

**The Corporation of the Municipality of
Strathroy-Caradoc
Consolidated Financial Statements
For the year ended December 31, 2015**

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For the year ended December 31, 2015**

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Business Improvement Area**

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Independent Auditor's Report

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, 2015, and the consolidated statement of operations, consolidated statement of change in net financial assets 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, 2015 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


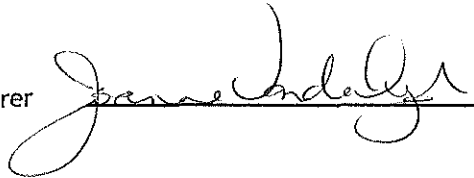
Chartered Professional Accountants, Licenced Public Accountants

Sarnia, Ontario
November 11, 2016

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

December 31	2015	2014
Financial assets		
Cash and cash equivalents (Note 1)	\$ 17,577,235	\$ 12,219,344
Taxes receivable	1,741,014	2,312,905
Accounts receivable	3,667,487	2,881,924
Land held for resale	2,934,250	2,934,250
Long-term receivables	109,041	159,189
	26,029,027	20,507,612
Liabilities		
Accounts payable and accrued liabilities	4,845,596	3,593,132
Deferred revenue (Note 3)	5,150,915	4,503,274
Employee future benefits (Note 8)	1,932,600	1,722,100
Net long-term debt (Note 4)	8,533,248	9,199,872
Landfill closure and post closure costs (Note 5)	26,679	26,679
	20,489,038	19,045,057
Net financial assets	5,539,989	1,462,555
Non-financial assets		
Tangible capital assets (Note 6)	151,016,628	149,071,720
Capital work in progress	675,421	4,613,378
Prepaid expenses	7,780	63,789
	151,699,829	153,748,887
Accumulated surplus (Note 7)	\$ 157,239,818	\$ 155,211,442

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 2015	2015	2014
Revenue			
Taxation	\$ 14,922,353	\$ 14,865,120	\$ 14,458,446
User fees and service charges	9,240,058	10,212,450	9,554,169
Government transfers - operating (Note 11)	1,316,102	1,199,726	1,406,436
Investment income	39,500	160,269	168,695
Penalty and interest on taxes	250,000	307,247	393,467
Other	24,500	281,602	320,739
	<u>25,792,513</u>	<u>27,026,414</u>	<u>26,301,952</u>
Expenses			
General government	2,031,430	2,192,455	2,104,895
Protection services	7,791,317	7,603,183	7,499,407
Transportation services	3,430,404	5,081,092	5,126,922
Environmental services	5,436,110	6,646,221	6,640,025
Health services	209,020	130,144	156,273
Social housing	-	138,163	152,405
Recreation and cultural services	2,976,784	3,852,797	3,628,703
Planning and development	582,849	565,332	551,390
	<u>22,457,914</u>	<u>26,209,387</u>	<u>25,860,020</u>
Annual surplus before other	<u>3,334,599</u>	<u>817,027</u>	<u>441,932</u>
Other Revenues (Expenses)			
Government transfers related to capital (Note 11)	-	365,531	1,431,633
Developer and other contributions related to capital	-	1,153,469	260,012
Loss on disposal of capital assets	-	(97,151)	(26,794)
Increase in employee future benefits	-	(210,500)	(103,400)
	<u>-</u>	<u>1,211,349</u>	<u>1,561,451</u>
Annual surplus	<u>3,334,599</u>	<u>2,028,376</u>	<u>2,003,383</u>
Accumulated surplus, beginning of year	<u>155,211,442</u>	<u>155,211,442</u>	<u>153,208,059</u>
Accumulated surplus, end of year	<u>\$ 158,546,041</u>	<u>\$ 157,239,818</u>	<u>\$ 155,211,442</u>

