

**The Corporation of the Municipality of
Strathroy-Caradoc**
Consolidated Financial Statements
For the year ended December 31, 2020

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Tel: (519)336-9900
Fax: (519)332-4828
www.bdo.ca

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

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, 2020, 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, 2020, 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.



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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.

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
November 18, 2021

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

December 31	2020	2019
Financial assets		
Cash and cash equivalents (Note 1)	\$48,494,076	\$ 45,221,076
Taxes receivable	1,798,747	1,672,763
Accounts receivable	10,313,033	6,089,062
Portfolio investments (Note 2)	3,994,816	3,919,720
Long-term receivables	9,000	11,000
	64,609,672	56,913,621
Liabilities		
Accounts payable and accrued liabilities	6,747,805	5,457,537
Deferred revenue (Note 4)	16,464,801	12,709,056
Employee future benefits (Note 9)	2,372,459	2,288,479
Net long-term debt (Note 5)	4,362,412	4,751,650
Landfill closure and post closure costs (Note 6)	26,679	26,679
	29,974,156	25,233,401
Net financial assets	34,635,516	31,680,220
Non-financial assets		
Tangible capital assets (Note 7)	150,965,814	150,599,041
Capital work in progress	14,406,431	3,152,699
Land held for resale	2,941,242	2,774,251
Prepaid expenses	66,591	10,125
	168,380,078	156,536,116
Accumulated surplus (Note 8)	\$ 203,015,594	\$ 188,216,336

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 2020	2020	2019
Revenue			
Taxation	\$18,355,333	\$18,989,722	\$ 17,541,913
User fees and service charges	14,974,890	13,433,096	13,056,602
Government transfers - operating (Note 13)	1,220,316	1,841,054	1,125,563
Investment income	92,609	535,178	658,602
Penalty and interest on taxes	252,500	119,019	237,369
Other	184,818	278,258	292,724
	<u>35,080,466</u>	<u>35,196,327</u>	<u>32,912,773</u>
Expenses			
General government	5,549,980	3,190,742	2,872,597
Protection services	9,401,632	9,300,862	8,826,313
Transportation services	4,194,943	3,846,608	3,694,297
Environmental services	7,119,469	7,083,073	6,741,050
Health services	265,962	184,022	219,235
Social housing	225,751	102,331	88,426
Recreation and cultural services	4,614,017	3,778,372	4,259,700
Planning and development	945,751	690,151	613,907
	<u>32,317,505</u>	<u>28,176,161</u>	<u>27,315,525</u>
Annual surplus before other	<u>2,762,961</u>	<u>7,020,166</u>	<u>5,597,248</u>
Other Revenues (Expenses)			
Government transfers related to capital (Note 13)	4,398,200	1,715,070	2,085,815
User fees, developer and other contributions related to capital	24,538,262	6,174,060	1,692,025
(Loss) gain on disposal of capital assets	-	(26,058)	30,824
Increase in employee future benefits	-	(83,980)	(86,879)
	<u>28,936,462</u>	<u>7,779,092</u>	<u>3,721,785</u>
Annual surplus	<u>31,699,423</u>	<u>14,799,258</u>	<u>9,319,033</u>
Accumulated surplus, beginning of year	<u>188,216,336</u>	<u>188,216,336</u>	<u>178,897,303</u>
Accumulated surplus, end of year	<u>\$ 219,915,759</u>	<u>\$ 203,015,594</u>	<u>\$ 188,216,336</u>

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

For the year ended December 31	Budget 2020	2020	2019
Annual surplus	\$31,699,423	\$ 14,799,258	\$ 9,319,033
Acquisition of tangible capital assets	(30,823,762)	(5,395,287)	(7,977,896)
Amortization of tangible capital assets	4,971,708	4,971,708	4,822,975
Loss (gain) on disposal of tangible capital assets	-	26,058	(30,824)
Proceeds from sale of tangible capital assets	-	30,748	92,563
(Increase) decrease in work in progress	-	(11,253,732)	132,246
Increase in prepaid expenses	-	(56,466)	(1,842)
(Increase) decrease in land held for resale	-	(166,991)	62,111
Net change in net financial assets	5,847,369	2,955,296	6,418,366
Net financial assets, beginning of year	31,680,220	31,680,220	25,261,854
Net financial assets, end of year	\$ 37,527,589	\$ 34,635,516	\$ 31,680,220

