

**The Corporation of the Municipality of  
Strathroy-Caradoc**  
Consolidated Financial Statements  
For the year ended December 31, 2017

**The Corporation of the Municipality of  
Strathroy-Caradoc**  
Consolidated Financial Statements  
For the year ended December 31, 2017

---

**Contents**

**The Corporation of the Municipality of Strathroy-Caradoc**

Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditor's Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Summary of Significant Accounting Policies	7 - 11
Notes to Consolidated Financial Statements	12 - 26

**MANAGEMENT'S RESPONSIBILITY FOR THE  
CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements of The Corporation of the Municipality of Strathroy-Caradoc (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in the notes to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion of the Municipality's consolidated financial statements.



---

Chief Administrative Officer  
Greg McClinchey



---

Director of Finance/Treasurer  
Bill Dakin



Tel: (519)336-9900  
Fax: (519)332-4828  
[www.bdo.ca](http://www.bdo.ca)

BDO Canada LLP  
Kenwick Place, 250 Christina Street North  
P O Box 730  
Sarnia, Ontario N7T 7J7

---

## 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, 2017 and the consolidated statements 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 overall 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, 2017 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, Licensed Public Accountants

Sarnia, Ontario  
June 4, 2018

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

December 31	2017	2016
<b>Financial assets</b>		
Cash and cash equivalents (Note 1)	\$ 30,463,584	\$ 23,970,860
Taxes receivable	1,749,524	1,882,196
Accounts receivable	6,036,878	3,888,260
Portfolio investments (Note 2)	3,775,669	3,693,758
Long-term receivables	59,037	81,037
	<b>42,084,692</b>	<b>33,516,111</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	4,495,162	3,742,174
Deferred revenue (Note 4)	9,963,725	8,527,139
Employee future benefits (Note 9)	2,138,800	2,031,800
Net long-term debt (Note 5)	7,445,946	8,814,236
Landfill closure and post closure costs (Note 6)	26,679	26,679
	<b>24,070,312</b>	<b>23,142,028</b>
<b>Net financial assets</b>	<b>18,014,380</b>	<b>10,374,083</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 7)	148,646,309	146,682,053
Capital work in progress	141,074	601,851
Land held for resale	2,934,250	2,934,250
Prepaid expenses	8,473	7,532
	<b>151,730,106</b>	<b>150,225,686</b>
<b>Accumulated surplus (Note 8)</b>	<b>\$ 169,744,486</b>	<b>\$ 160,599,769</b>

Contingent liabilities (Note 10)  
 Commitments (Note 11)

\_\_\_\_\_ Treasurer

\_\_\_\_\_ Mayor

## The Corporation of the Municipality of Strathroy-Caradoc

### Consolidated Statement of Operations

For the year ended December 31	Budget 2017	2017	2016
<b>Revenue</b>			
Taxation	\$ 14,893,466	\$ 16,019,161	\$ 15,885,964
User fees and service charges	11,039,018	10,633,049	10,426,571
Government transfers - operating (Note 13)	1,119,718	1,214,350	1,168,826
Investment income	50,191	218,968	216,065
Penalty and interest on taxes	250,000	277,819	296,917
Other	152,363	254,929	293,442
	<u>27,504,756</u>	<u>28,618,276</u>	<u>28,287,785</u>
<b>Expenses</b>			
General government	3,389,016	2,353,289	2,036,616
Protection services	8,084,488	8,007,335	7,977,721
Transportation services	3,464,177	3,447,406	5,247,367
Environmental services	6,515,439	6,901,369	6,607,294
Health services	166,301	146,545	140,102
Social housing	120,614	152,746	132,566
Recreation and cultural services	3,019,916	3,592,994	3,879,438
Planning and development	621,456	579,393	661,599
	<u>25,381,407</u>	<u>25,181,077</u>	<u>26,682,703</u>
<b>Annual surplus before other</b>	<u>2,123,349</u>	<u>3,437,199</u>	<u>1,605,082</u>
<b>Other Revenues (Expenses)</b>			
Government transfers related to capital (Note 13)	4,988,141	3,465,294	973,816
User fees, developer and other contributions related to capital	3,708,864	2,590,808	1,028,087
Loss on disposal of capital assets	-	(241,584)	(147,834)
Increase in employee future benefits	-	(107,000)	(99,200)
	<u>8,697,005</u>	<u>5,707,518</u>	<u>1,754,869</u>
<b>Annual surplus</b>	<u>10,820,354</u>	<u>9,144,717</u>	<u>3,359,951</u>
<b>Accumulated surplus, beginning of year</b>	<u>160,599,769</u>	<u>160,599,769</u>	<u>157,239,818</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 171,420,123</u>	<u>\$ 169,744,486</u>	<u>\$ 160,599,769</u>

