

**The Corporation of the Municipality of  
Strathroy-Caradoc**  
Consolidated Financial Statements  
For the year ended December 31, 2016

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For the year ended December 31, 2016

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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, 2016, and the consolidated statement of operations, consolidated statement of change in net financial assets (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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*BDO Canada LLP*

Chartered Professional Accountants, Licenced Public Accountants

Sarnia, Ontario

June 5, 2017  
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# The Corporation of the Municipality of Strathroy-Caradoc

## Consolidated Statement of Financial Position

December 31	2016	2015
<b>Financial assets</b>		
Cash and cash equivalents (Note 1)	\$ 27,664,618	\$ 17,577,235
Taxes receivable	1,882,196	1,741,014
Accounts receivable	3,888,260	3,667,487
Land held for resale	2,934,250	2,934,250
Long-term receivables	81,037	109,041
	<u>36,450,361</u>	<u>26,029,027</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,742,174	4,845,596
Deferred revenue (Note 3)	8,527,139	5,150,915
Employee future benefits (Note 8)	2,031,800	1,932,600
Net long-term debt (Note 4)	8,814,236	8,533,248
Landfill closure and post closure costs (Note 5)	26,679	26,679
	<u>23,142,028</u>	<u>20,489,038</u>
<b>Net financial assets</b>	<u>13,308,333</u>	<u>5,539,989</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 6)	146,682,053	151,016,628
Capital work in progress	601,851	675,421
Prepaid expenses	7,532	7,780
	<u>147,291,436</u>	<u>151,699,829</u>
<b>Accumulated surplus (Note 7)</b>	<u>\$ 160,599,769</u>	<u>\$ 157,239,818</u>
<b>Contingent liabilities (Note 9)</b>		

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

# The Corporation of the Municipality of Strathroy-Caradoc

## Consolidated Statement of Operations

For the year ended December 31	Budget 2016	2016	2015
<b>Revenue</b>			
Taxation	\$ 15,145,753	\$ 15,885,964	\$ 14,865,120
User fees and service charges	9,295,696	10,184,012	10,212,450
Government transfers - operating (Note 11)	1,095,986	1,411,385	1,199,726
Investment income	38,700	216,065	160,269
Penalty and interest on taxes	250,000	296,917	307,247
Other	239,470	293,442	281,602
	<u>26,065,605</u>	<u>28,287,785</u>	<u>27,026,414</u>
<b>Expenses</b>			
General government	2,116,332	2,036,616	2,192,455
Protection services	7,855,474	7,977,721	7,603,183
Transportation services	3,692,581	5,247,367	5,081,092
Environmental services	5,312,294	6,607,294	6,646,221
Health services	139,775	140,102	130,144
Social housing	-	132,566	138,163
Recreation and cultural services	3,323,302	3,879,438	3,852,797
Planning and development	672,660	661,599	565,332
	<u>23,112,418</u>	<u>26,682,703</u>	<u>26,209,387</u>
<b>Annual surplus before other</b>	<u>2,953,187</u>	<u>1,605,082</u>	<u>817,027</u>
<b>Other Revenues (Expenses)</b>			
Government transfers related to capital (Note 11)	2,774,073	973,816	365,531
Developer and other contributions related to capital	507,701	1,028,087	1,153,469
Loss on disposal of capital assets	-	(147,834)	(97,151)
Increase in employee future benefits	-	(99,200)	(210,500)
	<u>3,281,774</u>	<u>1,754,869</u>	<u>1,211,349</u>
<b>Annual surplus</b>	<u>6,234,961</u>	<u>3,359,951</u>	<u>2,028,376</u>
<b>Accumulated surplus, beginning of year</b>	<u>157,239,818</u>	<u>157,239,818</u>	<u>155,211,442</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 163,474,779</u>	<u>\$ 160,599,769</u>	<u>\$ 157,239,818</u>

