

**The Corporation of the Municipality of  
Strathroy-Caradoc  
Consolidated Financial Statements  
For the year ended December 31, 2013**

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## Independent Auditor's Report

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To the Members of Council, Inhabitants and Ratepayers of  
The Corporation of the Municipality of Strathroy-Caradoc

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Strathroy-Caradoc, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of operations, consolidated statement of change in net financial debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Strathroy-Caradoc as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*BDO Canada LLP*

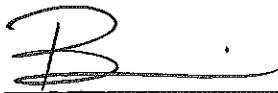
Chartered Professional Accountants, Licenced Public Accountants

Sarnia, Ontario  
February 23, 2015

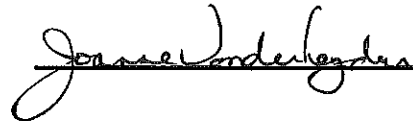
**The Corporation of the Municipality of Strathroy-Caradoc**  
**Consolidated Statement of Financial Position**

December 31	2013	2012
<b>Financial assets</b>		
Cash and cash equivalents (Note 1)	\$ 9,132,067	\$ 10,585,140
Taxes receivable	2,381,902	1,957,587
Accounts receivable	3,066,534	2,413,086
Land held for resale	3,057,250	3,057,250
Long-term receivables	193,443	130,600
	<b>17,831,196</b>	<b>18,143,663</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	4,868,364	3,338,358
Deferred revenue (Note 3)	4,212,135	7,620,310
Employee future benefits (Note 8)	1,618,700	1,547,400
Net long-term debt (Note 4)	10,120,998	10,154,579
Landfill closure and post closure costs (Note 5)	26,679	32,329
	<b>20,846,876</b>	<b>22,692,976</b>
<b>Net debt</b>	<b>(3,015,680)</b>	<b>(4,549,313)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 6)	135,349,345	138,083,227
Capital work in progress	14,093,297	7,500,680
Prepaid expenses	221	-
	<b>149,442,863</b>	<b>145,583,907</b>
<b>Accumulated surplus (Note 7)</b>	<b>\$ 146,427,183</b>	<b>\$ 141,034,594</b>

**Contingent liabilities (Note 9)**  
**Commitments (Note 14)**



Treasurer



Mayor

**The Corporation of the Municipality of Strathroy-Caradoc**  
**Consolidated Statement of Operations**

For the year ended December 31	Budget 2013	2013	2012
<b>Revenue</b>			
Taxation	\$ 14,062,934	\$ 13,628,980	\$ 13,290,040
User fees and service charges	8,250,532	9,012,674	8,490,133
Government transfers - operating (Note 11)	1,267,902	1,513,240	1,332,484
Investment income	67,000	155,793	65,010
Penalty and interest on taxes	245,000	322,476	274,197
Other	26,250	324,485	237,000
	<u>23,919,618</u>	<u>24,957,648</u>	<u>23,688,864</u>
<b>Expenses</b>			
General government	1,844,217	2,115,861	1,935,591
Protection services	7,208,648	7,313,933	6,968,981
Transportation services	2,693,196	5,194,812	4,653,521
Environmental services	4,648,225	6,115,622	5,844,368
Health services	203,302	224,588	210,801
Social housing	-	135,778	149,347
Recreation and cultural services	2,433,316	3,156,188	3,125,950
Planning and development	621,255	570,120	507,246
	<u>19,652,159</u>	<u>24,826,902</u>	<u>23,395,805</u>
<b>Annual surplus before other</b>	<u>4,267,459</u>	<u>130,746</u>	<u>293,059</u>
<b>Other Revenues (Expenses)</b>			
Government transfers related to capital (Note 11)	-	4,493,760	476,664
Developer and other contributions related to capital	-	892,096	571,835
Loss on disposal of capital assets	-	(195,313)	(20,057)
Increase in employee future benefits	-	71,300	36,600
	<u>-</u>	<u>5,261,843</u>	<u>1,065,042</u>
<b>Annual surplus</b>	<u>-</u>	<u>5,392,589</u>	<u>1,358,101</u>
<b>Accumulated surplus, beginning of year</b>	<u>141,034,594</u>	<u>141,034,594</u>	<u>139,676,493</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 145,302,053</u>	<u>\$ 146,427,183</u>	<u>\$ 141,034,594</u>