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

<b>For the year ended December 31</b>	<b>Budget 2017</b>	<b>2017</b>	<b>2016</b>
<b>Annual surplus</b>	<b>\$ 10,820,354</b>	<b>\$ 9,144,717</b>	<b>\$ 3,359,951</b>
Acquisition of tangible capital assets	(10,202,403)	(7,006,484)	(2,496,737)
Amortization of tangible capital assets	-	4,769,324	6,141,880
Loss on disposal of tangible capital assets	-	241,584	416,951
Proceeds from sale of tangible capital assets	-	31,320	272,481
Decrease in work in progress	-	460,777	73,570
(Increase) decrease in prepaid expenses	-	(941)	248
<b>Net change in net financial assets</b>	<b>617,951</b>	<b>7,640,297</b>	<b>7,768,344</b>
<b>Net financial assets, beginning of year</b>	<b>10,374,083</b>	<b>10,374,083</b>	<b>2,605,739</b>
<b>Net financial assets, end of year</b>	<b>\$ 10,992,034</b>	<b>\$ 18,014,380</b>	<b>\$ 10,374,083</b>

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

<b>For the year ended December 31</b>	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Annual surplus	\$ 9,144,717	\$ 3,359,951
Items not involving cash		
Amortization	4,769,324	6,141,880
Loss on disposal of tangible capital assets	241,584	416,951
Changes in non-cash operating balances		
Taxes receivable	132,672	(141,182)
Accounts receivable	(2,148,618)	(220,773)
Long-term receivables	22,000	28,004
Prepaid expenses	(941)	248
Accounts payable and accrued liabilities	752,988	(1,103,422)
Deferred revenue	1,436,586	3,376,224
Employee future benefits	107,000	99,200
	<u>14,457,312</u>	<u>11,957,081</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(7,006,484)	(2,496,737)
Decrease in work in progress	460,777	73,570
Proceeds from sale of tangible capital assets	31,320	272,481
	<u>(6,514,387)</u>	<u>(2,150,686)</u>
<b>Investing activities</b>		
Increase in portfolio investments	<u>(81,911)</u>	<u>(72,559)</u>
<b>Financing activities</b>		
Proceeds from issuance of long-term debt	16,574	1,586,208
Repayment of long-term debt	<u>(1,384,864)</u>	<u>(1,305,220)</u>
	<u>(1,368,290)</u>	<u>280,988</u>
<b>Increase in cash and cash equivalents</b>	<b>6,492,724</b>	<b>10,014,824</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>23,970,860</b></u>	<u><b>13,956,036</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 30,463,584</b></u>	<u><b>\$ 23,970,860</b></u>

---

# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

**December 31, 2017**

---

**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 rata 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 2017, the municipality's share of the System was 4.10% (2016 - 4.16%).

**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.

**Portfolio Investments** Portfolio investments are recorded at cost. Portfolio investments are written down when there has been a loss in value that is other than a temporary decline.

---

# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

December 31, 2017

---

### 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 amortized.

### 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, 2017**

---

**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 provides certain benefits which will require funding in future periods. These benefits include life insurance, and extended health and dental benefits for early retirees.

The costs of life insurance, and extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulated over the periods of service provided by employees, such as retirement gratuities and health, dental and life insurance benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

The cost of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pension, are the employer's contributions due to the plan in the period.

**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.

---

# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

**December 31, 2017**

---

**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. 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.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

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.