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

For the year ended December 31	Budget 2015	2015	2014
Annual surplus	\$ 3,334,599	\$ 2,028,376	\$ 2,003,383
Acquisition of tangible capital assets	(3,137,600)	(8,246,337)	(14,131,610)
Amortization of tangible capital assets	-	6,128,534	5,665,448
Loss on disposal of tangible capital assets	-	97,151	26,794
Proceeds from sale of tangible capital assets	-	75,744	162,448
Decrease in work in progress	-	3,937,957	11,115,372
Decrease (increase) in prepaid expenses	-	56,009	(59,787)
Net change in net financial assets	196,999	4,077,434	4,782,048
Net financial assets (debt), beginning of year	1,462,555	1,462,555	(3,319,493)
Net financial assets, end of year	1,659,554	\$ 5,539,989	\$ 1,462,555

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

For the year ended December 31	2015	2014
Operating activities		
Annual surplus	\$ 2,028,376	\$ 2,003,383
Items not involving cash		
Amortization	6,128,534	5,665,448
Loss on disposal of tangible capital assets	97,151	26,794
Changes in non-cash operating balances		
Taxes receivable	571,891	68,997
Accounts receivable	(785,563)	638,024
Land held for resale	-	123,000
Long-term receivables	50,148	34,254
Prepaid expenses	56,009	(59,787)
Accounts payable and accrued liabilities	1,252,464	(1,675,176)
Deferred revenue	647,641	75,496
Employee future benefits	210,500	103,400
	10,257,151	7,003,833
Capital activities		
Acquisition of tangible capital assets	(8,246,337)	(14,131,610)
Increase in work in progress	3,937,957	11,115,372
Proceeds from sale of tangible capital assets	75,744	162,448
	(4,232,636)	(2,853,790)
Financing activities		
Repayment of long-term debt	(666,624)	(1,062,766)
Increase in cash and cash equivalents	5,357,891	3,087,277
Cash and cash equivalents, beginning of year	12,219,344	9,132,067
Cash and cash equivalents, end of year	\$ 17,577,235	\$ 12,219,344

The Corporation of the Municipality of Strathroy-Caradoc

Summary of Significant Accounting Policies

December 31, 2015

**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 CPA Canada. 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

Joint Local Board

The Lake Huron Area Primary Water Supply system has been consolidated on a proportionate basis based upon the water flow of the municipality in proportion to the entire flows provided by the joint board. Under the proportionate basis, the municipality's pro rate share of each of the assets, liabilities, revenues and expenditures of the board are consolidated with similar items in the municipality's financial statements. For 2015, the municipality's share of the System was 4.36% (2014 - 4.58%).

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.

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

December 31, 2015

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 financial assets for the year.

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 as follows:

Land improvements	10 to 50 years
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

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

December 31, 2015

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.
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	<p>Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2015 is reflected on the Consolidated Statement of Operations.</p> <p>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.</p> <p>Budget figures exclude the impact of amortization expense, employee future benefits, landfill closure and post closure costs and consolidated revenues and expenses of the Strathroy Business Improvement Area, Caradoc Housing Corporation, Tri-Township Arena and Lake Huron Primary Water Supply.</p>
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 effect of supplementary assessments and tax appeals on taxation revenue.

The Corporation of the Municipality of Strathroy-Caradoc

Summary of Significant Accounting Policies

December 31, 2015

Revenue Recognition

(continued)

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.

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 service is provided.

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.

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.

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

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

December 31, 2015

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, 2015, the Municipality had a balance owing of \$nil (2014 - \$nil).

Included in cash and cash equivalents are investments in guaranteed investment certificates and mutual funds of \$3,621,200 (2014 - \$3,630,152). These investments are recorded at amortized cost. Interest rates on the guaranteed investment certificates range from 1.8% to 2.57%. The income from these investments for the year was \$93,636 (2014 - \$95,124).