**The Corporation of the Municipality of Strathroy-Caradoc**  
**Consolidated Statement of Change in Net Financial Debt**

<b>For the year ended December 31</b>	<b>2013</b>	<b>2012</b>
<b>Annual surplus</b>	<b>\$ 5,392,589</b>	<b>\$ 1,358,101</b>
Acquisition of tangible capital assets	(2,695,032)	(3,175,296)
Amortization of tangible capital assets	5,169,592	5,214,839
Loss on disposal of tangible capital assets	195,313	20,057
Proceeds from sale of tangible capital assets	64,009	-
Increase in work in progress	(6,592,617)	(2,208,575)
Decrease (increase) in prepaid expenses	(221)	29,677
<b>Net change in net financial debt</b>	<b>1,533,633</b>	<b>1,238,803</b>
<b>Net financial debt, beginning of year</b>	<b>(4,549,313)</b>	<b>(5,788,116)</b>
<b>Net financial debt, end of year</b>	<b>\$ (3,015,680)</b>	<b>\$ (4,549,313)</b>

**The Corporation of the Municipality of Strathroy-Caradoc**  
**Consolidated Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2013</b>	<b>2012</b>
<b>Operating activities</b>		
Annual surplus	\$ 5,392,589	\$ 1,358,101
Items not involving cash		
Amortization	5,169,592	5,214,839
Loss on disposal of tangible capital assets	195,313	20,057
<b>Changes in non-cash operating balances</b>		
Taxes receivable	(424,315)	(222,649)
Accounts receivable	(653,448)	1,362,275
Long-term receivables	(62,843)	(38,946)
Prepaid expenses	(221)	29,677
Accounts payable and accrued liabilities	1,530,006	(1,619,656)
Deferred revenue	(3,408,175)	4,611,702
Employee future benefits	71,300	(36,600)
Landfill closure and post closure costs	(5,650)	(213)
	<u>7,804,148</u>	<u>10,678,587</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(2,695,032)	(3,175,296)
Increase in work in progress	(6,592,617)	(2,208,575)
Proceeds from sale of tangible capital assets	64,009	-
	<u>(9,223,640)</u>	<u>(5,383,871)</u>
<b>Financing activities</b>		
Proceeds from issuance of long-term debt	919,026	2,560,500
Repayment of long-term debt	(952,607)	(1,657,435)
	<u>(33,581)</u>	<u>903,065</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,453,073)</b>	<b>6,197,781</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>10,585,140</b>	<b>4,387,359</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 9,132,067</b>	<b>\$ 10,585,140</b>

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# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

December 31, 2013

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**Management's  
Responsibility for the  
Financial Statements**

The consolidated financial statements of The Corporation of the Municipality of Strathroy-Caradoc (the "Municipality") are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The Corporation of the Municipality of Strathroy-Caradoc is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. The Municipality provides municipal services such as protection, transportation, environmental, health, recreation and culture, planning and development and other general government services.

**Basis of Consolidation**

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of the Municipality of Strathroy-Caradoc and all committees of Council, including the Strathroy Business Improvement Area, Caradoc Housing Corporation, and the Municipality's proportionate share (85%) of the Tri-Township Arena Board.

These financial statements do not include the following entities:

Strathroy Middlesex Museum Foundation  
Strathroy and Area Seniors' Centre

**Basis of Accounting**

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

**Contribution of Tangible  
Capital Assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue.

**Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to operations as incurred.

**Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net debt for the year.



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# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

December 31, 2013

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### Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, interest paid during the construction period, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing the year after it is capitalized as follows:

Buildings	50 to 60 years
Fleet	8 to 30 years
Equipment	5 to 30 years
Infrastructure - environmental	50 to 80 years
Infrastructure - roads	50 to 100 years

The tangible capital asset policy is currently under revision. The useful lives of the assets according to the policy are being reviewed to ensure that they are appropriate according to management's best estimate.

Work in progress is not amortized until the asset is available for productive use, at which time it is capitalized.

### Collection of Taxes on Behalf of Other Taxation Authorities

The Municipality collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

The entities which the Municipality collects taxation revenue on behalf of are as follows:

- The Corporation of the County of Middlesex
- London District Catholic School Board
- Thames Valley District School Board
- Conseil Scolaire Viamonde
- Le Conseil Des Ecoles Catholiques

### Trust Funds

Trust funds held in trust by the Municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

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# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

**December 31, 2013**

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**Retirement Benefits and  
Other Employee  
Benefit Plans**

The Municipality's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

**Deferred Revenue**

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

**Budget Figures**

Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2013 is reflected on the Consolidated Statement of Operations.

Budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts.

Budget figures exclude the impact of amortization expense, employee future benefits and landfill closure and post closure costs.

**Government Transfers**

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

**Revenue Recognition**

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services, the requisition made by the County of Middlesex in respect of County services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Part of the assessment process are supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the municipality determines the taxes applicable and renders supplementary billings. Taxation revenue is recorded at the time tax billings are issued. Assessments and related property taxes are subject to appeal. Each year, management provides a best estimate of the affect of supplementary assessments and tax appeals on taxation revenue.

The Municipality is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

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**The Corporation of the Municipality of Strathroy-Caradoc**  
**Summary of Significant Accounting Policies**

**December 31, 2013**

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**Revenue Recognition**

(continued)

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when grant monies have been received or are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

Sales of service and other revenue is recognized when the amount is determinable, collectibility is assured and the services provided.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

**Land Held for Resale**

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

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**The Corporation of the Municipality of Strathroy-Caradoc**  
**Notes to Consolidated Financial Statements**

**December 31, 2013**

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**1. Cash and Cash Equivalents**

The Municipality's bank accounts are maintained at a chartered bank and earn interest at the bank's prime rate less 1.75%. The Municipality has established a bank operating line of credit of up to \$ 5,500,000 bearing interest at the bank's prime rate. At December 31, 2013, the Municipality had a balance owing of \$nil (2012 - \$nil).

Included in cash and cash equivalents are investments in guaranteed investment certificates and a bond of \$3,555,066 (2012 - \$2,888,904). These investments are recorded at amortized cost. Interest rates on the guaranteed investment certificates range from 1.9% to 3.2%. Interest rate on the bond is 4.15%. The income from these investments for the year was \$84,307 (2012 - \$94,358).

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**2. Operations of School Boards and the County of Middlesex**

The Municipality is required to bill, collect and remit taxation revenues on behalf of the School Boards and County of Middlesex pursuant to provincial legislation. The Municipality has no jurisdiction or control over the operations of these entities or the setting of their tax rates. Therefore, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of the School Boards and the County are not reflected in these consolidated financial statements. Taxation revenues billed and requisitions paid on behalf of the School Boards and County of Middlesex are not reflected in the Statement of Operations and are comprised of the following:

	<u>School Boards</u>	<u>County</u>
Taxation	<u>\$ 7,311,694</u>	<u>\$ 7,581,290</u>
Requisitions	<u>\$ 7,311,694</u>	<u>\$ 7,581,290</u>

**The Corporation of the Municipality of Strathroy-Caradoc**  
**Notes to Consolidated Financial Statements**

**December 31, 2013**

**3. Deferred Revenue**

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 531,643	\$ 611,781	\$ 2,264	\$ (850,000)	\$ 295,688
Development charges	2,854,273	672,727	-	(277,810)	3,249,190
Recreation	3,958,509	-	-	(3,568,766)	389,743
Parkland dedication	195,211	2,600	-	-	197,811
Other	80,674	-	-	(971)	79,703
	<u>\$ 7,620,310</u>	<u>\$ 1,287,108</u>	<u>\$ 2,264</u>	<u>\$ (4,697,547)</u>	<u>\$ 4,212,135</u>

**Federal gas tax**

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Municipality and the Association of Municipalities of Ontario. Gas tax funding may be used towards designated community energy systems, public transit, water, wastewater, solid waste, capacity building projects and local roads and bridges as specified in the funding agreements.

**Development charges**

Development charges are collected as per municipal by-law and background study and are allocated to the designated projects therein.

**Recreation**

Recreation funds were provided by the Province of Ontario and are designated for the construction of a community swimming pool.

**Parkland dedication**

Funds are collected from developers for the purchase and upgrade of parkland and are allocated to expenses or capital assets as incurred.

