

**The Corporation of the Municipality of
Strathroy-Caradoc**
Consolidated Financial Statements
For the year ended December 31, 2019

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The Corporation of the Municipality of Strathroy-Caradoc

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**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
Fred Tranquilli



Director of Finance/Treasurer
Bill Dakin



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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**

Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of Strathroy-Caradoc (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2019, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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, 2019, and the results of operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements - continued

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO Canada LLP

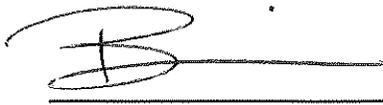
Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
October 5, 2020

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

December 31	2019	2018
Financial assets		
Cash and cash equivalents (Note 1)	\$ 45,221,076	\$ 37,907,697
Taxes receivable	1,672,763	1,888,711
Accounts receivable	6,089,062	5,578,743
Portfolio investments (Note 2)	3,919,720	3,848,198
Long-term receivables	11,000	8,000
	56,913,621	49,231,349
Liabilities		
Accounts payable and accrued liabilities	5,457,537	5,622,592
Deferred revenue (Note 4)	12,709,056	9,985,061
Employee future benefits (Note 9)	2,288,479	2,201,600
Net long-term debt (Note 5)	4,751,650	6,133,563
Landfill closure and post closure costs (Note 6)	26,679	26,679
	25,233,401	23,969,495
Net financial assets	31,680,220	25,261,854
Non-financial assets		
Tangible capital assets (Note 7)	150,599,041	147,505,859
Capital work in progress	3,152,699	3,284,945
Land held for resale	2,774,251	2,836,362
Prepaid expenses	10,125	8,283
	156,536,116	153,635,449
Accumulated surplus (Note 8)	\$ 188,216,336	\$ 178,897,303

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 2019	2019	2018
Revenue			
Taxation	\$16,649,234	\$17,541,913	\$ 17,024,972
User fees and service charges	13,237,667	13,056,602	12,952,481
Government transfers - operating (Note 13)	1,212,967	1,125,563	1,551,309
Investment income	87,632	658,602	323,693
Penalty and interest on taxes	252,500	237,369	272,645
Other	189,919	297,476	239,279
	<u>31,629,919</u>	<u>32,917,525</u>	<u>32,364,379</u>
Expenses			
General government	2,444,994	2,872,597	2,907,347
Protection services	8,694,983	8,826,313	8,568,767
Transportation services	3,188,629	3,694,297	3,875,120
Environmental services	6,674,952	6,741,050	6,906,170
Health services	235,645	219,235	199,412
Social housing	211,846	88,426	88,440
Recreation and cultural services	4,267,758	4,259,700	4,209,261
Planning and development	757,295	613,907	664,758
	<u>26,476,102</u>	<u>27,315,525</u>	<u>27,419,275</u>
Annual surplus before other	<u>5,153,817</u>	<u>5,602,000</u>	<u>4,945,104</u>
Other Revenues (Expenses)			
Government transfers related to capital (Note 13)	1,628,500	2,085,815	2,217,963
User fees, developer and other contributions related to capital	8,320,484	1,687,273	1,921,349
Gain on disposal of capital assets	-	30,824	131,201
Increase in employee future benefits	-	(86,879)	(62,800)
	<u>9,948,984</u>	<u>3,717,033</u>	<u>4,207,713</u>
Annual surplus	<u>15,102,801</u>	<u>9,319,033</u>	<u>9,152,817</u>
Accumulated surplus, beginning of year	<u>178,897,303</u>	<u>178,897,303</u>	<u>169,744,486</u>
Accumulated surplus, end of year	<u>\$194,000,104</u>	<u>\$188,216,336</u>	<u>\$178,897,303</u>

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

For the year ended December 31	Budget 2019	2019	2018
Annual surplus	\$ 15,102,801	\$ 9,319,033	\$ 9,152,817
Acquisition of tangible capital assets	(15,358,262)	(7,977,896)	(3,638,884)
Amortization of tangible capital assets	-	4,822,975	4,686,395
Gain on disposal of tangible capital assets	-	(30,824)	(131,201)
Proceeds from sale of tangible capital assets	-	92,563	224,140
(Increase) decrease in work in progress	-	132,246	(3,143,871)
(Increase) decrease in prepaid expenses	-	(1,842)	190
Decrease in land held for resale	-	62,111	97,888
Net change in net financial assets	(255,461)	6,418,366	7,247,474
Net financial assets, beginning of year	25,261,854	25,261,854	18,014,380
Net financial assets, end of year	\$ 25,006,393	\$ 31,680,220	\$ 25,261,854