---

# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

**December 31, 2017**

---

**Government Transfers** Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

**Use of Estimates** The preparation of financial statements in accordance with Canadian public sector accounting standards 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, 2017**

---

#### 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, 2017, the Municipality had a balance owing of \$nil (2016 - \$nil).

---

#### 2. Portfolio Investments

The Municipality's portfolio investments include guaranteed investment certificates with a carrying value and market value of \$3,358,354 (2016 - \$3,340,927) and mutual funds with a carrying value of \$417,315 (2016 - \$352,831) and market value of \$422,396 (2016 - \$343,572). These investments are recorded at amortized cost. Interest rates on the guaranteed investment certificates range from 1.65% to 2.57%. The income from these investments for the year was \$72,133 (2016 - \$74,849).

---

#### 3. 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	\$ 7,361,165	\$ 9,103,603
Share of payments in lieu	831	38,547
	7,361,996	9,142,150
Share of taxes written off	-	-
	\$ 7,361,996	\$ 9,142,150

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

**December 31, 2017**

**4. Deferred Revenue**

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 1,095,815	\$ 649,089	\$ 18,757	\$ (942,216)	\$ 821,445
Development charges	4,914,902	3,660,999	51,399	(1,021,316)	7,605,984
Building Department	641,879	-	11,020	(170,295)	482,604
Parkland dedication	268,547	48,200	7,401	-	324,148
Other	1,605,996	651,623	5,204	(1,533,278)	729,544
	<u>\$ 8,527,139</u>	<u>\$ 5,009,911</u>	<u>\$ 93,781</u>	<u>\$ (3,667,105)</u>	<u>\$ 9,963,725</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 which have been collected 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.

Other

Funds include a \$298,356 OCIF grant for the McKellar Street project and are allocated to expenses or capital assets as incurred (2016 - \$1.2 million OCIF grant for the Princess Street project).

---

## The Corporation of the Municipality of Strathroy-Caradoc

### Notes to Consolidated Financial Statements

**December 31, 2017**

---

#### 5. Net Long-term Debt

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

	2017	2016
Total long-term liabilities incurred by the Municipality and outstanding at the end of the year amount to:	\$ 7,447,130	\$ 8,815,420
Less: tile drain loans	(1,184)	(1,184)
	\$ 7,445,946	\$ 8,814,236

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

	Principal Repayments
2018	\$ 1,367,778
2019	1,331,302
2020	1,003,333
2021	817,720
2022	655,750
Thereafter	2,270,063
	\$ 7,445,946

The gross interest paid relating to the Municipality's long-term debt was \$233,501 (2016 - \$240,730). 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 \$1,184 (2016 - \$1,184). 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.

---

#### 6. 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 (2016 - \$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, 2017**

**7. Tangible Capital Assets**

								2017	2016
	Land	Land Improvements	Buildings	Equipment	Fleet	Infrastructure Roads	Infrastructure Environmental	Total	Total
Cost, beginning of year	\$ 5,778,919	\$ 3,926,082	\$ 39,003,422	\$ 9,399,772	\$ 9,700,818	\$ 81,766,273	\$ 104,718,542	\$ 254,293,828	\$ 252,969,335
Additions	23,704	28,263	693,622	378,792	489,362	2,427,358	3,058,489	7,099,590	2,819,442
Disposals		-	(5,385)	(29,438)	(691,019)	(405,277)	(184,827)	(1,315,946)	(1,075,839)
Lake Huron Area Primary Water Supply System - rate change	(1,106)	-	(29,303)	-	(23,889)	-	(70,410)	(124,708)	(419,110)
Cost, end of year	5,801,517	3,954,345	39,662,356	9,749,126	9,475,272	83,788,354	107,521,794	259,952,764	254,293,828
Accumulated amortization, beginning of year	-	1,093,646	11,474,919	4,057,635	4,528,547	60,087,113	26,369,915	107,611,775	101,952,707
Amortization	-	111,132	578,278	483,109	655,123	791,102	2,150,580	4,769,324	6,141,880
Disposals	-	-	(5,385)	(12,714)	(516,647)	(398,297)	(109,999)	(1,043,042)	(386,407)
Lake Huron Area Primary Water Supply System - rate change	-	-	(7,145)	-	(9,554)	-	(14,903)	(31,602)	(96,405)
Accumulated amortization, end of year	-	1,204,778	12,040,667	4,528,030	4,657,469	60,479,918	28,395,593	111,306,455	107,611,775
Net carrying amount, end of year	\$ 5,801,517	\$ 2,749,567	\$ 27,621,689	\$ 5,221,096	\$ 4,817,803	\$ 23,308,436	\$ 79,126,201	\$ 148,646,309	\$ 146,682,053

