Hydro One Networks. This amount has been recorded as an intangible asset subject to 15-year amortization over the remaining life of the agreement. The agreement was subject to true up effective on the fifteenth year of the agreement in July 2018 however, this has not been completed by Hydro One Inc. It is possible that the Corporation may owe a further payment as a result of the agreement but an estimate of any amount owing is not possible at December 31, 2022 given the nature of the variables included in the calculation. The need for a contribution will be determined by Hydro One Networks Inc. based on actual new load growth.

#### Connection and cost recovery agreement-Stratford transformer station ("Festival Hydro MTS1")

The Corporation and Hydro One Networks Inc. entered into a twenty-five-year CCRA in November, 2012, relating to Hydro One Networks Inc. building a new 230kV line to connect Festival Hydro's MTS1 to Hydro One's 230kV circuit. Under the terms of the agreement, the Corporation has guaranteed new load growth which, if not met, would require the Corporation to provide a financial contribution toward the capital investment. The CCRA is trued-up (a) following the fifth and tenth anniversaries of the in-service date; and (b) following the fifteenth anniversary of the in-service date if the actual load is 20% higher or lower than the load forecast at the end of the tenth anniversary of the in-service date. The fifth anniversary of the in-service date was in November 2017. The need for a contribution will be determined by Hydro One Networks Inc. based on actual new load growth.

#### General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

#### General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the electrical utilities in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members on a pro-rata basis based on the total of their respective service revenues. It is anticipated that should such an assessment occur it would be funded over a period of up to 5 years. As at December 31, 2022, no assessments had been made.



# Festival Hydro Inc.

## Notes to the Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 24. Guarantee:

The Corporation has guaranteed the bank loan of QR Fibre, a company related through common ownership, to the extent of \$4,500,000. In addition, the Corporation has entered into a Guarantee Indemnification Agreement to ensure compliance with the Affiliation Relationships code for Electricity Distributors and Transmitters and mitigate its risk exposure. No amount has been recorded in these financial statements as the Corporation does not expect to have to honour its guarantee.

### 25. Subsequent event:

The shares of QR Fibre Inc. held under common control were sold on January 31, 2023 for proceeds of \$50,000. As of the date of sale, the Corporation is no longer obligated to honour the guarantee for the bank loan of QR Fibre.

### 26. Comparative figures:

Certain comparative figures have been restated to conform to the current year presentation.

## FESTIVAL HYDRO INC.

## Balance Sheet

For the period ending December 31, 2022

	YTD as at Dec 31, 2021	YTD Budget at Dec 31, 2022	YTD Proj. as at Dec 31, 2022	YTD Final Audited as at Dec 31, 2022		YTD as at Dec 31, 2021	YTD Budget at Dec 31, 2022	YTD Proj. as at Dec 31, 2022	YTD Final Audited as at Dec 31, 2022
<b>ASSETS</b>					<b>LIABILITIES</b>				
<b>Current Assets</b>					<b>Current Liabilities</b>				
Accounts Receivable	8,517,199	7,100,000	8,100,000	8,460,478	Bank Indebtedness	15,768	477,157	634,708	3,740,695
Inventory	163,445	200,000	200,000	177,526	Accounts Payable & Accrued Liabilities	10,920,398	10,300,000	10,100,000	9,663,091
Prepaid Expenses	357,282	450,000	450,000	230,441	Current Portion of Consumer Deposits	1,169,541	1,000,000	1,100,000	1,016,175
Due from FHSI	332,803	336,032	195,405	122,147	Current Portion of Long Term Loans	707,717	676,718	727,496	728,464
Corporate PILS Recoverable	356,057	—	—	511,562	Dividends Declared	500,556	—	235,645	248,269
Unbilled Revenue	5,230,771	6,500,000	6,000,000	4,783,498	Promissory Note	15,600,000	15,600,000	15,600,000	15,600,000
	<b>14,957,557</b>	<b>14,586,032</b>	<b>14,945,405</b>	<b>14,285,653</b>		<b>28,913,981</b>	<b>28,053,876</b>	<b>28,397,850</b>	<b>30,996,695</b>
<b>Property, Plant &amp; Equipment</b>	57,113,909	57,577,058	58,191,066	58,854,036	<b>Other Liabilities</b>				
<b>Other Assets</b>					Unrealized loss on interest rate swap	938,948	744,235	938,948	(784,886)
Intangible Assets	1,734,841	2,027,793	2,293,142	1,806,282	Deferred Revenue	2,648,087	2,064,554	2,781,764	2,914,627
Future payments in lieu of income taxes	(3,109,920)	(745,865)	(1,706,586)	(3,239,959)	Employee Future Benefits	1,361,643	1,451,944	1,361,643	1,009,878
Regulatory Assets	4,597,210	800,000	1,700,000	7,261,719	<b>Long Term Debt</b>				
					Consumer Deposits over one year	594,311	400,000	400,000	980,367
					RBC Loan - LT Portion	10,540,477	9,369,000	9,812,980	9,812,012
					Infrastructure Ontario Loan - LT Portion	—	—	—	—
					<b>TOTAL LIABILITIES</b>	<b>44,997,447</b>	<b>9,769,000</b>	<b>10,212,980</b>	<b>44,928,692</b>
					<b>EQUITY</b>				
					Share Capital - Common	9,468,388	9,468,388	9,468,388	9,468,388
					Share Capital - Preferred	6,100,000	6,100,000	6,100,000	6,100,000
					Retained Earnings	15,085,499	16,912,539	16,519,192	18,525,130
					Accumulated Other Comprehensive Income	(357,737)	(319,518)	(357,737)	(54,479)
					<b>TOTAL EQUITY</b>	<b>30,296,150</b>	<b>32,161,409</b>	<b>31,729,843</b>	<b>34,039,039</b>
<b>TOTAL ASSETS</b>	<b>75,293,597</b>	<b>74,245,018</b>	<b>75,423,027</b>	<b>78,967,731</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>75,293,597</b>	<b>74,245,018</b>	<b>75,423,027</b>	<b>78,967,731</b>

## FESTIVAL HYDRO INC.

# Income Statement

For the period ending December 31, 2022

	YTD as at Dec 31, 2021	YTD Budget at Dec 31, 2022	YTD Proj. as at Dec 31, 2022	YTD Final Audited as at Dec 31, 2022	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%	Cur to Proj. YTD Var\$
<b>REVENUE</b>							
Service Revenue	72,302,125	86,557,124	88,884,422	70,315,230	(16,241,894)	(19%)	(18,569,192)
Cost of Power	60,698,856	74,429,400	76,495,106	58,141,145	(16,288,255)	(22%)	(18,353,961)
<b>GROSS MARGIN (DISTRIBUTION REVENUE)</b>	<b>11,603,269</b>	<b>12,127,724</b>	<b>12,389,316</b>	<b>12,174,085</b>	<b>46,361</b>	<b>0%</b>	<b>(215,231)</b>
Other Operating Revenue	1,203,160	1,106,523	1,118,743	1,122,786	16,263	1%	4,043
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>							
Transformer & Distribution Station Expense	175,463	191,505	198,857	239,484	47,979	25%	40,627
Distribution Lines & Services Overhead	1,420,532	1,766,895	1,780,116	1,677,230	(89,665)	(5%)	(102,887)
U/G Distribution Lines & Services	244,173	210,164	229,466	254,396	44,232	21%	24,930
Distribution Transformers	97,568	78,956	90,392	81,251	2,294	3%	(9,141)
Distribution Meters	311,900	427,611	445,444	444,351	16,740	4%	(1,092)
Customer Premises	194,867	169,738	179,225	206,830	37,093	22%	27,605
<b>TOTAL OPERATING AND MAINTENANCE</b>	<b>2,444,502</b>	<b>2,844,869</b>	<b>2,923,500</b>	<b>2,903,543</b>	<b>58,673</b>	<b>2%</b>	<b>(19,957)</b>
<b>ADMINISTRATION</b>							
Billing, Collecting & Meter Reading	1,293,457	1,428,798	1,309,733	1,283,486	(145,313)	(10%)	(26,248)
Administration	2,406,903	2,925,464	2,777,959	2,694,580	(230,884)	(8%)	(83,379)
<b>TOTAL ADMINISTRATION</b>	<b>3,700,360</b>	<b>4,354,262</b>	<b>4,087,692</b>	<b>3,978,065</b>	<b>(376,196)</b>	<b>(9%)</b>	<b>(109,627)</b>
Allocated Depreciation	(130,048)	(126,030)	(120,672)	(122,564)	(3,466)	(3%)	—
<b>TOTAL CONTROLLABLE COST</b>	<b>6,014,814</b>	<b>7,073,102</b>	<b>6,890,520</b>	<b>6,759,045</b>	<b>(314,057)</b>	<b>(4%)</b>	<b>(131,476)</b>
<b>NET INCOME BEFORE DEP'N, INTEREST &amp; TAX</b>	<b>6,791,614</b>	<b>6,161,145</b>	<b>6,617,538</b>	<b>6,537,826</b>	<b>376,681</b>	<b>6%</b>	<b>(79,712)</b>
Depreciation	2,412,000	2,559,342	2,515,754	2,505,726	—	—	(10,028)
Interest Expense	1,617,799	1,544,141	1,681,185	1,655,362	111,222	7%	(25,823)
Interest Income	(33,164)	(33,000)	(33,000)	(82,058)	49,058	149%	(49,058)
<b>NET INCOME BEFORE SWAP, ICM &amp; PBA &amp; INC TAXES</b>	<b>2,794,979</b>	<b>2,090,663</b>	<b>2,453,600</b>	<b>2,458,796</b>	<b>368,133</b>	<b>18%</b>	<b>5,196</b>
Current Tax	326,430	208,000	393,933	104,400	(103,600)	(50%)	(289,533)
<b>NET INCOME BEFORE SWAP &amp; ICM</b>	<b>2,468,549</b>	<b>1,882,663</b>	<b>2,059,667</b>	<b>2,354,396</b>	<b>471,733</b>	<b>25%</b>	<b>294,729</b>
Unrealized Gain/Loss on Swap	(646,085)	—	—	(1,723,834)	(1,723,834)	—	(1,723,834)
Marketable Security - recorded as OCI	(80,606)	—	—	(303,258)	(303,258)	—	(303,258)
<b>NET INCOME</b>	<b>3,195,240</b>	<b>1,882,663</b>	<b>2,059,667</b>	<b>4,381,488</b>	<b>2,498,825</b>	<b>133%</b>	<b>2,321,821</b>

# FESTIVAL HYDRO INC.

## Cash Flow Statement For the period ending December 31, 2022

	YTD as at Dec 31, 2021	YTD Budget at Dec 31, 2022	YTD Proj. as at Dec 31, 2022	YTD Final Audited as at Dec 31, 2022
<b>Cash from Operations</b>				
Net Income	3,195,240	1,882,662	2,059,667	4,381,488
Depreciation	2,412,000	2,559,342	2,515,754	2,505,726
Amortization of deferred revenue in other revenue	(65,645)	(77,165)	(68,743)	(358,598)
Unrealized Gain on interest rate swap	(646,085)	—	—	(1,723,834)
Decrease/(Increase) in Receivables	(1,111,618)	1,000,000	417,199	(179,111)
Decrease/(Increase) in Inventory	9,168	—	(36,555)	(14,081)
Decrease/(Increase) in Prepaids	32,568	—	(92,718)	126,840
Decrease/(Increase) in Due from FHSI	294,268	126,696	137,398	210,656
Decrease/(Increase) in PILS	(178,120)	—	356,057	(155,505)
Decrease/(Increase) in Unbilled Revenues	1,140,450	—	(769,229)	447,273
Decrease/(Increase) in Future Tax (offsetting entry in payab	2,161,939	—	(1,403,334)	130,039
Decrease/(Increase) in Regulatory Assets	(3,330,007)	900,000	2,897,210	(2,664,508)
Increase/(Decrease) in Payables	1,322,917	500,000	(820,398)	(1,257,307)
Increase/(Decrease) in Deposits	269,859	—	(263,853)	232,689
Increase/(Decrease) in Employee Future Benefits	(131,274)	—	0	(351,765)
Contributed Capital	486,469	200,000	122,905	483,203
<b>Net Cash Provided</b>	<b>5,862,129</b>	<b>7,091,535</b>	<b>5,051,360</b>	<b>1,813,204</b>
<b>Cash from Financing</b>				
Loan Repayments	529,445	1,066,935	628,203	707,718
Cash Used - Capital Expenditures	3,865,723	3,730,830	4,151,212	3,939,526
Cash Used - TS expansion	—	—	—	—
TS Expansion Construction Loan Proceeds	—	—	—	—
Cash Used - Dividends paid current year	390,330	390,330	390,330	390,330
Cash Used - Dividends declared in prior year	115,211	—	500,556	500,556
<b>Net Cash Used</b>	<b>4,900,709</b>	<b>5,188,095</b>	<b>5,670,301</b>	<b>5,538,130</b>
<b>Increase (Decrease) in Cash Position</b>	<b>961,420</b>	<b>1,903,440</b>	<b>(618,941)</b>	<b>(3,724,926)</b>
<b>Bank Indebtedness, Beg of Period</b>	<b>(977,188)</b>	<b>(2,380,598)</b>	<b>(15,768)</b>	<b>(15,769)</b>
<b>Bank Indebtedness, End of Period</b>	<b>(15,769)</b>	<b>(477,158)</b>	<b>(634,709)</b>	<b>(3,740,695)</b>
<b>Bank and Line of Credit Analysis</b>	<b>2021</b>	<b>2022</b>		
High balance (YTD)	3,245,015	5,889,735		
Low Balance (YTD)	(4,904,523)	(8,463,958)		
Overdraft interest (annualized)	24,449	84,552		
Interest rate (avg annual for period)	2.45%	4.13%		
Average overdraft balance	997,918	2,046,185		

# FESTIVAL HYDRO INC.

## Statement of Capital For the period ending December 31, 2022

	YTD as at Dec 31, 2021	YTD Budget at Dec 31, 2022	YTD Proj. as at Dec 31, 2022	YTD Final Audited as at Dec 31, 2022	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%	Cur to Proj. YTD Var\$
<b>DISTRIBUTION</b>							
Distribution Overhead	846,828	1,367,514	1,098,104	919,529	(447,985)	(33%)	(178,575)
Underground Conductor and Devices	1,134,294	818,100	1,010,305	871,375	53,275	7%	(138,930)
Distribution Transformers	409,448	195,075	263,119	374,144	179,069	92%	111,025
Services	350,012	—	235,275	317,708	317,708	(100%)	82,433
Distribution Meters	99,550	387,149	327,000	397,955	10,806	3%	70,955
SCADA/Distribution Automation	11,881	55,000	35,000	33,563	(21,437)	(39%)	(1,437)
Tools and Miscellaneous Equipment	26,796	30,000	30,000	28,200	(1,800)	(6%)	(1,800)
<b>TOTAL DISTRIBUTION</b>	<b>2,878,808</b>	<b>2,852,838</b>	<b>2,998,803</b>	<b>2,942,474</b>	<b>89,636</b>	<b>3%</b>	<b>(56,329)</b>
<b>OTHER CAPITAL</b>							
Land and Buildings	485,903	274,692	309,108	365,904	91,212	33%	56,796
Transformer Station	143,417	139,000	217,000	86,263	(52,737)	(38%)	(130,737)
Vehicles and Trailers	16,511	210,000	68,000	68,635	(141,365)	(67%)	635
Computer Hardware and Software	341,084	454,300	558,301	254,790	(199,510)	(44%)	(303,511)
Work in Progress	—	—	(202,420)	221,461	221,461	100%	423,881
<b>TOTAL OTHER CAPITAL</b>	<b>986,915</b>	<b>1,077,992</b>	<b>949,989</b>	<b>997,052</b>	<b>(80,940)</b>	<b>(8%)</b>	<b>47,063</b>
<b>TOTAL CAPITAL</b>	<b>3,865,723</b>	<b>3,930,830</b>	<b>3,948,792</b>	<b>3,939,526</b>	<b>8,696</b>	<b>0%</b>	<b>(9,266)</b>

May 10, 2023

City of Stratford  
P.O Box 818  
1 Wellington Street  
Stratford, ON N5A 6W1

Dear City of Stratford Representative:

The following motion was made by the Festival Hydro Inc. board at the April 2023 board meeting:

**MOTION-** It was moved by B. Beatty and seconded by M. Ritsma that the Board recommend to the City of Stratford to declare a top-up Common Share dividend in the amount of \$248,269 for the year 2022, calculated in accordance with Festival Hydro's Dividend Policy, to be paid in Q2 of 2023.

**CARRIED**

If you have any questions or require any clarification, please do not hesitate to contact me.

Regards,



Jeff Graham P.Eng  
President & CEO  
Festival Hydro Inc

**To:** Mark Hunter and the Finance and Labour Relations Committee  
**From:** Alyson Conrad, CFO  
**Re:** Commentary on FHI Financial Results –  
 For the period ended March 31, 2023

Net income for the period is \$603K, which is \$76K above the YTD budget. Detailed commentary on the balance sheet and statement of operations are noted below:

**BALANCE SHEET COMMENTARY:**

**Accounts Receivable** – The accounts receivable balance is \$889K less than it was in March of 2022. This variance is the result of the following:

- Electric receivables are \$702K higher than March 2022, the majority of this being current balance i.e., not in arrears. However, we are seeing steady increases in past due balances, both in the quantity of accounts and value of accounts. Arrears balances have increased by \$107K compared to March 2022.
- Water and sewer receivables are \$115K higher than March 2022 with the majority being current balances. Water and sewer receivables are seeing a similar trend in increasing arrears. Past due balances have increased by \$66K compared to March 2022.
- Accounts receivables for recoverable work have decreased by \$289K compared to the prior year due larger deposits on hand for upcoming work that are offset in this account.
- OER settlement has decreased by \$1.365M compared to the prior year mainly because of a large drop in the OER rate from 17% to 11.7%.

Electric receivables are being continuously monitored due to the disconnection moratorium which will end on April 30, 2023. The customer service team continues to work diligently to attempt to collect arrears while being understanding and empathic to customers. Wherever possible, customer service representatives are making payment arrangements with customers.

**Due to/from FHSI** – The balance in this account has flipped from a receivable to a payable due to cash transactions related to the sale of investment shares.

**Unbilled Revenue** – This balance is \$838K higher than the balance in March of 2022 and \$1.96M higher than the balance at the end of 2022. The major difference is due to the change in cost of power. The cost of power including global adjustment has increased by 8% from March 2022 and has increased by 17% from December 2022.

**Regulatory Assets** – The regulatory asset balance has increased by \$328K since December 2022 and is driven virtually all by the variance in 1589 (Global Adjustment). The variance occurs due to GA being billed on the first estimate, and FHI being billed on actual. The difference remains in account 1589 until the next rate application. In the first three months of the year, GA rates have been 1-2 cents higher on the final rate compared to the first estimate.

**A/P and Accrued Liabilities** – This balance has decreased by \$1.7M from the March 2022 balance. A portion of this variance is due to a lower IESO invoice by \$500K and lower HST invoice by \$200K. The remaining differences are due to trade payables. In 2022 the A/P balance was higher than normal levels.

**Loan Advance** – In late March of 2023, FHI drew \$2.5M on the available SWAP loan of \$5M. This loan is considered short term until the loan becomes fixed loan at the end of 2024.

### **INCOME STATEMENT COMMENTARY**

**Gross Margin on Service Revenue (Distribution Revenue)** – The distribution revenue to the end of Q1 2023 is \$31K above budget. We are continuing to see steady residential customer growth, which accounts for the majority of the variance. Usage has remained relatively stable year-over-year.

**Other Revenue** – Other revenue is running \$8K above budget at the end of Q1. The increases are spread through many accounts so there is nothing significant to note. FHI is down compared to the prior year due to a larger than normal sale of scrap balance in Q1 of 2022.

**Controllable Costs** - Total controllable costs are \$20K less than budget to the end of Q1.

Operating and Maintenance expenses are up overall by \$71K compared to the budget. There were a few areas that FHI saw increased costs due to failed equipment. Oil testing was done at the transformer station that required additional contractor work for remediation. Underground cable testing identified some failed cable that required maintenance. Similarly, there has been an increase in failed meters which requires additional meter testing and meter reading to be completed.

Administration expenses are down overall by \$90K. The majority of this balance is due to the vacancy of the VP of IT position and EA position. In addition, many of the non-labour costs in this area occur later in the year.

**Interest Income and Expense** – Interest income and expense are both increasing due to the rising prime rates. Income is increasing substantially due to larger regulatory asset balances and the carrying charge rate going from .57% at the beginning on 2022 to the current rate of 4.73%.

### **CASH FLOW COMMENTARY**

As per the cash flow statement, the March 31 cash balance increased by \$1.2M since yearend. The majority of this is due to the draw on the swap loan in March of \$2.5M. Subsequently in April, FHI is seeing positive cash balances compared to earlier in the year.

### **LOAN COVENANT RATIOS**

The Loan Covenant as prescribed by our lender, RBC, is being met.

*Presented for information purposes.*



## FESTIVAL HYDRO INC.

## Balance Sheet

For the period ending March 31, 2023

	YTD as at Mar 31, 2022	YTD as at Dec 31, 2022	YTD as at Mar 31, 2023		YTD as at Mar 31, 2022	YTD as at Dec 31, 2022	YTD as at Mar 31, 2023
<b>ASSETS</b>				<b>LIABILITIES</b>			
<b>Current Assets</b>				<b>Current Liabilities</b>			
Accounts Receivable	7,428,686	8,460,478	6,539,384	Bank Indebtedness	(84,274)	3,740,695	2,542,785
Inventory	232,006	177,526	398,248	Accounts Payable & Accrued Liabilities	10,550,987	9,663,091	8,858,826
Prepaid Expenses	345,245	230,441	372,951	Current Portion of Consumer Deposits	1,087,245	1,016,175	947,048
Due from FHSI	292,981	122,147	—	Current Portion of Long Term Loans	533,068	728,464	548,393
Corporate PILS Recoverable	372,057	511,562	578,562	Dividends Declared	500,556	248,506	248,269
Unbilled Revenue	5,906,712	4,783,498	6,744,927	Promissory Note	15,600,000	15,600,000	15,600,000
				Loan Advance	—	—	2,500,000
				Due to FHSI	—	—	46,469
	<b>14,577,686</b>	<b>14,285,653</b>	<b>14,634,073</b>		<b>28,187,582</b>	<b>30,996,931</b>	<b>31,291,789</b>
<b>Property, Plant &amp; Equipment</b>	56,676,283	58,854,036	58,463,051	<b>Other Liabilities</b>			
				Unrealized loss on interest rate swap	938,948	(784,886)	(784,886)
<b>Other Assets</b>				Deferred Revenue	2,593,611	2,914,627	3,219,858
Intangible Assets	1,910,792	1,806,282	1,884,244	Employee Future Benefits	1,361,643	1,009,878	1,009,878
Future payments in lieu of income taxes	(3,109,920)	(3,239,959)	(3,239,959)				
Regulatory Assets	4,457,071	7,261,719	7,589,699	<b>Long Term Debt</b>			
				Consumer Deposits over one year	—	980,367	—
				RBC Loan - LT Portion	10,540,477	9,812,012	9,812,012
				Infrastructure Ontario Loan - LT Portion	—	—	—
				<b>TOTAL LIABILITIES</b>	<b>43,622,260</b>	<b>44,928,929</b>	<b>44,548,652</b>
				<b>EQUITY</b>			
				Share Capital - Common	9,468,388	9,468,388	9,468,388
				Share Capital - Preferred	6,100,000	6,100,000	6,100,000
				Retained Earnings	15,679,001	18,524,894	19,268,547
				Accumulated Other Comprehensive Income	(357,737)	(54,479)	(54,479)
				<b>TOTAL EQUITY</b>	<b>30,889,652</b>	<b>34,038,803</b>	<b>34,782,456</b>
<b>TOTAL ASSETS</b>	<b>74,511,912</b>	<b>78,967,731</b>	<b>79,331,108</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>74,511,912</b>	<b>78,967,731</b>	<b>79,331,108</b>