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	\$ 7,379,182	\$ 8,286,676
Share of payments in lieu	745	34,432
	7,379,927	8,321,108
Share of taxes written off	-	10,246
	\$ 7,379,927	\$ 8,310,862
Amounts transferred		

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

December 31, 2015

3. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 419,431	\$ 607,427	\$ 9,694	\$ (95,263)	\$ 941,289
Development charges	3,734,931	1,358,914	60,597	(1,630,028)	3,524,414
Building Department	-	326,310	-	-	326,310
Parkland dedication	209,612	44,680	-	-	254,292
Other	139,300	-	-	(34,690)	104,610
	<u>\$ 4,503,274</u>	<u>\$ 2,337,331</u>	<u>\$ 70,291</u>	<u>\$ (1,759,981)</u>	<u>\$ 5,150,915</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.

Building Department

Building department funds in excess of expenses.

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, 2015

4. Net Long-term Debt

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

	2015	2014
Total long-term liabilities incurred by the Municipality and outstanding at the end of the year amount to:	\$ 8,535,723	\$ 9,203,638
Less: tile drain loans	(2,475)	(3,766)
	\$ 8,533,248	\$ 9,199,872

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

	Principal Repayments
2016	\$ 1,132,579
2017	1,148,209
2018	1,135,270
2019	1,098,828
2020	770,894
Thereafter	3,247,468
	\$ 8,533,248

The gross interest paid relating to the Municipality's long-term debt was \$271,371 (2014 - \$274,896). 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 \$2,475 (2014 - \$3,766). 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 (2014 - \$26,679) 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, 2015

6. Tangible Capital Assets

								2015	2014
	Land	Improvements	Buildings	Equipment	Fleet	Infrastructure Roads	Infrastructure Environmental	Total	Total
Cost, beginning of year	\$ 5,945,654	\$ 3,809,728	\$ 38,280,208	\$ 8,322,856	\$ 8,449,831	\$ 78,808,144	\$ 101,833,616	\$ 245,450,037	\$ 231,935,269
Additions	10,553	-	636,432	451,769	1,781,479	2,713,442	2,987,791	8,581,466	14,167,044
Disposals	-	-	(2,123)	(29,828)	(528,473)	(73,333)	-	(633,757)	(605,544)
Other	(4,056)	-	(91,195)	-	(75,459)	-	(257,201)	(428,411)	(46,732)
Cost, end of year	5,952,151	3,809,728	38,823,322	8,744,797	9,627,378	81,448,253	104,563,706	252,969,335	245,450,037
Accumulated amortization, beginning of year	-	877,997	9,203,362	3,174,043	3,724,497	55,898,627	23,499,791	96,378,317	91,140,469
Amortization	-	106,888	1,201,433	444,018	691,206	2,219,113	1,465,876	6,128,534	5,668,448
Disposals	-	-	(2,123)	(20,468)	(375,817)	(62,454)	-	(460,862)	(416,302)
Other	-	-	(19,761)	-	(28,569)	-	(44,952)	(93,282)	(11,298)
Accumulated amortization, end of year	-	984,885	10,382,911	3,597,593	4,011,317	58,055,286	24,920,715	101,952,707	96,378,317
Net carrying amount, end of year	\$ 5,952,151	\$ 2,824,843	\$ 28,440,411	\$ 5,147,204	\$ 5,616,061	\$ 23,392,967	\$ 79,642,991	\$ 151,016,628	\$ 149,071,720