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

For the year ended December 31	2020	2019
Operating activities		
Annual surplus	\$ 14,799,258	\$ 9,319,033
Items not involving cash		
Amortization	4,971,708	4,822,975
Loss (gain) on disposal of tangible capital assets	26,058	(30,824)
Changes in non-cash operating balances		
Taxes receivable	(125,984)	215,948
Accounts receivable	(4,223,971)	(510,319)
Land held for resale	(166,991)	62,111
Long-term receivables	2,000	(3,000)
Prepaid expenses	(56,466)	(1,842)
Accounts payable and accrued liabilities	1,290,268	(165,055)
Deferred revenue	3,755,745	2,723,995
Employee future benefits	83,980	86,879
	<u>20,355,605</u>	<u>16,519,901</u>
Capital activities		
Acquisition of tangible capital assets	(5,395,287)	(7,977,896)
(Increase) decrease in work in progress	(11,253,732)	132,246
Proceeds from sale of tangible capital assets	30,748	92,563
	<u>(16,618,271)</u>	<u>(7,753,087)</u>
Investing activities		
Increase in portfolio investments	<u>(75,096)</u>	<u>(71,522)</u>
Financing activities		
Proceeds from issuance of long-term debt	608,308	-
Repayment of long-term debt	(997,546)	(1,381,913)
	<u>(389,238)</u>	<u>(1,381,913)</u>
Increase in cash and cash equivalents	3,273,000	7,313,379
Cash and cash equivalents, beginning of year	<u>45,221,076</u>	<u>37,907,697</u>
Cash and cash equivalents, end of year	<u>\$48,494,076</u>	<u>\$ 45,221,076</u>

The Corporation of the Municipality of Strathroy-Caradoc

Summary of Significant Accounting Policies

December 31, 2020

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 2020, the municipality's share of the System was 4.27% (2019 - 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, 2020

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, 2020

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, 2020

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. User fees are recorded when the amount is determinable, collectibility is assured, and the services are provided. 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, 2020

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, 2020

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, 2020, the Municipality had a balance owing of \$nil (2019 - \$nil).

2. Portfolio Investments

The Municipality's portfolio investments include guaranteed investment certificates and cash with a carrying value and market value of \$3,241,417 (2019 - \$3,256,821) and mutual funds with a carrying value of \$753,399 (2019 - \$662,899) and market value of \$856,137 (2019 - \$715,893). These investments are recorded at amortized cost. Interest rates on the guaranteed investment certificates range from 1.33% to 3.10%. Maturity dates of the guaranteed investment certificates range from April 2021 to September 2027. The income from these investments for the year was \$75,096 (2019 - \$71,522).

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	\$ 7,555,932	\$10,976,377
Share of payments in lieu	1,169	44,316
	<hr/>	<hr/>
Amounts transferred	\$ 7,557,101	\$11,020,693

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

December 31, 2020

4. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 1,481,361	\$ 633,026	\$ 28,862	\$ (473,388)	\$ 1,669,861
Development charges	10,186,381	5,947,059	155,250	(2,436,641)	13,852,049
Parkland dedication	328,423	11,772	9,319	-	349,514
Other	712,891	402,751	21,502	(543,767)	593,377
	<u>\$ 12,709,056</u>	<u>\$ 6,994,608</u>	<u>\$ 214,933</u>	<u>\$ (3,453,796)</u>	<u>\$ 16,464,801</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 \$76,219 MTO Cycling grant, a \$192,672 MTO Transportation grant and \$133,125 in deferred police CSP grants, which will be allocated to revenue as funds are spent on specified purposes (2019 - \$297,698 OCIF formula funding, \$120,003 MTO Cycling grant, and a \$88,246 MTO Transportation grant).

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

5. Net Long-term Debt

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

	2020	2019
Total long-term liabilities incurred by the Municipality and outstanding at the end of the year amount to:	\$ 4,362,412	\$ 4,751,650

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

	Principal Repayments
2021	\$ 880,693
2022	718,762
2023	729,140
2024	649,332
2025	669,412
Thereafter	715,073
	\$ 4,362,412

The gross interest paid relating to the Municipality's long-term debt was \$164,068 (2019 - \$182,178). Interest rates on the debt range from 1.38% to 4.38%. All net long-term debt is payable in Canadian dollars, and matures from March 2021 to December 2030.