# FESTIVAL HYDRO INC.

## Income Statement

For the period ending March 31, 2023

	YTD as at Mar 31, 2022	YTD as at Mar 31, 2023	YTD Budget at Mar 31, 2023	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
<b>REVENUE</b>					
Service Revenue	20,422,860	19,546,732	22,703,049	(3,156,317)	(14%)
Cost of Power	17,311,419	16,221,849	19,409,211	(3,187,362)	(16%)
<b>GROSS MARGIN (DISTRIBUTION REVENUE)</b>	<b>3,111,441</b>	<b>3,324,883</b>	<b>3,293,838</b>	<b>31,045</b>	<b>1%</b>
Other Operating Revenue	311,117	287,431	278,599	8,832	3%
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
Transformer & Distribution Station Expense	40,517	116,732	84,413	32,319	38%
Distribution Lines & Services Overhead	531,411	450,914	447,339	3,575	1%
U/G Distribution Lines & Services	48,837	73,819	54,895	18,925	34%
Distribution Transformers	10,813	26,875	21,484	5,391	25%
Distribution Meters	104,506	128,880	107,980	20,899	19%
Customer Premises	40,448	45,054	55,565	(10,510)	(19%)
<b>TOTAL OPERATING AND MAINTENANCE</b>	<b>776,533</b>	<b>842,274</b>	<b>771,675</b>	<b>70,599</b>	<b>9%</b>
<b>ADMINISTRATION</b>					
Billing, Collecting & Meter Reading	345,935	324,902	350,272	(25,370)	(7%)
Administration	674,624	739,227	804,755	(65,528)	(8%)
<b>TOTAL ADMINISTRATION</b>	<b>1,020,559</b>	<b>1,064,129</b>	<b>1,155,027</b>	<b>(90,898)</b>	<b>(8%)</b>
Allocated Depreciation	(31,507)	(30,582)	(30,582)	(0)	0%
<b>TOTAL CONTROLLABLE COST</b>	<b>1,765,585</b>	<b>1,875,820</b>	<b>1,896,120</b>	<b>(20,300)</b>	<b>(1%)</b>
<b>NET INCOME BEFORE DEP'N, INTEREST &amp; TAX</b>	<b>1,656,973</b>	<b>1,736,494</b>	<b>1,676,318</b>	<b>60,176</b>	<b>4%</b>
Depreciation	639,836	671,472	671,472	(0)	(0%)
Interest Expense	380,091	472,295	399,259	73,036	18%
Interest Income	(8,455)	(70,690)	(8,250)	(62,440)	757%
<b>NET INCOME BEFORE SWAP, ICM &amp; PBA &amp; INC TAXES</b>	<b>645,502</b>	<b>663,418</b>	<b>613,837</b>	<b>49,581</b>	<b>8%</b>
Current Tax	52,000	60,000	86,500	(26,500)	(31%)
<b>NET INCOME BEFORE SWAP &amp; ICM</b>	<b>593,502</b>	<b>603,418</b>	<b>527,337</b>	<b>76,081</b>	<b>14%</b>
Unrealized Gain/Loss on Swap	—	—	—	—	—
Marketable Security - recorded as OCI	—	—	—	—	—
<b>NET INCOME</b>	<b>593,502</b>	<b>603,418</b>	<b>527,337</b>	<b>76,081</b>	<b>14%</b>

# FESTIVAL HYDRO INC.

## Cash Flow Statement

For the period ending March 31, 2023

	YTD as at Dec 31, 2022	YTD as at Mar 31, 2023
<b>Cash from Operations</b>		
Net Income	4,381,488	603,418
Depreciation	2,505,726	671,472
Amortization of deferred revenue in other revenue	(358,598)	305,231
Unrealized loss on interest rate swap	(1,723,834)	—
Decrease/(Increase) in Receivables	(179,111)	2,061,094
Decrease/(Increase) in Inventory	(14,081)	(220,722)
Decrease/(Increase) in Prepaids	126,840	(142,510)
Decrease/(Increase) in Due from FHSI	210,656	168,616
Decrease/(Increase) in PILS	(155,505)	(67,000)
Decrease/(Increase) in Unbilled Revenues	447,273	(1,961,429)
Decrease/(Increase) in Future Tax (offsetting entry in payat	130,039	—
Decrease/(Increase) in Regulatory Assets	(2,664,508)	(327,981)
Increase/(Decrease) in Payables	(1,257,307)	(804,265)
Increase/(Decrease) in Deposits	232,689	(1,049,494)
Increase/(Decrease) in Employee Future Benefits	(351,765)	—
Contributed Capital	483,203	283,621
<b>Net Cash Provided</b>	<b>1,813,204</b>	<b>(479,950)</b>
<b>Cash from Financing</b>		
Loan Repayments	707,718	180,071
Loan Advance	0	(2,500,000)
Cash Used - Capital Expenditures	3,939,526	642,068
Cash Used - Dividends paid current year	390,330	—
Cash Used - Dividends declared in prior year	500,556	—
<b>Net Cash Used</b>	<b>5,538,130</b>	<b>(1,677,860)</b>
<b>Increase (Decrease) in Cash Position</b>	<b>(3,724,926)</b>	<b>1,197,910</b>
<b>Bank Indebtedness, Beg of Period</b>	<b>(15,769)</b>	<b>(3,740,695)</b>
<b>Bank Indebtedness, End of Period</b>	<b>(3,740,695)</b>	<b>(2,542,785)</b>
<b>Bank and Line of Credit Analysis</b>	<b>2022</b>	<b>2023</b>
High balance (YTD)	5,889,735	1,769,494
Low Balance (YTD)	(8,463,958)	(6,140,288)
Overdraft interest (annualized)	84,552	265,429
<b>Interest rate (avg annual for period)</b>	<b>4.13%</b>	<b>6.75%</b>
<b>Average overdraft balance</b>	<b>2,046,185</b>	<b>3,932,283</b>

Key Financial Ratios:	Actual Ratio	Required Ratio
RBC Compliance Ratio - Funded Debt to Total Capital	0.46	Less than 0.65
Debt to Equity Test	28:72	Less than 75:25
Debt Service Ratio	2.14	Not less than 1.30X

# FESTIVAL HYDRO INC.

## Statement of Capital For the period ending March 31, 2023

	YTD as at Mar 31, 2022	YTD as at Mar 31, 2023	YTD Budget at Mar 31, 2023	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
<b>DISTRIBUTION</b>					
Distribution Overhead	205,166	210,112	272,588	(62,475)	(23%)
Underground Conductor and Devices	41,534	63,603	293,488	(229,885)	(78%)
Distribution Transformers	101,034	91,269	78,750	12,519	16%
Services	90,687	34,819	48,750	(13,931)	(100%)
Distribution Meters	63,227	24,543	83,750	(59,207)	(71%)
SCADA/Distribution Automation	—	25,703	18,750	6,953	37%
Tools and Miscellaneous Equipment	2,424	6,067	7,500	(1,433)	(19%)
<b>TOTAL DISTRIBUTION</b>	<b>504,071</b>	<b>456,116</b>	<b>803,575</b>	<b>(347,459)</b>	<b>(43%)</b>
<b>OTHER CAPITAL</b>					
Land and Buildings	16,194	29,465	229,500	(200,035)	(87%)
Transformer Station	6,015	1,374	41,250	(39,876)	(97%)
Vehicles and Trailers	—	—	18,750	(18,750)	(100%)
Computer Hardware and Software	281,369	155,113	160,444	(5,331)	(3%)
<b>TOTAL OTHER CAPITAL</b>	<b>303,578</b>	<b>185,952</b>	<b>449,944</b>	<b>(263,992)</b>	<b>(59%)</b>
<b>TOTAL CAPITAL</b>	<b>807,649</b>	<b>642,068</b>	<b>1,253,519</b>	<b>(611,451)</b>	<b>(49%)</b>



## **Financial Statements**

Prepared For:

Finance & Labour Relations Sub-Committee

June 2023

**To:** Mark Hunter and the Finance and Labour Relations Committee  
**From:** Alyson Conrad, CFO  
**Re:** Commentary on FHSI Financial Results –  
 For the year ended December 31, 2022

**Balance Sheet Commentary:**

**Capital asset additions:** Additions to the end of 2022 are \$120K, or 76% of budget. Details on the capital spend to date are as noted below:

**Computer Hardware/Software:** Total hardware/software spend for 2022 is \$76K which is \$29K under budget. A large portion of this was for new servers that were completed in Q1 and backup servers that were purchased in Q4. There were a few projects that have been deferred to 2023 due to time constraints or assets not yet reaching end of useful life. The servers purchased in Q4 came in \$2.5K under budget. The remaining variance from projection was an error in allocation of one project that should have been included in Wi-Fi capital instead of Computer hardware totaling \$6K.

**WIFI Capital:** Total capital WIFI spend for 2022 is \$14K which is \$7K over budget. There was limited work completed in the year under Wi-Fi capital. There is a variance from projection due to the allocation error noted above. This purchase was for a spare part for critical Wi-Fi equipment.

**Fibre Capital:** Total spend on fibre capital for 2022 was \$29K which was under budget by \$12K. The main fibre project in St. Mary's was budgeted in 2021 but was partially completed in 2022 with the remaining portion of the project to be completed in Q1 of 2023. There was also a large rebuild projection completed at Romeo/Frederick which came in approximately \$3.5K under budget.

**Due from QR Fibre:** In 2022 QR Fibre needed to borrow funds from its shareholders to cover the construction loan principal repayments. FHSI's portion was \$49.5K.

**Due to FHI:** The balance due to FHI is \$122K. The \$73K under projections is a result of less capital spend compared to projections and additional work completed by FHSI staff for FHI in the latter part of the year.

**Deferred Revenue and Long-Term Debt:** Deferred revenue increased compared to projection due to an additional cheque being received in Q4 for the DSRC (Dedicated Short Range Communication) project that was completed in 2020. This amount will be brought into revenue over the life of the asset. Long-term debt balances are as projected based on the loan and depreciation schedules.

**Income Statement Commentary:**

The net income for the period is \$58K, which is \$16K ahead of budget.

**Revenues:** Revenues are \$40K below budget and \$71K ahead of the projections.

The two main areas where there are changes from projections are in Wi-Fi revenues and consulting revenue. ISP revenue was higher than projections by \$11K due to additional funds received for the DSRC project. This revenue was included in deferred revenue and amortized over the life of the corresponding assets. In addition, consulting revenue was higher than projections by \$58K due to a review and adjustment of the rates charged to FHI for FHSI staff.

**Operating Expenses:** Operating expenses are \$59K below budget and \$57K above projections. The \$57K above projections is driven by business development costs being \$68K higher than expected. The main reason was due to a formula error in the labour projection file which did not account for some employee's labour in Q4 (\$40K). The remainder of the variance is due to a low benefit projection which came in higher to the end of the year (\$20K). This is offset by Wi-Fi and fibre maintenance being lower than projection by \$7K and \$6K respectively. There is a portion of the asset management project that was not complete by the end of the year and therefore will be expensed in early 2023.

**Current and Future Income Tax:** A combined \$22K expense at the end of 2022 is made up of \$18K of current tax owing and \$4K in future taxes. The projections only included a net balance of \$18K. The difference being a better than anticipated net income.

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Financial Statements of

**FESTIVAL HYDRO SERVICES INC.**

And Independent Auditors' Report thereon

Year ended December 31, 2022





KPMG LLP  
 140 Fullarton Street, Suite 1400  
 London ON N6A 5P2  
 Canada  
 Tel 519 672-4880  
 Fax 519 672-5684

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Festival Hydro Services Inc.

### ***Opinion***

We have audited the accompanying financial statements of Festival Hydro Services Inc., which comprise:

- the statement of financial position as at December 31, 2022
- the statement of profit or loss and other comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Festival Hydro Services Inc. as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of Festival Hydro Services Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Festival Hydro Service Inc.'s financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 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.



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- 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 Festival Hydro Services' 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 Festival Hydro Services' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Festival Hydro Services Inc. to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 28, 2023

**FESTIVAL HYDRO SERVICES INC.**

## Statements of Financial Position

December 31, 2022, with comparative information for December 31, 2021

	Note	2022	2021
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 6,340	\$ 9,016
Accounts receivable		40,088	59,956
Inventory	5	7,617	7,617
Other assets		124	2,258
Income tax receivable		-	-
<b>Total current assets</b>		<b>54,169</b>	<b>78,847</b>
<b>Non-current assets</b>			
Plant and equipment	6	2,840,389	3,078,178
Intangible assets	7	21,219	29,990
Due from QR Fibre Inc.		49,500	-
<b>Total non-current assets</b>		<b>2,911,108</b>	<b>3,108,168</b>
<b>Total assets</b>		<b>\$ 2,965,277</b>	<b>\$ 3,187,015</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 56,021	\$ 33,211
Due to Festival Hydro Inc.	15	122,147	332,803
Current portion of long-term debt	9	415,324	414,508
Deferred revenue	9	107,374	103,465
Income tax payable		22,299	28,000
<b>Total current liabilities</b>		<b>723,165</b>	<b>911,987</b>
<b>Non-current liabilities</b>			
Long-term debt	9	277,981	321,305
Deferred revenue	9	442,786	494,000
Deferred tax liabilities, net	8	247,000	243,000
<b>Total non-current liabilities</b>		<b>967,767</b>	<b>1,058,305</b>
<b>Total liabilities</b>		<b>1,690,932</b>	<b>1,970,292</b>
<b>Equity</b>			
Share capital	10	249,235	249,235
Retained earnings		1,025,110	967,488
<b>Total equity</b>		<b>1,274,345</b>	<b>1,216,723</b>
<b>Total liabilities and equity</b>		<b>\$ 2,965,277</b>	<b>\$ 3,187,015</b>

Guarantee (note 17)


Subsequent event (note 19)

See accompanying notes to the financial statements.

On behalf of the Board:



Director



Director

**FESTIVAL HYDRO SERVICES INC.**

## Statement of Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021

	Note	2022	2021
<b>Revenue</b>	11	\$ 1,371,519	\$ 1,336,141
<b>Operating expenses</b>			
Employee salaries and benefits	12	463,684	393,453
Operating expenses	13	417,695	381,916
Depreciation and amortization	6, 7	366,553	362,439
		1,247,932	1,137,808
<b>Income from operating activities</b>		123,587	198,333
Finance income	14	36	198
Finance costs	14	44,001	49,420
<b>Income before income taxes</b>		79,622	149,111
Income tax expense	8	22,000	39,000
<b>Net income and comprehensive income</b>		\$ 57,622	\$ 110,111

See accompanying notes to financial statements.

**FESTIVAL HYDRO SERVICES INC.**

## Statement of Changes in Equity

Year ended December 31, 2022, with comparative information for 2021

	Share capital	Retained earnings	Total
<b>Balance at January 1, 2021</b>	\$ 249,235	\$ 857,377	\$1,106,612
Net income and comprehensive income	-	110,111	110,111
<b>Balance at December 31, 2021</b>	\$ 249,235	\$ 967,488	\$ 1,216,723
<b>Balance at January 1, 2022</b>	\$ 249,235	\$ 967,488	\$1,216,723
Net income and comprehensive income	-	57,622	57,622
<b>Balance at December 31, 2022</b>	\$ 249,235	\$1,025,110	\$1,274,345

See accompanying notes to the financial statements.

# FESTIVAL HYDRO SERVICES INC.

## Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
<b>Operating activities:</b>		
Net income and comprehensive income	\$ 57,622	\$ 110,111
Adjustments for:		
Depreciation and amortization	366,553	362,439
Amortization of deferred revenue	(84,651)	(90,135)
Net finance costs	43,965	49,222
Income tax expense	4,000	5,000
Remeasurement of debt	(5,239)	(7,786)
Changes in non-cash operating working capital		
Accounts receivable	19,868	(2,312)
Inventory	-	156
Other assets	2,134	570
Due from QR Fibre Inc.	(49,500)	-
Income tax payable	(5,701)	28,000
Investment tax credit receivable	-	6,000
Accounts payable and accrued liabilities	22,810	196
Due to Festival Hydro Inc.	(221,518)	(307,980)
Interest paid	(27,900)	(27,922)
Interest received	36	198
	122,479	125,757
<b>Financing activities:</b>		
Repayment of long-term debt	(42,508)	(41,707)
Deferred revenue received	37,346	-
	(5,162)	(41,707)
<b>Investing activities:</b>		
Purchase of plant and equipment	(119,993)	(57,492)
Purchase of intangible asset	-	(27,071)
	(119,993)	(84,563)
Decrease in cash	(2,676)	(513)
Cash, beginning of year	9,016	9,529
Cash, end of year	\$ 6,340	\$ 9,016

See accompanying notes to financial statements.

## **FESTIVAL HYDRO SERVICES INC.**

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### **1. Reporting entity:**

Festival Hydro Services Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) pursuant to Section 142 of the Electricity Act 1998 on July 11, 2000. The Corporation of the City of Stratford (the "City") passed a bylaw pursuant to Section 145 of the Electricity Act 1998 transferring certain assets and liabilities used in connection with water heaters, sentinel lights, and other energy services and telecommunications from the Stratford Public Utility Commission – Electric Departments. In exchange for these assets the City received a promissory note and common shares. The Company also maintains a 45% ownership share in QR Fibre Inc. QR Fibre Inc., operates a telecommunications business under the regulation of the Canadian Radio-television and Telecommunications commission (CRTC). The investment in QR Fibre Inc is accounted for using the equity method. The Company is located in the City of Stratford. The address of the Company's registered office is 187 Erie Street, Stratford, Ontario N5A 2M6.

Festival Hydro Services Inc. is a telecommunications company that rents dark fibre and sentinel lights and is an internet service provider that focuses on lit fibre services as well as wireless services for its customers.

The financial statements are for the Company as at and for the year ended December 31, 2022.

### **2. Basis of presentation:**

#### **(a) Statement of compliance:**

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

#### **(b) Approval of the financial statements:**

The financial statements were approved by the Board of Directors on April 27, 2023.

#### **(c) Basis of measurement:**

The financial statements have been prepared on the historical cost basis except for the following:

- (i) Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value.
- (ii) Contributed assets are measured at fair value upon initial recognition.

The methods used to measure fair values are discussed further in note 3 (c) and note 16.

#### **(d) Functional and presentation currency:**

These financial statements are presented in Canadian dollars, which is the Company's functional currency.



## **FESTIVAL HYDRO SERVICES INC.**

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### **2. Basis of presentation (continued):**

#### **(e) Use of estimates and judgements:**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about areas of estimation uncertainty and critical judgements in applying accounting policies that have an effect on the amounts recognized in these financial statements is included in the following notes:

- (i) Note 6 – Plant and equipment: useful lives and the identification of significant components of property, plant and equipment.
- (ii) Note 7 – Intangible assets.

### **3. Significant accounting policies:**

The accounting policies set out below have been applied consistently to all years presented in these financial statements in accordance with IFRS.

#### **(a) Financial instruments:**

All financial assets are classified as loans and receivables. All financial liabilities are classified as other financial liabilities. These financial instruments are recognized initially at fair value adjusted for any directly attributable transaction costs.

Loans and receivables and other financial liabilities are subsequently measured at amortized cost using the effective interest method less any impairment for the financial assets.

The Company does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

#### **(b) Inventory:**

Inventory is stated at lower of cost and net realizable value and consists of maintenance materials and supplies. Cost is determined on a weighted average basis. The cost of inventory includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing it to its existing location and condition.

## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 3. Significant accounting policies (continued):

#### (c) Plant and equipment:

Items of plant and equipment are measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of twelve months to construct.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The cost of replacing part of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of plant and equipment.

The estimated useful lives for the current and comparative years are as follows:

Fibre optics	25 years
WiFi assets	7 years
Computer hardware	5 years
Sentinel lights	10 years
Furniture and fixtures	10 years
Buildings	30 years

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognized within other income or operating expenses in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 3. Significant accounting policies (continued):

#### (d) Intangible asset:

Computer software that is acquired or developed by the Company, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative years are:

Computer software	5 years
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Amortization methods and useful lives of all intangible assets are reviewed at each reporting date.

#### (e) Impairment:

##### (i) Financial assets measured at amortized cost.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

##### (ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## **FESTIVAL HYDRO SERVICES INC.**

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### **3. Significant accounting policies (continued):**

(f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(g) Revenue:

Monthly fees in connection with fibre optic, sentinel light, WiFi services, rental revenue, and consulting revenue are recognized as the services are rendered to customers.

Deferred revenue relating to contributions under a cost share agreement is amortized to income on a straight-line basis over the term of the agreement with the customer which represents the period of ongoing service to the customer.

(h) Deferred revenue and assets transferred from customers:

Certain partners are required to contribute towards the capital cost of fibre connections as part of a revenue/cost sharing agreement. Cash contributions are recorded as current liabilities. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue.

The deferred revenue amount represents the Company's obligation to continue to provide the customers access to the fibre services and is amortized to income on a straight-line basis over the term of the agreement with the customer.

(i) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash. Finance costs comprise interest expense on borrowings.

## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 3. Significant accounting policies (continued):

#### (j) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes ("PIL"s) are referred to as income taxes.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 3. Significant accounting policies (continued):

#### (k) Investments measured using equity method:

The Company uses the equity method as a basis of accounting for investments in companies over which it exercises significant influence or joint control. Under the equity method, the Company records these investments initially at cost and the carrying values are adjusted thereafter to include the Company's pro rata share of post-acquisition earnings of the investees, computed by the consolidation method. The adjustments are included in the determination of net income by the Company, and the investment accounts of the Company are also increased or decreased to reflect the Company's share of capital transactions (including amounts recognized in other comprehensive income). Profit distributions received from investees reduce the carrying values of the investments. Unrealized intercompany gains or losses are eliminated.

The Company's determination of significant influence is based on consideration of voting interest in the investees along with other indicators such as representation on the board of directors, participation in policy-making processes, material intercompany transactions, interchange of managerial personnel or provision of technical information. The Company uses the equity method to account for its 45% interest in QR Fibre Inc.

### 4. Standards issued but not yet adopted:

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. These standards or amendments relate to the measurement and disclosure of financial assets and liabilities. The extent of the impact on adoption of these standards and amendments has not yet been determined.

- i. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
  - ii. Definition of Accounting Estimates (Amendments to IAS 8)
  - iii. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- i. Classification of Liabilities as Current or Non-current (Amendments to IAS 1):

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On July 15, 2020 the IASB issued an amendment to defer the effective date by one year. The amendments are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted.

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option.

## **FESTIVAL HYDRO SERVICES INC.**

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### **4. Standards issued but not yet adopted (continued):**

The amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty, and when classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognized as equity.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2023. The extent of the impact of adoption of the standard has not yet been determined.

#### **ii. Definition of Accounting Estimates (Amendments to IAS 8):**

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2023. The extent of the impact of adoption of the standard has not yet been determined.

#### **iii. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2):**

On February 12, 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

The amendments help companies provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Company intends to adopt this standard in its financial statements for the annual period beginning January 1, 2023. The Company does not expect this standard to have a material impact on the financial statements.

### **5. Inventory:**

The amount of inventory consumed by the Company and recognized as an expense during 2022 was \$0 (2021 - \$156).

## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 6. Plant and equipment:

Cost	Fibre optics	WiFi assets	Computer hardware	Sentinel lights	Buildings and office furniture	Total
Balance at January 1, 2021	\$3,058,680	\$826,939	\$945,787	\$10,970	\$523,171	\$5,365,547
Additions	19,996	26,307	9,407	-	1,782	57,492
Disposals/retirements	-	(104,854)	(450)	(3,635)	(4,125)	(113,064)
Balance at December 31, 2021	\$3,078,676	\$748,392	\$954,744	\$7,335	\$520,828	\$5,309,975
Balance at January 1, 2022	\$3,078,676	\$748,392	\$954,744	\$7,335	\$520,828	\$5,309,975
Additions	28,612	14,484	75,986	-	911	119,993
Disposals/retirements	-	(14,584)	-	(2,182)	-	(16,766)
Balance at December 31, 2022	\$3,107,288	\$748,292	\$1,030,730	\$5,153	\$521,739	\$5,413,202
<b>Accumulated depreciation</b>						
Balance at January 1, 2021	\$1,405,178	\$404,551	\$130,336	\$5,759	\$44,078	\$1,989,902
Depreciation	122,747	101,859	111,618	1,275	17,460	354,959
Disposals/retirements	-	(104,854)	(450)	(3,635)	(4,125)	(113,064)
Balance at December 31, 2021	\$1,527,925	\$401,556	\$241,504	\$3,399	\$57,413	\$2,231,797
Balance at January 1, 2022	\$1,527,925	\$401,556	\$241,504	\$3,399	\$57,413	\$2,231,797
Depreciation	123,147	96,241	120,112	984	17,298	357,782
Disposals/retirements	-	(14,584)	-	(2,182)	-	(16,766)
Balance at December 31, 2022	\$1,651,072	\$483,213	\$361,616	\$2,201	\$74,711	\$2,572,813
<b>Carrying amounts</b>						
December 31, 2021	\$1,550,751	\$346,836	\$713,240	\$3,936	\$463,415	\$3,078,178
December 31, 2022	\$1,456,216	\$265,079	\$669,114	\$2,952	\$447,028	\$2,840,389

### Borrowing costs:

During the year there were no borrowing costs capitalized as part of the cost of plant and equipment (2021 – \$nil).



## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 7. Intangible assets:

	Computer software
<b>Cost</b>	
Balance at January 1, 2021	\$28,848
Additions	27,071
Disposals/retirements	(3,200)
Balance at December 31, 2021	<u>\$52,719</u>
Balance at January 1, 2022	\$52,719
Additions	-
Disposals/retirements	(10,974)
Balance at December 31, 2022	<u>\$41,745</u>
<b>Accumulated amortization</b>	
Balance at January 1, 2021	\$18,447
Amortization	7,482
Disposals/retirements	(3,200)
Balance at December 31, 2021	<u>\$22,729</u>
Balance at January 1, 2022	\$22,729
Amortization	8,771
Disposals/retirements	(10,974)
Balance at December 31, 2022	<u>\$20,526</u>
<b>Carrying amounts</b>	
December 31, 2021	\$ 29,990
December 31, 2022	<u>21,219</u>

**FESTIVAL HYDRO SERVICES INC.**

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

**8. Income taxes:**

	<b>2022</b>	<b>2021</b>
Current Tax Expense	\$ 18,000	\$ 34,000
Deferred tax expense:		
Origination and reversal of temporary differences	4,000	5,000
<b>Total income tax expense</b>	<b>\$ 22,000</b>	<b>\$ 39,000</b>
	<b>2022</b>	<b>2021</b>
Basic rate applied to profit before income tax 26.5% (2021 - 26.5%)	\$ 21,000	\$ 39,000
Other	1,000	-
	<b>\$ 22,000</b>	<b>\$ 39,000</b>

Significant components of the Company's deferred tax balances are as follows:

	<b>2022</b>	<b>2021</b>
Deferred tax liabilities		
Plant and equipment	\$ (241,000)	\$ 235,000)
SR&ED pool, ITC & CMT credit claimed	(1,000)	(1,000)
Other	(5,000)	(7,000)
		<b>(7,000)</b>
Deferred tax liability	<b>\$ (247,000)</b>	<b>\$ (243,000)</b>

## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 9. Long-term debt:

	2022	2021
Demand note payable to shareholder, bearing interest at 7.5% per annum with interest payments only, due on demand, unsecured	\$372,000	\$372,000
Fixed rate loan, bearing an interest rate of 1.92%, quarterly instalments of \$12,373, term ending December 31, 2029	321,305	363,813
	<hr/> \$693,305	<hr/> \$735,813
Less: current portion	415,324	414,508
Long-term debt	<hr/> \$277,981	<hr/> \$321,305

The Company incurred interest expense in respect of these lending arrangements of \$33,139 (2021 – \$35,685).

### Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Current and long- term debt	Current and long- term deferred revenue	Total (financing cash flows)
Balance at January 1, 2022	\$735,813	\$597,465	\$1,333,278
Deferred revenue received	-	37,346	37,346
Repayments of long-term debt	(42,508)	-	(42,508)
<b>Total changes from financing cash flows</b>	<b>\$(42,508)</b>	<b>\$37,346</b>	<b>\$(5,162)</b>
Amortization of deferred revenue	-	(84,651)	(84,651)
Balance at December 31, 2022	\$693,305	\$550,160	\$1,243,465

## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 10. Share capital:

	2022	2021
Authorized:		
Unlimited Class A special shares		
Unlimited Class B special shares		
Unlimited common shares		
Issued:		
3,382 common shares (2021 - 3,382)	\$ 249,235	\$ 249,235

### 11. Revenue:

	2022	2021
Fibre optics	\$ 657,128	\$ 706,776
Consulting revenue	311,179	225,215
WiFi services	271,642	271,952
Fibre room rental service	121,414	121,765
Sentinel light fixture rentals	10,156	10,433
	<u>\$ 1,371,519</u>	<u>\$ 1,336,141</u>

Included in fibre optic services is the amortization of deferred revenue in the amount of \$71,626 (2021 - \$72,698). Included in Wifi services is the amortization of deferred revenue in the amount of \$13,025 (2021 - \$17,437).

### 12. Employee salaries and benefits:

	2022	2021
Salaries, wages and benefits	\$ 427,669	\$ 359,950
CPP and EI remittances	24,501	23,023
Group RRSP contributions	14,514	10,480
	<u>\$ 466,684</u>	<u>\$ 393,453</u>

### 13. Operating expenses:

	2022	2021
Administrative expenses	\$ 127,731	\$ 112,415
WiFi maintenance	131,822	132,795
Fibre optics maintenance	156,168	135,743
Sentinel lights maintenance	1,974	963
	<u>\$ 417,695</u>	<u>\$ 381,916</u>

## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

### 14. Finance income and expense:

	2022	2021
<b>Finance income</b>		
Interest income on bank deposits	\$ 36	\$ 198
<b>Finance costs</b>		
Interest expense on long-term debt	\$ 33,139	\$ 35,685
Interest expense on loans with subsidiaries of the City	10,862	13,712
Interest expense on other financial liabilities	-	23
	<u>\$ 44,001</u>	<u>\$ 49,420</u>
Net finance costs recognized in profit or loss	<u>\$ 43,965</u>	<u>\$ 49,222</u>

### 15. Related party transactions:

(a) Parent and ultimate controlling party:

The sole shareholder and ultimate parent of the Company is the City of Stratford ("City"). The City produces financial statements that are available for public use.

(b) Key management personnel:

The key management personnel of the Company have been defined as members of its Board of Directors and executive management team members. Executive management are paid under an administrative services agreement with Festival Hydro Inc., a company under common control by the City.

	2022	2021
Directors fees	\$ 12,719	\$ 15,351
Management fee	64,851	57,518
	<u>\$ 77,570</u>	<u>\$ 72,869</u>

## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 15. Related party transactions (continued):

(c) Transactions with parent:

The table below summarizes the Company's related party transactions, recorded at the exchange amounts, with the parent, the City of Stratford, for the year ended December 31. The transactions include the sale of fibre and WiFi services to the City as well as payment of joint pole charges for attachments on City owned poles as well as interest expense on amounts owed to the City.

	2022	2021
<b>Revenue</b>		
Fibre services	\$ 60,800	\$ 49,856
WiFi services	2,993	4,296
	<u>\$ 63,793</u>	<u>\$ 54,152</u>
<b>Expenses</b>		
Joint pole attachments on streetlights	\$ 178	\$ 178
Interest	27,900	27,900
	<u>\$ 28,078</u>	<u>\$ 28,078</u>

At December 31, 2022, the balance outstanding from the City was \$5,780 which has been recorded net of the intercompany loan from Festival Hydro Inc. who collects these receivables on the Company's behalf (2021 – \$4,105).

(d) Transactions with subsidiaries of the City:

Festival Hydro Inc. performs all of the administrative functions for the Company. Most expenses are paid and revenue received through Festival Hydro Inc. according to a service level agreement, effective September 1, 2012. At December 31, 2022, the balance owing to Festival Hydro Inc. was \$122,147 (2021 - \$332,803), net of the \$5,780 (2021 - \$4,105) owed to the Company by the City of Stratford.

Festival Hydro Inc. charges interest on the balance owing from the Company at an interest rate equivalent to the Bank of Canada prime rate of 6.45% at December 31, 2022 (2021 – 2.70%) as per the revised loan agreement, effective September 1, 2022. The loan is repayable on demand and no later than November 1, 2027.

## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 15. Related party transactions (continued):

(d) Transactions with subsidiaries of the City (continued):

The Company had the following transactions with subsidiaries of the City:

	2021	2021
<b>Revenue</b>		
Consulting services	\$ 273,165	\$ 128,117
WiFi services	124,000	124,000
Fibre services	30,148	30,148
	<u>\$ 427,313</u>	<u>\$ 282,265</u>
<b>Expenses</b>		
Water operations	\$ 75,120	\$ 73,410
Management fee	64,851	57,518
Joint pole attachments on hydro poles	55,308	71,311
Office and room rental	1,470	1,225
Operational services	33,397	40,872
Interest	10,862	13,712
Electricity charges	28,689	25,687
	<u>\$ 269,697</u>	<u>\$ 283,735</u>

## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 16. Financial instruments and risk management:

#### Fair value disclosure:

The carrying values of cash, accounts receivable, due to Festival Hydro Inc. and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

The fair value of the City demand note at December 31, 2022 is \$341,901 (2021 - \$502,474). The fair value is calculated based on the present value of future interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2022 was 6.45% on the City demand note (2021 – 2.70%)

The fair value of the non-interest-bearing loan debt agreement with Wightman at December 31, 2022 is calculated based on the present value of future principal and interest cash flows, discounted at the Bank of Canada 10-year rate at the reporting date. The interest rate used to calculate fair value at December 31, 2022 was 1.67% (2021 – 1.67%). The difference between the amount lent and the fair value of the debt of \$ 5,239 (2021 - \$ 7,786) is recognized in interest expense.

#### Financial risks:

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposures to a variety of risks such as credit risk, interest rate risk and liquidity risk as well as related mitigation strategies are discussed.

##### (a) Credit risk:

Financial assets carry credit risk that counter-party will fail to discharge and obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment, which management estimates based on lifetime expected credit losses, and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2022 is \$nil as the Company does not have a history of collection losses (2021 - \$nil).

The Company's credit risk associated with accounts receivable is primarily related to payments from fibre or wireless customers. At December 31, 2022 there was \$7,615 of 60 days past due (2021 – \$3,985).



## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 16. Financial instruments and risk management (continued):

(b) Market risk:

The Company is minimally exposed to fluctuations in interest rates based on its need for external financing.

A 1% increase in the interest rate at December 31, 2022 would have increased interest expense on the long-term debt by an immaterial amount.

(c) Liquidity risk

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure.

The Company has access to operating funds from an affiliate through an ongoing borrowing agreement and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The majority of accounts payable, as reported on the balance sheet are due within 30 days.

(d) Capital disclosures

The main objective of the Company when managing capital is to ensure ongoing access to funding to maintain and improve the fibre and wireless infrastructure. The Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2022, shareholder's equity amounts to \$1,267,645 (2021 - \$1,216,716) and long-term debt, including current portion thereof, amounts to \$693,305 (2021 - \$735,813).

### 17. Guarantee:

The Company has guaranteed the bank loan of QR Fibre, a company in which the Company has a 45% ownership interest to the extent of \$4,500,000. No amount has been recorded in these financial statements as the Company does not expect to have to honour its guarantee. As of the date of sale of QR Fibre, the Company's guarantee was rescinded.

## FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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### 18. Equity Investment:

On August 28, 2019 QR Fibre Inc. as incorporated with the Company acquiring 45% of the issued and outstanding common shares for an investment of \$nil.

December 31, 2021	\$	-
Equity in 2022 earnings		-
		<hr/>
December 31, 2022	\$	-
		<hr/>

### 19. Subsequent event:

On January 31, 2023, the Company sold its 45% ownership interest in QR Fibre Inc. for a sale proceeds of \$50,000 for the shares. As part of this transaction, QR Fibre Inc. also repaid the loan balance of \$49,500 to the Company.

# FESTIVAL HYDRO SERVICES INC.

## Balance Sheet

For the period ending December 31, 2022

	YTD as at Dec 31, 2021	YTD Bdgt. as at Dec 31, 2022	YTD Proj. as at Dec 31, 2022	YTD Final Audited as at		YTD as at Dec 31, 2021	YTD Bdgt. as at Dec 31, 2022	YTD Proj. as at Dec 31, 2022	YTD Final Audited as at
<b>ASSETS</b>					<b>LIABILITIES</b>				
<b>Current Assets</b>					<b>Current Liabilities</b>				
Cash	9,016	20,000	20,000	6,341	Accounts Payable	33,211	50,000	50,000	56,021
Accounts Receivable & Prepaids	62,215	60,000	60,000	40,212	Due to Festival Hydro Inc.	332,803	290,172	195,405	122,147
Other Assets	—	—	—	—	Current Portion of LTD	42,508	43,324	43,324	43,324
Inventory	7,617	8,000	8,000	7,617	Promissory Note	372,000	372,000	372,000	372,000
					Income Tax Receivable/(Payable)	28,000	—	21,100	22,299
<b>Total Current Assets</b>	<b>78,847</b>	<b>88,000</b>	<b>88,000</b>	<b>54,169</b>	<b>Total Current Liabilities</b>	<b>808,522</b>	<b>615,791</b>	<b>681,829</b>	<b>615,791</b>
<b>Fixed Assets</b>					<b>Other Liabilities</b>				
Gross Book Value	5,362,691	5,681,913	5,517,060	5,454,945	Deferred Revenue	597,465	514,747	523,610	550,160
Accumulated Depreciation	(2,254,523)	(2,749,956)	(2,628,732)	(2,593,336)	Deferred Tax Liabilities	243,000	202,999	240,000	247,000
<b>Net Book Value</b>	<b>3,108,168</b>	<b>2,931,956</b>	<b>2,888,327</b>	<b>2,861,608</b>					
<b>Other Assets</b>					<b>Long Term Debt</b>				
Investment in QR Fibre Co.	—	—	—	49,500	RBC Financing	—	—	—	—
Investment Tax Credit Receivable	—	—	—	—	POP Loan Long Term Portion	321,305	277,981	277,982	277,981
					<b>TOTAL LIABILITIES</b>	<b>1,970,292</b>	<b>1,751,224</b>	<b>1,723,421</b>	<b>1,690,933</b>
					<b>EQUITY</b>				
					Share Capital	249,236	249,236	249,235	249,236
					Retained Earnings	967,488	1,019,497	1,003,670	1,025,109
					<b>TOTAL EQUITY</b>	<b>1,216,724</b>	<b>1,268,733</b>	<b>1,252,905</b>	<b>1,274,345</b>
<b>TOTAL ASSETS</b>	<b>3,187,016</b>	<b>3,019,956</b>	<b>2,976,327</b>	<b>2,965,277</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,187,016</b>	<b>3,019,957</b>	<b>2,976,327</b>	<b>2,965,277</b>

# FESTIVAL HYDRO SERVICES INC.

## Statement of Operations For the period ending December 31, 2022

	YTD as at Dec 31, 2021	YTD Budget at Dec 31, 2022	YTD Proj. as at Dec 31, 2022	Audited as at Dec 31, 2022	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%	Cur to Proj. YTD Var\$
<b>TOTAL REVENUE</b>	<b>1,336,140</b>	<b>1,411,700</b>	<b>1,300,865</b>	<b>1,371,519</b>	<b>(40,181)</b>	<b>(3%)</b>	<b>70,654</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>775,369</b>	<b>940,327</b>	<b>824,591</b>	<b>881,380</b>	<b>(58,947)</b>	<b>(7%)</b>	<b>56,789</b>
<b>NET INCOME BEFORE DEPRECIATION &amp; INTEREST</b>	<b>560,771</b>	<b>471,373</b>	<b>476,274</b>	<b>490,140</b>	<b>18,767</b>	<b>4%</b>	<b>13,866</b>
Depreciation	362,439	375,856	374,206	366,553	(9,302)	(3%)	(7,653)
Interest Expense	49,420	43,820	47,785	44,001	181	0%	(3,784)
Interest Income	(198)	—	—	(36)	(36)	100%	(36)
<b>NET INCOME FOR THE PERIOD BEFORE TAXES</b>	<b>149,110</b>	<b>51,696</b>	<b>54,282</b>	<b>79,621</b>	<b>27,925</b>	<b>35%</b>	<b>25,339</b>
Current Tax Provision	34,000	10,000	21,100	18,000	8,000	44%	(3,100)
Future Tax Provision	5,000	—	(3,000)	4,000	4,000	100%	7,000
<b>NET INCOME(LOSS) FOR THE PERIOD</b>	<b>110,110</b>	<b>41,696</b>	<b>36,182</b>	<b>57,621</b>	<b>15,925</b>	<b>28%</b>	<b>21,439</b>

# FESTIVAL HYDRO SERVICES INC.

## Cash Flow Statement

For the period ending December 31, 2022

	YTD as at Dec 31, 2021	YTD Bdgt. as at Dec 31, 2022	YTD Proj. as at Dec 31, 2022	YTD Final Audited as at Dec 31, 2022
<b>Cash from Operations</b>				
Net Income	172,110	41,696	36,182	57,621
Future tax provision	(57,000)	—	(3,000)	4,000
Current tax provision (ITC portion)	34,000	10,000	—	18,000
Depreciation	362,439	375,856	374,206	366,553
Amortization of contributed capital	(72,698)	(69,693)	(69,693)	(80,489)
Amortization of deferred revenue	(17,437)	(13,025)	(4,162)	(4,162)
Due to/from QR Fibre Co.	—	—	—	(49,500)
Net Change in Receivables/Payables	(1,388)	(8,002)	11,723	21,112
<b>Net Cash Provided</b>	<b>420,026</b>	<b>336,833</b>	<b>345,257</b>	<b>333,136</b>
<b>Cash from Financing</b>				
Capital expenditures - Festival	(84,563)	(157,471)	(154,366)	(119,993)
Contributed capital received DSRC - AVIN	—	—	—	37,346
Loan - Wightman	(41,707)	(42,508)	(42,508)	(42,508)
Loan from/(repayment to) Festival	(294,268)	(136,854)	(137,398)	(210,656)
<b>Net Cash Used</b>	<b>(420,539)</b>	<b>(336,833)</b>	<b>(334,272)</b>	<b>(335,811)</b>
<b>Increase (Decrease) in Cash Position</b>	<b>(513)</b>	<b>(1)</b>	<b>10,985</b>	<b>(2,676)</b>
<b>Cash Beg of Period</b>	<b>9,529</b>	<b>10,000</b>	<b>9,015</b>	<b>9,016</b>

# FESTIVAL HYDRO SERVICES INC.

## Statement of Capital For the period ending December 31, 2022

	YTD as at Dec 31, 2021	YTD Budget at Dec 31, 2022	YTD Proj. as at Dec 31, 2022	Audited as at Dec 31, 2022	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%	Cur to Proj YTD Var\$
<b>CAPITAL</b>							
Computer Equipment - Hardware	9,407	104,830	83,321	75,986	(28,844)	(28%)	(7,335)
Computer Software	27,071	3,976	—	—	(3,976)	(100%)	—
Buildings	1,782	—	1,411	911	911	—	(500)
Fibre Capital	19,996	41,000	64,694	28,612	(12,388)	(30%)	(36,082)
WiFi Capital	26,307	7,665	4,940	14,484	6,819	89%	9,545
<b>TOTAL CAPITAL</b>	<b>84,563</b>	<b>157,471</b>	<b>154,366</b>	<b>119,993</b>	<b>(37,478)</b>	<b>(24%)</b>	<b>(34,372)</b>

**To:** Mark Hunter and the Finance and Labour Relations Committee  
**From:** Alyson Conrad, CFO  
**Re:** Commentary on FHSI Financial Results –  
 For the period ended March 31, 2023

The net income for the period was \$45K, which is \$36K higher than budget and \$20K higher than at this point last year. Detailed commentary on the balance sheet and income statement activity are noted below:

**Balance Sheet Commentary:**

**A/R & Prepaids** – This balance is \$30K lower than March 31<sup>st</sup>, 2022, due to the reduction in Wightman revenue for the fibre ring reimbursement and the ISP revenue that changed as of April 1<sup>st</sup>, 2022.

Outstanding accounts receivable balances are generally held in Festival Hydro as they hit the intercompany account and revenues when they are billed, not when they are collected. They are being monitored through the monitoring of the miscellaneous AR aging in Festival Hydro and there is a decrease in the aged balances at March 31<sup>st</sup>. We will continue to monitor the aged miscellaneous AR balances regularly to ensure Rhyzome receivables are not impacting Festival's cash flows increasingly.

**Capital Asset Additions** – Additions to the end of March 2023 are \$18K, or 61% of Q1 budget. This includes \$142 in computer hardware additions, \$5K on the Data Centre and \$13K on Fibre related projects. Details on the capital spend to date are as noted below:

**Computer Hardware:** Total spend for FHSI on hardware YTD is \$142; the budget spend has not occurred yet in Q1.

**Data Centre:** Total YTD spend on the data centre is \$5K. \$3.5K was for HVAC replacement parts and \$1.5K was for the DC UPS Rectifiers to support Acronym.

**Fibre Capital:** Total spend on fibre capital YTD is \$13K, there were three components of this expense, the first was \$6.7K for network expansion on Romeo Street that was mostly complete in 2022 but finalized in 2023, the second was \$2.3K for core switch firewall replacement that is a portion of a larger firewall project ongoing and \$3.7K for replacement APC Symmentra batteries due to end of useful life.

**WI-FI Capital:** Total YTD spend on WIFI related activity is zero to date as the budget spend has not occurred yet in Q1.

**Due from Festival Hydro Inc.** – The balance in this account has flipped from a payable to a receivable due to a repayment of the investment in QR Fibre and the gain on the sale of shares of QR Fibre.

**Deferred Revenue** – This balance has decreased slightly from the December 2022 balance as a portion of the balance has been recognized into revenue for Q1 2023. There have been some funds that were received from Acronym for some upgrades to the DC. This will be brought in over the remaining period of their current contract which ends in June 2024.

**Income Statement Commentary:**

**Revenues** – Revenues are \$52K higher than budget in Q1. ISP revenue is down by \$11K mainly due to the completion of the fibre ring reimbursement with Wightman. The conclusion of this contract was not reflected in the preparation of the budget so this variance will continue throughout the year. Consulting revenue is up by \$29K compared to the prior year due to having a full staff compliment through the year. This revenue is also up compared to the budget due to additional billable hours compared to budget. FHI has not filled the EA position, so this work is being billed to FHI. Lastly, FHSI sold its shares of QR Fibre for a gain of \$50K. This transaction was completed in Q1.

**Operating Expenses** – Operating expenses are above budget by \$6K at the end of Q1 and higher than Q1 2022 by \$20K. The majority of costs are relatively close to budget, however there were some slightly higher staffing costs due to minimally higher contract wages as well as additional training and development costs occurring in Q1.

**Current Tax** – Current tax has been estimated higher than budget due to projected capital gains that will be incurred on the sale of shares.

**Cash Flow Commentary:**

The cash balance has increased to \$13K from the \$6K December 2022 balance. As discussed above, net income is ahead of budget. The cash balance would be higher if the gain on the sale of shares and repayment of QR Fibre investment did not go through the due to/from FHI account. The variances in cash from year end are due to the net change in receivables and payables loan repayments, capital purchases and working capital items.

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# FESTIVAL HYDRO SERVICES INC.

## Balance Sheet

For the period ending March 31, 2023

	YTD as at Mar 31, 2022	YTD as at Dec 31, 2022	YTD as at Mar 31, 2023		YTD as at Mar 31, 2022	YTD as at Dec 31, 2022	YTD as at Mar 31, 2023
<b>ASSETS</b>				<b>LIABILITIES</b>			
<b>Current Assets</b>				<b>Current Liabilities</b>			
Cash	13,654	6,341	12,822	Accounts Payable	33,684	56,021	40,724
Accounts Receivable & Prepaids	49,388	40,212	19,266	Due to Festival Hydro Inc.	292,981	122,147	—
Other Assets	—	—	—	Current Portion of LTD	31,881	43,324	32,493
Inventory	7,617	7,617	7,617	Promissory Note	372,000	372,000	372,000
Due from Festival Hydro Inc.	—	—	46,469	Income Tax Receivable/(Payable)	28,000	31,299	46,299
<b>Total Current Assets</b>	<b>70,659</b>	<b>54,169</b>	<b>86,173</b>	<b>Total Current Liabilities</b>	<b>758,545</b>	<b>624,791</b>	<b>491,516</b>
<b>Fixed Assets</b>				<b>Other Liabilities</b>			
Gross Book Value	5,427,684	5,454,945	5,472,698	Deferred Revenue	585,564	550,160	545,344
Accumulated Depreciation	(2,348,487)	(2,593,336)	(2,687,072)	Deferred Tax Liabilities	243,000	244,700	244,700
<b>Net Book Value</b>	<b>3,079,197</b>	<b>2,861,608</b>	<b>2,785,626</b>				
<b>Other Assets</b>				<b>Long Term Debt</b>			
Investment in QR Fibre Co.	—	49,500	—	RBC Financing	—	—	—
Investment Tax Credit Receivable	—	—	—	POP Loan Long Term Portion	321,305	277,981	277,981
				<b>TOTAL LIABILITIES</b>	<b>1,908,415</b>	<b>1,697,633</b>	<b>1,559,541</b>
				<b>EQUITY</b>			
				Share Capital	249,236	249,236	249,236
				Retained Earnings	992,206	1,018,409	1,063,023
				<b>TOTAL EQUITY</b>	<b>1,241,441</b>	<b>1,267,645</b>	<b>1,312,259</b>
<b>TOTAL ASSETS</b>	<b>3,149,856</b>	<b>2,965,277</b>	<b>2,871,799</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,149,856</b>	<b>2,965,277</b>	<b>2,871,799</b>

# FESTIVAL HYDRO SERVICES INC.

## Statement of Operations For the period ending March 31, 2023

	YTD as at Mar 31, 2022	YTD as at Mar 31, 2023	YTD Budget at Mar 31, 2023	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
<b>TOTAL REVENUE</b>	<b>345,126</b>	<b>399,765</b>	<b>347,891</b>	<b>51,874</b>	<b>15%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>215,517</b>	<b>236,050</b>	<b>230,319</b>	<b>5,731</b>	<b>2%</b>
<b>NET INCOME BEFORE DEPRECIATION &amp; INTEREST</b>	<b>129,610</b>	<b>163,715</b>	<b>117,572</b>	<b>46,142</b>	<b>39%</b>
Depreciation	93,964	93,735	93,644	—	—
Interest Expense	10,956	11,370	11,742	(373)	(3%)
Interest Income	(28)	(1,004)	—	(1,004)	—
<b>NET INCOME FOR THE PERIOD BEFORE TAXES</b>	<b>24,718</b>	<b>59,613</b>	<b>12,185</b>	<b>47,428</b>	<b>389%</b>
Current Tax Provision	—	15,000	5,375	9,625	179%
Future Tax Provision	—	—	(2,000)	2,000	(100%)
<b>NET INCOME(LOSS) FOR THE PERIOD</b>	<b>24,718</b>	<b>44,613</b>	<b>8,810</b>	<b>35,803</b>	<b>406%</b>

# FESTIVAL HYDRO SERVICES INC.

## Cash Flow Statement

For the period ending March 31, 2023

	YTD as at Dec 31, 2022	YTD as at Mar 31, 2023
<b>Cash from Operations</b>		
Net Income	50,921	44,614
Future tax provision	1,700	—
Current tax provision (ITC portion)	24,000	15,000
Depreciation	366,553	93,735
Amortization of contributed capital	(80,489)	(15,934)
Amortization of deferred revenue	(4,162)	11,117
Due to/from QR Fibre Co.	(49,500)	49,500
Net Change in Receivables/Payables	24,112	(40,820)
<b>Net Cash Provided</b>	<b>333,136</b>	<b>157,213</b>
<b>Cash from Financing</b>		
Capital expenditures - Festival	(119,993)	(17,754)
Contributed capital received DSRC - AVIN	37,346	—
Loan - Wightman	(42,508)	(10,831)
Loan from/(repayment to) Festival	(210,656)	(122,147)
<b>Net Cash Used</b>	<b>(335,811)</b>	<b>(150,732)</b>
<b>Increase (Decrease) in Cash Position</b>	<b>(2,676)</b>	<b>6,481</b>
<b>Cash Beg of Period</b>	<b>9,016</b>	<b>6,341</b>

# FESTIVAL HYDRO SERVICES INC.

## Statement of Capital

For the period ending March 31, 2023

	YTD as at Mar 31, 2023	YTD Budget at Mar 31, 2023	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
<b>CAPITAL</b>				
Computer Equipment - Hardware	142	13,000	(12,858)	(99%)
Computer Software	—	250	(250)	(100%)
Buildings	4,912	5,000	(88)	(2%)
Fibre Capital	12,700	19,625	(6,925)	(35%)
WiFi Capital	—	7,750	(7,750)	(100%)
<b>TOTAL CAPITAL</b>	<b>17,754</b>	<b>45,625</b>	<b>(27,871)</b>	<b>(61%)</b>




---

## MANAGEMENT REPORT

**Date:** June 20, 2023  
**To:** Finance and Labour Relations Sub-committee  
**From:** Karmen Krueger, CPA, CA, Director of Corporate Services  
**Report #:** FIN23-019  
**Attachments:** 1. Destination Stratford Presentation June 20 2023;  
 2. Lights On Stratford FS Audited March 31 2023;  
 3. Stratford Tourism FS Audited December 31 2022

---

**Title:** Destination Stratford 2023 Update 2

**Objective:** To receive an update on Destination Stratford's 2023 activities, as well as 2022 financial results for Destination Stratford and Lights On.