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

**December 31, 2017**

**7. Tangible Capital Assets (continued)**

								2016
	Land	Land Improvements	Buildings	Equipment	Fleet	Infrastructure Roads	Infrastructure Environmental	Total
Cost, beginning 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
Additions	-	116,354	584,543	787,225	278,017	632,881	420,422	2,819,442
Disposals	(169,545)	-	(306,886)	(132,250)	(121,473)	(314,861)	(30,824)	(1,075,839)
Lake Huron Area Primary Water Supply System - rate change	(3,687)	-	(97,557)	-	(83,104)	-	(234,762)	(419,110)
Cost, end of year	5,778,919	3,926,082	39,003,422	9,399,772	9,700,818	81,766,273	104,718,542	254,293,828
Accumulated amortization, beginning of year	-	984,885	10,382,911	3,597,593	4,011,317	58,055,286	24,920,715	101,952,707
Amortization	-	108,761	1,205,417	478,197	668,952	2,172,099	1,508,454	6,141,880
Disposals	-	-	(92,518)	(18,155)	(121,473)	(140,272)	(13,989)	(386,407)
Lake Huron Area Primary Water Supply System- rate change	-	-	(20,891)	-	(30,249)	-	(45,265)	(96,405)
Accumulated amortization, end of year	-	1,093,646	11,474,919	4,057,635	4,528,547	60,087,113	26,369,915	107,611,775
Net carrying amount, end of year	\$ 5,778,919	\$ 2,832,436	\$ 27,528,503	\$ 5,342,137	\$ 5,172,271	\$ 21,679,160	\$ 78,348,627	\$ 146,682,053

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

**December 31, 2017**

**8. Accumulated Surplus**

The Municipality segregates its accumulated surplus into the following categories:

	<u>2017</u>	<u>2016</u>
Accumulated surplus from operations	\$ 10,552,815	\$ 4,812,261
Investment in tangible capital assets	148,646,309	146,682,053
Investment in capital work in progress	141,074	601,851
Reserves		
Equipment replacement	527,939	137,160
Insurance	20,096	20,096
General government	1,159,088	1,121,058
Protection services	370,452	370,452
Street lighting	14,288	14,288
Wastewater system	4,493,543	4,738,145
Waterworks system	9,642,224	9,642,224
Health services	54,251	54,251
Recreational facilities	713,422	652,169
Libraries and Museum	123,379	133,329
Planning	99,920	99,920
Economic Development	159,719	159,719
Transportation	157,601	157,601
Reserve Funds		
Insurance	254,345	248,537
Roadways	85,109	83,165
Street lighting	23,905	23,359
Wastewater system	1,263,493	1,234,643
Stormwater system	5,683	5,553
Asset management	710,964	464,730
Waste management	16,292	15,920
Green energy	60,000	-
Recreation	60,000	-
Unfunded Liabilities	<u>(9,611,425)</u>	<u>(10,872,715)</u>
	<u>\$ 169,744,486</u>	<u>\$ 160,599,769</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, 2017**

**9. Employee Future Benefits**

The municipality provides certain employee benefits, which will require funding in future periods. These benefits include life insurance, and extended health and dental benefits for early retirees. An estimate of the future liabilities for these benefits has been actuarially determined and forms the basis for the estimated liability reported in these financial statements. The most recent actuarial valuation was performed at December 31, 2015.

	<b>2017</b>	<b>2016</b>
Post-retirement benefits	\$ 1,975,800	\$ 1,863,700
Post-employment benefits	163,000	168,100
Total	<b>\$ 2,138,800</b>	<b>\$ 2,031,800</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.