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

For the year ended December 31	2019	2018
Operating activities		
Annual surplus	\$ 9,319,033	\$ 9,152,817
Items not involving cash		
Amortization	4,822,975	4,686,395
Gain on disposal of tangible capital assets	(30,824)	(131,201)
Changes in non-cash operating balances		
Taxes receivable	215,948	(160,401)
Accounts receivable	(510,319)	458,135
Land held for resale	62,111	97,888
Long-term receivables	(3,000)	51,037
Prepaid expenses	(1,842)	190
Accounts payable and accrued liabilities	(165,055)	1,148,644
Deferred revenue	2,723,995	21,336
Employee future benefits	86,879	62,800
	<u>16,519,901</u>	<u>15,387,640</u>
Capital activities		
Acquisition of tangible capital assets	(7,977,896)	(3,638,884)
(Increase) decrease in work in progress	132,246	(3,143,871)
Proceeds from sale of tangible capital assets	92,563	224,140
	<u>(7,753,087)</u>	<u>(6,558,615)</u>
Investing activities		
Increase in portfolio investments	<u>(71,522)</u>	<u>(72,529)</u>
Financing activities		
Repayment of long-term debt	<u>(1,381,913)</u>	<u>(1,312,383)</u>
Increase in cash and cash equivalents	7,313,379	7,444,113
Cash and cash equivalents, beginning of year	<u>37,907,697</u>	<u>30,463,584</u>
Cash and cash equivalents, end of year	<u>\$45,221,076</u>	<u>\$ 37,907,697</u>

The Corporation of the Municipality of Strathroy-Caradoc

Summary of Significant Accounting Policies

December 31, 2019

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.

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 2019, the municipality's share of the System was 4.16% (2018 - 4.09%).

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, 2019

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

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, 2019

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.

The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employee groups.

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, 2019

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.

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 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.

The Corporation of the Municipality of Strathroy-Caradoc

Summary of Significant Accounting Policies

December 31, 2019

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, 2019

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, 2019, the Municipality had a balance owing of \$nil (2018 - \$nil).

2. Portfolio Investments

The Municipality's portfolio investments include guaranteed investment certificates and cash with a carrying value and market value of \$3,256,821 (2018 - \$3,385,299) and mutual funds with a carrying value of \$662,899 (2018 - \$462,899) and market value of \$715,893 (2018 - \$449,448). These investments are recorded at amortized cost. Interest rates on the guaranteed investment certificates range from 1.65% to 3.10%. Maturity dates of the guaranteed investment certificates range from April 2020 to November 2024. The income from these investments for the year was \$71,522 (2018 - \$72,530).

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	\$ 7,514,631	\$10,310,544
Share of payments in lieu	2,963	45,563
	<hr/>	<hr/>
Amounts transferred	\$ 7,517,594	\$10,356,107
	<hr/>	<hr/>

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

December 31, 2019

4. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 889,285	\$ 1,313,640	\$ 59,901	\$ (781,465)	\$ 1,481,361
Development charges	8,450,000	2,984,682	265,748	(1,514,049)	10,186,381
Parkland dedication	261,010	55,332	12,081	-	328,423
Other	384,766	395,367	13,842	(81,084)	712,891
	<u>\$ 9,985,061</u>	<u>\$ 4,749,021</u>	<u>\$ 351,572</u>	<u>\$ (2,376,598)</u>	<u>\$ 12,709,056</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.

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 \$297,698 OCIF formula funding, \$120,003 MTO Cycling grant, and a \$88,246 MTO Transportation grant, which will be allocated to revenue as funds are spent on specified purposes (2018 - \$165,874 MTO Cycling grant, \$55,477 OCIF formula funding, and a \$56,106 mainstreet revitalization fund).