**Background:** Destination Stratford gives regular updates to Council through the Finance and Labour Relations Sub-committee.

**Analysis:** Zac Gribble from Destination Stratford has been invited to attend to present the attached report.

### **Financial Implications:**

#### **Financial impact to current year operating budget:**

Destination Stratford receives financial contributions for general operations from the City as outlined in the attachment. In 2023, the City contribution is \$595,000 of their total budget of \$860,000.

Beyond this, there are some in-kind impacts that are provided including use of the premises at 47 Downie, and specific program supports including the AI Fresco program. The costs relating to the building are budgeted in the Facilities division and are approximately \$20,630 annually. Other in-kind supports are absorbed in the City's Community Services department.

## **Alignment with Strategic Priorities:**

### **Strengthening our Plans, Strategies and Partnerships**

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

### **Widening our Economic Opportunities**

Strengthening Stratford's economy by developing, attracting, and retaining a diversity of businesses and talent.

## **Alignment with One Planet Principles:**

### **Equity and Local Economy**

Creating safe, equitable places to live and work which support local prosperity and international fair trade.

**Staff Recommendation: THAT the Destination Stratford 2023 Update 2, dated June 20, 2023, be received for information.**

<b>Prepared by:</b>	Karmen Krueger, CPA, CA, Director of Corporate Services
<b>Recommended by:</b>	Karmen Krueger, CPA, CA, Director of Corporate Services
	Joan Thomson, Chief Administrative Officer

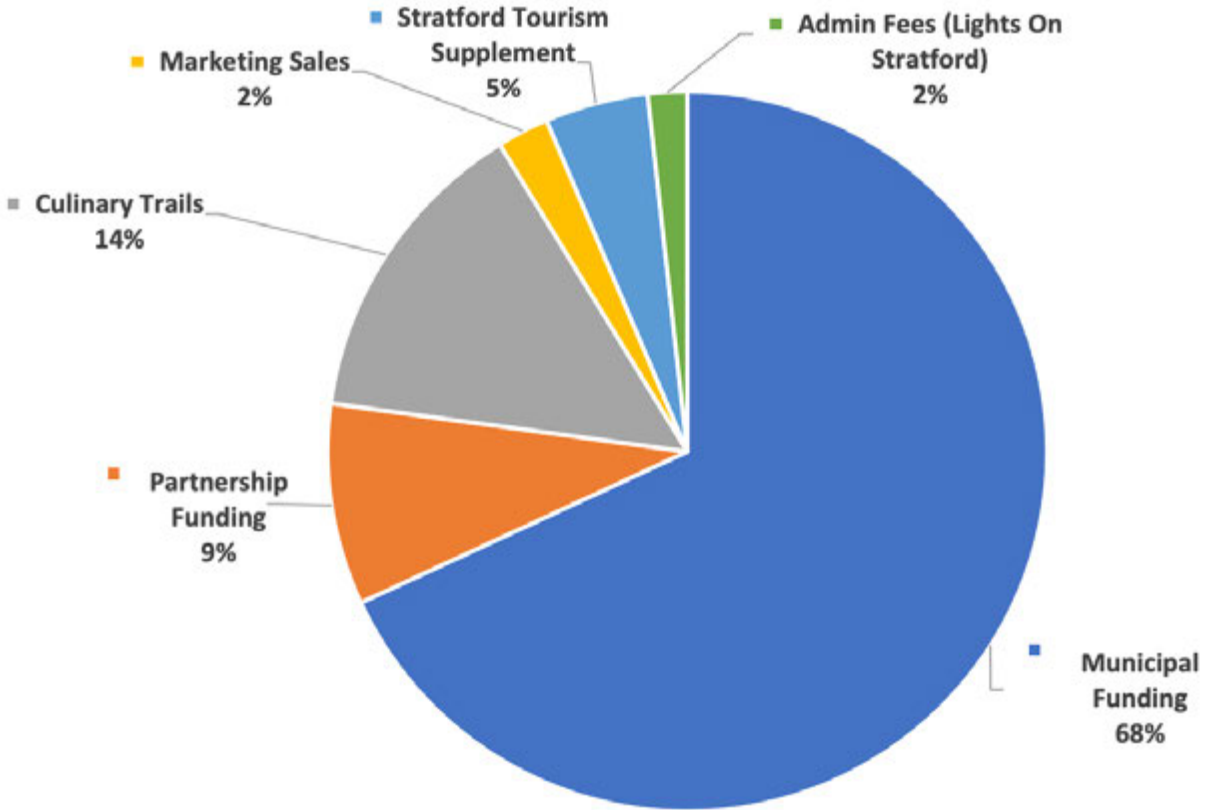
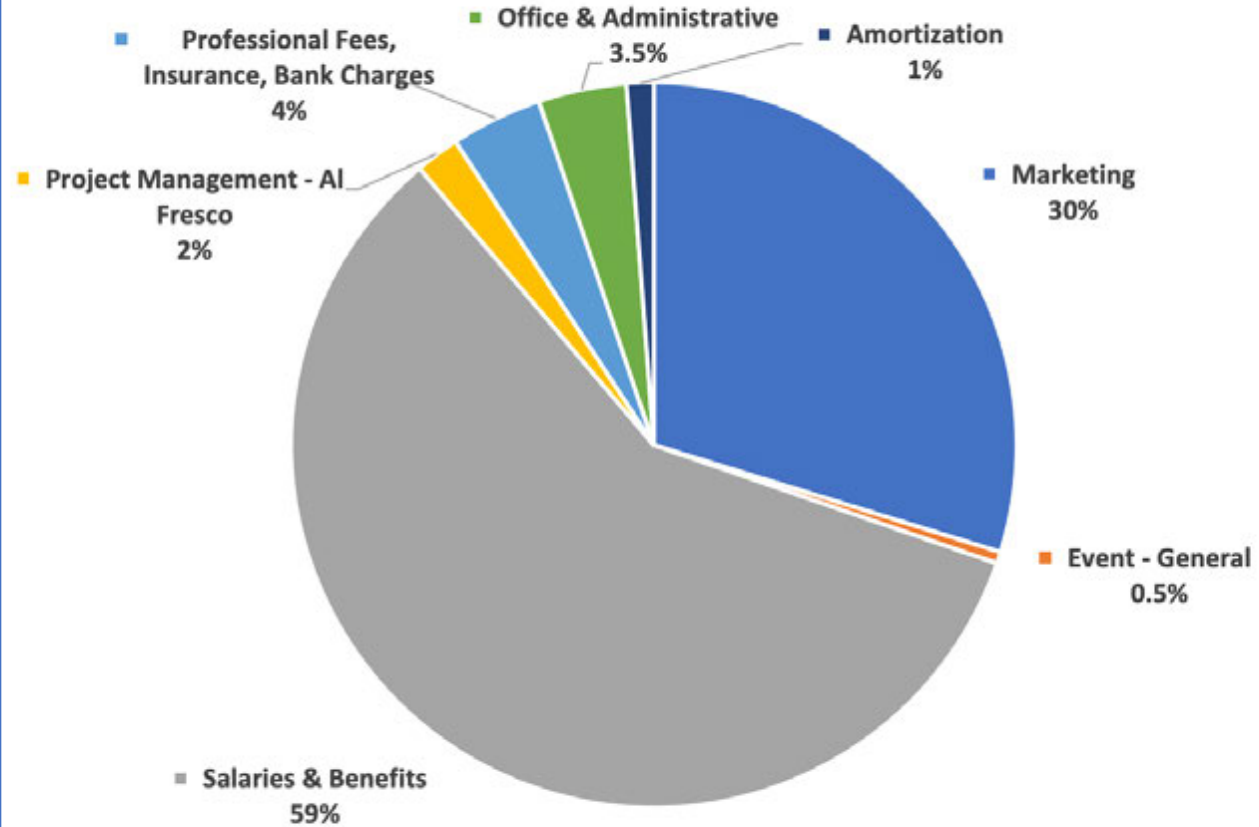


# Destination Stratford

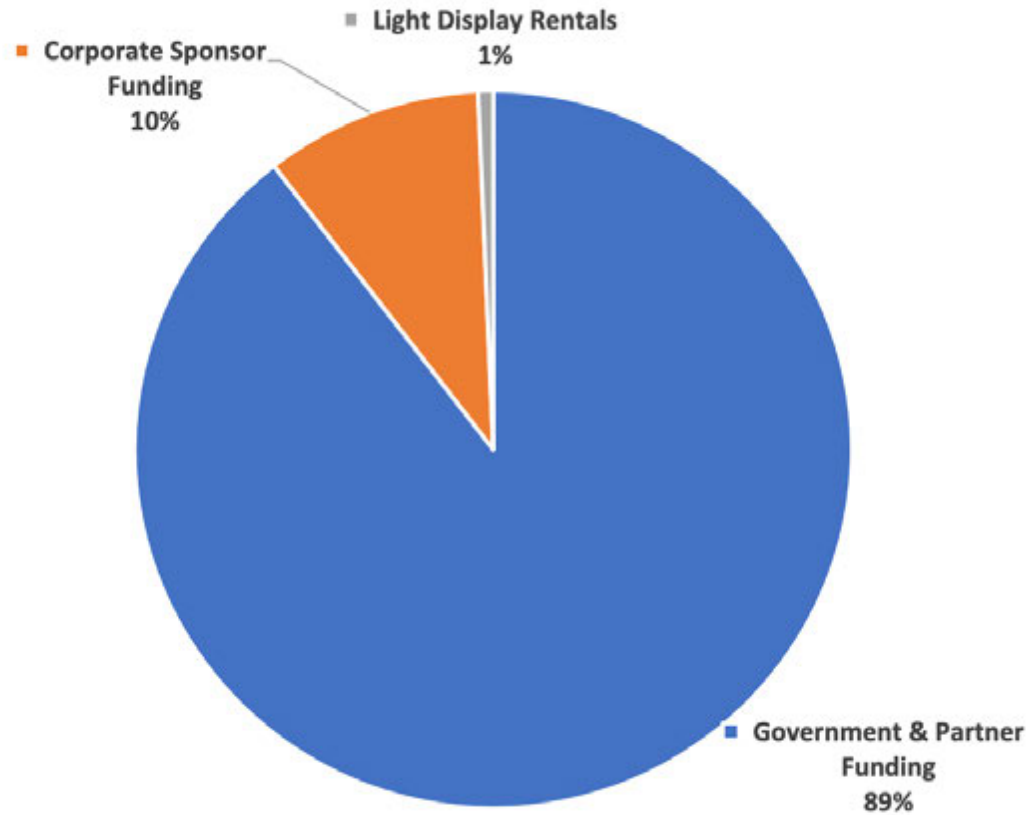
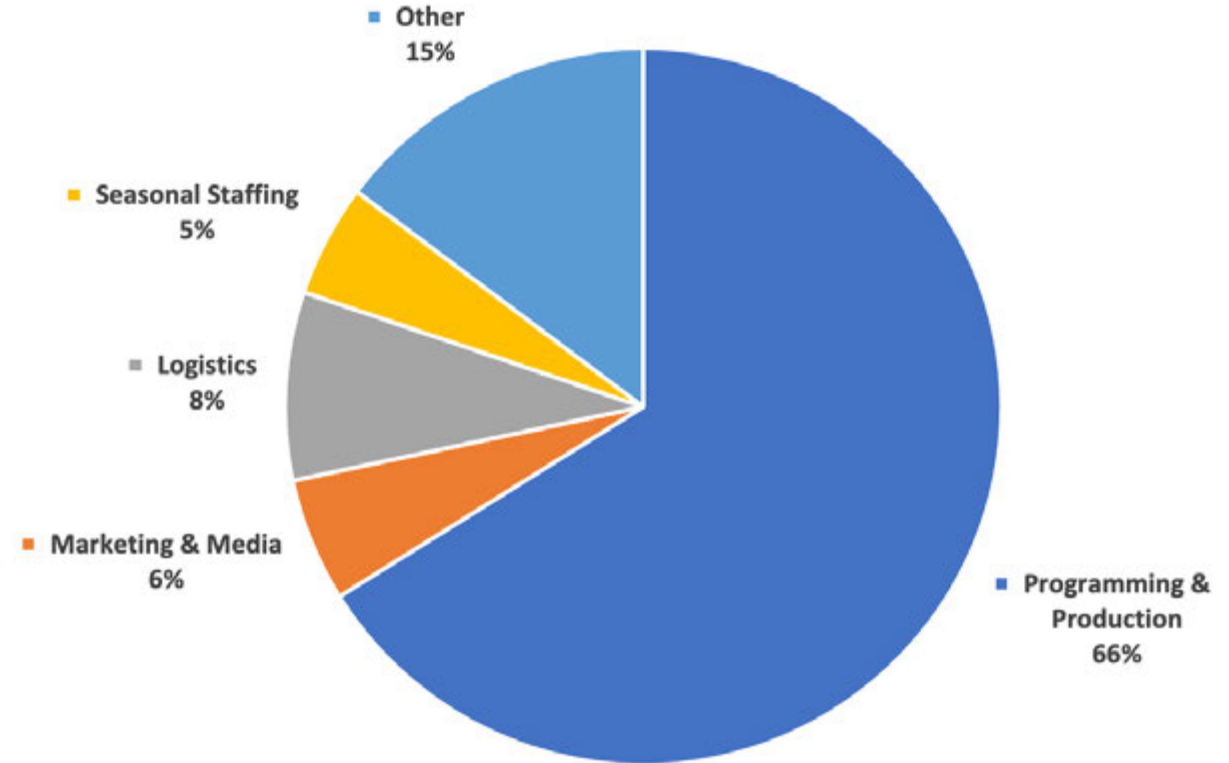
## Finance & Labour Relations Sub-committee Presentation

June 20, 2023

Zac Gribble, Executive Director

**DESTINATION STRATFORD REVENUE 2022 \$854,150****DESTINATION STRATFORD EXPENSES 2022 \$808,496**



**LIGHTS ON STRATFORD REVENUES 2022 \$722,089****LIGHTS ON STRATFORD EXPENSES 2022 \$742,982**

Destination Stratford 2023 Budget	2022 Budget	2023 Budget	2023 Adjusted	Actuals	%	Notes
				as of 31/05/23		
Income						
4050 · MARKETING SALES	75,000.00	98,000.00	106,000.00	32,966.12	34%	
4240 · MEMBERSHIP SALES	0.00	0.00	0.00	0.00		Non-member model adopted in 2022
4260 · PARTNERSHIPS	748,500.00	747,000.00	747,000.00	824,968.50	110%	
(4001 · City of Stratford Portion)	580,000.00	595,000.00	595,000.00	595,000.00	100%	2.5% increase over 2022 budget
4280 · DESTINATION MARKETING FUND / STS	20,000.00	15,000.00	15,000.00	7,527.77	50%	Ceases as of July with implementation of MAT
TOTAL REVENUE	843,500.00	860,000.00	868,000.00	865,462.39	101%	
Expense						
5100 · CONTRACT AND CONSULTING	5,500.00	2,500.00	2,500.00	0.00	-	
5107 · Four Season Tourism Development	0.00	0.00	0.00	0.00		* Lights On Stratford is a separately funded entity managed by DS
5637 · BANK CHARGES	3,800.00	4,000.00	4,000.00	1,863.75	47%	
5645 · INSURANCE	4,019.00	5,000.00	5,000.00	5,081.00	102%	Increased expenses due to higher costs
5660 · TRAVEL	2,200.00	2,500.00	2,500.00	52.79	2%	
5950 · SPECIAL PROJECTS	15,000.00	42,000.00	47,600.00	272,689.97	649%	Boathouse, Al Fresco management and community projects
5990 · RTO4 Partnerships Animation Fund	10,000.00	30,000.00	30,000.00	0.00	0%	Includes \$20k revenue from other funding partners
Total Administration Fees	35,019.00	83,500.00	89,100.00	279,687.51	335%	
6000 · MARKETING - INTERNET	65,230.00	22,975.00	22,975.00	6,089.38	27%	Decreased expenses due to streamlining digital operations
6150 · MARKETING - Media & Print	99,300.00	99,300.00	99,300.00	31,895.24	32%	
6151 · MARKETING - RADIO	2,500.00	2,500.00	2,500.00	0.00	0%	
6152 · MARKETING	75,000.00	90,500.00	95,500.00	28,566.25	32%	Increased expenses with additional marketing projects
6153 · PROFESSIONAL FEES	23,000.00	23,200.00	23,200.00	646.00	3%	
6155 · FACILITY MAINTENANCE	4,500.00	2,000.00	2,000.00	0.00	0%	
6480 · PAYROLL	473,804.00	484,635.00	484,635.00	202,942.18	42%	
6540 · OFFICE EXPENDITURES	24,550.00	20,900.00	18,400.00	2,211.60	11%	
6550 · EVENT EXPENSES	2,200.00	2,000.00	2,000.00	1,052.97	53%	
7000 · TELEPHONE/COMMUNICATIONS	12,890.00	16,000.00	16,500.00	6,934.34	43%	Increased expenses due to higher costs
Total Expense	823,493.00	850,010.00	858,610.00	560,025.47	66%	
5154 Transfer to Reserve	20,000.00	10,000.00	10,000.00	0.00	0%	Reduced yearly contribution as per Board direction
Net Revenue	7.00	-10.00	-610.00	305,436.92		





# All the World's a Stage. But on The Savour & Sip Trail, All of Stratford's a Feast.

Explore Stratford's newest culinary trail for only  
\$35+HST. Full details are available  
at [visitstratford.ca](http://visitstratford.ca)

STRATFORD  
ARTS

THE ARTS  
ARE WHAT  
WE ARE

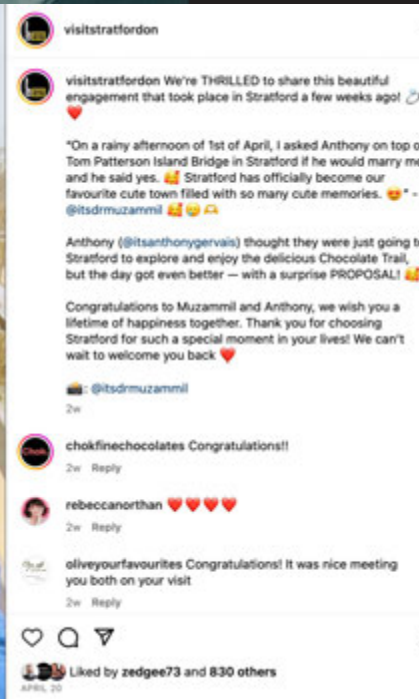
111



[VisitStratford.ca](http://VisitStratford.ca)

# ESCAPE TO CANADA'S HIDDEN GEM STRATFORD, ONTARIO

THE ARTS  
ARE WHAT  
WE ARE STRATFORD  
ARTS



前來斯特拉特福德  
體驗不一樣的春天

STRATFORD  
ARTS

THE ARTS  
ARE WHAT  
WE ARE

[visitstratford.ca](http://visitstratford.ca)





STRATFORD  
*Al Fresco*













The City of Stratford's 2018 – 2022 Strategic Plan identified the following Strategic deliverable as a priority:

#### 1. A Sports Tourism Strategy

- Cataloguing current events and tournaments
- Maximizing technology
- Generating spillover impact on our local economy
- Optimizing the availability and capacity of facilities
- Increasing the flexibility of uses within/at facilities

In the fall of 2022, a consortium of partners in Stratford led the effort to develop this Strategy. The project's focus was designed to determine the opportunities, in the aftermath of the COVID-19 crisis, to expand the visitor-based economy through Sport Tourism. "Build Back Better" has become the mantra of the tourism industry, with diversification building resiliency against future major negative events. The consortium recruited Destinate Group Ltd. to undertake a comprehensive assessment of community capacity, needs and opportunities. The outcome of an extensive community engagement process, yielded this 2023-2027 Strategic Plan for Stratford Sport Tourism, which features seven key Strategic Priorities as follows:

#### Strategic Priorities:

1. Establish and staff a dedicated sport tourism entity in Stratford. (Working title Stratford Sport Tourism [SST])
2. Develop a funding plan to support SST's initial set of programs, operations and services.
3. Create a communication framework and engage local sport organizations, the tourism sector, facilities and related local, provincial and national tourism and sport entities
4. Identify Strategic Markets within the sport tourism sector
5. Identify Short and Medium-Term targets for sport events and sport business meetings, based on existing or easily improved facilities
6. Advocate for the development of new (or improvement of existing) sporting facilities in Stratford that support sport events that could be held in need periods
7. Review and work to improve Stratford's existing policies, procedures and event hosting framework to empower sport tourism activities

Growing Stratford's existing Sport Tourism industry will be a marathon, but all marathons begin with the first step. Implementing this Strategy, with endorsement from Stratford City Council and the community at large, is that first step.



## 2023-2027 Sport Tourism Strategy



FINAL DRAFT:  
2022-12-21



# MUNICIPAL CULTURAL PLAN

116

Please start with [this video](#), created by the City of Kelowna at the completion of their Culture Plan, to think about what culture means and the types of tangible and intangible sources of culture in Stratford.

**STEPS Public Art** was selected as the consultant to lead this work, and started public consultation on the Municipal Cultural Plan in October. The final Municipal Cultural Plan is to be presented to City Council June 12, 2023.

For more information, please contact:

Zac Gribble

Executive Director, Destination Stratford

[visitstratford.ca/contact](http://visitstratford.ca/contact)

This project is funded by the Government of Canada through the Federal Economic Development Agency for Southern Ontario via Regional Tourism Organization 4.

**Funded by:**

Federal Economic Development  
Agency for Southern Ontario

Canada



Contact



# Stratford Welcoming Community Statement

*Stratford strives to be a welcoming and supportive community: healthy, vibrant, and accessible, where everyone's sense of belonging, dignity, and safety is a shared priority. In Stratford, we work collectively to ensure all individuals feel valued and included.*

Additionally, a welcoming community is committed to:

1. Curiosity and an increasing capacity to change as our community continues to grow and thrive.
2. Meaningful and visible inclusion of all newcomers.
3. Nurturing a community ecosystem where access to information, connections, spaces, and resources is open to everyone.
4. Celebrating and valuing everyone for their presence, gifts, and their inherent capacity to contribute to and shape community.
5. Building and supporting a culture of measurable and appropriate accountability to address harm and hurt, and ensuring safe and effective mechanisms are in place to report harm.