# The Corporation of the Municipality of Strathroy-Caradoc

## Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2016	2016	2015
Annual surplus	\$ 6,234,961	\$ 3,359,951	\$ 2,028,376
Acquisition of tangible capital assets	(4,877,338)	(2,496,737)	(8,246,337)
Amortization of tangible capital assets	-	6,141,880	6,128,534
Loss on disposal of tangible capital assets	-	416,951	97,151
Proceeds from sale of tangible capital assets	-	272,481	75,744
Decrease in work in progress	-	73,570	3,937,957
Decrease in prepaid expenses	-	248	56,009
Net change in net financial assets	1,357,623	7,768,344	4,077,434
Net financial assets, beginning of year	5,539,989	5,539,989	1,462,555
Net financial assets, end of year	\$ 6,897,612	\$ 13,308,333	\$ 5,539,989

# The Corporation of the Municipality of Strathroy-Caradoc

## Consolidated Statement of Cash Flows

For the year ended December 31	2016	2015
<b>Operating activities</b>		
Annual surplus	\$ 3,359,951	\$ 2,028,376
Items not involving cash		
Amortization	6,141,880	6,128,534
Loss on disposal of tangible capital assets	416,951	97,151
Changes in non-cash operating balances		
Taxes receivable	(141,182)	571,891
Accounts receivable	(220,773)	(785,563)
Long-term receivables	28,004	50,148
Prepaid expenses	248	56,009
Accounts payable and accrued liabilities	(1,103,422)	1,252,464
Deferred revenue	3,376,224	647,641
Employee future benefits	99,200	210,500
	<u>11,957,081</u>	<u>10,257,151</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(2,496,737)	(8,246,337)
Decrease in work in progress	73,570	3,937,957
Proceeds from sale of tangible capital assets	272,481	75,744
	<u>(2,150,686)</u>	<u>(4,232,636)</u>
<b>Financing activities</b>		
Proceeds from issuance of long-term debt	1,586,208	-
Repayment of long-term debt	(1,305,220)	(666,624)
	<u>280,988</u>	<u>(666,624)</u>
<b>Increase in cash and cash equivalents</b>	<b>10,087,383</b>	<b>5,357,891</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>17,577,235</u></b>	<b><u>12,219,344</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 27,664,618</u></b>	<b><u>\$ 17,577,235</u></b>

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# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

December 31, 2016

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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 CPA Canada. The Corporation of the Municipality of Strathroy-Caradoc is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. The Municipality provides municipal services such as protection, transportation, environmental, health, recreation and culture, planning and development and other general government services.

### Basis of Consolidation

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

These financial statements do not include the following entities:

Strathroy Middlesex Museum Foundation  
Strathroy and Area Seniors' Centre

### Joint Local Board

The Lake Huron Area Primary Water Supply system has been consolidated on a proportionate basis based upon the water flow of the municipality in proportion to the entire flows provided by the joint board. Under the proportionate basis, the municipality's pro rate share of each of the assets, liabilities, revenues and expenditures of the board are consolidated with similar items in the municipality's financial statements. For 2016, the municipality's share of the System was 4.16% (2015 - 4.36%).

### 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.



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# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

**December 31, 2016**

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

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

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

Land improvements	10 to 50 years
Buildings	50 to 60 years
Fleet	8 to 30 years
Equipment	5 to 30 years
Infrastructure - environmental	50 to 80 years
Infrastructure - roads	50 to 100 years

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

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

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

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

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

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

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# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

**December 31, 2016**

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<b>Trust Funds</b>	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.
<b>Retirement Benefits and Other Employee Benefit Plans</b>	The Municipality's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.
<b>Deferred Revenue</b>	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.
<b>Budget Figures</b>	<p>Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2016 is reflected on the Consolidated Statement of Operations.</p> <p>Budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts.</p> <p>Budget figures exclude the impact of amortization expense, employee future benefits, landfill closure and post closure costs and consolidated revenues and expenses of the Strathroy Business Improvement Area, Caradoc Housing Corporation, Tri-Township Arena and Lake Huron Area Primary Water Supply.</p>
<b>Revenue Recognition</b>	Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services, the requisition made by the County of Middlesex in respect of County services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Part of the assessment process are supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the municipality determines the taxes applicable and renders supplementary billings. Taxation revenue is recorded at the time tax billings are issued. Assessments and related property taxes are subject to appeal. Each year, management provides a best estimate of the effect of supplementary assessments and tax appeals on taxation revenue.