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

December 31, 2019

5. Net Long-term Debt

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

	<u>2019</u>	<u>2018</u>
Total long-term liabilities incurred by the Municipality and outstanding at the end of the year amount to:	\$ 4,751,650	\$ 6,133,563

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

	<u>Principal Repayments</u>
2020	\$ 1,004,076
2021	818,477
2022	656,520
2023	667,090
2024	587,455
Thereafter	<u>1,018,032</u>
	<u>\$ 4,751,650</u>

The gross interest paid relating to the Municipality's long-term debt was \$182,178 (2018 - \$208,326). Interest rates on the debt range from 0% to 4.38%. All net long-term debt is payable in Canadian dollars, and matures from October 2020 to December 2026.

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 (2018 - \$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, 2019

7. Tangible Capital Assets

								2019	2018
	Land	Land Improvements	Buildings	Equipment	Fleet	Infrastructure Roads	Infrastructure Environmental	Total	Total
Cost, beginning of year	\$ 5,919,314	\$ 4,126,958	\$ 40,544,304	\$ 10,248,871	\$ 9,611,614	\$ 84,440,055	\$ 107,680,392	\$ 262,571,508	\$ 259,952,764
Additions	222,695	396,516	874,962	1,194,625	431,711	1,919,613	2,830,909	7,871,031	3,654,632
Disposals		-	(2,313)	(94,885)	(190,051)	-	-	(287,249)	(1,014,260)
Lake Huron Area Primary Water Supply System - rate change	1,290	-	38,887	-	30,372	-	82,626	153,175	(21,628)
Cost, end of year	6,143,299	4,523,474	41,455,840	11,348,611	9,883,646	86,359,668	110,593,927	270,308,465	262,571,508
Accumulated amortization, beginning of year	-	1,312,918	13,014,148	4,821,977	4,832,391	61,077,586	30,006,629	115,065,649	111,306,455
Amortization	-	121,686	972,605	572,049	672,540	854,720	1,629,375	4,822,975	4,686,395
Disposals	-	-	(2,313)	(94,885)	(128,312)	-	-	(225,510)	(921,321)
Lake Huron Area Primary Water Supply System - rate change	-	-	11,138	-	13,261	-	21,911	46,310	(5,880)
Accumulated amortization, end of year	-	1,434,604	13,995,578	5,299,141	5,389,880	61,932,306	31,657,915	119,709,424	115,065,649
Net carrying amount, end of year	\$ 6,143,299	\$ 3,088,870	\$ 27,460,262	\$ 6,049,470	\$ 4,493,766	\$ 24,427,362	\$ 78,936,012	\$ 150,599,041	\$ 147,505,859

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

December 31, 2019

7. Tangible Capital Assets (continued)

								2018
	Land	Land Improvements	Buildings	Equipment	Fleet	Infrastructure Roads	Infrastructure Environmental	Total
Cost, beginning 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
Additions	119,200	181,720	890,076	759,142	663,185	870,944	170,365	3,654,632
Disposals	(1,219)	(9,107)	(2,620)	(259,397)	(522,674)	(219,243)	-	(1,014,260)
Lake Huron Area Primary Water Supply System - rate change	(184)	-	(5,508)	-	(4,169)	-	(11,767)	(21,628)
Cost, end of year	5,919,314	4,126,958	40,544,304	10,248,871	9,611,614	84,440,055	107,680,392	262,571,508
Accumulated amortization, beginning of year	-	1,204,778	12,040,667	4,528,030	4,657,469	60,479,918	28,395,593	111,306,455
Amortization	-	114,788	977,474	514,997	648,485	816,911	1,613,740	4,686,395
Disposals	-	(6,648)	(2,620)	(221,050)	(471,760)	(219,243)	-	(921,321)
Lake Huron Area Primary Water Supply System- rate change	-	-	(1,373)	-	(1,803)	-	(2,704)	(5,880)
Accumulated amortization, end of year	-	1,312,918	13,014,148	4,821,977	4,832,391	61,077,586	30,006,629	115,065,649
Net carrying amount, end of year	\$ 5,919,314	\$ 2,814,040	\$ 27,530,156	\$ 5,426,894	\$ 4,779,223	\$ 23,362,469	\$ 77,673,763	\$ 147,505,859