Benchmarking, improving, and recognising destinations'  
sustainability strategy, performance, and regeneration

# LIGHTS ON STRATFORD

WINTER FESTIVAL OF LIGHTS

EMERGENCE – Emergence is a noun that goes back to the Latin root emergere, meaning “bring to light,” and it came into English in the 17th century. Just as something comes to light or shows up where there was darkness or nothing before, an emergence happens.

December 15th, 2023 - January 13th, 2024 | Thursdays-Sundays | 5:00pm to 10:00pm





PAZZO

CAFE  
BOUFFON

CAFE  
BOUFFON

LightWall  
Spots here to interact with the light  
lightwall.com  
Wall Spots  
Free Manager & Assistant  
Puzzo

No  
Smoking  
No  
Alcohol





01













**LIGHTS ON STRATFORD**  
FINANCIAL STATEMENTS  
MARCH 31, 2023



FRANKLIN H. FAMME, BBA, CMgr, CPA, CA  
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PETER D. BRICKMAN, BA, CPA, CA  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Lights On Stratford  
Stratford, Ontario

### Opinion

We have audited the financial statements of **Lights On Stratford**, which comprise the balance sheet as at **March 31, 2023** and the statements of operations, surplus and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Lights On Stratford** as at **March 31, 2023** and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of **Lights On Stratford** in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for over seeing the entity's financial reporting process.

## INDEPENDENT AUDITORS' REPORT - continued

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) 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 entity's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of the entity'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 entity'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 entity to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Farnett & Co.*

Professional Corporation  
Chartered Professional Accountants  
*Authorized to practise public accounting by  
the Chartered Professional Accountants of Ontario*

Stratford, Ontario  
May 10, 2023



**Lights On Stratford**  
**Balance Sheet**  
As at March 31, 2023

**ASSETS**

	2023	2022
<b>Current Assets</b>		
Bank	\$ 62,725	\$ 51,646
Accounts receivable	93,845	59,250
Prepaid expenses	3,387	51,810
HST receivable	<u>12,044</u>	<u>14,067</u>
	<u>\$ 172,001</u>	<u>\$ 176,773</u>

**LIABILITIES**

<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	5,155	4,000
Accounts payable - Stratford Tourism Alliance	<u>109,476</u>	<u>94,510</u>
	114,631	<u>98,510</u>

**SURPLUS**

<b>Unrestricted Surplus</b>	<u>57,370</u>	<u>78,263</u>
	<u>\$ 172,001</u>	<u>\$ 176,773</u>

Approved on Behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

(See Accompanying Notes to the Financial Statements)

**Lights On Stratford**  
**Statement of Surplus**  
For the year ended March 31, 2023

	2023	2022
<b>Balance - beginning of year</b>	\$ 78,263	\$ 117,582
Excess of revenues over expenditures (expenditures over revenue) for the year	<u>(20,893)</u>	<u>(39,319)</u>
<b>Balance - end of year</b>	\$ <u><u>57,370</u></u>	\$ <u><u>78,263</u></u>

(See Accompanying Notes to the Financial Statements)

**Lights On Stratford**  
**Statement of Operations**  
For the year ended March 31, 2023

	2023	2022
<b>Revenue</b>		
Partner funding	\$ 646,452	\$ 367,500
Sponsor funding	70,750	63,450
Other	<u>4,887</u>	<u>-</u>
	<b>\$ 722,089</b>	<b><u>430,950</u></b>
<b>Expenditures</b>		
Programming and production - displays	361,559	222,972
- storefront displays	112,703	36,722
- Stratford Festival displays	15,000	13,807
- hydro support	1,972	585
Marketing and media buys	41,435	17,032
Site and event logistics	63,028	28,323
Staffing - festival coordinator	-	40,680
- consultants	6,700	22,500
- exhibit maintenance	31,001	29,892
Other expenditures	<u>109,584</u>	<u>57,756</u>
	<b><u>742,982</u></b>	<b><u>470,269</u></b>
<b>Excess of revenue over expenditures</b>		
<b>(expenditures over revenue) for the year</b>	<b>\$ <u>(20,893)</u></b>	<b>\$ <u>(39,319)</u></b>

(See Accompanying Notes to the Financial Statements)

**Lights On Stratford**  
**Statement of Cash Flows**  
For the year ended March 31, 2023

	2023	2022
<b>Cash Provided By (Used In):</b>		
<b>Operating Activities</b>		
Excess of revenue over expenditures (expenditures over revenue) for the year	\$ (20,893)	\$ (39,319)
Items not requiring cash		
Net changes in non-cash current operating accounts		
Decrease (increase) in accounts receivable	(34,595)	(15,250)
Decrease (increase) in prepaid expenses	48,423	(51,810)
Decrease (increase) in HST receivable	2,023	(14,067)
Increase (decrease) in accounts payable and accrued liabilities	1,155	(2,372)
Increase (decrease) in accounts payable - Stratford Tourism Alliance	14,966	83,159
Increase (decrease) in HST payable	<u>-</u>	<u>(8,520)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>\$ 11,079</b>	<b>(48,179)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b><u>51,646</u></b>	<b><u>99,825</u></b>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 62,725</u></b>	<b><u>\$ 51,646</u></b>
<b>Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents comprise the following balance sheet amounts:</b>		
Bank	<b><u>\$ 62,725</u></b>	<b><u>\$ 51,646</u></b>

(See Accompanying Notes to the Financial Statements)



**Lights On Stratford**  
**Notes to the Financial Statements**  
For the year ended March 31, 2023

## **1. Purpose of Organization**

The objective of Lights On Stratford is to safely encourage tourists to Stratford, Ontario during the COVID-19 pandemic. The project was initiated by a committee formed by certain Partnership organizations in Stratford.

The organization is a not-for-profit organization and thus, exempt from income tax under Section 149(1)(1) of the Income Tax Act.

## **2. Summary of Significant Accounting Policies**

These financial statements have been prepared from information available within the guidelines of Canadian accounting standards for not-for-profit organizations summarized below:

(a) **Revenue Recognition**

Operational funding and grant revenue is recognized in the year in which it is receivable from the funder and collection is reasonably assured.

(b) **Use of Estimates**

Preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that could affect amounts reported as assets, liabilities, revenues and expenditures. Due to measurement uncertainty, results could differ from those estimates.

(c) **Financial Instruments**

A financial asset is any asset that is cash; a contractual right to receive cash from another party; or an equity instrument of another entity. A financial liability is any liability that is a contractual obligation to deliver cash to another party.

Financial assets and liabilities are initially measured at fair value, except for certain non-arm's length transactions. Subsequently, financial assets and financial liabilities are measured at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

## **3. Stratford Tourism Alliance**

The Stratford Tourism Alliance was appointed by the Partnership committee to be the oversight organization in monitoring and administering Lights On Stratford.

None of the operations for Stratford Tourism Alliance are included in the Statement of Operations for Lights On Stratford. Any surplus or deficit resulting from the Lights On Stratford project will remain with the Partnership committee for Lights On Stratford.

Stratford Tourism Alliance provided funding of \$ nil (2022 - \$ 15,000) towards Lights On Stratford, which is included in sponsor funding revenues. Stratford Tourism Alliance charged a \$ 15,000 administration fee (2022 - \$ 15,000) for staff, administration, and other services, which is included in other expenditures.

**Lights On Stratford**  
**Notes to the Financial Statements**  
For the year ended March 31, 2023

**4. Other Expenditures**

During the year, the organization paid for the following expenditures that are not eligible for funding reimbursements. These expenditures have been reported as Other Expenditures on the Statement of Operations.

	<b>2023</b>	2022
Administration & overhead	\$ 25,522	\$ 18,322
Administration contribution (STA)	15,000	15,000
Salaries and benefits	51,579	-
Miscellaneous supplies	8,480	13,853
Travel and meals	4,278	2,131
Video production	<u>4,725</u>	<u>8,450</u>
	<u>\$ 109,584</u>	<u>\$ 57,756</u>



**STRATFORD TOURISM ALLIANCE**  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022

FRANKLIN H. FAMME, BBA, CMgr, CPA, CA  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Stratford Tourism Alliance  
Stratford, Ontario

### Qualified Opinion

We have audited the financial statements of **Stratford Tourism Alliance**, which comprise the balance sheet as at **December 31, 2022** and the statements of operations, surplus and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of **Stratford Tourism Alliance** as at **December 31, 2022** and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations

### Basis for Qualified 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 the Financial Statements section of our report. We are independent of **Stratford Tourism Alliance** in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

In common with many not-for-profit organizations, the organization derives cash revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and surplus as at January 1 and December 31 for both the 2022 and 2021 year ends. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.



## **INDEPENDENT AUDITORS' REPORT - continued**

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for over seeing the entity's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) 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 entity's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of the entity'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 entity'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 entity to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT - continued**

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.



Professional Corporation  
Chartered Professional Accountants  
*Authorized to practise public accounting by  
the Chartered Professional Accountants of Ontario*

Stratford, Ontario  
May 10, 2023

**Stratford Tourism Alliance**  
**Balance Sheet**  
As at December 31, 2022

**ASSETS**

	2022	2021
<b>Current Assets</b>		
Bank - operating	\$ 451,516	\$ 314,097
Accounts receivable - trade	12,688	3,411
Accounts receivable - Lights On Stratford (Note 7)	18,226	17,858
HST receivable	17,923	11,269
Prepaid expenses	1,164	14,888
Current and cashable portion of investments	<u>134,508</u>	<u>122,962</u>
	<b>\$ 636,025</b>	<b><u>484,485</u></b>
<b>Investments - at fair value</b>		
Investment savings account	30,260	20,073
Guaranteed Investment Certificate - 0.25%, payable upon maturity, due January, 2022	-	102,889
Guaranteed Investment Certificate - 2.75%, payable upon maturity, due March, 2023	<u>104,248</u>	<u>-</u>
	<u>134,508</u>	<u>122,962</u>
Less: Current and cashable portion	<u>134,508</u>	<u>122,962</u>
	-	-
<b>Property, Plant and Equipment - at cost</b>		
Furniture and fixtures	19,817	19,817
Computer equipment	54,905	102,955
Website development	194,450	194,450
Property, plant and equipment not in use	<u>225,855</u>	<u>-</u>
	495,027	317,222
Less: Accumulated amortization	<u>247,747</u>	<u>292,693</u>
	<u>247,280</u>	<u>24,529</u>
	<b>\$ <u>883,305</u></b>	<b>\$ <u>509,014</u></b>

Approved on Behalf of the Board:



Director



Director

(See Accompanying Notes to the Financial Statements)



**Stratford Tourism Alliance**  
**Balance Sheet**  
As at December 31, 2022

**LIABILITIES**

	2022	2021
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 218,410	\$ 86,976
Payroll remittances payable	7,475	6,199
Deferred grant revenue	<u>-</u>	<u>30,263</u>
	\$ 225,885	<u>123,438</u>
<b>Deferred Capital Contributions (Note 4)</b>	<u>229,345</u>	<u>3,155</u>
	455,230	<u>126,593</u>
<b>SURPLUS</b>		
<b>Restricted Surplus</b>	134,508	122,962
<b>Unrestricted Surplus</b>	<u>293,567</u>	<u>259,459</u>
	<u>428,075</u>	<u>382,421</u>
	\$ <u>883,305</u>	\$ <u>509,014</u>

(See Accompanying Notes to the Financial Statements)

**Stratford Tourism Alliance**  
**Statement of Surplus**  
For the year ended December 31, 2022

	2022	2021
<b>Balance - beginning of year</b>		
<b>As originally stated</b>	\$ 391,834	\$ 397,959
Prior period adjustment (Note 8)	<u>(9,413)</u>	<u>(8,304)</u>
<b>As restated</b>	382,421	389,655
Excess of revenue over expenditures		
(expenditures over revenue) for the year	<u>45,654</u>	<u>(7,234)</u>
<b>Balance - end of year</b>	<u><u>\$ 428,075</u></u>	<u><u>\$ 382,421</u></u>

(See Accompanying Notes to the Financial Statements)

**Stratford Tourism Alliance**  
**Statement of Operations**  
For the year ended December 31, 2022

	2022	2021
<b>Revenue</b>		
Municipal funding	\$ 580,000	\$ 540,000
Stratford Tourism Supplement	39,519	11,827
Marketing sales	19,830	20,846
Culinary trails	120,350	90,142
Partnership funding (Note 5)	76,925	191,067
Amortization of deferred capital contributions (Note 4)	947	1,352
Administration fees - Lights On Stratford (Note 7)	15,000	15,000
Other	<u>1,579</u>	<u>326</u>
	\$ 854,150	<u>870,560</u>
<b>Expenditures</b>		
Marketing	240,678	303,676
Marketing - Lights On Stratford (Note 7)	-	15,000
Event - general	4,209	4,054
Salaries and benefits	473,209	429,622
Project management and implementation	15,940	64,181
Professional fees	24,954	16,986
Office	16,362	15,473
Repairs and maintenance	-	430
Insurance	5,291	4,341
Interest and bank charges	2,709	2,380
Telephone and telecommunications	15,365	11,394
Amortization of property, plant and equipment	<u>9,779</u>	<u>10,257</u>
	<u>808,496</u>	<u>877,794</u>
<b>Excess of revenue over expenditures (expenditures over revenue) for the year</b>	\$ <u>45,654</u>	\$ <u>(7,234)</u>

(See Accompanying Notes to the Financial Statements)



**Stratford Tourism Alliance**  
**Statement of Cash Flows**  
For the year ended December 31, 2022

	2022	2021
<b>Cash Provided By (Used In):</b>		
<b>Operating Activities</b>		
Excess of revenue over expenditures (expenditures over revenue) for the year	\$ 45,654	\$ (7,234)
Items not requiring cash		
Amortization of property, plant and equipment	9,779	10,257
Amortization of deferred capital contributions	(947)	(1,352)
Net changes in non-cash current operating accounts		
Decrease (increase) in accounts receivable	(9,645)	47,696
Decrease (increase) in HST receivable	(6,654)	14,403
Decrease (increase) in prepaid expenses	13,724	(7,458)
Increase (decrease) in accounts payable and accrued liabilities	131,434	57,928
Increase (decrease) in payroll remittances payable	1,276	(809)
Increase (decrease) in deferred grant revenue	<u>(30,263)</u>	<u>30,263</u>
	\$ 154,358	<u>143,694</u>
<b>Financing Activities</b>		
Capital contribution funding	227,137	<u>-</u>
<b>Investing Activities</b>		
Purchase of property, plant and equipment	(232,530)	-
Increase in investment savings	(10,187)	(40)
Purchase of Guaranteed Investment Certificate	<u>(1,359)</u>	<u>(283)</u>
	<u>(244,076)</u>	<u>(323)</u>
<b>Increase in cash and cash equivalents</b>	<b>137,419</b>	<b>143,371</b>
<b>Cash and cash equivalents - beginning of year</b>	<b><u>314,097</u></b>	<b><u>170,726</u></b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ <u>451,516</u></b>	<b>\$ <u>314,097</u></b>
<b>Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents comprise the following balance sheet amounts:</b>		
Bank - operating	\$ <u>451,516</u>	\$ <u>314,097</u>

(See Accompanying Notes to the Financial Statements)

**Stratford Tourism Alliance**  
**Notes to the Financial Statements**  
For the year ended December 31, 2022

## **1. Purpose of Organization**

The objective of the Stratford Tourism Alliance is to be the leading marketing organization for Stratford aimed at increasing overnight visitors and tourism spending to Stratford and area. The organization is incorporated in Ontario without share capital and is a not-for-profit organization and thus, exempt from income tax under Section 149(1)(1) of the Income Tax Act.

## **2. Summary of Significant Accounting Policies**

These financial statements have been prepared from information available within the guidelines of Canadian accounting standards for not-for-profit organizations summarized below:

### **(a) Revenue Recognition**

Operational funding and grant revenue is recognized in the year in which it is receivable from the funder and collection is reasonably assured. Funding towards capital contributions are deferred and recognized as revenue at the same time as amortization expense of the related asset.

Grant and other revenue received for specific events and projects is recognized in the year in which the event occurs and collection is reasonably assured.

Revenue from the Stratford Tourism Supplement is recognized in the year in which it is received by the individual accommodation provider.

### **(b) Use of Estimates**

Preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that could affect amounts reported as assets, liabilities, revenues and expenditures. Due to measurement uncertainty, results could differ from those estimates.

### **(c) Financial Instruments**

A financial asset is any asset that is cash; a contractual right to receive cash from another party; or an equity instrument of another entity. A financial liability is any liability that is a contractual obligation to deliver cash to another party.

Financial assets and liabilities are initially measured at fair value, except for certain non-arm's length transactions. Subsequently, financial assets and financial liabilities are measured at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

### **(d) Amortization**

Amortization of property, plant and equipment is calculated using the declining balance method at the annual rates reflected in the accompanying schedule of property, plant and equipment and amortization.

### **(e) Contributed Services**

Volunteers contribute significant hours to the organization annually. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

### **(f) Investments in GIC's**

Investments in GIC's are recorded at fair market value. Interest income is accrued on these investments to year-end, wherein the principal plus accrued interest approximates fair value.



**Stratford Tourism Alliance**  
**Notes to the Financial Statements**  
For the year ended December 31, 2022

**3. Lease Commitments**

The organization rents its operating premises from the City of Stratford at a nominal amount.

**4. Deferred Capital Contributions**

Deferred capital contributions represent the balance remaining from funding received for the purchase of property, plant and equipment. The amount of the annual charge to the Statement of Operations is equivalent to the annual amortization expense and any write-offs of the related property, plant and equipment.

	2022	2021
Opening balance	\$ 3,155	\$ 4,507
Amounts received	227,137	-
Amounts amortized to revenue	<u>(947)</u>	<u>(1,352)</u>
Closing balance	<u>\$ 229,345</u>	<u>\$ 3,155</u>

**5. Partnership Funding**

During the year, the organization received funding towards its operations from the following sources:

	2022	2021
Downtown Stratford - Business Improvement Area	\$ 45,000	\$ 35,000
National Trust for Canada	2,625	5,550
Government of Ontario	-	3,724
Government of Canada	4,200	48,519
Regional organizations	<u>25,100</u>	<u>98,274</u>
	<u>\$ 76,925</u>	<u>\$ 191,067</u>

**6. Restricted Surplus**

The restricted surplus represents funds that have been designated for future projects. These amounts have been approved by the Board of Directors and will be revisited on an annual basis.

**Stratford Tourism Alliance**  
**Notes to the Financial Statements**  
For the year ended December 31, 2022

## 7. Lights On Stratford

In August 2020, a committee was formed by certain Partnership organizations in Stratford to monitor Lights On Stratford, a project to safely encourage tourists to Stratford, Ontario during the COVID-19 pandemic. Stratford Tourism Alliance was the oversight organization in administering, planning and running the project.

Final project results and operations for the year ended March 31, 2023 will be reported separately. None of the operations for Lights On Stratford are included in the Statement of Operations for Stratford Tourism Alliance. Any surplus or deficit resulting from the Lights On Stratford project will remain with the Partnership committee for Lights On Stratford.

The following Fund Balances for Lights On Stratford as of December 31, 2022 are not incorporated in the Balance Sheet of Stratford Tourism Alliance.

	2022	2021
Bank	\$ 241,523	\$ 35,279
HST receivable	15,268	11,538
Accounts payable and accrued liabilities	(45,023)	(5,741)
Accounts payable - Stratford Tourism Alliance	<u>(18,226)</u>	<u>(17,858)</u>
	<u>\$ 193,542</u>	<u>\$ 23,218</u>

Stratford Tourism Alliance provided funding of \$ nil (2021 - \$ 15,000) towards Lights On Stratford, which is reported in Expenditures on the Statement of Operations. Stratford Tourism Alliance also received fees of \$ 15,000 (2021 - \$ 15,000) for staff, administration, and other services provided to Lights On Stratford, which is reported in Revenue on the Statement of Operations.

## 8. Prior Period Adjustment

During the year, the organization discovered that accrued wages payable as of December 31, 2020 and December 31, 2021 were understated by \$ 8,304 and \$ 9,413 respectively. Comparative amounts for 2021 have been restated. Opening surplus for 2021 has decreased by \$ 8,304, which is the amount of the adjustment relating to periods prior to 2021. Excess of revenue over expenditures for 2021 has decreased by \$ 1,109.

### Effect on 2021

Increase in expenditures	\$ <u>1,109</u>	
Decrease in 2021 excess of revenue over expenditures		\$ <u>1,109</u>

### Effect on periods prior to 2021

Increase in expenditures	<u>8,304</u>	
Decrease in surplus		<u>8,304</u>
Net change in surplus		<u>\$ 9,413</u>
Increase in accounts payable and accrued liabilities	<u>9,413</u>	
Net change in assets and liabilities		<u>\$ 9,413</u>

**Stratford Tourism Alliance**  
**Schedule of Property, Plant and Equipment and Amortization**  
For the year ended December 31, 2022

	<u>As at December 31, 2021</u>									<u>As at December 31, 2022</u>		
	Cost	Accum. Amort.	Unamort. Bal.							Cost	Accum. Amort.	Unamort. Bal.
Furniture and fixtures	19,817	14,135	5,682				5,682	20	1,136	19,817	15,271	4,546
Computer equipment	102,955	99,768	3,187	6,675			9,862	40	3,945	54,905	48,988	5,917
Website development	194,450	178,790	15,660				15,660	30	4,698	194,450	183,488	10,962
Property, plant and equipment not in use				225,855			225,855			225,855		225,855
	<b>317,222</b>	<b>292,693</b>	<b>24,529</b>	<b>232,530</b>			<b>257,059</b>		<b>9,779</b>	<b>495,027</b>	<b>247,747</b>	<b>247,280</b>



## MANAGEMENT REPORT

**Date:** June 20, 2023  
**To:** Finance and Labour Relations Sub-committee  
**From:** Karmen Krueger, CPA, CA, Director of Corporate Services  
**Report #:** FIN23-018  
**Attachments:** 1) Stratford Live Music and Food 2023 Community Grant Appeal Request  
 2) Stratford Live Music and Food 2023 Community Grant Application

**Title:** 2023 Community Grant Appeal Request

**Objective:** To consider an appeal of Council's decision regarding a 2023 community grant for Stratford Live Music and Food.

**Background:** Council approved 2023 community grant awards to various organizations on May 8, 2023.

Each group was advised of Council's decision and given the opportunity to have the decision reconsidered by submitting a formal appeal in writing to the Finance and Labour Relations Sub-committee by May 26, 2023. Each group was also given the option of participating in the meeting as a delegation.

Groups were asked to provide additional or new information in their appeal request not previously provided or considered in their original application. Groups were also asked to clearly outline their justification for the increased request and explain how it fits with the City's Community Grants Policy.

**Analysis:** One organization, Stratford Live Music and Food, has submitted an appeal request. The appeal request is attached to this report as well as the original 2023 grant application.

Organization	2023 Request	2023 Approved	2023 Appeal	2022 Request	2022 Approved
Stratford Live Music and Food	\$7,000.	\$0 (denied)	Requesting at least \$4,000.	\$7,000.	\$4,000



Through its deliberations, the Community Grants Evaluation Committee recommended denying the Stratford Live Music and Food request, and Council supported this recommendation. The committee considered various factors for each application, and viewed this event as better suited to alternate funding options, such as user-pay, sponsorships, or applications to other government grants, rather than City taxpayers, due to the commercial nature of the event. The original application indicated several other sources of revenues for the event, including bar sales, admission revenues, sponsors and provincial grants. The organization also recorded a net income from the 2022 event in excess of \$30,000 (though, the 2023 event is expected to just break-even based on the submitted budget and assuming the City and provincial grants were received).

The application from 2022 was \$7,000 and \$4,000 was awarded, and for 2023 the application was for \$7,000. The organizers have indicated that they would like the City to reconsider the request of \$4,000 minimum, similar to what was awarded last year.

### **Financial Implications:**

#### **Financial impact to current year operating budget:**

Should the grant request/appeal be approved, funding would come from the Community Grant reserve, which currently has a sufficient unassigned balance that could accommodate the request. Approving this request would not have an impact on the 2023 approved budget.

#### **Financial impact on future year operating budget:**

Funding for Community Grants is awarded as part of the City's annual budget process. There is no budget impact for future years related to this appeal request, as it only impacts the 2023 budget.

### **Alignment with Strategic Priorities:**

#### **Strengthening our Plans, Strategies and Partnerships**

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

#### **Developing our Resources**

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

### **Alignment with One Planet Principles:**

#### **Health and Happiness**

Encouraging active, social, meaningful lives to promote good health and wellbeing.

**Equity and Local Economy**

Creating safe, equitable places to live and work which support local prosperity and international fair trade.

**Culture and Community**

Nurturing local identity and heritage, empowering communities and promoting a culture of sustainable living.