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 (2019 - \$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, 2020

7. Tangible Capital Assets

								2020	2019
	Land	Land Improvements	Buildings	Equipment	Fleet	Infrastructure Roads	Infrastructure Environmental	Total	Total
Cost, beginning 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
Additions	996	132,188	374,766	1,283,943	1,494,080	788,276	1,158,443	5,232,692	7,871,031
Disposals		-	(2,919)	(9,320)	(813,116)	-	-	(825,355)	(287,249)
Lake Huron Area Primary Water Supply System - rate change	2,628	-	61,381	-	48,537	-	130,526	243,072	153,175
Cost, end of year	6,146,923	4,655,662	41,889,068	12,623,234	10,613,147	87,147,944	111,882,896	274,958,874	270,308,465
Accumulated amortization, beginning 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
Amortization	-	123,811	961,297	643,201	716,813	866,030	1,660,556	4,971,708	4,822,975
Disposals	-	-	(2,919)	(9,320)	(756,310)	-	-	(768,549)	(225,510)
Lake Huron Area Primary Water Supply System - rate change	1	-	19,865	-	25,937	-	34,674	80,477	46,310
Accumulated amortization, end of year	1	1,558,415	14,973,821	5,933,022	5,376,320	62,798,336	33,353,145	123,993,060	119,709,424
Net carrying amount, end of year	\$ 6,146,922	\$ 3,097,247	\$ 26,915,247	\$ 6,690,212	\$ 5,236,827	\$ 24,349,608	\$ 78,529,751	\$ 150,965,814	\$ 150,599,041

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

December 31, 2020

7. Tangible Capital Assets (continued)

								2019
	Land	Land Improvements	Buildings	Equipment	Fleet	Infrastructure Roads	Infrastructure Environmental	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
Additions	222,695	396,516	874,962	1,194,625	431,711	1,919,613	2,830,909	7,871,031
Disposals	-	-	(2,313)	(94,885)	(190,051)	-	-	(287,249)
Lake Huron Area Primary Water Supply System - rate change	1,290	-	38,887	-	30,372	-	82,626	153,175
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
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
Amortization	-	121,686	972,605	572,049	672,540	854,720	1,629,375	4,822,975
Disposals	-	-	(2,313)	(94,885)	(128,312)	-	-	(225,510)
Lake Huron Area Primary Water Supply System- rate change	-	-	11,138	-	13,261	-	21,911	46,310
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
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

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

December 31, 2020

8. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

	<u>2020</u>	<u>2019</u>
Accumulated surplus from operations	\$ 10,968,165	\$ 12,915,881
Investment in tangible capital assets	150,965,814	150,599,041
Investment in capital work in progress	14,406,431	3,152,699
Reserves		
Future needs reserve	456,562	456,562
Equipment replacement	840,696	803,580
Insurance	20,096	20,096
General government	1,641,517	1,577,507
Information technology	219,635	117,957
Building department	1,545,309	1,117,780
Protection services	1,114,174	1,421,639
Street lighting	55,801	99,961
Wastewater system	8,272,130	7,092,172
Waterworks system	14,760,400	12,277,933
Health services	157,350	168,958
Recreational facilities	1,172,718	922,805
Libraries and Museum	240,629	65,133
Planning	154,292	135,378
Economic Development	373,909	269,486
Transportation	55,703	(285,482)
Reserve Funds		
Insurance	363,201	270,773
Wastewater system	41,012	39,919
Asset management	1,255,200	1,240,525
Waste management	131,294	52,932
Green energy	138,662	134,965
Recreation	22,640	22,036
Modernization	403,804	592,908
Unfunded Liabilities	(6,761,550)	(7,066,808)
	<u>\$ 203,015,594</u>	<u>\$ 188,216,336</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, 2020

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).

	2020	2019
Post-retirement benefits	\$ 2,175,832	\$ 2,113,616
Post-employment benefits	196,627	174,863
Total	\$ 2,372,459	\$ 2,288,479

(a) Post-Retirement Benefits

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

	2020	2019
Accrued benefit liability as at January 1	\$ 2,113,616	\$ 2,047,200
Current service cost	104,416	101,016
Interest cost	71,600	69,400
Estimated benefits paid	(113,800)	(104,000)
Total	\$ 2,175,832	\$ 2,113,616

(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.

	2020	2019
Accrued benefit liability as at January 1	\$ 174,863	\$ 154,400
Interest cost	21,764	21,363
Estimated benefits paid	-	(900)
Total	\$ 196,627	\$ 174,863

The actuarial estimate of the future liability of post-retirement and post-employment benefits assumes a discount rate of 3.40% (2019 - 3.40%) and inflation rates for benefit premiums of 2.0% (2019 - 2.0%). Dental cost increases are assumed at 4.0% per annum (2019 - 4.0%). In addition, extended healthcare premiums are assumed to increase by 7.0% in 2021, 6.5% in 2022, 6.0% in 2023, 5.5% in 2024 and 5.0% per annum thereafter.