**The Corporation of the Municipality of Strathroy-Caradoc**  
**Notes to Consolidated Financial Statements**

**December 31, 2013**

**4. Net Long-term Debt**

Net long-term debt reported on the consolidated statement of financial position is comprised of the following:

	2013	2012
Total long-term liabilities incurred by the Municipality and outstanding at the end of the year amount to:	\$ 10,126,054	\$ 10,160,926
Less: tile drain loans	(5,056)	(6,347)
	\$ 10,120,998	\$ 10,154,579

Principal repayments relating to net long-term debt outstanding are due as follows:

	Principal Repayments
2014	\$ 1,050,454
2015	1,066,772
2016	1,083,741
2017	1,098,508
2018	1,084,700
Thereafter	4,736,823
	\$ 10,120,998

The gross interest paid relating to the Municipality's long-term debt was \$246,364 (2012 - \$267,350). Interest rates on the debt range from 0% to 4.38%. All net long-term debt is payable in Canadian dollars.

The responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. At the end of the year, the outstanding principal amount of the liability is \$5,056 (2012 - \$6,347). The amount is not recorded in the Consolidated Statement of Financial Position.

The annual principal and interest payments required to service the net long-term liabilities of the municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

**5. Landfill Closure and Post Closure Costs**

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

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include ongoing environmental monitoring, site inspection and maintenance.

The estimated liability of \$26,679 (2012 - \$32,329) represents the sum of the discounted future cash flows for post closure care activities discounted at the municipality's current long term borrowing rate of 4%.

The Corporation of the Municipality of Strathroy-Caradoc  
Notes to Consolidated Financial Statements

December 31, 2013

6. Tangible Capital Assets

								2013	2012
	Land	Land Improvements	Buildings	Equipment	Fleet	Infrastructure Roads	Infrastructure Environmental	Total	Total
Cost, beginning of year	\$ 5,756,221	\$ 3,312,216	\$ 32,408,827	\$ 7,478,300	\$ 6,652,275	\$ 78,072,201	\$ 89,157,662	\$ 222,837,702	\$ 219,855,345
Additions	105,000	23,568	154,636	603,325	1,077,009	277,813	453,681	2,695,032	3,175,296
Disposals	-	-	-	(7,616)	(771,358)	-	-	(778,974)	(192,939)
Cost, end of year	5,861,221	3,335,784	32,563,463	8,074,009	6,957,926	78,350,014	89,611,343	224,753,760	222,837,702
Accumulated amortization, beginning of year	-	677,613	7,283,860	2,341,444	3,100,890	51,363,159	19,987,509	84,754,475	79,712,518
Amortization	-	95,595	699,751	405,595	445,732	2,262,058	1,260,861	5,169,592	5,214,839
Disposals	-	-	-	(3,681)	(515,971)	-	-	(519,652)	(172,882)
Accumulated amortization, end of year	-	773,208	7,983,611	2,743,358	3,030,651	53,625,217	21,248,370	89,404,415	84,754,475
Net carrying amount, end of year	\$ 5,861,221	\$ 2,562,576	\$ 24,579,852	\$ 5,330,651	\$ 3,927,275	\$ 24,724,797	\$ 68,362,973	\$ 135,349,345	\$ 138,083,227

**The Corporation of the Municipality of Strathroy-Caradoc**  
**Notes to Consolidated Financial Statements**

**December 31, 2013**

**7. Accumulated Surplus**

The Municipality segregates its accumulated surplus into the following categories:

	<u>2013</u>	<u>2012</u>
Accumulated deficit from operations	\$ (3,647,154)	\$ (5,304,074)
Investment in tangible capital assets	135,349,345	138,083,227
Investment in capital work in progress	14,093,297	7,500,680
Reserves		
Equipment replacement	137,160	137,160
Insurance	20,096	20,096
General government	48,426	30,426
Protection services	34,223	32,583
Street lighting	14,288	14,288
Wastewater system	3,139,047	3,139,047
Waterworks system	7,689,967	7,689,967
Health services	10,694	10,619
Recreational facilities	76,155	59,021
Libraries	20,952	20,952
Museums	34,152	34,152
Reserve Funds		
Insurance	24,034	24,034
Roadways	78,843	78,843
Street lighting	22,145	22,145
Wastewater system	1,170,471	1,170,471
Stormwater system	5,265	5,265
Unfunded Liabilities	<u>(11,894,223)</u>	<u>(11,734,308)</u>
	<u>\$ 146,427,183</u>	<u>\$ 141,034,594</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by by-law or Council resolution for specific purposes.



