

**The Corporation of the Municipality of  
Strathroy-Caradoc  
Consolidated Financial Statements  
For the year ended December 31, 2012**

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For the year ended December 31, 2012

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Strathroy-Caradoc, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of operations, consolidated statement of change in net financial debt and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

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

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Strathroy-Caradoc as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



#### Comparative Information

The consolidated financial statements of The Corporation of the Municipality of Strathroy-Caradoc for the year ended December 31, 2011, were audited by another auditor who expressed an unqualified opinion on those financial statements on September 17, 2012.

*BDO Canada LLP*

Chartered Accountants, Licenced Public Accountants

Sarnia, Ontario  
May 14, 2014

# The Corporation of the Municipality of Strathroy-Caradoc

## Consolidated Statement of Financial Position

December 31	2012	2011
		(Restated)
<b>Financial assets</b>		
Cash and cash equivalents (Note 2)	\$ 10,585,140	\$ 4,387,359
Taxes receivable	1,957,587	1,734,938
Accounts receivable	2,465,968	3,828,243
Land held for resale	3,057,250	3,057,250
Long-term receivables	77,718	38,772
	<u>18,143,663</u>	<u>13,046,562</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,338,358	4,958,014
Deferred revenue (Note 4)	7,620,310	3,008,608
Employee future benefits (Note 9)	1,547,400	1,584,000
Net long-term debt (Note 5)	10,154,579	9,251,514
Landfill closure and post closure costs (Note 6)	32,329	32,542
	<u>22,692,976</u>	<u>18,834,678</u>
<b>Net debt</b>	<u>(4,549,313)</u>	<u>(5,788,116)</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 7)	138,083,227	140,142,827
Capital work in progress	7,500,680	5,292,105
Prepaid expenses	-	29,677
	<u>145,583,907</u>	<u>145,464,609</u>
<b>Accumulated surplus (Note 8)</b>	<u>\$ 141,034,594</u>	<u>\$ 139,676,493</u>

Contingent liabilities (Note 10)

\_\_\_\_\_ Treasurer \_\_\_\_\_ Mayor

# The Corporation of the Municipality of Strathroy-Caradoc

## Consolidated Statement of Operations

For the year ended December 31	Budget 2012	2012	2011
	(Note 17)		(Restated)
<b>Revenue</b>			
Taxation	\$ 13,604,273	\$ 13,290,040	\$ 12,211,974
User fees and service charges	8,194,229	8,490,133	8,258,584
Government transfers - operating (Note 12)	1,303,467	1,332,484	1,235,322
Investment income	66,000	65,010	59,243
Penalty and interest on taxes	245,000	274,197	256,420
Other	19,000	237,000	168,539
	<u>23,431,969</u>	<u>23,688,864</u>	<u>22,190,082</u>
<b>Expenses</b>			
General government	1,968,714	1,935,591	2,003,134
Protection services	7,020,612	6,968,981	7,124,029
Transportation services	2,704,000	4,653,521	4,996,893
Environmental services	4,251,046	5,844,368	4,853,850
Health services	202,231	210,801	213,340
Social housing	-	149,347	132,939
Recreation and cultural services	2,470,808	3,125,950	3,184,997
Planning and development	527,447	507,246	886,363
	<u>19,144,858</u>	<u>23,395,805</u>	<u>23,395,545</u>
<b>Annual surplus (deficit) before other</b>	<u>4,287,111</u>	<u>293,059</u>	<u>(1,205,463)</u>
<b>Other Revenues (Expenses)</b>			
Government transfers related to capital (Note 12)	-	476,664	4,907,182
Developer and other contributions related to capital	-	571,835	2,988,784
Loss on disposal of capital assets	-	(20,057)	(198,590)
(Increase) decrease in employee future benefits	-	36,600	(163,500)
	<u>-</u>	<u>1,065,042</u>	<u>7,533,876</u>
<b>Annual surplus</b>	<u>-</u>	<u>1,358,101</u>	<u>6,328,413</u>
<b>Accumulated surplus, beginning of year</b>	<u>139,676,493</u>	<u>139,676,493</u>	<u>133,348,080</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 143,963,604</u>	<u>\$ 141,034,594</u>	<u>\$ 139,676,493</u>