**Staff Recommendation: THAT the decision of Council on May 8, 2023, denying a grant request to Stratford Live Music and Food, be upheld.**

**Prepared by:**

Karmen Krueger, CPA, CA, Director of Corporate Services

**Recommended by:**

Karmen Krueger, CPA, CA, Director of Corporate Services

Kim McElroy, Director of Social Services/Acting CAO



May 26, 2023

City of Stratford  
Corporate Services Department  
City Hall, P.O. Box 818  
Stratford, ON N5A 6W1

Attention: Finance & Labour Relations Sub-committee

Dear Sir/Madam:

***2023 Community Grant Appeal***

This year's event will be held on June 16<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup>. Our ***not-for-profit corporation*** event statistics indicate 75% of our visitors are local and 25% > 40km away. We hope you will reconsider your position and grant us at least \$4,000 as in past due to the following:

- ***Of our total 2022 revenue (not including grants) we are asking for 3.8% of 2022 revenue.*** This means \$3.80 for every \$100 support we got from:
  - Local businesses - sponsorships for future business opportunities in Stratford
  - Vendors/businesses – sales that increases the community's economic development
  - Residents/visitors - donations and purchases
- For the first time in many years, ***we have money/surplus in the bank going into the event. This allows us to budget more effectively leading up to an event.*** It was not indicated on our financial statements but this operating account is reserved for downpayments on future event costs and rainy-day funds as this event is held outside and this can completely affect our attendance and revenues.
- It was indicated that council feels our event is better suited for alternate funding options rather than City taxpayers. ***However, in 2022, approximately 73% of our revenue for the event was already from City taxpayer's pockets.***
- ***Local Stratford business' sponsor our event (23% of revenue in 2022) in return for advertising of their businesses.*** Advertising costs are expensive and represent approximately 9% of our total expenses of which are paid to local businesses. We need to spend money in order to keep our sponsors satisfied so our event can continue into the future with their sponsorship. And in return we are supporting other local businesses and ensuring we have an economic impact on the City of Stratford.

- ***This is a not-for-profit corporation*** ~~Event~~ ***entirely completely run by a volunteer board of directors.*** Our objective is to provide the residents of Stratford with a joyful event for the whole family. There is a very minimal entrance fee price of \$10.00/day (including HST) to see 6-12 bands perform and we hope to keep it this way to allow all residents of Stratford to attend and not be restricted by price. However, the vendor and food areas are free to all residents and visitors of Stratford. We have over 10,000 people attend the event of which 4,000 pay admission to the licensed music area.
- Our festival supports musician's, 67% of the total 120 who are paid are local individuals. This entertainment expense represents approximately 36% of our expenses. ***New this year, Sunday of our event is 100% completely dedicated to Stratford musicians (We Love Stratford Day).***
- ***We provide the residents of Stratford with a joyful event for the whole family:***
  - o Multiple food, drink and artisan options (up to 36 vendor stalls and Internationally Acclaimed Rib Teams)
  - o Children's area that Arden Park Dental and Stratford Library run as in-kind.
  - o Comply with the Accessibility for Ontarians with Disabilities Act (AODA)
- Provide volunteer experience for locals and high school students
- ***We did not obtain the budgeted \$8,000 for provincial funding;*** the grant was re-branded and our Board was not made aware.

Overall, we realize the City only has limited funds to disburse. We are not asking for much. Our committee members, Board and volunteers put in a lot of work and support this community. We hope you will reconsider our request. We are grateful to the City of Stratford for allowing us to hold this important event annually for the people of Stratford to enjoy.

# City of Stratford 2023 Community Grant Application Form

[2023 Grant Application Guidelines](#) and [City Policy F.1.1 Community Grants Program](#)

**I confirm I have read in full the above 2023 Grant Application Guidelines and City Policy F.1.1 Community Grants Program, located on the City's website \***

☒ Agree

The personal information collected on this form or in background material included with your application is collected under the authority of the Municipal Act, 2001 and will be used by Corporate Services staff and City Council for the purpose of reviewing grant applications and other related administrative purposes. Questions regarding the collection and use of this information may be made to the City Clerk, P.O.Box 818, Stratford, ON, N5A 6W1 or by telephone 519-271-0250 ext. 5329 during business hours.

## A. ORGANIZATION INFORMATION

**Organization name: \***

Stratford Live Music & Food

**Contact Name / Position for purposes of this grant application: \***

[REDACTED]

**Mailing Address: \***

[REDACTED]

**Telephone Number: \***

[REDACTED]

**Email address: \***

[REDACTED]



## Briefly state your organization's missions/goals:<sup>152</sup>

Stratford Live Music & Food's mission is to provide the residents of Stratford and Area with a weekend of quality live music and entertainment for the entire family to enjoy.

Our organization objectives:

- establish partnerships with various area stakeholders in order to provide a successful event with relationships that will continue into the future;
- create job opportunities for Stratford and Canadian performers (including youth);
- increase spending in the Stratford community by offering sponsorship advertising packages to local businesses.

**Please attach a list of your organizational structure, including paid staff positions (do not include personal information such as home address and telephone numbers) : \***

### File Name



Copy of Board 2023.pdf

140.8 KB

## Estimated Number of Volunteers & Number of Volunteer Hours: \*

During the 3 day event weekend we expect to have 70 volunteers running the front gates (collecting entrance fees via cash or debit), Merchandise Sales, information center/cleaning/restocking, children's area, bar team, stage hands, put up the event and takedown for about 500 hours (4 hour shifts). Our Committee/Board volunteers during the entire year for the event preparation, planning and follow-up for approx. another 500 a year. Our event overall provides approx. 1,000 volunteer hours a year during the event and for preparation.

## B. ELIGIBILITY REQUIREMENTS of Organization/Activity

Read the [City's strategic priorities](#) on the website before answering the below section:

**Please explain how your activity or service will specifically benefit the residents of Stratford and promotes one or more of the City's strategic priorities: \***

The weekend event will provide a culture of live music and local entertainment for families and friends to spend time together. This event specifically benefits the residents of Stratford and promotes one or more the City's strategic priorities as:

- Our event complies with the Accessibility for Ontarians with Disabilities Act; City of Stratford ensures mobility accessibility and our festival does as well (washrooms at ground level, public transportation drop offs that have priority seating for passengers with disabilities, paths of travel are accessible by all people with disabilities, rest area/quiet spaces available as well as rain/wind/sun shelter).
- We have recycle bins distributed throughout the festival and order additional large bins to help reduce waste. Stratford is committed to zero waste/greening of the City and our festival works towards this as well. We Partner with the Boy Scouts who deal with the garbage bins and gather recyclables.
- Our event supports the community to ensure residents are provided with an expectational quality of life experience by providing a cultural artistic weekend event which has been strategically been put together by collaborating and partnering with the community to ensure success now and into the future.

Few examples as follows:

- make use of Stratford's historic bandshell
- event for the entire family (children's area, youth entertainment etc. )
- high school students can obtain volunteer hours
- supports other organization such as the Boy Scouts (clean bins and sells pop) and Air Cadets (help with take down and put up in return get a vendor spot)
- supports and partners with City of Stratford to obtain licenses, band shell rental, road closures, peddler's licenses, hydro @ sites, etc.
- Our event helps create jobs by providing vendors with a spot to sell goods and services, creating jobs for talented musicians, paying for logistics of site and running the event (washroom rentals, tent rental, chair and table rental, stage/sound/lights production, security, fencing, social media, etc.), and providing sponsorship options to local businesses which in return increases their sales and business due to advertising at our event. Having our event located downtown Stratford also increases local businesses activity during the weekend of the event (restaurants and shops).

**Does anyone other than City of Stratford residents belong to your organization, or benefit from your services/activities? \***

☒ Yes

☐ No



**Please explain: \***

Yes other people benefit from our event from Outside of Stratford as we hire musicians and vendors from outside of Stratford and within Stratford. Attendees of the event are mostly local to the City of Stratford and surrounding area however we do draw in some tourists as well to help support local restaurants and hotels to increase City of Stratford spending dollars. Some of our expenses for event costs are also purchased from outside the City of Stratford, however when possible we support City of Stratford Businesses.

**Please explain how your organization and its programs and/or activities meet each of the Community Grants Program eligibility criteria listed in sections 4.0 and 5.0 of the City's grants policy: \***

4.0 Activity Eligibility for Funding: Our organization is community-based and aligns with a lot of the City's strategic priorities (as listed above). Our vendor (food and artesian) area is completely available the public at no charge. The gated area is available to all the public at a minimum cost of \$10/day for adults and free for children under \$12. Overall this is a "minimal fee" to see 5-10 musical acts in a day and therefore agrees to the program eligibility criteria.

5.0 Group Eligibility for Funding: Our organization is a not-for-profit corporation. Has a completely volunteer board of directors. In the past we have released annual financial statements verified as correct by two signing officers from the organization. Going forward we will have statement provided by an independent practitioner who will provide a review engagement report. Our Festival has been operating since 2009 and we are in good compliance and standing with the City of Stratford and its own governing bodies.

**Does the organization operate as an incorporated not-for-profit? \***

☒ Yes

☐ No

**If yes, please provide date of Incorporation:**

2/8/2003



**Does the organization operate as a registered charity? \***

☐ Yes

☒ No

If so, provide charitable number:

155

Are fees charged for membership or for any of the services/activities you provide? \*

☒ Yes

☐ No

Please explain: \*

No membership fees.

Fees are charged to vendors (food and artisan) for spots available so they can sell their own products.

Fees are also charged to businesses (at particular levels) who would like to support our event through sponsorship in return for advertising leading up to (social media and poster/pamphlets around the City) and at our event via onsite signage and stage shout outs.

Are your activities open to the public at minimal or no charge? \*

☒ Yes

☐ No

Please explain: \*

Our vendor (food and artesian) area is completely available the public at no charge. The gated area is available to all the public at a minimum cost of \$10/day for adults and free for children under 12 years old. Overall this is a "minimal fee" to see 5-10 musical acts in a day and therefore agrees to the program eligibility criteria.

## C. Grant Request Detail

Amount requested for this grant application: \*

\$7000.00

Please review the definitions of "one time" versus "multi-year" grants in the guidelines, then indicate the type of funding you are applying for. \*

- ☒ 2023 (one time funding only)
- ☐ 2023 and beyond (multi-year support)

If this is a one-time request for funding, please indicate how the funds will be used:

The funds will be used towards logistics of the festival including tent and washroom rentals, electrician and security.

If this is a multi-year request, please indicate specific years for funding and how the funds will be used in each of the years:

What goals do you wish to achieve with this funding? \*

With the funding we hope to achieve financial security so our festival can be provided to the residents of Stratford and surrounding area now and into the future.  
This funding will help support our organizational goals of establishing partnerships, creating job opportunities and to increase spending in the Stratford community.  
The requested funding specifically for logistics will ensure Stratford Residents are provided with a safe, assessable environment.



## How do you intend to leverage the City's support to obtain additional financial and non-financial resources from other sources? \*

In order to provide a successful event and ensure the City of Stratford priorities are being met the following will be in place:

- Risk Management and Contingency Plans in place for items such as: revenue shortfalls, crowd management, environmental occurrences, logistic problems etc.
- The Board meets regularly to assign tasks, ensure time lines are being followed, budgets are up-to date, ensure provincial regulations are being followed, etc.
- Ensure we have financial buffer in all budget amounts until confirmed and continuously update and review budget and confirmed expenses and income
- Increase Advertising of event and sponsors: last year the festival started Social Media tactics with a great success, therefore we hope to continuously increase these efforts to ensure Stratford residents and businesses are aware of our event and activity.
- Ensuring we have local entertainment and "big name" (within our festival budget and capacity limits) headliners will increase the amount of attendance to our festival.

## D. FINANCIAL INFORMATION

Please attach your most recent annual audited financial statements. If annual audited financial statements are not available, please attach financial statements that have been verified as correct by two signing officers of the organization.

Please also attach a projected budget for the year in which the funds are being requested, showing total revenue and expenses and anticipated surplus or deficit. (template can be provided to you if required)

### Most recent year-end financial statements(must be verified as noted above) \*

#### File Name



[2022 Financial Statements.pdf](#)

798.2 KB

### Budget for the year in which the funds are being requested: \*

#### File Name



[Budget 2023.pdf](#)

77.8 KB

### Please indicate any funding requested or received from other levels of government or other agencies, and the status of each application. Please state None if applicable. \*



We were just informed we received funding for the first time from the Minister of Canadian Heritage for the 2023 program year in the amount of \$12,300.

As in prior years we will apply for the Celebrate Ontario Grant when available. This grant determination doesn't usually come into effect until after the Festival and therefore we typically have to plan on not receiving these funds when budgeting for the 2023 year event. However due to receiving 2022 grant after our festival occurred we have an additional \$8,000 not accounted for in prior year budget and available in the bank and will therefore include in 2023 budget outlined above.



## E. ADDITIONAL INFORMATION

Please provide any additional comments you have here regarding your 2023 grant application:

File Name	
	<a href="#">Additional Information.pdf</a> 64.0 KB
	<a href="#">List of Supporters.pdf</a> 56.5 KB

## F. SIGNATURE/SUBMISSION

Full name: \*

Position: \*

Application Date: \*

Thank You for completing the City of  
Stratford 2023 Community Grant Application  
Form.



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## MANAGEMENT REPORT

**Date:** June 20, 2023  
**To:** Finance and Labour Relations Sub-committee  
**From:** Sam Day, CPA, Manager of Revenue and Taxation  
**Report #:** FIN23-021  
**Attachments:** 1. Draft Amended F.1.6 Property Tax Billing and Collection Policy  
2. Current F.1.6 Property Tax Billing and Collection Policy  
3. Current Policy F.1.9 Vacant Tax Rebate Program for Commercial and Industrial Buildings Policy

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**Title:** Property Tax Billing and Collection Policy

**Objective:** To rescind and replace Policy F.1.6 Property Tax Billing and Collection Policy. To rescind Policy F.1.9 Vacant Tax Rebate Program for Commercial and Industrial Buildings.

**Background:** Council adopted Policy F.1.6 Collection of Municipal Taxes on September 22, 1997. Staff recommend rescinding the current Policy and replacing it with a new updated Policy that reflects the current Municipal Act legislation and City practices and procedures.

Council also adopted Policy F.1.9 Vacant Tax Rebate Program for Commercial and Industrial Buildings on July 10, 2006. Staff recommend rescinding this Policy due to the program having been phased out in 2019.

**Analysis:** The purpose of the new F.1.6 Policy is to ensure a transparent and efficient process for the billing and collection of property taxes. The policy content is to minimize the City's risk to tax arrears by clearly outlining payment information for property taxes at the time they are due.

Where arrears exist, the policy outlines a standardized procedure for collection activities and arrangements with property owners in compliance with legislation. The policy provides efficient process for the City to meet the collections obligations in collaboration with property owners.

**Financial Implications:**

**Not applicable:**

There are no financial implications to be reported as a result of this report.

**Alignment with Strategic Priorities:**

**Not applicable:** The adoption the Property Tax Billing and Collection policy does not directly align with the Strategic Priorities.

**Alignment with One Planet Principles:**

**Not applicable:** The adoption the Property Tax Billing and Collection policy does not directly align with the One Planet Principles.

**Staff Recommendation: THAT Policy F.1.6 Collection of Municipal Taxes be rescinded;**

**THAT Policy F.1.6 Property Tax Billing and Collection be adopted substantially in the form as attached to Report FIN23-021;**

**AND THAT Policy F.1.9 Vacant Tax Rebate Program for Commercial and Industrial Buildings be rescinded.**

<b>Prepared by:</b>	Sam Day, CPA, Manager of Revenue and Taxation
<b>Recommended by:</b>	Karmen Krueger, CPA, CA, Director of Corporate Services
	Joan Thomson, Chief Administrative Officer



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## **The Corporation of the City of Stratford Policy Manual**

**Policy Number:** F.1.6

**Policy Section:** Financial and Fiscal

**Department:** Corporate Services

**Date Adopted:**

**Date Amended:**

**Scheduled for Review:**

**Date of Last Review:**

**Policy Type:** Council-adopted Policy

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### **Property Tax Billing and Collection Policy**

#### **Policy Statement:**

The City of Stratford collects taxation levies on behalf of the Municipality and school boards and is responsible to ensure that all taxation revenues are collected. The Municipality wishes to ensure prompt billing of the taxation levy in order to meet the budgetary expenditures of the Municipality and also to ensure that collection policies are appropriate within the requirements of all applicable legislation.

#### **Purpose:**

The billing and collection of municipal taxation levies on a timely basis is an important tool to support the efficient cash management of the Municipality. The purpose of this policy is to provide guidelines for staff and to complete billing and collection in a consistent, fair, and transparent manner. The procedure will serve as a reference for Council and staff when answering concerns of ratepayers. It is designed to be implemented in accordance with all governing legislation. Should there be any contradictions between this Policy and the governing legislation, the provisions in the legislation will prevail.



## Definitions:

**"Cancellation Price"** means an amount owing equal to all Tax Arrears, together with all current taxes owing, penalties and interest and costs incurred by the Municipality after the registration of a Tax Arrears Certificate under Section 373 of the Municipal Act.

**"Collection Costs"** means all costs incurred by the Municipality to obtain information for collection purposes and/or collect Tax Arrears including, but not limited to, title search fees, corporate search fees, registered or certified mail, administrative charges, legal costs, and tax sale costs.

**"Council"** means the municipal Council of the City of Stratford.

**"Extension Agreement"** means a contract between the Municipality and the owner, spouse of the owner, a mortgagee, or a tenant in occupation to extend the period of time in which the Cancellation Price is to be paid. The contract is entered into after the registration of a Tax Arrears Certificate and before the expiry of the one-year period following the registration date.

**"MPAC"** means the Municipal Property Assessment Corporation which is responsible for determining the assessed value of all classes of assessment in the Province of Ontario. MPAC administers all phases of property assessment including appeals of assessment.

**"Municipality"** means the Corporation of the City of Stratford.

**"Notice of Vesting"** means a notice required by clause 379 (5) (b) and subsection 379 (6) of the Municipal Act which contains the information prescribed in Schedule 4 of O. Reg. 181/03 whereby the Municipality takes the ownership and the official rights of the title on a property.

**"Penalty and Interest"** means amounts applied by the Municipality to unpaid Property Tax accounts, in accordance with Section 345 of the Municipal Act and applicable Municipality by-laws. Penalty refers to amounts added to overdue current amounts owing. Interest refers to amounts added to previous period arrears.

**"Property Taxes"** means the total amount of taxes for municipal and school board purposes levied on a property and includes other amounts as may be added to the tax roll under applicable Provincial legislation.

**"School Boards"** means collectively all school boards in which the Municipality distributes taxation levy funds.

**"Tax Arrears"** means any portion of Property Taxes that remain unpaid after the date on which the taxes are due.

**"Tax Arrears Certificate"** means a document that is registered on title, indicating the described property will be sold by public sale if all Property Taxes are not paid to the Municipality within one year of the registration of the certificate.

**"Tax Sale"** means the sale of land for Tax Arrears according to the proceedings prescribed under the Municipal Act and O. Reg 181/03.

**"Treasurer"** means the Director of Corporate Services of the City of Stratford or Designate.

### **Scope:**

This policy covers all aspects of billing and collection of Property Taxes, up to and including the initiation of Tax Sale proceedings. All procedures related to a Municipal Tax Sale are carried out in accordance with Ontario Regulation 181/03. This policy excludes the collection of payments-in-lieu of taxes and other accounts receivables.

### **Procedure:**

#### Billing, Payments and Delivery of Tax Bills

The authority to levy taxes is provided in Sections 311 and 312 of the Municipal Act. These sections state that Council shall, each year, pass a by-law levying a separate tax rate on the assessment in each property class in the municipality for the purpose of satisfying the financial obligations arising from the annual budget process.

A levying by-law passed by Council is required in advance of the Interim and/or Final Tax billing. A separate levying by-law is not required for supplementary tax billings.

Annual property taxes are billed in four installments, two included in the interim billing and two included in the final billing.

Tax bills will be prepared in a format that complies with legislated requirements under Ontario Regulation 75/01 of the Municipal Act.

Any outstanding arrears will be included in each tax billing's first installment due date amount. Installment due dates will be indicated on the payment stubs attached to the main tax bill.

The cents amount of the total bill will be collected in full on the first installment of each tax billing.

### Billing – Interim

As provided in the Municipal Act each property owner, identified on the returned assessment roll, shall be mailed an interim tax bill. The interim bill shall represent up to fifty percent (50%) of the previous year's annualized taxes and may include up to fifty percent (50%) of the Downtown Stratford Business Improvement Area charge or other special charges as required under provincial legislation and be payable in two instalments. This interim bill shall be mailed at least 21 days prior to the due date of the first instalment. The two instalment due dates will be the third last business day of February and April.

Participants in the pre-authorized payment program will receive a notice in the preceding December advising of what their monthly payment withdrawal from their bank account will be for the period January – June. Interim tax bills will still be mailed to these participants.

### Billing – Final

After completion of the annual budget process, and the setting of tax ratios and rates, a final bill shall be mailed to each property owner identified on the returned assessment roll, as amended by MPAC throughout the year. The final tax bill shall be the levied taxes for the year less the amount previously issued via the interim bill and be payable in two instalments. This final bill shall be mailed at least 21 days prior to the due date of the first instalment. The two due dates will be the third last business day of August and October.

Any applicable Business Improvement Area (City Centre) levy charges and other special charges will be included in the Final billing. The Business Improvement Area is generally funded by a special levy applied to properties with commercial and industrial assessment within the boundaries of the designated BIA area and is based on the assessed value of the property.

### Supplementary and Omitted Assessments

Omitted Assessment - Section 33 of the Assessment Act allows for the taxation of real property that was eligible for taxation but was previously omitted from the roll. The provision allows for the taxation in the current year, plus a maximum of the two preceding years.

Supplementary Assessment – Section 34 of the Assessment Act allows for the taxation of assessment increases arising from changes to property values (triggered by building construction/renovation), classification, or tax-exempt status. These taxes apply to the current year only.

After receiving notification from MPAC, tax bills shall be issued to each property owner identified on the supplementary/omitted assessment notification listing. The Municipality will determine instalment due dates, which are usually separate and different from the regular annual tax bill.

Penalties and interest charges will be assessed on supplemental taxes that are owing past their due date. See Late Payments Charges/Penalties and Interest section.

Participants in the monthly pre-authorized payment program will receive a notice advising that the supplementary bill amount is payable over and above their current monthly payment plan. Property owners may contact the Municipality in writing to amend their pre-authorized amount to include this billing prior to the end of the calendar year. When a supplementary bill is issued closer to the end of the year there may not be sufficient time to accommodate a monthly payment plan, in which case the instalment due dates apply.

### Severances

Property owners may apply for severances of their properties under the authority of the Planning Act. If granted by the governing body with the legislative authority, the assessment values must be split between all of the parcels of land. MPAC divides the assessment information and provides the resulting apportionment information to the Municipality. Processing of assessment and tax changes as a result of severances is performed once information is received from MPAC. Tax bills shall be issued to each property owner identified on the severance/consolidation plan information form.

### Consolidations

The Planning Act stipulates that abutting lands with common ownership automatically become one parcel unless the lands have been subjects of a Land Division Committee of Adjustment consent or are whole lots/blocks in a registered plan of subdivision. Complying with the Planning Act is an operation of law. The request or consent of the owner is not required.

Consolidations are processed by MPAC and Property owners should contact MPAC directly with questions related to consolidations.

### Rebates and Other Adjustments

The Municipality periodically receives notifications of changes in assessment or tax classes from MPAC. Some of the types of assessment applications and notifications that may affect the assessment value on a property which may result in a reduction in taxes are:

- Applications For Reduction in Assessment - under Section 357 & 358 of the Municipal Act
- Request for Reconsideration (RfR) – under Section 39.1 of the Assessment Act
- Assessment Review Board (ARB) Decision – under Assessment Act
- Minutes of Settlement (MOS) – under Section 40 of the Assessment Act
- Post Roll Assessment Notice (PRAN) – under the Assessment Act
- Advisory Notice of Adjustment (ANA) – under of the Assessment Act
- Charity Rebates – under section 361 of the Municipal Act

Applications for Reductions in Assessment Value (Section 357 and 358)  
(see Appendix A)

Under Section 357 and 358 of the Municipal Act, applications may be made to the Municipality for reduction in assessment for the following reasons:

- a) Building was razed by fire
- b) Building was demolished
- c) Ceases to be liable for the tax rate that the property had been originally taxed
- d) Became exempt from property taxation
- e) Is damaged and substantially unusable
- f) Mobile unit is removed
- g) Experiences a gross or manifest clerical/factual error
- h) Is under repairs/renovations preventing normal use (minimum 3 months)

The Municipal Act requires that the following procedure occur:

- 1) An application must be completed and submitted on the prescribed form which is available from the Municipality's website at [www.stratford.ca](http://www.stratford.ca) or at City Hall located at 1 Wellington Street
- 2) An application must be filed with the Treasurer or Manager of Revenue and Taxation on or before February 28<sup>th</sup> of the following year in respect of which the application is being made
- 3) Complete applications are reviewed by the Treasurer or Manager of Revenue and Taxation and are sent to MPAC for their recommendation of assessment value and/or tax class change
- 4) If MPAC revises the assessed value, the Municipality will recalculate the taxes for the affected year(s), and issue a supplementary credit adjustment. The applicant then has thirty-five (35) days to appeal to the Assessment Review Board (ARB) if they do not agree with the decision
- 5) Annually, the Treasurer or Manager of Revenue and Taxation will prepare a report of all tax application changes for Council's information. This report will include the following details for each property:



- roll number,
- reason for the reduction or exemption,
- the section of the Municipal Act (if applicable),
- the tax year to which the tax reduction will apply,
- the amount of reduction in assessment, and
- the impact to the Municipality's financial statements.