**The Corporation of the Municipality of Strathroy-Caradoc**  
**Notes to Consolidated Financial Statements**

**December 31, 2013**

**8. Employee Future Benefits**

The municipality provides certain employee benefits, which will require funding in future periods. An estimate of the future liabilities for these benefits has been completed and forms the basis for the estimated liability reported in these financial statements.

	2013	2012
Post-retirement benefits	\$ 1,618,700	\$ 1,547,400
Post-employment benefits	-	-
<b>Total</b>	<b>\$ 1,618,700</b>	<b>\$ 1,547,400</b>

**(a) Post-Retirement Benefits**

The Municipality provides certain health and dental benefits on behalf of eligible retired employees up to the age of 65.

	2013	2012
Accrued benefit liability as at January 1	\$ 1,547,400	\$ 1,516,800
Current service cost	93,900	89,200
Interest cost	53,700	64,800
Actuarial gain	-	(52,100)
Estimated benefits paid	(76,300)	(71,300)
<b>Total</b>	<b>\$ 1,618,700</b>	<b>\$ 1,547,400</b>

**(b) Post-Employment Benefits**

The Municipality provides certain health and dental benefits on behalf of eligible members receiving long term disability benefits up to age 65.

	2013	2012
Accrued benefit liability as at January 1	\$ -	\$ 67,200
Interest cost	-	2,800
Actuarial gain	-	(66,100)
Estimated benefits paid	-	(3,900)
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>

The actuarial estimate of the future liability of post-retirement and post-employment benefits assumes a discount rate of 3.45% (2012 - 3.45%) and inflation rates for benefit premiums of 2.0% (2012 - 2.0%). Dental cost increases are assumed at 4.0% per annum (2012 - 4.0%). In addition, extended healthcare premiums are assumed to increase by 7.5% in 2014, 7.0% in 2015, 6.5% in 2016, 6.0% in 2017, 5.5% in 2018 and 5.0% per annum thereafter.

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## The Corporation of the Municipality of Strathroy-Caradoc

### Notes to Consolidated Financial Statements

**December 31, 2013**

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#### **9. Contingent Liabilities**

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2013 as litigation is still in progress. The Municipality's management is of the opinion that the Municipality has adequate insurance coverage to offset the amount of any claims and related costs, if any. Consequently, no provision for potential loss, if any, is reflected in these financial statements.

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#### **10. Pension Agreements**

The Municipality makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer plan, on behalf of certain employees of the Municipality. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on their length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 439,500 active and retired members and approximately 982 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2013. The results of this valuation disclosed total actuarial liabilities of \$73,004 million (2012 - \$69,292 million) in respect of benefits accrued for service with actuarial assets at that date of \$64,363 million (2012 - \$59,368) million indicating an actuarial deficit of \$8,641 million (2012 - \$9,924 million).

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed for 2013 was \$775,733 (2012 - \$672,841) for current service. The OMERS Board rate was 9.0% to 15.9% depending on income level (2012 - 8.3% to 12.8% depending on income level).

**The Corporation of the Municipality of Strathroy-Caradoc**  
**Notes to Consolidated Financial Statements**

**December 31, 2013**

**11. Government Transfers**

	2013	2012
<b>Operating</b>		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 668,100	\$ 719,900
Program support	330,122	104,220
Drainage grants	27,007	24,070
Other Municipalities		
Program support	488,011	484,294
<b>Total operating</b>	<b>1,513,240</b>	<b>1,332,484</b>
<b>Capital</b>		
Province of Ontario		
Recreation grant	3,568,766	59,883
Government of Canada		
Gas tax	847,737	388,467
Senior Centre grant	77,257	-
Other Municipalities		
Library	-	28,314
<b>Total capital</b>	<b>4,493,760</b>	<b>476,664</b>
<b>Total government transfers</b>	<b>\$ 6,007,000</b>	<b>\$ 1,809,148</b>

**The Corporation of the Municipality of Strathroy-Caradoc**  
**Notes to Consolidated Financial Statements**

**December 31, 2013**

**12. Tri-Township Arena Board Consolidation**

The following summarizes the financial position and operations of the Tri-Township Arena Board which has been reported in these financial statements using the proportionate consolidation method.