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

December 31, 2019

8. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

	<u>2019</u>	<u>2018</u>
Accumulated surplus from operations	\$ 12,915,881	\$ 11,557,159
Investment in tangible capital assets	150,599,041	147,505,859
Investment in capital work in progress	3,152,699	3,284,945
Reserves		
Future needs reserve	456,562	256,256
Equipment replacement	803,580	478,958
Insurance	20,096	20,096
General government	1,577,507	1,102,558
Information technology	117,957	40,229
Building department	1,117,780	936,132
Protection services	1,421,639	981,572
Street lighting	99,961	116,428
Wastewater system	7,092,172	6,389,470
Waterworks system	12,277,933	10,880,971
Health services	168,958	100,982
Recreational facilities	922,805	1,117,882
Libraries and Museum	65,133	55,383
Planning	135,378	146,097
Economic Development	269,486	217,814
Transportation	(285,482)	608,628
Reserve Funds		
Insurance	270,773	260,812
Wastewater system	39,919	38,450
Asset management	1,240,525	964,891
Waste management	52,932	116,348
Green energy	134,965	60,000
Recreation	22,036	21,225
Modernization	592,908	-
Unfunded Liabilities	(7,066,808)	(8,361,842)
	<u>\$ 188,216,336</u>	<u>\$ 178,897,303</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, 2019

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.

An actuarial valuation for accounting purposes is performed every three years using the projected benefit method prorated on services. The most recent actuarial valuation was performed at December 31, 2018. There is a net unamortized loss to be amortized on a straight-line basis over the expected average remaining service life of the related employee group (17 years for post-retirement and 21 years for post-employment benefits).

	2019	2018
Post-retirement benefits	\$ 2,113,616	\$ 2,047,200
Post-employment benefits	174,863	154,400
Total	\$ 2,288,479	\$ 2,201,600

(a) Post-Retirement Benefits

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

	2019	2018
Accrued benefit liability as at January 1	\$ 2,047,200	\$ 1,975,800
Current service cost	101,016	98,000
Interest cost	69,400	62,400
Estimated benefits paid	(104,000)	(89,000)
Total	\$ 2,113,616	\$ 2,047,200

(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.

	2019	2018
Accrued benefit liability as at January 1	\$ 154,400	\$ 163,000
Interest cost	21,363	4,900
Estimated benefits paid	(900)	(13,500)
Total	\$ 174,863	\$ 154,400

The actuarial estimate of the future liability of post-retirement and post-employment benefits assumes a discount rate of 3.40% (2018 - 3.40%) and inflation rates for benefit premiums of 2.0% (2018 - 2.0%). Dental cost increases are assumed at 4.0% per annum (2018 - 4.0%). In addition, extended healthcare premiums are assumed to increase by 7.5% in 2020, 7.0% in 2021, 6.5% in 2022, 6.0% in 2023, 5.5% in 2024 and 5.5% per annum thereafter.

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2019

10. Contingent Liabilities

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2019 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 500,000 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, 2019. The results of this valuation disclosed total actuarial liabilities of \$107,687 million (2018 - \$99,058 million) in respect of benefits accrued for service with actuarial assets at that date of \$104,290 million (2018 - \$94,869 million) indicating an actuarial deficit of \$3,397 million (2018 - \$4,189 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 2019 was \$894,413 (2018 - \$841,607) for current service. The OMERS Board rate was 9.0% to 15.8% depending on income level (2018 - 9.0% to 15.8% depending on income level).

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

December 31, 2019

13. Government Transfers

	2019	2018
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 237,400	\$ 279,200
Program support	364,184	718,947
Drainage grants	32,175	29,927
Government of Canada		
FCM grant - Asset Management Plan	-	42,940
Other Municipalities		
Program support	491,804	480,295
Total operating	\$ 1,125,563	\$ 1,551,309
Capital		
Province of Ontario		
Lake Huron Area Primary Water Supply System	-	27,598
CWWF grant	-	228,648
OCIF grant	634,807	815,034
Ministry of Transportation Cycling grant	52,205	-
Ministry of Municipal Affairs and Housing Modernization grant	610,207	-
Government of Canada		
Gas tax	781,465	637,793
CWWF grant	-	457,295
Accessibility grant	7,131	7,526
Lake Huron Area Primary Water Supply System	-	44,069
Total capital	\$ 2,085,815	\$ 2,217,963
Total government transfers	\$ 3,211,378	\$ 3,769,272