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## The Corporation of the Municipality of Strathroy-Caradoc

### Summary of Significant Accounting Policies

**December 31, 2016**

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**Revenue Recognition**

(continued)

The Municipality is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

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

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

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

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

**Government Transfers**

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

**Use of Estimates**

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

**Land Held for Resale**

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

**Contaminated Sites**

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

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# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2016**

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### 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, 2016, the Municipality had a balance owing of \$nil (2015 - \$nil).

Included in cash and cash equivalents are investments in guaranteed investment certificates and mutual funds of \$3,693,758 (2015 - \$3,621,200). These investments are recorded at amortized cost. Interest rates on the guaranteed investment certificates range from 1.8% to 2.57%. The income from these investments for the year was \$74,849 (2015 - \$93,636).

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### 2. Operations of School Boards and the County of Middlesex

The Municipality is required to bill, collect and remit taxation revenues on behalf of the School Boards and County of Middlesex pursuant to provincial legislation. The Municipality has no jurisdiction or control over the operations of these entities or the setting of their tax rates. Therefore, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of the School Boards and the County are not reflected in these consolidated financial statements. Taxation revenues billed and requisitions paid on behalf of the School Boards and County of Middlesex are not reflected in the Statement of Operations and are comprised of the following:

	<u>School Boards</u>	<u>County</u>
Taxation	\$ 7,434,434	\$ 8,637,297
Share of payments in lieu	769	34,662
	<u>7,435,203</u>	<u>8,671,959</u>
Share of taxes written off	-	5,174
	<u>7,435,203</u>	<u>8,666,785</u>
Amounts transferred	<u>\$ 7,435,203</u>	<u>\$ 8,666,785</u>

# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2016**

### 3. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 941,289	\$ 637,798	\$ 26,391	\$ (509,663)	\$ 1,095,815
Development charges	3,524,414	2,214,348	37,703	(861,563)	4,914,902
Building Department	326,310	306,420	9,149	-	641,879
Parkland dedication	254,292	7,600	7,130	(475)	268,547
Other	104,610	1,503,697	1,983	(4,294)	1,605,996
	<u>\$ 5,150,915</u>	<u>\$ 4,669,863</u>	<u>\$ 82,356</u>	<u>\$ (1,375,995)</u>	<u>\$ 8,527,139</u>

#### Federal gas tax

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

#### Development charges

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

#### Building Department

Building department funds in excess of expenses.

#### Parkland dedication

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

#### Other

Funds include a \$1.2 million OCIF grant for the Princess Street project 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, 2016**

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#### 4. Net Long-term Debt

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

	<u>2016</u>	<u>2015</u>
Total long-term liabilities incurred by the Municipality and outstanding at the end of the year amount to:	\$ 8,815,420	\$ 8,535,723
Less: tile drain loans	<u>(1,184)</u>	<u>(2,475)</u>
	<u>\$ 8,814,236</u>	<u>\$ 8,533,248</u>

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

	<u>Principal Repayments</u>
2017	\$ 1,379,889
2018	1,366,930
2019	1,330,449
2020	1,002,472
2021	816,847
Thereafter	<u>2,917,649</u>
	<u>\$ 8,814,236</u>

The gross interest paid relating to the Municipality's long-term debt was \$240,730 (2015 - \$271,371). Interest rates on the debt range from 0% to 4.38%. All net long-term debt is payable in Canadian dollars.

The responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. At the end of the year, the outstanding principal amount of the liability is \$1,184 (2015 - \$2,475). 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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#### 5. Landfill Closure and Post Closure Costs

The Ontario Environmental and Protection Act sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post closure care of solid waste landfill sites.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include ongoing environmental monitoring, site inspection and maintenance.