The consolidated financial statements include the municipality's 85% proportionate interest in the following:

	<b>2013</b>	<b>2012</b>
<b>Statement of Financial Position</b>		
Assets	\$ 142,500	\$ 154,180
Liabilities	33,498	45,178
Accumulated surplus	\$ 109,002	\$ 109,002
<b>Statement of Operations</b>		
Revenues	\$ 390,808	\$ 308,872
Expenses	390,808	309,434
Net loss	\$ -	\$ (562)

**13. Caradoc Housing Corporation Consolidation**

The following summarizes the financial position and operations of the Caradoc Housing Corporation which has been Consolidated in these financial statements.

	<b>2013</b>	<b>2012</b>
<b>Statement of Financial Position</b>		
Assets	\$ 267,600	\$ 311,698
Liabilities	151,290	189,422
Fund Balance	\$ 116,310	\$ 122,276
<b>Statement of Operations</b>		
Revenues	\$ 129,812	\$ 135,715
Expenses	135,778	149,347
Net loss	\$ (5,966)	\$ (13,632)

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# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

December 31, 2013

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### 14. Commitments

The Municipality is a member of the Lake Huron Primary Water System which is owned by the Corporation of the City of London. The Municipality represents approximately 4.6% (2012 - 4.3%) of the total System. This percentage is based on the annual flows for 2013. The Municipality's share of the System's reserve fund is \$671,686 (2012 - \$532,338) and is not reflected in these financial statements. The Municipality's share of the tangible capital assets of the System that the Municipality financed has been reflected in these financial statements. This information was provided to the Municipality by the City of London.

The Municipality signed a three year contract with a third party to perform billing and collection services relating to its water and sewer operations. The contract expires in 2016 and approximates \$250,000 per year.

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### 15. Trust Funds

Trust funds administered by the municipality amounting to \$610,298 (2012 - \$590,256) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

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### 16. Budget

The budget approved by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards) which is allowable as per Ontario Regulation 284/09 of the Municipal Act. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget expensed all tangible capital expenditures rather than including amortization expense.

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### 17. Comparative Amounts

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

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# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

December 31, 2013

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### 18. Segmented Information

The Municipality of Strathroy-Caradoc has adopted a business approach to the various responsibilities carried out by the municipality and has separated the financial transactions to better reflect the true cost of each segment. The following provides a brief description of the individual segments used.

#### General Government

General Government is comprised of various departments including the Clerk's, Finance and Taxation, Legal, Human Resources, Information Technology and Economic Development departments. These departments support and provide a variety of services to other departments within the municipality and the public.

#### Protection Services

Protection Services is comprised of the Police Services and Fire Services departments. The Police Services mandate is to ensure public safety within the municipality. Through patrols, detective, education, and other efforts the police department works to deter and prevent crime. The Strathroy Caradoc Fire Rescue Service serves the residents of the Municipality of Strathroy-Caradoc by providing fire prevention, public education and fire suppression services. It operates out of 3 stations covering an area of 274.12 square kilometres and over 19,500 residents. The services provided range from fire suppression and prevention, land-based water rescue, high-angle, confined space, specialized vehicle extrication and industrial firefighting.

#### Transportation Services

Transportation Services consists of road maintenance and construction as well as winter control, parking, and street lighting. Road maintenance and construction maintains approximately 225 kilometres of road and takes care of pothole maintenance, hot mix patching, paving, street cleaning, signage, and winter control.

#### Environmental Services

Environmental Services consists of sanitary sewer, storm sewer maintenance, waterworks system construction and maintenance, waste collection, waste disposal, and recycling. The sewage division constructs and maintains the municipalities storm and sanitary sewers as well as 10 sewage pumping stations.

#### Health Services

Health Services consists of the operations of the municipality's cemeteries.

#### Social Housing

Social Housing consists of non-profit housing accommodation using rent geared to income guidelines. The housing accommodations are managed by the Caradoc Housing Corporation.