	<b>2017</b>	<b>2016</b>
Accrued benefit liability as at January 1	\$ 1,863,700	\$ 1,760,700
Current service cost	95,000	92,100
Interest cost	59,500	56,200
Estimated benefits paid	(42,400)	(45,300)
Total	<b>\$ 1,975,800</b>	<b>\$ 1,863,700</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.

	<b>2017</b>	<b>2016</b>
Accrued benefit liability as at January 1	\$ 168,100	\$ 171,900
Interest cost	5,100	5,300
Estimated benefits paid	(10,200)	(9,100)
Total	<b>\$ 163,000</b>	<b>\$ 168,100</b>

The actuarial estimate of the future liability of post-retirement and post-employment benefits assumes a discount rate of 3.15% (2016 - 3.15%) and inflation rates for benefit premiums of 2.0% (2016 - 2.0%). Dental cost increases are assumed at 4.0% per annum (2016 - 4.0%). In addition, extended healthcare premiums are assumed to increase by 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, 2017**

---

### 10. Contingent Liabilities

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2017 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.

---

### 11. Commitments

The Municipality signed a five year contract with a third party to perform billing and collection services relating to its water and sewer operations. The contract expires in June 2022, and approximates \$345,000 per year.

---

### 12. 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 482,000 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, 2017. The results of this valuation disclosed total actuarial liabilities of \$93,614 million (2016 - \$86,959 million) in respect of benefits accrued for service with actuarial assets at that date of \$88,211 million (2016 - \$81,239 million) indicating an actuarial deficit of \$5,403 million (2016 - \$5,720 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 2017 was \$784,946 (2016 - \$794,126) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level (2016 - 9.0% to 14.6% depending on income level).

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

**December 31, 2017**

**13. Government Transfers**

	<u>2017</u>	<u>2016</u>
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 328,400	\$ 386,300
Program support	428,025	313,508
Drainage grants	30,941	30,366
Other Municipalities		
Program support	<u>426,984</u>	<u>438,652</u>
Total operating	<u>1,214,350</u>	<u>1,168,826</u>
Capital		
Province of Ontario		
Lake Huron Area Primary Water Supply System	1,488	2,740
CWWF grant	228,172	-
OCIF grant	1,793,573	454,690
Government of Canada		
Gas tax	942,216	509,663
CWWF grant	477,237	-
Lake Huron Area Primary Water Supply System	1,470	6,723
Other Municipalities		
Library	<u>21,138</u>	-
Total capital	<u>3,465,294</u>	<u>973,816</u>
Total government transfers	<u>\$ 4,679,644</u>	<u>\$ 2,142,642</u>

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

**December 31, 2017**

**14. 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:

	2017	2016
<b>Statement of Financial Position</b>		
Assets	\$ 214,499	\$ 185,242
Liabilities	98,360	69,103
Accumulated surplus	\$ 116,139	\$ 116,139
<b>Statement of Operations</b>		
Revenues	\$ 371,060	\$ 438,270
Expenses	371,060	438,270
Excess of revenue over expenditures	\$ -	\$ -

**15. 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.

	2017	2016
<b>Statement of Financial Position</b>		
Assets	\$ 187,759	\$ 204,913
Liabilities	61,653	78,104
Fund Balance	\$ 126,106	\$ 126,809
<b>Statement of Operations</b>		
Revenues	\$ 119,911	\$ 135,289
Expenses	120,614	132,566
(Deficiency) excess of revenue over expenditures	\$ (703)	\$ 2,723

---

# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2017**

---

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

The consolidated financial statements include the municipality's 4.10% (2016 - 4.16%) proportionate interest of the following:

	<u>2017</u>	<u>2016</u>
<b>Statement of Financial Position</b>		
Financial Assets	\$ 24,132,978	\$ 21,754,071
Liabilities	<u>12,244,566</u>	<u>13,623,964</u>
Net Financial Assets	<u>\$ 11,888,412</u>	<u>\$ 8,130,107</u>
Non Financial Assets		
Tangible Capital Assets	\$ 157,682,748	\$ 158,395,013
Prepaid Expenses	<u>206,664</u>	<u>163,296</u>
Total Non-Financial Assets	<u>\$ 157,889,412</u>	<u>\$ 158,558,309</u>
Accumulated Surplus	<u>\$ 169,777,824</u>	<u>\$ 166,688,416</u>
<b>Statement of Operations</b>		
Revenues	\$ 21,958,483	\$ 21,308,422
Expenses	<u>18,869,076</u>	<u>19,511,616</u>
Net Revenues	<u>\$ 3,089,407</u>	<u>\$ 1,796,806</u>