The estimated liability of \$26,679 (2015 - \$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, 2016**

**6. Tangible Capital Assets**

	<b>2016</b>								<b>2015</b>
	Land	Land Improvements	Buildings	Equipment	Fleet	Infrastructure Roads	Infrastructure Environmental	Total	Total
Cost, beginning of year	\$ 5,952,151	\$ 3,809,728	\$ 38,823,322	\$ 8,744,797	\$ 9,627,378	\$ 81,448,253	\$ 104,563,706	\$ 252,969,335	\$ 245,450,037
Additions		116,354	584,543	787,225	278,017	632,881	420,422	2,819,442	8,581,466
Disposals	(169,545)	-	(306,886)	(132,250)	(121,473)	(314,861)	(30,824)	(1,075,839)	(633,757)
Other	(3,687)	-	(97,557)	-	(83,104)	-	(234,762)	(419,110)	(428,411)
Cost, end of year	5,778,919	3,926,082	39,003,422	9,399,772	9,700,818	81,766,273	104,718,542	254,293,828	252,969,335
Accumulated amortization, beginning of year	-	984,885	10,382,911	3,597,593	4,011,317	58,055,286	24,920,715	101,952,707	96,378,317
Amortization	-	108,761	1,205,417	478,197	668,952	2,172,099	1,508,454	6,141,880	6,128,534
Disposals	-	-	(92,518)	(18,155)	(121,473)	(140,272)	(13,989)	(386,407)	(460,862)
Other	-	-	(20,891)	-	(30,249)	-	(45,265)	(96,405)	(93,282)
Accumulated amortization, end of year	-	1,093,646	11,474,919	4,057,635	4,528,547	60,087,113	26,369,915	107,611,775	101,952,707
Net carrying amount, end of year	\$ 5,778,919	\$ 2,832,436	\$ 27,528,503	\$ 5,342,137	\$ 5,172,271	\$ 21,679,160	\$ 78,348,627	\$ 146,682,053	\$ 151,016,628

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

**December 31, 2016**

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

	2015							
	Land	Land Improvements	Buildings	Equipment	Fleet	Infrastructure Roads	Infrastructure Environmental	Total
Cost, beginning of year	\$ 5,945,654	\$ 3,809,728	\$ 38,280,208	\$ 8,322,856	\$ 8,449,831	\$ 78,808,144	\$ 101,833,616	\$ 245,450,037
Additions	10,553	-	636,432	451,769	1,781,479	2,713,442	2,987,791	8,581,466
Disposals	-	-	(2,123)	(29,828)	(528,473)	(73,333)	-	(633,757)
Other	(4,056)	-	(91,195)	-	(75,459)	-	(257,701)	(428,411)
Cost, end of year	5,952,151	3,809,728	38,823,322	8,744,797	9,627,378	81,448,253	104,563,706	252,969,335
Accumulated amortization, beginning of year	-	877,997	9,203,362	3,174,043	3,724,497	55,898,627	23,499,791	96,378,317
Amortization	-	106,888	1,201,433	444,018	691,206	2,219,113	1,465,876	6,128,534
Disposals	-	-	(2,123)	(20,468)	(375,817)	(62,454)	-	(460,862)
Other	-	-	(19,761)	-	(28,569)	-	(44,952)	(93,282)
Accumulated amortization, end of year	-	984,885	10,382,911	3,597,593	4,011,317	58,055,286	24,920,715	101,952,707
Net carrying amount, end of year	\$ 5,952,151	\$ 2,824,843	\$ 28,440,411	\$ 5,147,204	\$ 5,616,061	\$ 23,392,967	\$ 79,642,991	\$ 151,016,628



# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2016**

### 7. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

	<u>2016</u>	<u>2015</u>
Accumulated surplus from operations	\$ 4,812,261	\$ 3,424,348
Investment in tangible capital assets	146,682,053	151,016,628
Investment in capital work in progress	601,851	675,421
Reserves		
Equipment replacement	137,160	137,160
Insurance	20,096	20,096
General government	1,121,058	48,056
Protection services	370,452	33,414
Street lighting	14,288	14,288
Wastewater system	4,738,145	2,713,169
Waterworks system	9,642,224	7,689,967
Health services	54,251	10,694
Recreational facilities	652,169	81,966
Libraries and Museum	133,329	50,372
Planning	99,920	-
Economic Development	159,719	21,201
Transportation	157,601	-
Reserve Funds		
Insurance	248,537	241,759
Roadways	83,165	80,897
Street lighting	23,359	22,722
Wastewater system	1,234,643	1,200,971
Stormwater system	5,553	5,402
Asset management	464,730	228,328
Waste management	15,920	15,486
Unfunded Liabilities	<u>(10,872,715)</u>	<u>(10,492,527)</u>
	<u>\$ 160,599,769</u>	<u>\$ 157,239,818</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, 2016**