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

December 31, 2019

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:

	2019	2018
Statement of Financial Position		
Assets	\$ 176,127	\$ 191,047
Liabilities	59,988	74,908
Accumulated surplus	\$ 116,139	\$ 116,139
Statement of Operations		
Revenues	\$ 378,409	\$ 483,672
Expenses	378,409	483,672
Excess of revenue over expenditures	\$ -	\$ -

15. Caradoc Housing Corporation Consolidation

Caradoc Housing Corporation is controlled by the Municipality. The following summarizes the financial position and operations of the Caradoc Housing Corporation which has been consolidated in these financial statements.

	2019	2018
Statement of Financial Position		
Assets	\$ 258,675	\$ 214,328
Liabilities	55,349	57,435
Fund Balance	\$ 203,326	\$ 156,893
Statement of Operations		
Revenues	\$ 129,354	\$ 119,284
Expenses	88,427	88,440
Excess of revenue over expenditures	\$ 40,927	\$ 30,844

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

December 31, 2019

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

The consolidated financial statements include the municipality's 4.16% (2018- 4.09%) proportionate interest of the following:

	2019	2018
Statement of Financial Position		
Financial Assets	\$ 38,305,097	\$ 31,742,010
Liabilities	8,409,759	10,027,502
Net Financial Assets	\$ 29,895,338	\$ 21,714,508
Non Financial Assets		
Tangible Capital Assets	\$ 148,540,345	\$ 153,032,700
Prepaid Expenses	243,388	202,510
Total Non-Financial Assets	\$ 148,783,733	\$ 153,235,210
Accumulated Surplus	\$ 178,679,071	\$ 174,949,718
Statement of Operations		
Revenues	\$ 23,672,787	\$ 24,835,434
Expenses	19,943,434	19,663,539
Net Revenues	\$ 3,729,353	\$ 5,171,895

17. Trust Funds

Trust funds administered by the municipality amounting to \$730,932 (2018- \$711,578) 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, 2019

18. 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	\$ 31,110,184
Adjustments:	
Net contribution from reserve and reserve funds	(72,164)
Change in future tax liability	(65,392)
Internal allocation elimination entries	(1,912,225)
Tri-Township Arena, Caradoc Housing Corporation, and BIA consolidation entries	506,321
LHPWS adjustment	34,695
Taxation revenue for capital projects	<u>2,028,500</u>
Adjusted operating budget revenues per statement of operations	<u>\$ 31,629,919</u>

EXPENSES

Approved operating budget	\$ 31,110,184
Adjustments:	
Net contribution to reserves and reserve funds	(6,383,400)
Debt principal repayments	(1,381,913)
Internal allocation elimination entries	(1,912,225)
Tri-Township Arena, Caradoc Housing Corporation, and BIA consolidation entries	465,392
LHPWS adjustment	(244,911)
Amortization expense	<u>4,822,975</u>
Adjusted operating budget expenses per statement of operations	<u>\$ 26,476,102</u>