---

### 17. Trust Funds

Trust funds administered by the municipality amounting to \$683,758 (2016 - \$660,661) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

---

### 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 Estimate

During the year, the Municipality reviewed its estimates related to the useful life of its roadways. As a result, the Municipality has updated the remaining useful life of the roadways based on management's best estimate. This change has been applied prospectively as a change in accounting estimate and has resulted in a decrease in amortization expense in the current year of approximately \$1,558,000.

---

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

**December 31, 2017**

---

**20. 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. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting.

**REVENUE**

Approved operating budget	\$ 28,178,136
Adjustments:	
Net contribution from reserve and reserve funds	(244,602)
Change in future tax liability	(174,497)
Internal allocation elimination entries	(2,080,592)
Tri-Township Arena, Caradoc Housing Corporation, and BIA consolidation entries	410,814
LHPWS adjustment	15,367
Taxation revenue for capital projects	<u>1,400,130</u>
Adjusted operating budget revenues per statement of operations	<u>\$ 27,504,756</u>

**EXPENSES**

Approved operating budget	\$ 28,178,136
Adjustments:	
Net contribution to reserves and reserve funds	(4,560,496)
Debt principal repayments	(1,368,290)
Internal allocation elimination entries	(2,080,592)
Tri-Township Arena, Caradoc Housing Corporation, and BIA consolidation entries	454,609
LHPWS adjustment	(11,284)
Amortization expense	<u>4,769,324</u>
Adjusted operating budget expenses per statement of operations	<u>\$ 25,381,407</u>

**NET OPERATING REVENUE (EXPENSE)** \$ 2,123,349

---

# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2017**

---

### 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 and Information Technology 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, Fire Services, animal control, crossing guards, building construction and by-law enforcement 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 and economic development.

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

**December 31, 2017**

**21. Segmented Information (continued)**

<b>For the year ended December 31</b>	<b>General Government</b>	<b>Protection Services</b>	<b>Transportation Services</b>	<b>Environmental Services</b>	<b>Health Services</b>	<b>Social Housing</b>	<b>Recreation and Cultural Services</b>	<b>Planning and Development</b>	<b>2017 Total</b>
<b>Revenue</b>									
Taxation	\$ 2,787,006	\$ 6,959,130	\$ 3,298,619	\$ 164,520	\$ 83,237	\$ -	\$ 2,081,752	\$ 644,897	\$ 16,019,161
User fees and service charges	393,531	1,146,958	58,784	7,220,826	116,901	-	1,576,396	119,653	10,633,049
Government transfers	328,400	790,314	-	3,444,156	-	-	85,833	30,941	4,679,644
Investment income	210,171	-	-	-	8,797	-	-	-	218,968
Penalty and interest on taxes	277,819	-	-	-	-	-	-	-	277,819
Other	52,373	2,740	400,390	1,897,180	-	139,125	309,015	44,914	2,845,737
	<u>4,049,300</u>	<u>8,899,142</u>	<u>3,757,793</u>	<u>12,726,682</u>	<u>208,935</u>	<u>139,125</u>	<u>4,052,996</u>	<u>840,405</u>	<u>34,674,378</u>
<b>Expenses</b>									
Wages and benefits	1,613,781	6,404,772	1,276,502	910,059	109,230	-	1,373,464	220,832	11,908,640
Materials, goods and services	736,738	1,206,923	1,075,267	3,277,905	28,531	121,126	1,805,061	358,562	8,610,113
	<u>2,350,519</u>	<u>7,611,695</u>	<u>2,351,769</u>	<u>4,187,964</u>	<u>137,761</u>	<u>121,126</u>	<u>3,178,525</u>	<u>579,394</u>	<u>20,518,753</u>
Loss on disposal of capital assets	241,584	-	-	-	-	-	-	-	241,584
	<u>2,592,103</u>	<u>7,611,695</u>	<u>2,351,769</u>	<u>4,187,964</u>	<u>137,761</u>	<u>121,126</u>	<u>3,178,525</u>	<u>579,394</u>	<u>20,760,337</u>
<b>Net surplus before Amortization</b>	1,457,197	1,287,447	1,406,024	8,538,718	71,174	17,999	874,471	261,011	13,914,041
Amortization	109,771	395,640	1,095,637	2,713,405	8,784	31,620	414,467	-	4,769,324
<b>Net surplus (deficit)</b>	<u>\$ 1,347,426</u>	<u>\$ 891,807</u>	<u>\$ 310,387</u>	<u>\$ 5,825,313</u>	<u>\$ 62,390</u>	<u>\$ (13,621)</u>	<u>\$ 460,004</u>	<u>\$ 261,011</u>	<u>\$ 9,144,717</u>