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

December 31, 2015

6. Tangible Capital Assets (continued)

								2014
	Land	Land Improvements	Buildings	Equipment	Fleet	Infrastructure Roads	Infrastructure Environmental	Total
Cost, beginning of year	\$ 5,946,207	\$ 3,335,784	\$ 33,954,806	\$ 8,074,009	\$ 8,219,203	\$ 78,350,014	\$ 94,055,246	\$ 231,935,269
Additions	-	473,944	4,334,456	248,847	706,151	458,130	7,945,516	14,167,044
Disposals	-	-	-	-	(467,315)	-	(138,229)	(605,544)
Other	(553)	-	(9,054)	-	(8,208)	-	(28,917)	(46,732)
Cost, end of year	<u>5,945,654</u>	<u>3,809,728</u>	<u>38,280,208</u>	<u>8,322,856</u>	<u>8,449,831</u>	<u>78,808,144</u>	<u>101,833,616</u>	<u>245,450,037</u>
Accumulated amortization, beginning of year	-	773,208	8,345,844	2,743,358	3,555,777	53,625,217	22,097,065	91,140,469
Amortization	-	104,789	827,392	443,294	634,034	2,273,410	1,382,529	5,665,448
Disposals	-	-	-	-	(416,264)	-	(38)	(416,302)
Other	-	-	30,126	(12,609)	(49,050)	-	20,235	(11,298)
Accumulated amortization, end of year	-	<u>877,997</u>	<u>9,203,362</u>	<u>3,174,043</u>	<u>3,724,497</u>	<u>55,898,627</u>	<u>23,499,791</u>	<u>96,378,317</u>
Net carrying amount, end of year	<u>\$ 5,945,654</u>	<u>\$ 2,931,731</u>	<u>\$ 29,076,846</u>	<u>\$ 5,148,813</u>	<u>\$ 4,725,334</u>	<u>\$ 22,909,517</u>	<u>\$ 78,333,825</u>	<u>\$ 149,071,720</u>

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

December 31, 2015

7. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

	<u>2015</u>	<u>2014</u>
Accumulated surplus from operations	\$ 3,424,348	\$ 147,391
Investment in tangible capital assets	151,016,628	149,071,720
Investment in capital work in progress	675,421	4,613,378
Reserves		
Equipment replacement	137,160	137,160
Insurance	20,096	20,096
General government	48,056	20,751
Protection services	33,414	183,414
Street lighting	14,288	14,288
Wastewater system	2,713,169	2,893,149
Waterworks system	7,689,967	7,689,967
Health services	10,694	10,694
Recreational facilities	81,966	85,733
Libraries	20,952	20,952
Museums	29,420	29,420
Economic Development	21,201	21,201
Reserve Funds		
Insurance	241,759	51,901
Roadways	80,897	78,843
Street lighting	22,722	22,145
Wastewater system	1,200,971	1,170,471
Stormwater system	5,402	5,265
Asset management	228,328	-
Waste management	15,486	-
Unfunded Liabilities	<u>(10,492,527)</u>	<u>(11,076,497)</u>
	<u>\$ 157,239,818</u>	<u>\$ 155,211,442</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, 2015

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.

	2015	2014
Post-retirement benefits	\$ 1,760,700	\$ 1,722,100
Post-employment benefits	171,900	-
Total	\$ 1,932,600	\$ 1,722,100

(a) Post-Retirement Benefits

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

	2015	2014
Accrued benefit liability as at January 1	\$ 1,722,100	\$ 1,618,700
Current service cost	100,400	97,100
Interest cost	61,500	56,700
Actuarial gain	(80,700)	-
Estimated benefits paid	(42,600)	(50,400)
Total	\$ 1,760,700	\$ 1,722,100

(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.

	2015	2014
Accrued benefit liability as at January 1	\$ -	\$ -
Current service cost	187,400	-
Estimated benefits paid	(15,500)	-
Total	\$ 171,900	\$ -

The actuarial estimate of the future liability of post-retirement and post-employment benefits assumes a discount rate of 3.15% (2014 - 3.45%) and inflation rates for benefit premiums of 2.0% (2014 - 2.0%). Dental cost increases are assumed at 4.0% per annum (2014 - 4.0%). In addition, extended healthcare premiums are assumed to increase by 8% in 2016, 7.5% in 2017, 7% in 2018, 6.5% in 2019, 6% in 2020, 5.5% in 2021 and 5.0% per annum thereafter.

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2015

9. Contingent Liabilities

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2015 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.