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

10. Contingent Liabilities

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2020 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 525,000 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, 2020. The results of this valuation disclosed total actuarial liabilities of \$113,055 million (2019 - \$107,687 million) in respect of benefits accrued for service with actuarial assets at that date of \$109,844 million (2019 - \$104,290 million) indicating an actuarial deficit of \$3,211 million (2019 - \$3,397 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 2020 was \$970,917 (2019 - \$894,413) for current service. The OMERS Board rate was 9.0% to 15.8% depending on income level (2019 - 9.0% to 15.8% depending on income level).

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

December 31, 2020

13. Government Transfers

	2020	2019
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 201,800	\$ 237,400
Ontario Safe Restart COVID-19 Relief	553,200	-
MTO Transportation Grant	159,977	-
Program support	391,722	364,184
Drainage grants	22,084	32,175
Other Municipalities		
Program support	512,271	491,804
Total operating	\$ 1,841,054	\$ 1,125,563
Capital		
Province of Ontario		
OCIF grant	1,195,866	634,807
Ministry of Transportation Cycling grant	45,816	52,205
Ministry of Municipal Affairs and Housing Modernization grant	-	610,207
Government of Canada		
Gas tax	473,388	781,465
Accessibility grant	-	7,131
Total capital	\$ 1,715,070	\$ 2,085,815
Total government transfers	\$ 3,556,124	\$ 3,211,378

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

December 31, 2020

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:

	2020	2019
Statement of Financial Position		
Assets	\$ 213,169	\$ 176,127
Liabilities	97,030	59,988
Accumulated surplus	\$ 116,139	\$ 116,139
Statement of Operations		
Revenues	\$ 387,732	\$ 378,409
Expenses	387,732	378,409
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.

	2020	2019
Statement of Financial Position		
Assets	\$ 258,032	\$ 258,675
Liabilities	28,034	55,349
Fund Balance	\$ 229,998	\$ 203,326
Statement of Operations		
Revenues	\$ 129,001	\$ 129,354
Expenses	102,331	88,427
Excess of revenue over expenditures	\$ 26,670	\$ 40,927

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

December 31, 2020

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

The consolidated financial statements include the municipality's 4.27% (2019- 4.16%) proportionate interest of the following:

	2020	2019
Statement of Financial Position		
Financial Assets	\$ 45,334,172	\$ 38,305,097
Liabilities	6,638,258	8,409,759
Net Financial Assets	\$ 38,695,914	\$ 29,895,338
Non Financial Assets		
Tangible Capital Assets	\$ 144,293,049	\$ 148,540,345
Prepaid Expenses	283,448	243,388
Total Non-Financial Assets	\$ 144,576,497	\$ 148,783,733
Accumulated Surplus	\$ 183,272,411	\$ 178,679,071
Statement of Operations		
Revenues	\$ 24,633,949	\$ 23,672,787
Expenses	20,040,609	19,943,434
Net Revenues	\$ 4,593,340	\$ 3,729,353

17. Trust Funds

Trust funds administered by the municipality amounting to \$716,620 (2019- \$730,923) 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, 2020

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	\$ 34,050,845
Adjustments:	
Change in future tax liability	103,680
Internal allocation elimination entries	(1,561,155)
Tri-Township Arena, Caradoc Housing Corporation, and BIA consolidation entries	559,870
LHPWS adjustment	39,926
Taxation revenue for capital projects	<u>1,887,300</u>
Adjusted operating budget revenues per statement of operations	<u>\$ 35,080,466</u>

EXPENSES

Approved operating budget	\$ 34,050,845
Adjustments:	
Net contribution to reserves and reserve funds	(4,305,456)
Debt principal repayments	(997,546)
Internal allocation elimination entries	(1,561,155)
Tri-Township Arena, Caradoc Housing Corporation, and BIA consolidation entries	511,865
LHPWS adjustment	(352,756)
Amortization expense	<u>4,971,708</u>
Adjusted operating budget expenses per statement of operations	<u>\$ 32,317,505</u>