### 8. Employee Future Benefits

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

	<u>2016</u>	<u>2015</u>
Post-retirement benefits	\$ 1,863,700	\$ 1,760,700
Post-employment benefits	<u>168,100</u>	<u>171,900</u>
Total	<u>\$ 2,031,800</u>	<u>\$ 1,932,600</u>

#### (a) Post-Retirement Benefits

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

	<u>2016</u>	<u>2015</u>
Accrued benefit liability as at January 1	\$ 1,760,700	\$ 1,722,100
Current service cost	92,100	100,400
Interest cost	56,200	61,500
Actuarial gain	-	(80,700)
Estimated benefits paid	<u>(45,300)</u>	<u>(42,600)</u>
Total	<u>\$ 1,863,700</u>	<u>\$ 1,760,700</u>

#### (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.

	<u>2016</u>	<u>2015</u>
Accrued benefit liability as at January 1	\$ 171,900	\$ -
Interest cost	5,300	-
Actuarial loss	-	187,400
Estimated benefits paid	<u>(9,100)</u>	<u>(15,500)</u>
Total	<u>\$ 168,100</u>	<u>\$ 171,900</u>

The actuarial estimate of the future liability of post-retirement and post-employment benefits assumes a discount rate of 3.15% (2015 - 3.15%) and inflation rates for benefit premiums of 2.0% (2015 - 2.0%). Dental cost increases are assumed at 4.0% per annum (2015 - 4.0%). In addition, extended healthcare premiums are assumed to increase by 7.5% in 2017, 7% in 2018, 6.5% in 2019, 6% in 2020, 5.5% in 2021 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, 2016**

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### **9. Contingent Liabilities**

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2016 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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### **10. Pension Agreements**

The Municipality makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer plan, on behalf of certain employees of the Municipality. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on their length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 470,000 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, 2016. The results of this valuation disclosed total actuarial liabilities of \$86,959 million (2015 - \$81,924 million) in respect of benefits accrued for service with actuarial assets at that date of \$81,239 million (2015 - \$74,947 million) indicating an actuarial deficit of \$5,720 million (2015 - \$6,977 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 2016 was \$794,126 (2015 - \$753,242) for current service. The OMERS Board rate was 9.0% to 14.6% depending on income level (2015 - 9.0% to 14.6% depending on income level).

# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2016**

### 11. Government Transfers

	2016	2015
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 386,300	\$ 454,400
Program support	313,508	50,628
Drainage grants	30,366	30,127
Other Municipalities		
Program support	681,211	664,571
Total operating	1,411,385	1,199,726
Capital		
Province of Ontario		
Lake Huron Area Primary Water Supply System	2,740	29,154
OCIF grant	454,690	211,105
Government of Canada		
Gas tax	509,663	95,263
Lake Huron Area Primary Water Supply System	6,723	29,837
Other Municipalities		
Library	-	172
Total capital	973,816	365,531
Total government transfers	\$ 2,385,201	\$ 1,565,257

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# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2016**

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### 12. Tri-Township Arena Board Consolidation

The following summarizes the financial position and operations of the Tri-Township Arena Board which has been reported in these financial statements using the proportionate consolidation method.

The consolidated financial statements include the municipality's 85% proportionate interest in the following:

	<u>2016</u>	<u>2015</u>
<b>Statement of Financial Position</b>		
Assets	\$ 185,242	\$ 170,915
Liabilities	<u>69,103</u>	<u>54,776</u>
Accumulated surplus	<u>\$ 116,139</u>	<u>\$ 116,139</u>
<b>Statement of Operations</b>		
Revenues	\$ 438,270	\$ 379,970
Expenses	<u>438,270</u>	<u>379,970</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>

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### 13. Caradoc Housing Corporation Consolidation

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

	<u>2016</u>	<u>2015</u>
<b>Statement of Financial Position</b>		
Assets	\$ 204,913	\$ 231,107
Liabilities	<u>78,104</u>	<u>107,021</u>
Fund Balance	<u>\$ 126,809</u>	<u>\$ 124,086</u>
<b>Statement of Operations</b>		
Revenues	\$ 135,289	\$ 146,051
Expenses	<u>132,566</u>	<u>138,163</u>
Excess of revenue over expenditures	<u>\$ 2,723</u>	<u>\$ 7,888</u>