# The Corporation of the Municipality of Strathroy-Caradoc

## Consolidated Statement of Change in Net Financial Debt

For the year ended December 31	2012	2011
		(Restated)
<b>Annual surplus</b>	<b>\$ 1,358,101</b>	<b>\$ 6,328,413</b>
Acquisition of tangible capital assets	(3,175,296)	(23,704,586)
Amortization of tangible capital assets	5,214,839	4,652,180
Loss on disposal of tangible capital assets	20,057	198,590
Decrease (increase) in work in progress	(2,208,575)	8,410,460
Decrease in prepaid expenses	29,677	137,458
<b>Net change in net financial debt</b>	<b>1,238,803</b>	<b>(3,977,485)</b>
<b>Net financial debt, beginning of year</b>	<b>(5,788,116)</b>	<b>(1,810,631)</b>
<b>Net financial debt, end of year</b>	<b>\$ (4,549,313)</b>	<b>\$ (5,788,116)</b>

# The Corporation of the Municipality of Strathroy-Caradoc

## Consolidated Statement of Cash Flows

For the year ended December 31	2012	2011
		(Restated)
<b>Operating activities</b>		
Annual surplus	\$ 1,358,101	\$ 6,328,413
Items not involving cash		
Amortization	5,214,839	4,652,180
Loss on disposal of tangible capital assets	20,057	198,590
Changes in non-cash operating balances		
Taxes receivable	(222,649)	(191,379)
Accounts receivable	1,362,275	3,923,667
Land held for resale	-	(13,840)
Long-term receivables	(38,946)	(38,772)
Prepaid expenses	29,677	137,368
Accounts payable and accrued liabilities	(1,619,656)	(2,675,602)
Deferred revenue	4,611,702	(2,753,414)
Employee future benefits	(36,600)	163,500
Landfill closure and post closure costs	(213)	32,542
	<u>10,678,587</u>	<u>9,763,253</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(3,175,296)	(23,704,586)
Decrease (increase) in work in progress	(2,208,575)	8,410,460
	<u>(5,383,871)</u>	<u>(15,294,126)</u>
<b>Financing activities</b>		
Proceeds from issuance of long-term debt	2,560,500	6,600,000
Repayment of long-term debt	(1,657,435)	(743,736)
	<u>903,065</u>	<u>5,856,264</u>
<b>Increase in cash and cash equivalents</b>	<b>6,197,781</b>	<b>325,391</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>4,387,359</b></u>	<u><b>4,061,968</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 10,585,140</b></u>	<u><b>\$ 4,387,359</b></u>



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

## **Summary of Significant Accounting Policies**

**December 31, 2012**

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

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

**Basis of Consolidation**

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

These financial statements do not include the following entities:

Strathroy Middlesex Museum Foundation  
Strathroy and Area Seniors' Centre

**Basis of Accounting**

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

**Contribution of Tangible  
Capital Assets**

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

**Leases**

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

**Non-Financial Assets**

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

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

## **Summary of Significant Accounting Policies**

**December 31, 2012**

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### **Tangible Capital Assets**

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

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

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

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

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

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

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

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

### **Trust Funds**

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

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## The Corporation of the Municipality of Strathroy-Caradoc

### Summary of Significant Accounting Policies

**December 31, 2012**

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**Retirement Benefits and  
Other Employee  
Benefit Plans**

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

**Deferred Revenue**

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

**Budget Figures**

Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2012 is reflected on the Consolidated Statement of Operations.