### Request for Reconsideration (RFR)

If a property owner does not agree with the assessed value of their property or feels that the property classification is not correct, they may file a Request for Reconsideration (RFR) with MPAC by March 31<sup>st</sup> of the current taxation year. It is the responsibility of the property owner to provide any supporting documentation to MPAC for their consideration.

After due investigation, MPAC will issue their decision. Both the property owner and the Municipality have the option to either accept the decision of MPAC or appeal to the ARB with ninety (90) days of being notified of the RFR Notice of Decision. The Treasurer may determine whether or not to appeal and may utilize services of assessment consultants. Variables affecting whether to consult with specialists including magnitude of adjustment and other factors may influence this decision.

### Assessment Review Board (ARB) Applications

Property owners may apply to the ARB to appeal their assessment. The deadline for these types of appeals is March 31<sup>st</sup> of the current taxation year.

If the subject property, or a portion of it, is classified as residential, farm or managed forests, the property owner must first file an RFR with MPAC before they are eligible to file an appeal with the ARB. Other property tax classes may appeal the assessment to the ARB directly.

Forms, fees and deadlines are available on the ARB website at [www.arb.gov.on.ca](http://www.arb.gov.on.ca)

### Minutes of Settlement

Minutes of Settlement (MOS) are issued after a property owner has applied to the ARB, and MPAC has negotiated a settlement with the property owner, prior to going to the assessment review board hearing. MOS will be sent to the Municipality by the ARB or MPAC.

### Post Roll Assessment Notices (PRAN)

At any time during a taxation year, if there was a factual error(s) in the assessed value, classification, or tax status of a property, MPAC has the authority to correct the error by issuing a Post Roll Amended Notice. This notice corrects the assessment provided in a previously issued Property Assessment Notice and is sent to both the property owner and the Municipality.

### Advisory Notice of Adjustment (ANA)

Where there has been a change to the assessed value that affects the phase-in values for the current or preceding taxation years and there is no other method to report the revised phase-in values, an Advisory Notice of Adjustment is sent to the property taxpayer. An Advisory Notice of Adjustment is a notification only. These notices are typically used to advise of the change in the phased-in assessment following a decision of the ARB.

### Charity Rebates

Section 361 of the Municipal Act requires that municipalities shall have a tax rebate program for eligible charities for the purposes of giving them relief from taxes or amounts paid on account of taxes on eligible property they occupy. The Municipality's program details can be found in By-Law 100-98.

### Delivery Address

Property Tax bills and notices are mailed to the address of the property as shown on the Municipality's database unless the taxpayer advises the Municipality, in writing, of an alternate mailing address.

Any bill or notice sent by standard letter mail is considered delivered to and received by the addressee unless the notice is returned by Canada Post and an error in the mailing address is evident. Taxpayers are responsible to notify the Municipality of any changes to a mailing address.

Failure to notify the Municipality of an address change in writing is not an error on behalf of the Municipality, and the resulting failure to receive a tax bill does not excuse a taxpayer from responsibility for payment of the taxes nor relieve liability for penalty due to late payment.

### Mortgage Company

A mortgage company responsible for paying property taxes on a specific property will be provided with a listing of roll numbers, taxes due and owing and the due dates for

each property that they have provided the Municipality with notification that they hold an interest in a particular property. Failure to notify the Municipality does not excuse a taxpayer from responsibility for payment of the taxes nor relieve liability for penalty due to late payment.

Tax bills for properties that are paid by the mortgage holder will have a note on the bill that their taxes are paid by mortgage company and that the bill is for information purposes only.

### Recalculation of Property Taxes at Time of Sale

Property taxes are assessed on the property, irrespective of the owner. The Municipality will not recalculate the annual property taxes for a part of a year on the date of sale of a property. The property taxes for a property being sold are adjusted for on the Statement of Adjustments prepared by the seller's/purchaser's lawyer when provided. Any questions regarding the calculation of the allocation on property taxes in the case of an ownership change on the sale/purchase of a property should be directed to the lawyers involved in the sale.

### Payment Options

Payment of taxes must be received in the Municipality's administrative office (City Hall, 1 Wellington Street), on or before the due date otherwise it will be subject to penalties and interest. See Late Payments Charges/Penalties and Interest section for more information.

The following are the modes of payments that are available for the property owner's use:

- a) Installment or Monthly Pre-authorized Payment Plans (PAP)
- b) Telephone or Internet Banking – using the fifteen digit roll number as the account number (allow sufficient processing time)
- c) At many financial institutions
- d) Payments by a mortgage holder or other registered party
- e) Post Dated Cheques
- f) By regular mail (allow sufficient delivery time. The post mark is not regarded as proof of timely payment)
- g) In person at the City Hall at 1 Wellington Street. An external drop box located at the back of City Hall off Market Square is also available after hours using one or more of the following methods:
  - Cash,
  - Cheque,
  - Money Order, and/or
  - Direct Debit (at the City Hall only)

Credit cards are not accepted for payment of property taxes.

Taxpayers assume the responsibility for the late arrival of the payment when payments are made by mail, telephone/internet banking, and payments made at financial institutions.

Partial payment is not accepted where a Tax Arrears Certificate has been registered against a property, except where the Municipality has entered into an Extension Agreement.

In accordance with Section 347 of the Municipal Act payments shall be applied as follows:

- 1) First to the oldest and all penalty and interest
- 2) Then to the taxes starting with the oldest taxes up to the current, and other amounts deemed to be taxes that have been added to the roll

#### Pre-Authorized Payment Plan

Pre-authorized payment plans have been implemented to assist taxpayers with their personal budgeting and to ease the possible financial strain of making full installment payments. Properties enrolled in either of the pre-authorized payment plans are not subject to any late payment charges for the non-payment of taxes on the due dates.

Tax bills for properties on a pre-authorized payment plan will have a note on the bill that they are a participant in a preauthorized payment plan and that the bill is for information purposes only.

Taxpayers whose property tax account is in good standing may participate in one of the following plans:

- a) Monthly – provides for a withdrawal from the property owner's bank account on the 1st business day of each month of an amount sufficient enough to ensure that all taxes billed are paid within the current year

The dollar amount to be withdrawn from the participants account shall be recalculated twice a year:

- 1) At the end of each calendar year in December, calculating a monthly amount based on the current year's taxes averaged over twelve payments, to take effect on January 1st of the following year
- 2) After the calculation of the final bill. This calculation would be the current year's taxes, less what has been paid, divided by the remaining months (or

withdrawals) in the year. The revised payment so calculated will commence July 1st

In both cases the property owner shall receive written notification as to the dollar amount change at least ten (10) business days prior to the scheduled payment withdrawal date.

- b) Instalment – provides for a withdrawal from the property owner’s bank account, on the due date of an amount sufficient enough to ensure that all taxes due and payable on the said date are paid in full

To enroll in any of the Pre-authorized Payment Plans applicants must submit an application in writing on the Municipality’s prescribed form and submit it ten (10) business days prior to the payment withdrawal date.

Participants in the program wishing to make changes to their application (for example banking information), or cancel their participation in the program must do so in writing ten (10) business days prior to the scheduled payment withdrawal date.

Note that pre-authorized payment plans are a courtesy alternative payment plan offered by the Municipality. It is the intention that pre-authorized payment plans are reserved for accounts in good standing. However, the Treasurer may make exception to allow a property owner who has arrears to enter into a pre-authorized payment arrangement, provided there is no history of dishonoured payments with the Municipality.

If a property owner’s payment fails to clear the bank two (2) times within a twelve (12) month period, enrollment in the pre-authorized payment plan will be terminated. The property owner may re-apply after a period of one (1) year and if the account is in good standing.

#### Dishonoured Items and Communication

All payments applied to a tax account that are returned from a financial institution for any reason, with the exception of “post-dated” and “account holder deceased”, will be removed from the applicable tax account and shall be charged an administrative fee in accordance with the Municipality’s Fees and Charges By-law. The payer shall be advised of the returned payment, administrative fee, and the current balance due and owing on their account.

#### Late Payments Charges/Penalties and Interest

All Tax Arrears are also subject to penalties and interest. In accordance with Section 345 of the Act and the Municipality’s by-laws, penalty and interest shall be charged on any tax arrears that remain outstanding on the first calendar day of each month.

Staff, including the Treasurer, have no authority to waive or alter penalty and/or interest applied to the tax roll, excluding those described below. The taxpayer can delegate to the Council of the Municipality for reconsideration at an open Council meeting. Requests must be submitted to the Clerk who will arrange for the matter to be listed on the next available Council agenda where the matter will be discussed and any decision will be final.

Reductions of penalty and/or interest charged to a property account are limited to amounts related to a tax reduction associated with a tax adjustment, change in assessment or municipal error, and are adjusted only in accordance with:

- a) Tax adjustments under Section 357 of the Municipal Act (application for cancellation, reduction, refund of taxes), Section 354 (2)(b) (as a result of tax relief), and Section 354(3) (uncollectable after tax sale) of the Municipal Act.)
- b) Assessment Review Board decisions
- c) Direction of Council under Section 354(2)(a); and
- d) Approved by the Treasurer as a gross or manifest clerical error under Section 358(1)
- e) As per Section 345(6) and 345(7) of the Municipal Act, if penalty and interest that has accrued on a property tax account as the result of nonpayment, and a write-off of taxes has occurred as a result of one of the legislation tax reduction methods; the penalty and interest shall be reversed as though the taxes had originally been billed correctly

#### Refunds of Credit Balances on Accounts

From time-to-time property tax accounts may experience credit balances for various reasons, such as:

- a) Duplicate payment made on an account
- b) A reduction in assessed value resulting in a supplementary credit bill issued or change in tax class
- c) Pre-authorized Payments made in advance of an instalment being due

Credit balances will be refunded by cheque or Electronic Funds Transfer (EFT) under the following conditions:

1. Duplicate payment of a tax instalment – The overpayment will be refunded on the written direction of the property owner after ten (10) business days to allow sufficient time for the cheque to clear
2. Mortgage company and property owner both pay an instalment – The property owner must request in writing to have the overpayment refunded, and direct who the overpayment is to be returned to. No overpayment will be refunded unless all instalments billed have been cleared



3. Mortgage company overpays an instalment or no longer represents the property owner. Because the Municipality is not party to any agreements between a financial institution and a property owner, the Municipality will only refund the financial institution overpayment on the written direction of the property owner. No overpayment will be refunded unless all instalments billed have been paid, unless the property has been sold to another owner and a statement of adjustment supports the activity
4. Prior to refunding any credits from the property tax account, the Municipality will verify that all other debts with the Municipality (utilities and miscellaneous accounts receivables, etc.) have been cleared prior to releasing a credit refund. The Municipality reserves the right to refuse a refund of property tax accounts when there are associated accounts with other debt
5. Credit balances on account that arise in whole or in part from an assessment reduction or tax class change will be refunded, but only after the last instalment billed has been cleared. For example: a prior year assessment reduction is calculated in February; the interim tax bills are generated the last week of January with the last instalment on the interim billings due on the last business day in February and April. Any credit balance on the account will be applied first to the two instalments and any other tax arrears and then any remaining credit balance will be refunded to the registered property owner at the time the cheque is issued
6. Credit balances being refunded will be issued to the property owner of record at the time the cheque is issued. Property owners selling properties who have outstanding application(s) should ensure that their solicitors are aware of possible tax reductions. The Municipality will not divide credit balances between previous and current owners as the result of a tax reduction. The Municipality does not have knowledge of, nor wish to negotiate legal agreements that may or may not be in place between the seller and the purchaser

Interest is not paid to account holders that have credit balances.

### **Tax Arrears Management**

Realty taxes have priority lien status on land in priority to any other claim, except a claim by the Crown. Taxes may be recovered with costs as a debt due to the Municipality from the original owner and/or any subsequent owner of the property.

The Municipality will primarily use some or all of the following methods to collect Tax Arrears:

- a) Mail arrears notices following due dates in March, May, September and November
- b) Verbal communication, including telephone inquiries and follow-up
- c) Issue Year End Statements of Taxes, First Notices and Final Notices

- d) Send the taxpayer a form or personalized letter(s)
- e) Enter into a payment arrangement, subject to Treasurer approval
- f) Legal action
- g) Municipal Tax Sale

### Year End Statement of Taxes

The Municipal Act requires that the Treasurer send a statement on or before February 28<sup>th</sup> of each year to any property owner who has arrears on their respective tax accounts. The statement must be the balance at December 31<sup>st</sup>. Property owners will be charged administrative fees in accordance with the Municipality's Fees and Charges By-law for the preparation of this statement.

### Collection Steps

To remind property owners that their tax account is not in good standing, the Tax Department shall send a reminder notice to each property owner, whose account is over ten dollars (\$10.00) in arrears. Arrears Notices shall be forwarded to the property owner on or before the fifteenth (15<sup>th</sup>) day of each month following a due date that the account is in arrears (March, May, September, and November).

### Payment Arrangements

The Treasurer may enter into a payment arrangement agreement with a property owner at any time prior to the registration of a Tax Arrears Certificate. Payment arrangements to clear an account with tax arrears will include all past tax arrears, any current year taxes, accruing estimates of future taxes and penalties and interest. Any payment amount shall be sufficient to ensure payment in full is realized within a reasonable period of time as determined by the Treasurer. Penalties and interest will continue to accrue during all such payment arrangements until full payment on the account has been made.

Pre-authorized payments may be considered for installment payments on payment arrangement agreements at the Treasurer's discretion.

Notwithstanding any such arrangements, no third-party payments will be refused for payment on account (e.g. payment from a mortgagee), as long as the third party has sufficient information regarding the property. Confidential account information will not be released to unauthorized parties.

If acceptable payment arrangements are negotiated, the account is monitored for compliance. Follow-up with the taxpayer is done by telephone or in writing, as required.

Once a payment arrangement has been established, payments must adhere to the approved schedule. If there are two consecutive returned payments or two payments are returned within six months, the payment arrangement is deemed void and the taxpayer is advised that payment in full, by certified funds or money order, is required or the next collection step(s) will be taken.

#### Collection Steps for Accounts with 2+ Years Arrears

If acceptable payment arrangements are not negotiated, then recovery of all properties with taxes outstanding of two or more years shall be pursued via the Municipal Tax Sale process.

At least once per calendar year, the Treasurer shall review the Property Tax Aged Trial Balance for properties whose taxes are at or approaching two years in arrears.

In addition to issuing Year-End Statements and Arrears Notices as outlined above, the Treasurer will ensure that the following actions will be taken once a property is identified as eligible for tax sale:

- 1) A First Warning Before Tax Sale Registration letter for properties approaching two years in arrears is sent by registered mail advising of the seriousness of the tax arrears and the implications of tax registration. A deadline to pay the arrears or enter into a firm, suitable payment arrangement with the Treasurer is provided at this time. Any payment arrangements made should be documented specifying the time schedule, method of payment and the amount of each payment. No plan should exceed a period of twenty-four (24) months but is at the Treasurer's discretion.
- 2) If the First Warning letter is not responded to or a satisfactory arrangement made, a Final Warning Before Tax Sale Registration letter is mailed. A Final Warning Before Tax Sale Registration letter fee will be added to the account in accordance with the fee established in the Municipality's Fees and Charges By-law. A deadline date for response prior to the file being forwarded to the Municipality's external administrative consultant that handles the Municipality's tax registrations is provided to the ratepayer.
- 3) If the ratepayer does not respond to any of the requests for communication, or satisfactory arrangements have not been made, the file is transferred to Tax Team for the tax registration process to begin.

### Tax Sales Proceedings

In accordance with Section 373(1) of the Municipal Act, a property tax account that has any part of two years or more of outstanding taxes as of January 1 of the current year is eligible for tax registration and tax sale proceedings.

Any property that begins the proceedings will follow explicitly the legislative steps outlined below without exception, until such time as the Treasurer deems the process paused or terminated. This is to maintain the Municipality's position and the legitimacy of the process should a subsequent legal matter arise later.

Supplemental and omitted billings are considered arrears based on the year billed, and not the year of the assessment and taxation included in the billing.

Properties that are owned by the Crown and charged payments in lieu of taxes (PIL) are not subject to the tax sale legislation contained in the Municipal Act.

Tax Registration and Tax Sale is a last resort. The Treasurer will make every effort to arrive at a reasonable solution that does not materially disaffect property owners that are in good standing and represent the majority of property owners. Giving property owners sufficient time and assistance to arrive at a satisfactory outcome is the main goal. Municipal staff will make all reasonable efforts to collect arrears prior to proceeding to the formal process of a tax sale.

On a yearly basis, by February 1<sup>st</sup>, a listing of tax sale qualifying accounts will be generated by the Treasurer, which will be further filtered to acknowledge any properties that already have a registered tax arrears certificate or an executed Extension Agreement registered on title and that have satisfactory payment arrangement agreements on file.

The finalized listing of qualifying tax sale properties, along with required information is provided to the contracted tax registration and sale firm who will facilitate the tax sale process and complete all the statutory notices and declarations.

Any and all costs associated with arrears management including costs incurred by the contracted tax registration and sale firm are billed back to the property and are the responsibility of the current owner.

### Farm Debt Mediation Notice

It is legislated that every property listed for tax sale receives a farm debt notice. The purpose of the farm debt notice is to inform farmers of their right under Section 5 of the Farm Debt Mediation Act that they are entitled to make application for a review of their financial affairs. This is the first official communication issued on the Municipality's

behalf by the tax sale company which notifies the taxpayer that the tax sale registration will take place after a fifteen (15) business day period should the arrears not be paid.

#### Property Title Search Prior to Registration of Tax Arrears Certificate

Every property, prior to a tax arrears certificate being issued, must have a title search performed to ensure that the proper information is on file including registered owners, interested parties and proper land details. Should any anomalies be encountered such as ownership and MPAC related data conflicts, the process on that property will be put on hold until it has been resolved.

All parties with an interest in the property must receive notice of the registering of a tax arrears certificate.

#### Registration of a Tax Arrears Certificate

If the taxes remain unpaid or an agreement has not been entered into within fifteen (15) business days of the farm debt notice, a Tax Arrears Certificate is registered on title. Once a Tax Arrears Certificate has been registered, only full payment of the Cancellation Price will be accepted unless Council has approved an Extension Agreement.

Partial payments are not allowed once the Tax Arrears Certificate has been registered. Any partial payments that are applied to the tax account in error shall be removed from the tax account and the payment will be refunded without exception.

Within 60 days of registration of the Tax Arrears Certificate, a Notice of Registration of Tax Arrears Certificate is sent to the property owner and all interest parties.

#### Final Notices

A final notice advises the interested parties that unless the Cancellation Price is paid in full, or an Extension Agreement is entered into the property will be sold by public sale. The Final Notice is sent to all interested parties within thirty (30) days after 280 days have passed since the registration of the Tax Arrears Certificate.

Following the issuance of the Final Notice, Section 379(2) of the Act requires that a statutory declaration regarding the sending of the final notice be made. This declaration should be notarized by a Commissioner of Oaths but does not need to be registered on title.

### Cancelling the Tax Sale Process

At any time when the cancellation price is paid during the one-year period from the date of registration of the Tax Arrears Certificate, a Cancellation Certificate will be issued on the property. This may occur when the Municipality receives payment in full of the cancellation price, the Extension Agreement has been fulfilled and the tax account is no longer in arrears, or the Treasurer deems that the tax sale is not in the best financial interest of the Municipality due to neglect, error, omission or it is not desirable to proceed.

### Cancellation Price

The cancellation price represents an amount owing at a specific point in time. This means that the cancellation price changes every time a new charge is added to the tax account.

In accordance with subsection 375(1) of the Municipal Act any person may pay the cancellation price to the municipality to cancel the tax arrears certificate.

A person who pays the cancellation price may request an itemized breakdown of the cancellation price that has been paid with a written request to the Treasurer within thirty (30) days of the payment.

The cancellation price may be paid by the former owner any time before title has been transferred from a tax sale, even in a case where there has been a successful tax sale transaction by tender or by auction.

### Extension Agreements

To be eligible for consideration, the Extension Agreement (see Appendix B) must include that all current taxes will be paid within the required due dates and that the existing arrears on the account will be paid off within a one to two-year period.

An Extension Agreement must be requested by the property owner, their spouse, the mortgage holder or their legal agent, prior to the one-year period of the registration of the Tax Arrears Certificate.

If no agreement is reached as to the terms, and or the agreement is denied by Council, the tax sale process resumes by returning to the point in the tax sale process immediately prior to the Extension Agreement being requested.

A By-law must be passed by Council authorizing that an Extension Agreement may be entered into with the property owner prior to the expiration of the one-year period from the date of registering the Tax Arrears Certificate.



When an Extension Agreement is entered into, a copy shall be kept by the Municipality and the tax sale process is suspended or placed on hold until all the terms of the agreement have been fulfilled.

If there is a breach of the agreement the tax sale process recommences by returning to that step in the tax sale procedure immediately prior to the Extension Agreement being entered into.

When the terms of the extension agreement have been fulfilled, the Treasurer shall register a Cancellation Certificate on the land title, thus signifying that the tax sale has been cancelled, and the tax sale process stops.

#### Tax Sale by Public Tender or Public Auction

After a one-year period from the date of registration of the tax sale certificate, if the cancellation price has not been paid or an Extension Agreement has not been executed, the property will be part of a public sale. A public sale can occur by either a sale by tender or a sale by auction. The Treasurer has discretion as to the precise timing and will consider such factors as season, property 'for sale' status or others.

If the Municipality is interested in acquiring the property involved in the tax sale, a staff report will be prepared for Council to consider recommending the Municipality's involvement in the tendering process or public auction.

The Cancellation Price shall be updated /recalculated for the purpose of including in the advertisements of the public sale. This Cancellation Price, also referred to as the bid or tender amount, shall include the arrears as well as current taxes and projected costs.

Properties will be advertised for sale containing the information prescribed in Ontario Regulation 181/03 under the Municipal Act. Advertising will be placed in the Ontario Gazette at least once during the four-week period and in a local newspaper at least once a week for four weeks. Other optional advertising, such as on the website of the tax sale consulting firm may also be undertaken. The tax sale advertisement must clearly state all requirements of the legislated bidding process, including the envelope labelling, submission location, and date and time of the submission deadline.

The Municipal Act provides that the property may be sold by sealed tender or public auction. For each tax sale the property, market conditions, and other relevant factors will be considered at the time of the sale when evaluating which sales method to use. The tender process typically is the most cost effective and straight forward. The auction method could result in a higher than the minimum price required which benefits the current property owner and any interested parties but places a larger administrative burden on staff to ensure the additional proceeds are distributed as legislatively prescribed.

Tender process:

Tender must be submitted on the prescribed Form 7 which can be found in Ontario Regulation 181/03.

A Form 7 can only contain the tender/bid for one parcel of land.

Tenders must be submitted in a sealed envelope addressed to the Treasurer and clearly labelled "Tax Sale" and include a property description and/or municipal address, and be submitted prior to the deadline.

Tenders must be typewritten or legibly handwritten in ink.

Tenders received should be dated and time stamped immediately when received.

Tenders/bids should be retained unopened in a safe place as required in subsection 7(1) of Ontario Regulation 181/03 made under the Act.

In accordance with subsection 7(2) Ontario Regulation 181/03 made under the Act, in the event that there is a tie, the tender/bid that was submitted the earliest and meets all of the other criteria is determined as being the highest.

A tender will be withdrawn if the tender's/bidder's written request to have the tender withdrawn is received by the Treasurer before 3:00 p.m. local time on the last day for receiving tenders.

The tenders must be opened in the Council Chambers, or alternative location determined by the Treasurer or Clerk, and be open to the public for viewing.

The tenders shall close at 3:00 p.m. local time on the last day for receiving tenders in accordance with Ontario Regulation 181/03 made under the Municipal Act.

Tenders shall be opened with at least two persons in attendance. One person must be the Treasurer or designate, and the second person must be a person who did not submit a tender and may be a municipal employee.

The Treasurer or designate will open all of the tender documents and examine for completeness and will reject every tender that:

- a) Is not equal to or greater than the Cancellation Price/minimum tender amount as shown in the advertisement
- b) Is not addressed to the Treasurer
- c) Relates to more than one parcel of land
- d) Has been withdrawn
- e) Is not typewritten or legibly handwritten in ink

- f) Places any condition on the acceptance of the tender
- g) Is not accompanied by a deposit of at least 20 percent of the tender amount, which deposit shall be made by way of money order, bank draft or cheque certified by bank or trust company
- h) Is not one of the two highest remaining tender

Once the successful tender has been declared, the tender deposits of the two highest tenders/bids are retained.