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# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2016**

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

The consolidated financial statements include the municipality's 4.16% (2015 - 4.36%) proportionate interest of the following:

	<u>2016</u>	<u>2015</u>
<b>Statement of Financial Position</b>		
Financial Assets	\$ 21,754,071	\$ 16,897,364
Liabilities	<u>13,623,964</u>	<u>14,608,019</u>
Net Financial Assets	<u>\$ 8,130,107</u>	<u>\$ 2,289,345</u>
Non Financial Assets		
Tangible Capital Assets	\$ 158,395,013	\$ 162,440,770
Prepaid Expenses	<u>163,296</u>	<u>161,495</u>
Total Non-Financial Assets	<u>\$ 158,558,309</u>	<u>\$ 162,602,265</u>
Accumulated Surplus	<u>\$ 166,688,416</u>	<u>\$ 164,891,610</u>
<b>Statement of Operations</b>		
Revenues	\$ 21,308,422	\$ 20,975,481
Expenses	<u>19,511,616</u>	<u>17,522,327</u>
Net Revenues	<u>\$ 1,796,806</u>	<u>\$ 3,453,154</u>

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### 15. Trust Funds

Trust funds administered by the municipality amounting to \$660,661 (2015 - \$645,702) 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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# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2016**

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### **16. 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.

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

**December 31, 2016**

**17. Budget Variance**

The following chart reconciles the 2016 budget with the 2016 actuals found in the consolidated statement of operations:

	2016 Budget	Lake Huron Area Primary Water Supply System adjusting entries	Caradoc Housing Corporation, BIA, and Tri- Township Arena	Change in Future Tax Liability	Amortization entries and additions	Debt Principal	2016 Revised budget	2016 Actual	Variance Favorable / (Unfavorable)
<b>REVENUE</b>									
Taxation	\$ 15,145,753	\$ -	\$ -	\$ 460,330	\$ -	\$ -	\$ 15,606,083	\$ 15,885,964	\$ 279,881
User fees and service charges	9,295,696	-	400,358	-	-	-	9,696,054	10,184,012	487,958
Government transfers - operating	1,095,986	9,463	-	-	-	-	1,105,449	1,411,385	305,936
Investment income	38,700	14,433	-	-	-	-	53,133	216,065	162,932
Penalty and interest on taxes	250,000	-	-	-	-	-	250,000	296,917	46,917
Other	239,470	315	135,289	-	-	-	375,074	293,442	(81,632)
Total revenue	<u>\$ 26,065,605</u>	<u>\$ 24,211</u>	<u>\$ 535,647</u>	<u>\$ 460,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,085,793</u>	<u>\$ 28,287,785</u>	<u>\$ 1,201,992</u>
<b>EXPENSES</b>									
General government	\$ 2,116,332	\$ -	\$ -	\$ -	\$ 38,294	\$ (44,169)	\$ 2,110,457	\$ 2,036,616	\$ 73,841
Protection services	7,855,474	-	-	-	162,164	(89,364)	7,928,274	7,977,721	(49,447)
Transportation services	3,692,581	-	-	-	1,763,482	(298,889)	5,157,174	5,247,367	(90,193)
Environmental services	5,312,294	279,249	-	-	1,803,412	(603,725)	6,791,230	6,607,294	183,936
Health services	139,775	-	-	-	(2,320)	-	137,455	140,102	(2,647)
Social housing	-	-	98,571	-	33,995	-	132,566	132,566	-
Recreation and cultural services	3,323,302	-	372,530	-	494,609	(288,091)	3,902,350	3,879,438	22,912
Planning and development	672,660	-	19,307	-	(22,618)	-	669,349	661,599	7,750
Total expenses	<u>\$ 23,112,418</u>	<u>\$ 279,249</u>	<u>\$ 490,408</u>	<u>\$ -</u>	<u>\$ 4,271,018</u>	<u>\$ (1,324,238)</u>	<u>\$ 26,828,855</u>	<u>\$ 26,682,703</u>	<u>\$ 146,152</u>
<b>NET REVENUE</b>	<u>\$ 2,953,187</u>	<u>\$ (255,038)</u>	<u>\$ 45,239</u>	<u>\$ 460,330</u>	<u>\$ (4,271,018)</u>	<u>\$ 1,324,238</u>	<u>\$ 256,938</u>	<u>\$ 1,605,082</u>	<u>\$ 1,348,144</u>