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 461,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2015. The results of this valuation disclosed total actuarial liabilities of \$81,924 million (2014 - \$76,924 million) in respect of benefits accrued for service with actuarial assets at that date of \$74,947 million (2014 - \$69,846) million indicating an actuarial deficit of \$6,977 million (2014 - \$7,078 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 2015 was \$753,242 (2014 - \$775,700) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level (2014 - 9.0% to 14.6% depending on income level).

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

December 31, 2015

11. Government Transfers

	2015	2014
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 454,400	\$ 567,900
Program support	50,628	205,455
Drainage grants	30,127	27,136
Other Municipalities		
Program support	664,571	605,945
Total operating	1,199,726	1,406,436
Capital		
Province of Ontario		
Lake Huron Area Primary Water Supply System	29,154	148,030
Recreation grant	-	389,743
OCIF grant	211,105	-
Government of Canada		
Gas tax	95,263	500,027
Lake Huron Area Primary Water Supply System	29,837	393,833
Other Municipalities		
Library	172	-
Total capital	365,531	1,431,633
Total government transfers	\$ 1,565,257	\$ 2,838,069

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

December 31, 2015

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:

	2015	2014
Statement of Financial Position		
Assets	\$ 170,915	\$ 164,256
Liabilities	54,776	48,117
Accumulated surplus	\$ 116,139	\$ 116,139
Statement of Operations		
Revenues	\$ 379,970	\$ 433,291
Expenses	379,970	426,154
Excess of revenue over expenditures	\$ -	\$ 7,137

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.

	2015	2014
Statement of Financial Position		
Assets	\$ 231,107	\$ 249,260
Liabilities	107,021	133,062
Fund Balance	\$ 124,086	\$ 116,198
Statement of Operations		
Revenues	\$ 146,051	\$ 152,293
Expenses	138,163	152,405
Excess (deficiency) of revenue over expenditures	\$ 7,888	\$ (112)

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

December 31, 2015

14. Commitments

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.

15. Joint Local Board Consolidation - Lake Huron Primary Water Supply System

The consolidated financial statements include the municipality's 4.36% (2014 - 4.58%) proportionate interest of the following:

	2015	2014
Statement of Financial Position		
Financial Assets	\$ 16,897,364	\$ 8,083,833
Liabilities	14,608,019	9,909,130
Net Financial Debt	\$ 2,289,345	\$ (1,825,297)
Non Financial Assets		
Tangible Capital Assets	\$ 62,440,770	\$ 163,099,648
Prepaid Expenses	161,495	164,105
Total Non-Financial Assets	\$ 62,602,265	\$ 163,263,753
Accumulated Surplus	\$ 64,891,610	\$ 161,438,456
Statement of Operations		
Revenues	\$ 20,975,481	\$ 30,289,897
Expenses	17,522,327	15,942,076
Net Revenues	\$ 3,453,154	\$ 14,347,821

16. Trust Funds

Trust funds administered by the municipality amounting to \$632,796 (2014 - \$616,674) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

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

December 31, 2015

17. 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.

18. Comparative Amounts

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

19. Change in Accounting Policy

During the current fiscal year, the Municipality has applied the new Canadian public sector accounting standard 3260 - Liability for contaminated sites. The Municipality has chosen to apply these changes prospectively and there is no effect in the financial statements for the current period.

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

December 31, 2015

20. Budget Variance

The following chart reconciles the 2015 budget with the 2015 actuals found in the consolidated statement of operations:

	2015 Budget	Lake Huron Area Primary Water Supply System adjusting entries	Caradoc Housing Corporation, BIA, and Tri- Township Arena	Change in Future Tax Liability	Amortization entries and additions	Debt Principal	2015 Revised budget	2015 Actual	Variance Favorable / (Unfavorable)
REVENUE									
Taxation	\$ 14,922,353	\$ -	\$ -	\$ (112,407)	\$ -	\$ -	\$ 14,809,946	\$ 14,865,120	\$ 55,174
User fees and service charges	9,240,058	-	348,741	-	-	-	9,588,799	10,212,450	623,651
Government transfers - operating	1,316,102	58,991	-	-	-	-	1,375,093	1,199,726	(175,367)
Investment income	39,500	11,170	-	-	-	-	50,670	160,269	109,599
Penalty and interest on taxes	250,000	-	-	-	-	-	250,000	307,247	57,247
Other	24,500	21,643	146,051	-	-	-	192,194	281,602	89,408
Total revenue	\$ 25,792,513	\$ 91,804	\$ 494,792	\$ (112,407)	\$ -	\$ -	\$ 26,266,702	\$ 27,026,414	\$ 759,712
EXPENSES									
General government	\$ 2,031,430	\$ -	\$ -	\$ -	\$ 75,981	\$ (205,219)	\$ 1,902,162	\$ 2,192,455	\$ (290,293)
Protection services	7,791,317	-	-	-	403,168	(47,733)	8,146,952	7,603,183	543,769
Transportation services	3,430,404	-	-	-	2,162,840	(157,500)	5,435,744	5,081,092	354,652
Environmental services	5,436,110	20,060	-	-	1,958,099	(482,748)	6,931,521	6,646,221	285,300
Health services	209,020	-	-	-	(2,288)	-	206,732	130,144	76,588
Social housing	-	-	138,163	-	33,477	-	171,640	138,163	33,477
Recreation and cultural services	2,976,784	-	325,099	-	1,040,896	(269,986)	4,072,793	3,852,797	219,996
Planning and development	582,849	-	16,844	-	(6,684)	-	593,009	565,332	27,677
Total expenses	\$ 22,457,914	\$ 20,060	\$ 480,106	\$ -	\$ 5,665,659	\$ (1,163,186)	\$ 27,460,553	\$ 26,209,387	\$ 1,251,166
NET REVENUE	\$ 3,334,599	\$ 71,744	\$ 14,686	\$ (112,407)	\$ (5,665,659)	\$ 1,163,186	\$ (1,193,851)	\$ 817,027	\$ 2,010,878

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2015

21. 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, 2015

21. 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	2015 Total
Revenue									
Taxation	\$ 2,244,026	\$ 6,800,566	\$ 2,964,655	\$ 489,365	\$ 103,564	\$ -	\$ 1,652,049	\$ 610,895	\$ 14,865,120
User fees and service charges	371,452	266,327	37,702	7,852,911	107,231	-	1,468,452	108,375	10,212,450
Government transfers	454,400	447,942	-	426,016	-	-	206,772	30,127	1,565,257
Investment income	159,597	-	-	-	672	-	-	-	160,269
Penalty and interest on taxes	307,247	-	-	-	-	-	-	-	307,247
Other	44,822	55,858	384,557	22,029	19,215	146,051	727,325	35,214	1,435,071
	<u>3,581,544</u>	<u>7,570,693</u>	<u>3,386,914</u>	<u>8,790,321</u>	<u>230,682</u>	<u>146,051</u>	<u>4,054,598</u>	<u>784,611</u>	<u>28,545,414</u>
Expenses									
Wages and benefits	1,589,262	6,216,175	1,261,428	891,902	94,188	-	1,204,822	351,650	11,609,427
Materials, goods and services	737,740	965,340	1,315,492	3,765,221	27,684	104,687	1,552,080	213,682	8,681,926
Amortization	75,951	421,668	2,504,172	1,989,099	8,272	33,476	1,095,896	-	6,128,534
	<u>2,402,953</u>	<u>7,603,183</u>	<u>5,081,092</u>	<u>6,646,222</u>	<u>130,144</u>	<u>138,163</u>	<u>3,852,798</u>	<u>565,332</u>	<u>26,419,887</u>
Loss on disposal of capital assets	97,151	-	-	-	-	-	-	-	97,151
	<u>2,500,104</u>	<u>7,603,183</u>	<u>5,081,092</u>	<u>6,646,222</u>	<u>130,144</u>	<u>138,163</u>	<u>3,852,798</u>	<u>565,332</u>	<u>26,517,038</u>
Net surplus (deficit)	<u>\$ 1,081,440</u>	<u>\$ (32,490)</u>	<u>\$ (1,694,178)</u>	<u>\$ 2,144,099</u>	<u>\$ 100,538</u>	<u>\$ 7,888</u>	<u>\$ 201,800</u>	<u>\$ 219,279</u>	<u>\$ 2,028,376</u>