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

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

**Government Transfers**

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

**Revenue Recognition**

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

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## The Corporation of the Municipality of Strathroy-Caradoc

### Summary of Significant Accounting Policies

**December 31, 2012**

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**Revenue Recognition**

(continued)

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

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

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

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

**Use of Estimates**

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

**Land Held for Resale**

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

# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2012**

### 1. Accounting Changes - Prior Period Adjustment

The Municipality has decided to adjust various items related to the 2011 comparative figures as follows:

	2011 As Reported	Change	2011 Restated
<b>Consolidated Statement of Financial Position</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	\$ 5,554,786	\$ (1,167,427)	\$ 4,387,359
Accounts receivable	4,256,626	(428,383)	3,828,243
Land held for resale	3,167,755	(110,505)	3,057,250
Long term receivables	-	38,772	38,772
<b>Liabilities</b>			
Accounts payable and accrued liabilities	4,672,315	285,699	4,958,014
Deferred revenue	3,348,850	(340,242)	3,008,608
Employee future benefits	1,516,800	67,200	1,584,000
Net long-term liabilities	10,456,849	(1,205,335)	9,251,514
Landfill liability	-	32,542	32,542
<b>Net Financial Assets</b>			
Tangible capital assets	139,949,721	193,106	140,142,827
Capital work in progress	5,047,069	245,036	5,292,105
Prepaid expenses	29,587	90	29,677
<b>Consolidated Statement of Operations</b>			
<b>Revenue</b>			
User charges	8,017,275	241,309	8,258,584
Other	40,774	127,765	168,539
<b>Expenses</b>			
General government	1,892,630	110,504	2,003,134
Environmental services	4,754,257	99,593	4,853,850
Social housing	-	132,939	132,939
Recreation and cultural development	2,942,259	242,738	3,184,997
<b>Other Revenues (Expenses)</b>			
Government transfers related to capital	3,743,684	1,163,498	4,907,182
Developer and other contributions related to capital	4,173,196	(1,184,412)	2,988,784
Increase in post retirement benefits	(96,300)	(67,200)	(163,500)
<b>Annual surplus</b>	<b>6,633,227</b>	<b>(304,814)</b>	<b>6,328,413</b>
<b>Accumulated surplus</b>			
Accumulated surplus, beginning of year	133,112,441	235,639	133,348,080
Accumulated surplus, end of year	139,745,668	(69,175)	139,676,493

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# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2012**

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### 2. 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, 2012, the Municipality had a balance owing of \$nil (2011 - \$nil).

Included in cash and cash equivalents are investments in guaranteed investment certificates, a bond and mutual funds of \$2,888,904 (2011 - \$3,457,009). These investments are recorded at amortized cost. Interest rates on the guaranteed investment certificates range from 2.1% to 3.2%. Interest rate on the bond is 4.15%. The income from these investments for the year was \$94,358 (2011 - \$104,732).

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### 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	\$ <u>7,217,938</u>	\$ <u>7,169,135</u>
Requisitions	\$ <u>7,217,938</u>	\$ <u>7,169,135</u>

# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2012**

### 4. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 289,596	\$ 611,782	\$ 18,732	\$ (388,467)	\$ 531,643
Development charges	2,453,458	606,764	14,442	(220,391)	2,854,273
Recreation	-	4,000,000	18,392	(59,883)	3,958,509
Parkland dedication	189,030	5,250	931	-	195,211
Other	76,524	3,781	369	-	80,674
	<u>\$ 3,008,608</u>	<u>\$ 5,227,577</u>	<u>\$ 52,866</u>	<u>\$ (668,741)</u>	<u>\$ 7,620,310</u>

#### Federal gas tax

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

#### Development charges

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

#### Recreation

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

#### Parkland dedication

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

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## The Corporation of the Municipality of Strathroy-Caradoc

### Notes to Consolidated Financial Statements

**December 31, 2012**

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#### 5. Net Long-term Debt

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

	<u>2012</u>	<u>2011</u>
Total long-term liabilities incurred by the Municipality and outstanding at the end of the year amount to:	<b>\$ 10,160,926</b>	\$ 9,257,502
Less: tile drain loans	<u>(6,347)</u>	<u>(5,988)</u>
	<b><u>\$ 10,154,579</u></b>	<b><u>\$ 9,251,514</u></b>

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

	<u>Principal Repayments</u>
2013	\$ 942,861
2014	958,552
2015	974,869
2016	991,838
2017	1,006,614
Thereafter	<u>5,279,845</u>
	<b><u>\$ 10,154,579</u></b>

The gross interest paid relating to the Municipality's long-term debt was \$267,350 (2011 - \$74,348). Interest rates on the debt range from 3.54% to 4.38%. All net long-term debt is payable in Canadian dollars.

The responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. At the end of the year, the outstanding principal amount of the liability is \$6,347 (2011 - \$5,988). The amount is not recorded in the Consolidated Statement of Financial Position.

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

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#### 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 \$32,329 (2011 - \$32,542) 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, 2012**

### 8. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

	<u>2012</u>	<u>2011</u>
Accumulated deficit from operations	\$ (5,304,074)	\$ (7,237,573)
Investment in tangible capital assets	138,083,227	140,142,827
Investment in capital work in progress	7,500,680	5,292,105
Reserves		
Equipment replacement	137,160	38,607
Insurance	20,096	20,000
General government	30,426	57,768
Protection services	32,583	37,677
Street lighting	14,288	14,220
Wastewater system	3,139,047	3,121,326
Waterworks system	7,689,967	7,663,361
Health services	10,619	10,493
Recreational facilities	59,021	65,683
Libraries	20,952	20,852
Museums	34,152	2,643
Reserve Funds		
Insurance	24,034	23,920
Roadways	78,843	78,467
Street lighting	22,145	22,040
Wastewater system	1,170,471	1,164,893
Stormwater system	5,265	5,240
Unfunded Liabilities	<u>(11,734,308)</u>	<u>(10,868,056)</u>
	<b><u>\$ 141,034,594</u></b>	<b><u>\$ 139,676,493</u></b>

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, 2012**

### 9. Employee Future Benefits

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

	2012	2011
Post-retirement benefits	\$ 1,547,400	\$ 1,516,800
Post-employment benefits	-	67,200
Total	\$ 1,547,400	\$ 1,584,000

#### (a) Post-Retirement Benefits

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

	2012	2011
Accrued benefit liability as at January 1	\$ 1,516,800	\$ 1,420,500
Current service cost	89,200	85,600
Interest cost	64,800	61,100
Actuarial gain	(52,100)	-
Estimated benefits paid	(71,300)	(50,400)
Total	\$ 1,547,400	\$ 1,516,800

#### (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.

	2012	2011
Accrued benefit liability as at January 1	\$ 67,200	\$ 78,400
Interest cost	2,800	3,000
Actuarial gain	(66,100)	-
Estimated benefits paid	(3,900)	(14,200)
Total	\$ -	\$ 67,200

The actuarial estimate of the future liability of post-retirement and post-employment benefits assumes a discount rate of 3.45% (2011 - 4.25%) and inflation rates for benefit premiums of 2.0% (2011 - 2.0%). Dental cost increases are assumed at 4.0% per annum (2011 - 5.0%). In addition, extended healthcare premiums are assumed to increase by 8.0% in 2013, 7.5% in 2014, 7.0% in 2015, 6.5% in 2016, 6.0% in 2017, 5.5% in 2018 and 5.0% per annum thereafter.

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## The Corporation of the Municipality of Strathroy-Caradoc

### Notes to Consolidated Financial Statements

**December 31, 2012**

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#### **10. Contingent Liabilities**

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2012 as litigation is still in progress. The Municipality's management is of the opinion that the Municipality has adequate insurance coverage to offset the amount of any claims and related costs, if any. Consequently, no provision for potential loss, if any, is reflected in these financial statements.

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#### **11. 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 429,000 active and retired members and approximately 968 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, 2012. The results of this valuation disclosed total actuarial liabilities of \$69,292 million (2011 - \$64,500 million) in respect of benefits accrued for service with actuarial assets at that date of \$59,368 million (2011 - \$54,700) million indicating an actuarial deficit of \$9,924 million (2011 - \$7,100 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 2012 was \$672,841 (2011 - \$628,802) for current service. The OMERS Board rate was 8.3% to 12.8% depending on income level (2011 - 7.4% to 10.7% depending on income level).