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

**December 31, 2017**

**21. Segmented Information (continued)**

<b>For the year ended December 31</b>	<b>General Government</b>	<b>Protection Services</b>	<b>Transportation Services</b>	<b>Environmental Services</b>	<b>Health Services</b>	<b>Social Housing</b>	<b>Recreation and Cultural Services</b>	<b>Planning and Development</b>	<b>2016 Total</b>
<b>Revenue</b>									
Taxation	\$ 3,329,995	\$ 6,715,856	\$ 2,748,979	\$ 433,699	\$ 59,350	\$ -	\$ 1,904,724	\$ 693,361	\$ 15,885,964
User fees and service charges	348,780	314,049	31,407	7,908,211	115,425	-	1,560,716	147,983	10,426,571
Government transfers	386,300	731,739	-	973,816	-	-	20,421	30,366	2,142,642
Investment income	215,421	-	-	-	644	-	-	-	216,065
Penalty and interest on taxes	296,917	-	-	-	-	-	-	-	296,917
Other	77,220	1,500	463,200	329,430	-	135,289	287,814	27,076	1,321,529
	<u>4,654,633</u>	<u>7,763,144</u>	<u>3,243,586</u>	<u>9,645,156</u>	<u>175,419</u>	<u>135,289</u>	<u>3,773,675</u>	<u>898,786</u>	<u>30,289,688</u>
<b>Expenses</b>									
Wages and benefits	1,493,353	6,547,881	1,351,160	891,789	103,210	-	1,243,290	371,547	12,002,230
Materials, goods and services	521,669	1,042,076	1,412,725	3,664,529	28,652	98,553	1,579,538	290,051	8,637,793
	<u>2,015,022</u>	<u>7,589,957</u>	<u>2,763,885</u>	<u>4,556,318</u>	<u>131,862</u>	<u>98,553</u>	<u>2,822,828</u>	<u>661,598</u>	<u>20,640,023</u>
Loss on disposal of capital assets	147,834	-	-	-	-	-	-	-	147,834
	<u>2,162,856</u>	<u>7,589,957</u>	<u>2,763,885</u>	<u>4,556,318</u>	<u>131,862</u>	<u>98,553</u>	<u>2,822,828</u>	<u>661,598</u>	<u>20,787,857</u>
<b>Net surplus before Amortization</b>	<u>2,491,777</u>	<u>173,187</u>	<u>479,701</u>	<u>5,088,838</u>	<u>43,557</u>	<u>36,736</u>	<u>950,847</u>	<u>237,188</u>	<u>9,501,831</u>
Amortization	120,794	387,764	2,483,482	2,050,978	8,240	34,013	1,056,609	-	6,141,880
<b>Net surplus (deficit)</b>	<u>\$ 2,370,983</u>	<u>\$ (214,577)</u>	<u>\$ (2,003,781)</u>	<u>\$ 3,037,860</u>	<u>\$ 35,317</u>	<u>\$ 2,723</u>	<u>\$ (105,762)</u>	<u>\$ 237,188</u>	<u>\$ 3,359,951</u>