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

December 31, 2015

21. 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	2014 Total
Revenue									
Taxation	\$ 1,935,544	\$ 6,603,576	\$ 3,482,321	\$ 515,801	\$ 49,594	-	\$ 1,367,988	\$ 503,622	\$ 14,458,446
User fees and service charges	234,209	335,762	5,282	7,257,933	105,933	-	1,538,876	76,174	9,554,169
Government transfers	567,900	559,992	-	971,292	-	-	711,749	27,136	2,838,069
Investment income	167,948	-	-	-	747	-	-	-	168,695
Penalty and interest on taxes	393,467	-	-	-	-	-	-	-	393,467
Other	86,029	10,079	12,427	17,976	-	152,293	1,459	300,488	580,751
	<u>3,385,097</u>	<u>7,509,409</u>	<u>3,500,030</u>	<u>8,763,002</u>	<u>156,274</u>	<u>152,293</u>	<u>3,620,072</u>	<u>907,420</u>	<u>27,993,597</u>
Expenses									
Wages and benefits	1,444,553	6,259,555	1,353,057	916,516	115,461	-	1,274,915	357,514	11,721,571
Materials, goods and services	636,265	910,263	1,254,551	3,800,973	32,139	120,768	1,627,566	193,876	8,576,401
Amortization	127,477	329,589	2,519,314	1,922,536	8,673	31,637	726,222	-	5,665,448
	<u>2,208,295</u>	<u>7,499,407</u>	<u>5,126,922</u>	<u>6,640,025</u>	<u>156,273</u>	<u>152,405</u>	<u>3,628,703</u>	<u>551,390</u>	<u>25,963,420</u>
Loss on disposal of capital assets	26,794	-	-	-	-	-	-	-	26,794
	<u>2,235,089</u>	<u>7,499,407</u>	<u>5,126,922</u>	<u>6,640,025</u>	<u>156,273</u>	<u>152,405</u>	<u>3,628,703</u>	<u>551,390</u>	<u>25,990,214</u>
Net surplus (deficit)	<u>\$ 1,150,008</u>	<u>\$ 10,002</u>	<u>\$ (1,626,892)</u>	<u>\$ 2,122,977</u>	<u>\$ 1</u>	<u>\$ (112)</u>	<u>\$ (8,631)</u>	<u>\$ 356,030</u>	<u>\$ 2,003,383</u>



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Auditor's Comments on Supplementary Financial Information

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

We have audited the consolidated financial statements of The Corporation of the Municipality of Strathroy-Caradoc which comprise the statement of consolidated financial position as at December 31, 2015, and the consolidated statement of operations, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated November 11, 2016 which contained an unmodified opinion on the consolidated financial statements. The audit was performed to form an opinion on the consolidated financial statements as a whole. The Strathroy Business Improvement Area is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the consolidated financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
November 11, 2016

**The Corporation of the Municipality of Strathroy-Caradoc
Strathroy Business Improvement Area
Statement of Financial Position**

December 31	2015	2014
Assets		
Cash (Note 2)	\$ 45,321	\$ 34,047
Accounts receivable	1,418	5,259
	<u>46,739</u>	<u>39,306</u>
Liabilities		
Accounts payable	<u>4,278</u>	<u>3,643</u>
Net Financial Assets	42,461	35,663
Non-Financial Assets		
Tangible capital assets (Note 3)	<u>3,574</u>	<u>4,765</u>
Accumulated Surplus (Note 4)	\$ 46,035	\$ 40,428