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

**December 31, 2012**

**12. Government Transfers**

	<u>2012</u>	<u>2011</u>
Operating		
Province of Ontario		
OMPF	\$ 719,900	\$ 552,700
Program support	104,220	321,824
Drainage grants	24,070	72,863
Other Municipalities		
Program support	484,294	287,935
Total operating	<u>1,332,484</u>	<u>1,235,322</u>
Capital		
Province of Ontario		
Water and sewer grants	-	1,602,498
Community emergency grants	-	207,620
Recreation grant	59,883	-
Government of Canada		
Gas tax	388,467	1,184,412
Sewer grants	-	1,512,652
Other Municipalities		
Library	28,314	400,000
Total capital	<u>476,664</u>	<u>4,907,182</u>
Total government transfers	<u>\$ 1,809,148</u>	<u>\$ 6,142,504</u>

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## The Corporation of the Municipality of Strathroy-Caradoc

### Notes to Consolidated Financial Statements

**December 31, 2012**

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#### 13. 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:

	<u>2012</u>	<u>2011</u>
<b>Statement of Financial Position</b>		
Assets	\$ 131,053	\$ 140,268
Liabilities	<u>38,406</u>	<u>47,138</u>
Accumulated surplus	<u>\$ 92,647</u>	<u>\$ 93,130</u>
<b>Statement of Operations</b>		
Revenues	\$ 248,265	\$ 241,311
Expenses	<u>248,747</u>	<u>242,738</u>
Net loss	<u>\$ (482)</u>	<u>\$ (1,427)</u>

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#### 14. Caradoc Housing Corporation Consolidation

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

	<u>2012</u>	<u>2011</u>
<b>Statement of Financial Position</b>		
Assets	\$ 311,698	\$ 350,586
Liabilities	<u>189,422</u>	<u>214,678</u>
Fund balance	<u>\$ 122,276</u>	<u>\$ 135,908</u>
<b>Statement of Operations</b>		
Revenues	\$ 135,715	\$ 127,765
Expenses	<u>149,347</u>	<u>132,939</u>
Net loss	<u>\$ (13,632)</u>	<u>\$ (5,174)</u>

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

## **Notes to Consolidated Financial Statements**

**December 31, 2012**

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### **15. Commitments**

The municipality has committed to the installation of a PV solar panel system. The estimated cost of the project is \$225,000 and is expected to be finalized in 2013. As of December 31, 2012, \$66,145 has been spent and is included in work in progress.

The Municipality is a member of the Lake Huron Primary Water System which is owned by the Corporation of the City of London. The Municipality represents approximately 4.3% (2011 - 4.1%) of the total System. This percentage is based on the annual flows for 2012. The Municipality's share of the System's reserve fund is \$532,338 (2011 - \$519,854) and is not reflected in these financial statements. The Municipality's share of the tangible capital assets of the System that the Municipality financed has been reflected in these financial statements. This information was provided to the Municipality by the City of London.

The Municipality signed a three year contract with a third party to perform billing and collection services relating to its water and sewer operations. The contract expires in 2013 and approximates \$250,000 per year.

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### **16. Trust Funds**

Trust funds administered by the municipality amounting to \$590,256 (2011 - \$560,060) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

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### **17. Budget**

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

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### **18. Comparative Amounts**

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

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# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

December 31, 2012

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### 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, Information Technology and Economic Development departments. These departments support and provide a variety of services to other departments within the municipality and the public.

#### **Protection Services**

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

#### **Transportation**

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**

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**

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

#### **Social Housing**

Social Housing consists of the Caradoc Housing Corporation which is a 16 unit senior citizen housing project in Mt. Brydges, Ontario.