NET OPERATING REVENUE \$ 5,153,817

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2019

19. 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, 2019

19. 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	2019 Total
Revenue									
Taxation	\$ 3,022,092	\$ 7,568,912	\$ 4,117,498	\$ 79,134	\$ 120,087	\$ -	\$ 2,068,780	\$ 565,410	\$ 17,541,913
User fees and service charges	395,079	884,733	56,243	9,728,292	92,497	-	1,740,615	159,143	13,056,602
Government transfers	854,738	807,400	-	1,381,827	34,445	-	100,793	32,175	3,211,378
Investment income	644,790	-	-	-	13,812	-	-	-	658,602
Penalty and interest on taxes	237,369	-	-	-	-	-	-	-	237,369
Other	176,591	8,229	708,323	661,369	-	129,355	263,204	37,678	1,984,749
	<u>5,330,659</u>	<u>9,269,274</u>	<u>4,882,064</u>	<u>11,850,622</u>	<u>260,841</u>	<u>129,355</u>	<u>4,173,392</u>	<u>794,406</u>	<u>36,690,613</u>
Expenses									
Wages and benefits	1,980,761	7,127,208	1,478,587	1,390,539	138,849	-	1,579,958	261,400	13,957,302
Materials, goods and services	787,458	1,310,722	1,060,534	3,145,445	64,705	88,426	1,812,330	352,507	8,622,127
	<u>2,768,219</u>	<u>8,437,930</u>	<u>2,539,121</u>	<u>4,535,984</u>	<u>203,554</u>	<u>88,426</u>	<u>3,392,288</u>	<u>613,907</u>	<u>22,579,429</u>
(Gain) loss on disposal of capital assets	(11,885)	(7,437)	18,739	(1,448)	(14,147)	-	(14,646)	-	(30,824)
	<u>2,756,334</u>	<u>8,430,493</u>	<u>2,557,860</u>	<u>4,534,536</u>	<u>189,407</u>	<u>88,426</u>	<u>3,377,642</u>	<u>613,907</u>	<u>22,548,605</u>
Annual surplus before Amortization	2,574,325	838,781	2,324,204	7,316,086	71,434	40,929	795,750	180,499	14,142,008
Amortization	191,257	388,383	1,155,176	2,205,066	15,681	-	867,412	-	4,822,975
Annual surplus (deficit)	<u>\$ 2,383,068</u>	<u>\$ 450,398</u>	<u>\$ 1,169,028</u>	<u>\$ 5,111,020</u>	<u>\$ 55,753</u>	<u>\$ 40,929</u>	<u>\$ (71,662)</u>	<u>\$ 180,499</u>	<u>\$ 9,319,033</u>

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

December 31, 2019

19. 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	2018 Total
Revenue									
Taxation	\$ 3,120,335	\$ 6,983,939	\$ 3,890,028	\$ 83,319	\$ 102,225	\$ -	\$ 2,320,446	\$ 524,680	\$ 17,024,972
User fees and service charges	396,300	1,143,518	20,382	9,370,137	126,520	-	1,739,083	156,541	12,952,481
Government transfers	329,666	1,120,261	-	2,210,436	-	-	78,982	29,927	3,769,272
Investment income	302,174	-	-	-	21,519	-	-	-	323,693
Penalty and interest on taxes	272,645	-	-	-	-	-	-	-	272,645
Other	77,472	70,452	345,896	1,237,678	-	119,284	285,729	24,116	2,160,627
	<u>4,498,592</u>	<u>9,318,170</u>	<u>4,256,306</u>	<u>12,901,570</u>	<u>250,264</u>	<u>119,284</u>	<u>4,424,240</u>	<u>735,264</u>	<u>36,503,690</u>
Expenses									
Wages and benefits	1,873,469	6,990,535	1,485,397	1,408,278	127,024	-	1,446,368	294,502	13,625,573
Materials, goods and services	956,457	1,190,906	1,271,802	3,310,625	62,244	88,440	1,920,570	369,062	9,170,106
	<u>2,829,926</u>	<u>8,181,441</u>	<u>2,757,199</u>	<u>4,718,903</u>	<u>189,268</u>	<u>88,440</u>	<u>3,366,938</u>	<u>663,564</u>	<u>22,795,679</u>
Gain on disposal of capital assets	(5,997)	(15,696)	(84,133)	(6,594)	(6,000)	-	(12,781)	-	(131,201)
	<u>2,823,929</u>	<u>8,165,745</u>	<u>2,673,066</u>	<u>4,712,309</u>	<u>183,268</u>	<u>88,440</u>	<u>3,354,157</u>	<u>663,564</u>	<u>22,664,478</u>
Annual surplus before Amortization	1,674,663	1,152,425	1,583,240	8,189,261	66,996	30,844	1,070,083	71,700	13,839,212
Amortization	140,223	387,326	1,117,920	2,187,267	10,145	-	842,322	1,192	4,686,395
Annual surplus	<u>\$ 1,534,440</u>	<u>\$ 765,099</u>	<u>\$ 465,320</u>	<u>\$ 6,001,994</u>	<u>\$ 56,851</u>	<u>\$ 30,844</u>	<u>\$ 227,761</u>	<u>\$ 70,508</u>	<u>\$ 9,152,817</u>

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2019

20. Subsequent Events

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the Municipality, its funding, revenue streams, and staffing. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, industry, and workforce. As a result, management suspended seasonal hiring and anticipates both reduced revenues and expenses from facility closures around the Municipality. In addition, if the impacts of COVID-19 continue, there could be further impact on the Municipality, its suppliers and other third party business associates that could impact the timing of and amounts realized on the Municipality's financial statements. At this time, the full potential impact of COVID-19 on the Municipality is not known.