#### Recreation and Cultural Services

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

#### Planning and Development

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

**The Corporation of the Municipality of Strathroy-Caradoc**  
Notes to Consolidated Financial Statements

**December 31, 2013**

**18. Segmented Information (continued)**

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social Housing	Recreation and Cultural Services	Planning and Development	2013 Total
<b>Revenue</b>									
Taxation	\$ 1,499,188	\$ 6,678,200	\$ 3,134,665	\$ -	\$ 136,290	\$ -	\$ 1,635,478	\$ 545,159	\$ 13,628,980
User fees and service charges	144,509	528,109	33,267	6,925,708	15,500	-	1,229,733	135,848	9,012,674
Government transfers	669,468	433,723	-	1,053,010	-	-	3,823,791	27,008	6,007,000
Investment income	154,352	-	-	-	1,441	-	-	-	155,793
Penalty and interest on taxes	322,476	-	-	-	-	-	-	-	322,476
Other	134,258	127,513	3,600	344	-	129,812	258	892,096	1,287,881
	<u>2,924,251</u>	<u>7,767,545</u>	<u>3,171,532</u>	<u>7,979,062</u>	<u>153,231</u>	<u>129,812</u>	<u>6,689,260</u>	<u>1,600,111</u>	<u>30,414,804</u>
<b>Expenses</b>									
Wages and benefits	1,360,068	6,116,097	1,330,111	856,680	170,019	-	1,185,579	388,538	11,407,092
Materials, goods and services	579,714	901,398	1,402,535	3,690,715	45,292	103,309	1,345,673	181,582	8,250,218
Amortization	176,079	296,438	2,462,166	1,568,227	9,277	32,469	624,936	-	5,169,592
	<u>2,115,861</u>	<u>7,313,933</u>	<u>5,194,812</u>	<u>6,115,622</u>	<u>224,588</u>	<u>135,778</u>	<u>3,156,188</u>	<u>570,120</u>	<u>24,826,902</u>
Loss on disposal of capital assets	195,313	-	-	-	-	-	-	-	195,313
	<u>2,311,174</u>	<u>7,313,933</u>	<u>5,194,812</u>	<u>6,115,622</u>	<u>224,588</u>	<u>135,778</u>	<u>3,156,188</u>	<u>570,120</u>	<u>25,022,215</u>
<b>Net surplus (deficit)</b>	<u>\$ 613,077</u>	<u>\$ 453,612</u>	<u>\$ (2,023,280)</u>	<u>\$ 1,863,440</u>	<u>\$ (71,357)</u>	<u>\$ (5,966)</u>	<u>\$ 3,533,072</u>	<u>\$ 1,029,991</u>	<u>\$ 5,392,589</u>

**The Corporation of the Municipality of Strathroy-Caradoc**  
Notes to Consolidated Financial Statements

**December 31, 2013**

**18. Segmented Information (continued)**

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social Housing	Recreation and Cultural Services	Planning and Development	2012 Total
<b>Revenue</b>									
Taxation	\$ 1,840,128	\$ 6,075,471	\$ 2,970,308	\$ 456,553	\$ 93,541	\$ -	\$ 1,502,182	\$ 351,857	\$ 13,290,040
User fees and service charges	125,546	355,754	13,388	6,606,932	15,008	-	1,267,523	105,982	8,490,133
Government transfers	719,900	226,685	388,467	220,932	-	-	229,094	24,070	1,809,148
Investment income	61,788	-	-	-	2,330	-	-	892	65,010
Penalty and interest on taxes	274,197	-	-	-	-	-	-	-	274,197
Other	116,217	5,000	154,908	166,047	-	135,715	247,491	-	825,378
	<u>3,137,776</u>	<u>6,662,910</u>	<u>3,527,071</u>	<u>7,450,464</u>	<u>110,879</u>	<u>135,715</u>	<u>3,246,290</u>	<u>482,801</u>	<u>24,753,906</u>
<b>Expenses</b>									
Wages and benefits	1,305,000	5,751,737	1,137,293	753,677	158,081	-	1,181,105	299,418	10,586,311
Materials, goods and services	530,426	902,478	1,013,211	3,463,299	41,989	120,787	1,315,720	206,745	7,594,655
Amortization	100,165	314,766	2,503,017	1,627,392	10,731	28,560	629,125	1,083	5,214,839
	<u>1,935,591</u>	<u>6,968,981</u>	<u>4,653,521</u>	<u>5,844,368</u>	<u>210,801</u>	<u>149,347</u>	<u>3,125,950</u>	<u>507,246</u>	<u>23,395,805</u>
<b>Net surplus (deficit)</b>	<b>\$ 1,202,185</b>	<b>\$ (306,071)</b>	<b>\$ (1,126,450)</b>	<b>\$ 1,606,096</b>	<b>\$ (99,922)</b>	<b>\$ (13,632)</b>	<b>\$ 120,340</b>	<b>\$ (24,445)</b>	<b>\$ 1,358,101</b>