The deposit received from the highest bidder should be deposited immediately into the Municipality's bank account but should not be applied to the tax account. The deposit received from the second highest bidder should be stored in a secure location until either the highest tenderer has completed the tax sale or has defaulted. The remaining deposits shall be returned to the respective bidders. If the tender is not returned in person the day of the tender opening, a written explanation is provided as to the reason for the rejection to any person not in attendance as soon as possible.

The Treasurer shall notify the highest tenderer immediately, by regular mail sent to the address provided in the tender, to advise them that their tender was the highest and will be declared the successful bidder.

Payment must be received from the highest bidder within fourteen (14) days of the date of the notices of highest bidder being mailed by the Treasurer. Upon receipt, the Treasurer shall issue a receipt and declare the highest bidder to be the successful purchaser. If no payment is received within fourteen (14) calendar days of the mail of the notice the deposit is forfeited. A notice is then sent to the second highest bidder and the process repeats.

Should the highest tenderer/bidder default, their deposit is forfeited, and the second highest tenderer is declared the successful bidder. Should the second highest tenderer default, their deposit is forfeited.

Should both the two highest tenderers default, the Treasurer shall declare that there is no successful purchaser and may register a notice of vesting in the name of the municipality.

#### Auction process:

The auction must be held in the municipality in which the lands are located.

The Treasurer may conduct the tax sale by public auction or may choose anyone else to act as the auctioneer.

The auctioneer or Treasurer shall read out section 15, 16, 17 of Ontario Regulation 181/03 made under the Municipal Act as outlined below:

- a) in opening or reopening the bidding on the parcel, state the minimum bid as set out in the advertisement,
- b) acknowledge each bidder, repeat each bid made and call for higher bids; and
- c) if no higher bid is made, repeat the last bid three times and if there is still no higher bid, acknowledge the highest bidder.

The highest bidder shall be declared to be the successful purchaser if the bidder immediately pays the amount bid, the applicable land transfer tax and the accumulated taxes, in cash, to the auctioneer.

If the highest bidder fails to make the payment as set out in Section 16 of O. Reg. 181/03 and the bidding has not been previously reopened under this Regulation, the auctioneer shall immediately reopen the bidding.

If no bid is made for a parcel of land after the opening of the bidding or if, after the reopening of the bidding under Section 17, no bid is made or there is no successful purchaser, the auctioneer shall declare that there is no successful purchaser.

The auctioneer shall issue a receipt to the successful purchaser for the amounts received under Section 16 of O. Reg. 181/03 and the receipt shall include a legal description of the parcel of land and the name of the purchaser and the name in which the tax deed will be registered.

The auctioneer shall declare the auction closed upon completion of the bidding on all the parcels of land offered for sale in the auction.

The auctioneer shall prepare and keep a list showing each parcel of land offered for sale in the auction and the name and address of the successful purchaser or, where there is no successful purchaser, that there is no successful purchaser.

#### Payment of Surplus Funds into Court

Sale proceeds less the Cancellation Price, are paid to the Superior Court of Justice together with the Statement of Facts. All of the tax sale costs are added to the Collector's roll before declaring the surplus funds. Surplus funds are not the property of the Municipality. Registered parties on title at the time of the sale may apply to the Superior Court of Justice to access these funds.

### Tax Deeds

When there is a successful purchaser, the Municipality, through their tax sale consultant, will prepare and register a tax deed in the name of the successful purchaser once all legislated requirements have been met.

### No Successful Purchaser

Where there is no successful purchase, the Municipality has several options, and may issue a Notice of Vesting to begin assuming ownership of the parcel. This would be a decision of Council and a report from the Treasurer would be prepared for Council's consideration of this or any other options.

Should Council pursue this option, upon Council approval the Treasurer shall register a declaration to this effect at the local land registry office. Council has up to two (2) years to decide whether to vest a property. If Council decides to vest the property, then all taxes are written off as uncollectible and the property is then owned by the Municipality to do with what it wishes. If Council decides not to vest, the decision or whether to write off the taxes and issue a tax cancellation certificate and leave the property in the original owner's name is also an option, but this course of action would not likely be utilized except in specific circumstances.

Before recommending vesting the property, the Council may determine that the best course of action is to re-advertise and try to sell the property again under the tax sale process. If that occurs, then the Treasurer will proceed with readvertising for another tender or auction and can do so within two (2) years without writing off the tax arrears. Alternatively, the Treasurer may, within two years after the date of the public sale, offer the land for public sale by public auction or public tender a second time in accordance with the prescribed rules. In order to proceed in this manner, the following requirements must be met:

- a) at least 30 days before the land is re-advertised for public sale, the Treasurer must send to the persons entitled to receive notice under Subsection 379(1) of the Municipal Act a notice that the land will be re-advertised for public sale using the prescribed Form 10 as per O. Regulation 181/03 made under the Municipal Act.
- b) The same rules apply to the process in regard to conducting the second public sale as they did for the first public sale.

Council may also decide to write off all or part of the taxes with the purpose of re-registration of the tax arrears and repeating the tax sale process from the beginning.

These actions are usually considered based upon a report from the Treasurer outlining the potential benefits or risks of proceeding in this manner. A report shall be presented to Council identifying a recommended course of action for either of these next steps.

## Miscellaneous

### Privacy of Information

The Municipality maintains the physical register of properties referred to as the returned tax roll. The physical roll records are available to view by anyone in the public and contain the following information:

- roll number
- location and description of the property
- assessed property value
- name and mailing address of the legal owner(s)
- tenants (if provided by property owner or tenant) and
- school support

Information about a specific property owner's tax account is generally confidential. Details may be shared as follows based on the circumstance:

- a) Registered Property owners – may have access to assessment and tax information on their property including assessment, taxes levied and arrears.
- b) Non-property owners, including lawyers, real estate agents and brokers, appraisers – May access the information contained in the public roll book only unless written authorization is provided by the registered property owner:
  - a. Assessment
  - b. Lot size
  - c. Legal description
  - d. Annual taxes
- c) Third party inquiries – may have access to the Assessment Roll book only
- d) Mortgage companies – may request in writing the taxes levied and arrears on properties they collect taxes through a landowner's mortgage. If the mortgage company does not hold an interest in the landowner's property taxes, tax information will only be given at the property owner's request.

Property owners can provide written notices to the Municipality to authorize other individuals access to their account information.

### Bankruptcy

When a property owner files for bankruptcy, the Municipality remains a secured creditor in a priority position, as any tax arrears is a debt charge against the real property. The Municipality ranks in preference and priority to any other claims, except those of the Provincial and Federal government.



### Amounts Added to the Tax roll

Section 398(2) of the Municipal Act allows municipalities to add unpaid balances of other types to the tax roll for collection. The amounts that can be added include property-related types of billings including utilities, water or wastewater balances, property standards, Building Code related items or any other type of charge related to the property or incurred by the property owner. It is the Municipality's intention to utilize this section as needed and will, without notice, transfer amounts to the property roll that are past due for the purposes of collection. These amounts, once transferred, are then treated the same as property taxes for the purposes of collection, arrears, and tax sale proceedings.

The Municipality may also choose to add amounts not described as above to the tax roll for collection purposes and acknowledges that if the amount was not related to the property, that ultimately the collection of the amount outstanding may not be recoverable using this method.

### **Legislative Authority:**

This policy is written in compliance with:

- a) *Assessment Act, R.S.O. 1990, c.A.31 (Assessment Act)*, as amended, and related Ontario Regulations made under this Act.
- b) *Assessment Review Board Act, R.S.O. 1990, c. A.32, (ARB Act)*, as amended, and related Ontario Regulation made under this Act;
- c) *Municipal Act, 2001, S.O. 2001, c. 25 (Municipal Act)*, as amended, and related Ontario Regulations made under the Act;
- d) *Planning Act, RSO 1990, c P.13 (Planning Act)*, as amended, and related Ontario Regulations made under this Act; and
- e) applicable Municipal by-laws, as amended from time to time.

### **Related Documents:**

- By-Law 100-98

**APPENDIX A TO POLICY F.1.6**

Municipal Property Assessment Corporation (MPAC) Application to the Council or the Assessment Review Board is attached separately.

**APPENDIX B TO POLICY F.1.6**

Extension Agreement sample is attached separately.

SECTION ☐ 357 / ☐ 358 / ☐ 359 APPLICATION  
TO THE COUNCIL OR THE ASSESSMENT REVIEW BOARD

Application/Appeal #:
Taxation Year:

Municipality:	_____	Roll Number:	__ - __ - ____ - ____ - ____ - ____
Property Address:	_____	Applicant Name:	_____
Owner Name:	_____	Contact Number:	_____
Mailing Address:	_____	Alternative Number:	_____
	_____	Email Address:	_____

Reason for s357 application: (Check one box – applicable to s357 only)

<input type="checkbox"/> Ceases to be liable for tax at rate it was taxed – 357(1)(a)	<input type="checkbox"/> Became vacant or excess land – 357(1)(b)
<input type="checkbox"/> Became exempt – 357(1)((c)	<input type="checkbox"/> Sickness or extreme poverty – 357(1)(d.1)
<input type="checkbox"/> Razed by fire, demolition or otherwise – 357(1)(d)(i)	<input type="checkbox"/> Mobile unit removed – 357(1)(e)
<input type="checkbox"/> Damaged and substantially unusable – 357(1)(d)(ii)	<input type="checkbox"/> Gross or manifest clerical/factual error – 357(1)(f)
<input type="checkbox"/> Repairs/Reno’s preventing normal use (min. 3 months) – 357(1)(g)	

Details of Reason for s357, s358 or s359 application: \_\_\_\_\_

\_\_\_\_\_

Effective from: __ / __ / __ to __ / __ / __	Applicant Signature: _____	Date: __ / __ / __
(MM/DD/YY)		(MM/DD/YY)

ASSESSMENT REPORT: MUNICIPALITY				TREASURER’S RECOMMENDATION TO COUNCIL				
Assessment Roll As Returned		Revised Since Roll Return <input type="checkbox"/>		Assessment Report      School Bd: <input type="checkbox"/> Eng <input type="checkbox"/> Fr <input type="checkbox"/> Other				
		Enter Revisions Below		<input type="checkbox"/> No Change in Assessment <input type="checkbox"/> S357 Required for Next Year				
RTC/RTQ	2005 Base-year CVA	2008 Base-year CVA	Current Phased Assessment	Revised RTC/RTQ	Revised 2005 Base-year CVA	Revised 2008 Base-year CVA	Revised Current Phased Assessment	Change to Current Phased Assessment
Revised:				Reason for Change: _____ _____ _____				
Reason Original Assessment Revised: _____								

TREASURER’S REPORT ON TAX LIABILITY									
RTC/RTQ	Taxable Assessment Reduction		Tax Rate		Days / Months		Tax Adjustment		Original Levy

Recommended :    ☐ No Adjustment    ☐ Adjustment    ☐ Cancellation    ☐ Refund    Total Amount \_\_\_\_\_

Comments: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Treasury Position: \_\_\_\_\_      Signature: \_\_\_\_\_      Date: \_\_ / \_\_ / \_\_

COUNCIL OR ASSESSMENT REVIEW BOARD DECISION:      Hearing Date (MM/DD/YY): \_\_ \_\_ / \_\_ \_\_ / \_\_ \_\_

☐ Approved    ☐ Amended & Approved    ☐ Not Approved    ☐ Applicant Did Not Appear    ☐ Application Abandoned

Reason: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Appeared for Applicant: \_\_\_\_\_      Appeared for Municipality: \_\_\_\_\_

Signature of Council/ARB Member: \_\_\_\_\_      Name/Title: \_\_\_\_\_

**EXTENSION AGREEMENT**

THIS AGREEMENT made in duplicate this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ pursuant to sub-section 378(1) of the *Municipal Act, 2001*.

BETWEEN:

THE CORPORATION OF THE CITY OF STRATFORD  
(Hereinafter called the "Corporation")

OF THE FIRST PART;

– and –

\_\_\_\_\_  
(Hereinafter called the "Owner")

OF THE SECOND PART;

**WHEREAS** the Owner is the owner of the land in the City of Stratford described in Schedule "B" attached hereto and forming part of this Agreement;

**AND WHEREAS** the Owner's land is in arrears of taxes on the \_\_ day of \_\_\_\_\_, 20\_\_ in the amount of \$\_\_\_\_\_ and a tax arrears certificate was registered in the Land Registry or Land Titles Office on the \_\_ day of \_\_\_\_\_, 20\_\_ in respect of the Owner's land;

**AND WHEREAS** Section 378(1) of the *Municipal Act, 2001*, c. 25 provides that after the registration of a tax arrears certificate and before the expiry of one (1) year following the date of the registration of the tax arrears certificate, a municipality may enter into an extension agreement with any owner of the land, the spouse of any owner, any mortgagee, any tenant in occupation of the land, and any person the treasurer is satisfied has an interest in the land, to extend the period of time in which the cancellation price in respect to the Owner's land is to be paid;

**AND WHEREAS** the period during which there is a subsisting extension agreement shall not be counted by the Treasurer in calculating the periods mentioned in sub-sections 374(1) and 379(1) of the *Municipal Act, 2001*;

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that in consideration of the premises and of the covenants and obligations hereinafter contained, it is hereby agreed as follows:

1. The Corporation will extend to \_\_\_\_\_, 20\_\_ the payment period for the cancellation price payable in respect of the land.
2. The Owner will make payments to the Corporation in accordance with Schedule "C" attached hereto.
3. In addition to paying the amounts provided for in paragraph 2, the Owner agrees to pay:
  - a. all further taxes levied on the land as they become due and payable during the term of this Agreement; and
  - b. not later than 30 days following the due date of the last payment under paragraph 2, such additional amount, if any, as is necessary to bring the total amount paid under this Agreement up to the amount of the cancellation price payable in respect of the land.

4. The Corporation will accept additional miscellaneous payments that the owner wishes to pay that are over and above the amounts that are paid under Schedule "C" attached hereto during the course of this Agreement in order to help reduce the balance that will be owing at the end of this Agreement.
5. Notwithstanding any of the provisions of this Agreement, the *Municipal Act, 2001*, as amended, shall continue to apply to the collection and enforcement of all tax arrears and all taxes except that the Treasurer and the Tax Collector of the Corporation, without waiving the statutory rights and powers of the municipality or of the Treasurer, shall not enforce collections of such tax payments, except as set out in paragraph 2 and 3, during the time this Agreement is in force so long as the Owner is not in default hereunder.
6. In the event the Owner defaults in any payments required by this Agreement, this Agreement upon notice being given to the Owner by the Corporation, shall be terminated and the Owner shall be placed in the position he or she was before this Agreement was entered into. In the event of a default, this Agreement shall cease to be considered a subsisting agreement on the day that the notice of termination is sent to the Owner.
7. Immediately upon the Owner or any other person making all the payments required under paragraphs 2 and 3, this Agreement shall be terminated and, the Treasurer shall forthwith register a tax arrears cancellation certificate in respect of the said lands.
8. Notwithstanding the provisions of paragraphs 2 and 3, the Owner and any other person may at any time pay the balance of the cancellation price and upon receipt of the aforesaid payment by the Corporation, this Agreement shall terminate, and the Treasurer shall forthwith register a tax arrears cancellation certificate.
9. This Agreement shall cease to be considered a subsisting Agreement upon the date of the sale or other disposition of the land.
10. If any paragraph or part of paragraphs in this Agreement is determined by a court or tribunal of competent jurisdiction to be illegal or unenforceable, it or they shall be considered separate and severable from the Agreement and the remaining provisions of the Agreement shall remain in force and effect and shall be binding upon the Parties hereto as though the said paragraph or paragraphs or part or parts of paragraphs had never been included.
11. Any notice required to be given to the Owner hereunder shall be sufficiently given if sent by registered mail to the Owner at the following address:

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IN WITNESS WHEREOF the Owner has hereunto set his/her hand and the Corporation has hereunto set his/her hand by its proper signing officers in that behalf.

THE CORPORATION OF THE CITY OF STRATFORD:

\_\_\_\_\_  
Signature of Treasurer or Other Authorized Employee

Signed at the City of Stratford this \_\_\_\_\_ day of \_\_\_\_\_ , 20\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Signature of Owner

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Signature of Owner

**SCHEDULE "B"**

**TO EXTENSION AGREEMENT**

**DESCRIPTION OF THE LAND:**

## SCHEDULE "C"

## TO EXTENSION AGREEMENT

**PAYMENTS REQUIRED UNDER EXTENSION AGREEMENT:**

Amount Currently Outstanding:	\$
Number of Months to Agreement:	
Anticipated Penalties/Interest:	\$
Total Estimated Arrears:	\$
Approximate Monthly Payment:	\$

**REPAYMENT OF PROPERTY TAX ARREARS:**[illegible]

# **The Corporation of the City of Stratford**

## **Policy Manual**

### **F.1 Financial and Fiscal**

Dept: Corporate Services

Committee: Finance and Labour Relations

## **F.1.6 Collection of Municipal Taxes**

Adopted: September 22, 1997 by R97-531

Amended:

Reaffirmed:

Related Documents:

☒ Council Policy ☐ Administrative Policy

That if the month end falls on a work day that City Hall is closed, the next day will be considered a 'day's grace' and no new interest will be added until the following day.

# The Corporation of the City of Stratford

## Policy Manual

### F.1 Financial and Fiscal

Dept: Corporate Services

Committee: Finance and Labour Relations

## F.1.9 Vacancy Tax Rebate Program for Commercial and Industrial Buildings

Adopted: April 8, 2002

Amended: July 10, 2006

Reaffirmed:

Related Documents:

☒ Council Policy ☐ Administrative Policy

### Policy and Procedures Guidelines

#### APPLICATIONS

1. Applications will be mailed out with the final tax billing yearly and are available at all times in the Tax Department.
2. A maximum of two applications may be submitted per property per year. Specifically either, one (1) application for all vacancies that occurred on a property during the entire tax year or one (1) application for vacancies that occurred during the first six (6) months of the year and a second application for vacancies that occurred during the last six (6) months of the year.
3. Interim applications must be submitted by July 31 of any year for the January 1-June 30 period of that year.
4. Final applications must be submitted by February 28 for the prior tax year (e.g. for the 2001 tax year, the deadline to submit applications is February 28, 2002)
5. If a property owner receives a notice of omitted assessment from the Municipal Property Assessment Corporation (MPAC) after a tax year, the deadline to submit an application for a rebate is 90 days after the date of issuance of the notice of omitted assessment.
6. Applications received after February 28 for the previous year will be deemed ineligible and not accepted.
7. Each application will be evaluated according to the criteria and eligibility requirements set out in Section 364(1) of the *Municipal Act, 2001* and *Ontario Regulations 300/03*.
8. Applications will be processed through the following steps:
  1. Application submitted to the City of Stratford;
  2. City of Stratford forwards a copy of the application to MPAC;
  3. MPAC determines the assessed value that is attributable to the vacant area;
  4. MPAC notifies the municipality of the value of the eligible vacant property;

5. City of Stratford calculates rebate and notifies property owner. Rebates will be issued as a credit against any outstanding tax liability first, and then as a direct payment to the property owner.
6. Where it is deemed the taxes are paid directly by a tenant, the property owner will be notified and the rebate issued directly to the tenant.

### **ELIGIBILITY**

1. Eligibility requirements are as set out by section 364(1) of the *Municipal Act, 2001* and *O.Reg. 300/03*.
2. A building or structure on property must be in either the commercial or industrial classes and vacant for at least 90 consecutive days.
3. To be eligible for a rebate, a building or portion of a building must satisfy all the conditions as described in section 364(1) of the *Municipal Act, 2001* and *O.Reg. 300/03*.
4. Specific exclusions are as follows:
  1. Seasonal property;
  2. Leased property;
  3. Vacant land sub-class;

### **VERIFICATION**

1. Each application will be reviewed by the City Tax Collector or employee assigned to the project.
2. MPAC may contact the application to request further information to assist in verifying eligibility or identifying the vacant area.
3. Verification will be done by any or all of the following methods at the discretion of the Tax Collector or employee assigned to the project, or:
  1. drive by viewing;
  2. phone call to owner;
  3. completion of verification form as supplied by the City of Stratford to the property owner requesting specific and detailed information required to process application;
  4. phone call to any individual deemed to have pertinent information or knowledge with respect to a specific property;
  5. a thorough check will be done randomly at the discretion of the Tax Collector or employee assigned to the project.

### **CALCULATION**

1. Rebates will be calculated using the formula as set out under Section 364(1) of the *Municipal Act, 2001* and *O.Reg. 300/03*.

### **PENALTIES**

1. Any person who knowingly makes a false or deceptive statement in the application or refuses access to the property in question is liable, upon conviction to a fine of double the amount of the rebate that the person sought to obtain through their false or deceptive statement.



2. For the purpose of verifying a vacant rebate application, municipalities have been given similar rights as assessors to request information and obtain access to premises.
3. A fine of \$100 per day may be imposed upon a property owner for failure to comply with a municipality's request for information.

### **APPEALS**

1. If the City of Stratford fails to process a rebate application within 120 days after the deadline for submitting applications (or within 120 days after the owner has provided all of the information required in support of the application, whichever date is later), the owner may appeal to the Assessment Review Board (ARB) to ask the Board to determine the amount of their rebate entitlement.
2. Property owners who disagree with the amount of the rebate that is calculated by the municipality can appeal to the ARB within 120 days after receiving notification of the rebate amount from the City of Stratford.



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## MANAGEMENT REPORT

**Date:** June 20, 2023  
**To:** Finance and Labour Relations Sub-committee  
**From:** Sam Day, CPA, Manager of Revenue and Taxation  
**Report #:** FIN23-022  
**Attachments:** 2022 Tax Adjustment Summary

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**Title:** Tax Adjustments for 2022

**Objective:** To receive a summary of tax adjustments for 2022.

**Background:** By Delegation of Authority By-law 135-2017, the Treasurer and Manager of Revenue and Taxation have approved applications under Section 357 of the Municipal Act, 2001 that states in part 'upon application to the Treasurer, the local municipality may cancel, reduce or refund all or part of taxes levied on land in the year in respect of which the application is made'.

Section 357 allows for the reduction of taxes for the following reasons: ceases to be liable for tax at rate it was taxed, became exempt, razed by fire, demolition or otherwise, damaged, and substantially unusable, repairs/renovations preventing normal use (minimum 3 months), became vacant or excess land, sickness or extreme poverty, mobile unit removed, or gross or manifest clerical/factual error.

**Analysis:** A summary of the annual 2022 tax adjustments is attached. These amounts are captured as 'write-offs' to the City, and form part of the City's overall surplus or deficit.

2022 tax adjustments are approximately \$66,596 more than 2021 tax adjustments.

**Financial Implications:** The adjustments for 357/358 amounted to \$72,004 in 2022, thereby reducing the 2022 surplus.

**Alignment with Strategic Priorities:**

**Not applicable:** This report does not directly align with the Strategic Priorities as it is a financial report provided for information.

**Alignment with One Planet Principles:**

**Not applicable:** This report is not related to the One Planet principles as it is a financial report provided for information.

**Staff Recommendation: THAT the report titled, "Tax Adjustments for 2022" (FIN23-022), be received for information.**

<b>Prepared by:</b>	Sam Day, CPA, Manager of Revenue and Taxation
<b>Recommended by:</b>	Karmen Krueger, CPA, CA, Director of Corporate Services
	Joan Thomson, Chief Administrative Officer

### City of Stratford 2022 Tax Adjustment Summary

Roll Number	Property Address	Assessment Amount	December 2022 Total Adjustment	Reason
	<b>SECTION 357 - 2019</b>			
040-020-09600	59 GRANGE ST	RT -162,449	637.24	Demolition/razed by fire
	<b>SECTION 357 - 2020</b>			
040-020-09600	59 GRANGE ST	RT -169,000	2,282.91	Demolition/razed by fire
	<b>SECTION 357 - 2021</b>			
040-020-09600	59 GRANGE ST	RT -169,000	2,310.84	Demolition/razed by fire
030-060-61498	30 QUEENSLAND RD	CT -1,089,200, ST -1,003,800, CX +518,000	6,226.54	Damaged & substantially unusable
050-010-00100	10 DOWNIE ST	CT -427,527	5,932.78	Repairs or renovations
	<b>SECTION 357 - 2022</b>			
030-060-61498	30 QUEENSLAND RD	CT -1,089,200, ST -1,003,800, CX +518,000	53,768.31	Damaged & substantially unusable
050-010-00100	10 DOWNIE ST	CT -98,643	594.11	Repairs or renovations
040-130-09300	31 NORFOLK ST	RT -76,000	251.05	Repairs or renovations
		<b>TOTAL</b>	<b>72,003.78</b>	

Information on this form is compiled by the City under the authority of the Municipal Act, 2001 for the purpose of considering applications for cancellation, reduction or refund of taxes by the City and for administrative purposes. This information may be included in material available in accordance with the provisions of the Municipal Freedom of Information and Protections of Privacy Act. Questions regarding the use and disclosure of this information may be directed to the City Clerk, 1 Wellington Street, Stratford ON N5A 6W1, telephone 519-271-0250 extension 5235 during business hours.