**The Corporation of the Municipality of
Strathroy-Caradoc
Trust Funds
Financial Statements
For the year ended December 31, 2019**

The Corporation of the Municipality of
Strathroy-Caradoc
Trust Funds
Financial Statements
For the year ended December 31, 2019

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The Corporation of the Municipality of Strathroy-Caradoc Trust Funds

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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**

Opinion

We have audited the trust fund financial statements of The Corporation of the Municipality of Strathroy-Caradoc (the Municipality), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of The Corporation of the Municipality of Strathroy-Caradoc as at December 31, 2019, and the results of operations and cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist the Municipality to comply with the reporting requirements of the Bereavement Authority of Ontario. As a result, the financial statements may not be suitable for another purpose.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements - continued

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
October 5, 2020

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

December 31	2019	2018
Assets		
Cash	\$ 34,168	\$ 28,421
Portfolio investments (Note 2)	652,212	651,117
Due from The Municipality of Strathroy-Caradoc	44,543	30,790
Due from Tri-Township Arena	-	1,250
	<u>\$ 730,923</u>	<u>\$ 711,578</u>
Accumulated Surplus	\$ 730,923	\$ 711,578

**The Corporation of the Municipality of Strathroy-Caradoc
Trust Funds
Statement of Operations and Accumulated Surplus**

For the year ended December 31	2019	2018
Revenues		
Investment income	\$ 20,932	\$ 22,018
Commissions	1,250	-
Capital receipts	13,751	15,805
	<u>35,933</u>	<u>37,823</u>
Expenditures		
The Municipality of Strathroy-Caradoc Transaction costs	694	676
	<u>15,894</u>	<u>9,327</u>
	<u>16,588</u>	<u>10,003</u>
Annual surplus	19,345	27,820
Accumulated surplus, beginning of year	711,578	683,758
Accumulated surplus, end of year	\$ 730,923	\$ 711,578

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

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating Activities		
Annual surplus	\$ 19,345	\$ 27,820
Increase in due from The Municipality of Strathroy-Caradoc	(13,753)	(15,805)
Decrease in due from Tri-Township Arena	1,250	-
	<u>6,842</u>	<u>12,015</u>
Investing Activities		
Increase in portfolio investments	<u>(1,095)</u>	<u>(14,845)</u>
Net change in cash and cash equivalents	5,747	(2,830)
Cash and cash equivalents, beginning of year	<u>28,421</u>	<u>31,251</u>
Cash and cash equivalents, end of year	\$ 34,168	\$ 28,421

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

December 31, 2019

1. Summary of Significant Accounting Policies

Management Responsibility	The financial statements of The Corporation of the Municipality of Strathroy Caradoc Trust Funds are the representation of management. 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	The financial statements have been prepared in accordance with Canadian public sector accounting standards. 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.
Financial Instruments	The financial instruments of the trust funds consist of cash, investments, due from The Municipality of Strathroy-Caradoc and due from Tri-Township Arena. The carrying values of these financial assets approximate their fair values unless otherwise disclosed. The investments are held by the Public Trustee.
Use of Estimates	The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.
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
Trust Funds
Notes to the Financial Statements**

December 31, 2019

2. Portfolio investments

The trust fund portfolio investments consist of mutual funds and preferred shares with a carrying value of \$652,212 (2018 - \$651,117) and a market value of \$647,736 (2018 - \$626,231). The investments are held by the Public Trustee and Scotia Wealth Management.

3. Accumulated Surplus

The accumulated surplus of the trust funds is comprised of the following:

	<u>2019</u>	<u>2018</u>
Tri-Township Arena Board Trust Fund	\$ 17,290	\$ 15,763
Burwell Cemetery Trust Fund	574	571
Campbell Cemetery Trust Fund	7,355	7,311
Strathroy Cemetery Trust Fund	705,704	687,933
	<u>\$ 730,923</u>	<u>\$ 711,578</u>