#### **Recreation and Culture**

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

#### **Planning and Development**

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

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

**December 31, 2012**

**18. Segmented Information (continued)**

<b>For the year ended December 31</b>	<b>General Government</b>	<b>Protection Services</b>	<b>Transportation</b>	<b>Environmental</b>	<b>Health</b>	<b>Social Housing</b>	<b>Recreation and Culture</b>	<b>Planning and Development</b>	<b>2012 Total</b>
<b>Revenue</b>									
Taxation	\$13,290,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,290,040
User fees and service charges	125,546	355,754	13,388	6,606,932	15,008	-	1,267,523	105,982	8,490,133
Government transfers	719,900	226,685	388,467	220,932	-	-	229,094	24,070	1,809,148
Investment income	61,788	-	-	-	2,330	-	-	892	65,010
Penalty on interest and taxes	274,197	-	-	-	-	-	-	-	274,197
Other	116,217	5,000	154,908	166,047	-	135,715	247,491	-	825,378
	<u>14,587,688</u>	<u>587,439</u>	<u>556,763</u>	<u>6,993,911</u>	<u>17,338</u>	<u>135,715</u>	<u>1,744,108</u>	<u>130,944</u>	<u>24,753,906</u>
<b>Expenses</b>									
Wages and benefits	1,305,000	5,751,737	1,137,293	753,677	158,081	-	1,181,105	299,418	10,586,311
Materials, goods and services	530,426	902,478	1,013,211	3,463,299	41,989	120,787	1,315,720	206,745	7,594,655
Amortization	100,165	314,766	2,503,017	1,627,392	10,731	28,560	629,125	1,083	5,214,839
	<u>1,935,591</u>	<u>6,968,981</u>	<u>4,653,521</u>	<u>5,844,368</u>	<u>210,801</u>	<u>149,347</u>	<u>3,125,950</u>	<u>507,246</u>	<u>23,395,805</u>
<b>Net surplus (deficit)</b>	<u>\$12,652,097</u>	<u>\$(6,381,542)</u>	<u>\$ (4,096,758)</u>	<u>\$ 1,149,543</u>	<u>\$(193,463)</u>	<u>\$ (13,632)</u>	<u>\$(1,381,842)</u>	<u>\$(376,302)</u>	<u>\$ 1,358,101</u>



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

**December 31, 2012**

**18. Segmented Information (continued)**

<b>For the year ended December 31</b>	<b>General Government</b>	<b>Protective Services</b>	<b>Transportation</b>	<b>Environmental</b>	<b>Health</b>	<b>Social Housing</b>	<b>Recreation and Culture</b>	<b>Planning and Development</b>	<b>2011 Total</b>
<b>Revenue</b>									
Taxation	\$ 12,211,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,211,974
User fees and service charges	152,669	306,357	120,302	6,229,530	15,300	-	1,263,558	170,868	8,258,584
Government transfers	556,723	601,634	1,184,412	3,211,111	-	-	515,762	72,862	6,142,504
Investment income	41,778	-	-	-	14,311	-	-	3,154	59,243
Penalty and interest on taxes	256,420	-	-	-	-	-	-	-	256,420
Other	(14,299)	(43,834)	229,189	1,285,657	2,700	127,765	1,025,005	183,050	2,795,233
	<u>13,205,265</u>	<u>864,157</u>	<u>1,533,903</u>	<u>10,726,298</u>	<u>32,311</u>	<u>127,765</u>	<u>2,804,325</u>	<u>429,934</u>	<u>29,723,958</u>
<b>Expenses</b>									
Wages and benefits	1,275,461	5,784,960	1,277,765	750,246	159,721	-	1,250,158	271,706	10,770,017
Materials, goods and services	638,919	990,611	1,336,709	2,754,175	43,100	105,843	1,491,501	612,490	7,973,348
Amortization	88,754	348,458	2,382,419	1,349,429	10,519	27,096	443,338	2,167	4,652,180
	<u>2,003,134</u>	<u>7,124,029</u>	<u>4,996,893</u>	<u>4,853,850</u>	<u>213,340</u>	<u>132,939</u>	<u>3,184,997</u>	<u>886,363</u>	<u>23,395,545</u>
<b>Net surplus (deficit)</b>	<b>\$ 11,202,131</b>	<b>\$ (6,259,872)</b>	<b>\$ (3,462,990)</b>	<b>\$ 5,872,448</b>	<b>\$ (181,029)</b>	<b>\$ (5,174)</b>	<b>\$ (380,672)</b>	<b>\$ (456,429)</b>	<b>\$ 6,328,413</b>