NET OPERATING REVENUE \$ 2,762,961

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

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, 2020

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	2020 Total
Revenue									
Taxation	\$ 3,568,363	\$ 8,105,666	\$ 4,448,963	\$ 63,264	\$ 128,895	\$ -	\$ 2,382,522	\$ 292,049	\$ 18,989,722
User fees and service charges	408,028	840,036	47,838	10,630,838	84,399	-	1,188,858	233,099	13,433,096
Government transfers	755,000	835,678	159,977	1,669,255	-	-	114,130	22,084	3,556,124
Investment income (loss)	537,405	-	-	-	(2,227)	-	-	-	535,178
Penalty and interest on taxes	119,019	-	-	-	-	-	-	-	119,019
Other	126,305	4,050	4,651,540	1,278,882	-	129,001	247,540	15,000	6,452,318
	<u>5,514,120</u>	<u>9,785,430</u>	<u>9,308,318</u>	<u>13,642,239</u>	<u>211,067</u>	<u>129,001</u>	<u>3,933,050</u>	<u>562,232</u>	<u>43,085,457</u>
Expenses									
Wages and benefits	2,059,544	7,463,392	1,398,070	1,450,242	131,915	-	1,427,767	273,502	14,204,432
Materials, goods and services	1,001,750	1,402,095	1,254,395	3,403,886	31,670	102,331	1,471,225	416,649	9,084,001
	<u>3,061,294</u>	<u>8,865,487</u>	<u>2,652,465</u>	<u>4,854,128</u>	<u>163,585</u>	<u>102,331</u>	<u>2,898,992</u>	<u>690,151</u>	<u>23,288,433</u>
(Gain) loss on disposal of capital assets	-	38,457	(9,822)	(2,577)	-	-	-	-	26,058
	<u>3,061,294</u>	<u>8,903,944</u>	<u>2,642,643</u>	<u>4,851,551</u>	<u>163,585</u>	<u>102,331</u>	<u>2,898,992</u>	<u>690,151</u>	<u>23,314,491</u>
Annual surplus (deficit) before Amortization	2,452,826	881,486	6,665,675	8,790,688	47,482	26,670	1,034,058	(127,919)	19,770,966
Amortization	213,428	435,375	1,194,143	2,228,945	20,437	-	879,380	-	4,971,708
Annual surplus (deficit)	<u>\$ 2,239,398</u>	<u>\$ 446,111</u>	<u>\$ 5,471,532</u>	<u>\$ 6,561,743</u>	<u>\$ 27,045</u>	<u>\$ 26,670</u>	<u>\$ 154,678</u>	<u>\$ (127,919)</u>	<u>\$ 14,799,258</u>

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

December 31, 2020

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
	5,330,659	9,269,274	4,882,064	11,850,622	260,841	129,355	4,173,392	794,406	36,690,613
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
	2,768,219	8,437,930	2,539,121	4,535,984	203,554	88,426	3,392,288	613,907	22,579,429
(Gain) loss on disposal of capital assets	(11,885)	(7,437)	18,739	(1,448)	(14,147)	-	(14,646)	-	(30,824)
	2,756,334	8,430,493	2,557,860	4,534,536	189,407	88,426	3,377,642	613,907	22,548,605
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)	\$ 2,383,068	\$ 450,398	\$ 1,169,028	\$ 5,111,020	\$ 55,753	\$ 40,929	\$ (71,662)	\$ 180,499	\$ 9,319,033

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

20. Comparative Figures

Certain comparative figures in these consolidated financial statements have been reclassified to conform to the presentation adopted for the current year.

21. Contractual Obligations

At its July 5, 2021 meeting, Council accepted the tender submitted by GW-EX Inc. in the amount of \$2,371,318 for Phase 2 of the McEvoy Road reconstruction project. This Phase 2 work is expected to be completed by the end of 2021.

At its August 16, 2021 meeting, Council accepted the tender submitted by Stone Town Construction in the amount of \$2,068,856 to replace the water treatment filter at the Strathroy WWTF.

22. COVID-19 Impacts

The COVID-19 outbreak was declared a pandemic by the World Health Organization in early 2020. This has resulted in governments around the world, including the Canadian, Ontario and local governments enacting emergency measures and taking various initiatives to manage the response to the pandemic and combat the spread of the virus. On March 17, 2020, the Municipality of Strathroy-Caradoc declared an emergency in accordance with the Emergency Management and Civil Protection Act, 1990 to assist the Municipality in managing its response to the pandemic.

The Municipality also closed municipal buildings, parks and facilities to the public and cancelled all public programming and activities for various periods of time during 2020. Council continues to undertake its responsibilities through remote meeting technology.

The Municipality received \$553,200 in 2020 in combined Federal and Provincial funding under the Safe Restart Program to address COVID-19 related pressures and expenses. The Municipality utilized \$553,200 of Safe Restart funding in 2020, which has been included in revenue.

The Municipality continues to undertake measures to mitigate the financial impacts of the closure of revenue-generating facilities and the cancellation of programming, however the full extent of the financial impact of these closures and other COVID-19 related expenses of the Municipality's ongoing operations, including property taxes, is not known and cannot be quantified at this time.