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

**The Corporation of the Municipality of Strathroy-Caradoc
Strathroy Business Improvement Area
Statement of Operations and Accumulated Surplus**

For the year ended December 31	Budget 2015	2015	2014
Revenues			
Levy	\$ 53,700	\$ 53,700	\$ 53,700
Other	-	23,642	18,823
	<u>53,700</u>	<u>77,342</u>	<u>72,523</u>
Expenditures			
Advertising and promotion	49,950	63,729	63,998
Amortization	-	1,191	1,191
Office	3,750	6,815	3,606
	<u>53,700</u>	<u>71,735</u>	<u>68,795</u>
Annual surplus	-	5,607	3,728
Accumulated surplus, beginning of year	<u>40,428</u>	<u>40,428</u>	<u>36,700</u>
Accumulated surplus, end of year	<u>\$ 40,428</u>	<u>\$ 46,035</u>	<u>\$ 40,428</u>

**The Corporation of the Municipality of Strathroy-Caradoc
Strathroy Business Improvement Area
Statement of Cash Flows**

For the year ended December 31	2015	2014
Cash provided by (used in)		
Operating Activities		
Annual surplus	\$ 5,607	\$ 3,728
Items not involving cash		
Amortization	1,191	1,191
Changes in non-cash operating balances		
Accounts receivable	3,841	850
Accounts payable	635	(850)
Net change in cash	11,274	4,919
Cash, beginning of year	34,047	29,128
Cash, end of year	\$ 45,321	\$ 34,047

The Corporation of the Municipality of Strathroy-Caradoc

Strathroy Business Improvement Area

Notes to Financial Statements

December 31, 2015

1. Summary of Significant Accounting Policies

Management Responsibility	The financial statements of the Strathroy Business Improvement Area are the representation of management prepared in accordance with accounting policies established by the Public Sector Accounting Board of CPA Canada as prescribed by the Ministry of Municipal Affairs and Housing. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review.		
Basis of Accounting	Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.		
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 excess of revenues over expenditures, provides the change in net financial assets for the year.		
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:</p> <table><tr><td>Equipment - decorative lights</td><td>5 years</td></tr></table> <p>The Board has a capitalization threshold of \$500. Individual assets of less value are expensed unless they are pooled because collectively they have significant value.</p> <p>Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The fair value is also recorded as revenue.</p>	Equipment - decorative lights	5 years
Equipment - decorative lights	5 years		

**The Corporation of the Municipality of Strathroy-Caradoc
Strathroy Business Improvement Area
Notes to Financial Statements**

December 31, 2015

1. Summary of Significant Accounting Policies (continued)

Leases	Leases are classified as capital or operating leases. Leases which transfer substantially all of 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 expense as incurred.
Revenue Recognition	Government grants and transfers are recognized in the financial statements as revenues in the period in which events give rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.
Budget	The operating budget approved by the Board for 2015 is reflected on the statement of operations and accumulated surplus. The 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.

2. Cash

The organization's bank accounts are held at one Canadian credit union.

3. Tangible Capital Assets

	2015 Equipment	2014 Equipment
Cost, beginning of year	\$ 7,147	\$ 7,147
Additions	-	-
Disposals	-	-
Cost, end of year	<u>7,147</u>	<u>7,147</u>
Accumulated amortization, beginning of year	2,382	1,191
Amortization	<u>1,191</u>	<u>1,191</u>
Accumulated amortization, end of year	<u>3,573</u>	<u>2,382</u>
Net carrying amount, end of year	<u>\$ 3,574</u>	<u>\$ 4,765</u>

**The Corporation of the Municipality of Strathroy-Caradoc
Strathroy Business Improvement Area
Notes to Financial Statements**

December 31, 2015

4. Accumulated Surplus

Accumulated surplus consists of the following surplus balances and reserves:

	<u>2015</u>		<u>2014</u>
Investment in tangible capital assets	\$ 3,574	\$	4,765
General operations	42,461		35,663
	<u>\$ 46,035</u>	\$	<u>40,428</u>