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# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

**December 31, 2016**

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### **18. 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, 2016**

**18. Segmented Information (continued)**

<b>For the year ended December 31</b>	<b>General Government</b>	<b>Protection Services</b>	<b>Transportation Services</b>	<b>Environmental Services</b>	<b>Health Services</b>	<b>Social Housing</b>	<b>Recreation and Cultural Services</b>	<b>Planning and Development</b>	<b>2016 Total</b>
<b>Revenue</b>									
Taxation	\$ 3,329,995	\$ 6,715,856	\$ 2,748,979	\$ 433,699	\$ 59,350	\$ -	\$ 1,904,724	\$ 693,361	\$ 15,885,964
User fees and service charges	348,780	314,049	31,407	7,840,776	115,425	-	1,385,592	147,983	10,184,012
Government transfers	386,300	731,739	-	1,041,251	-	-	195,545	30,366	2,385,201
Investment income	215,421	-	-	-	644	-	-	-	216,065
Penalty and interest on taxes	296,917	-	-	-	-	-	-	-	296,917
Other	77,220	1,500	463,200	329,430	-	135,289	287,814	27,076	1,321,529
	<u>4,654,633</u>	<u>7,763,144</u>	<u>3,243,586</u>	<u>9,645,156</u>	<u>175,419</u>	<u>135,289</u>	<u>3,773,675</u>	<u>898,786</u>	<u>30,289,688</u>
<b>Expenses</b>									
Wages and benefits	1,493,353	6,547,881	1,351,160	891,789	103,210	-	1,243,290	371,547	12,002,230
Materials, goods and services	521,669	1,042,076	1,412,725	3,664,529	28,652	98,553	1,579,538	290,051	8,637,793
	<u>2,015,022</u>	<u>7,589,957</u>	<u>2,763,885</u>	<u>4,556,318</u>	<u>131,862</u>	<u>98,553</u>	<u>2,822,828</u>	<u>661,598</u>	<u>20,640,023</u>
Loss on disposal of capital assets	147,834	-	-	-	-	-	-	-	147,834
	<u>2,162,856</u>	<u>7,589,957</u>	<u>2,763,885</u>	<u>4,556,318</u>	<u>131,862</u>	<u>98,553</u>	<u>2,822,828</u>	<u>661,598</u>	<u>20,787,857</u>
<b>Net surplus before Amortization</b>	<u>2,491,777</u>	<u>173,187</u>	<u>479,701</u>	<u>5,088,838</u>	<u>43,557</u>	<u>36,736</u>	<u>950,847</u>	<u>237,188</u>	<u>9,501,831</u>
Amortization	120,794	387,764	2,483,482	2,050,978	8,240	34,013	1,056,609	-	6,141,880
<b>Net surplus (deficit)</b>	<u>\$ 2,370,983</u>	<u>\$ (214,577)</u>	<u>\$ (2,003,781)</u>	<u>\$ 3,037,860</u>	<u>\$ 35,317</u>	<u>\$ 2,723</u>	<u>\$ (105,762)</u>	<u>\$ 237,188</u>	<u>\$ 3,359,951</u>

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

**December 31, 2016**

**18. Segmented Information (continued)**

<b>For the year ended December 31</b>	<b>General Government</b>	<b>Protection Services</b>	<b>Transportation Services</b>	<b>Environmental Services</b>	<b>Health Services</b>	<b>Social Housing</b>	<b>Recreation and Cultural Services</b>	<b>Planning and Development</b>	<b>2015 Total</b>
<b>Revenue</b>									
Taxation	\$ 2,244,026	\$ 6,800,566	\$ 2,964,655	\$ 489,365	\$ 103,564	\$ -	\$ 1,652,049	\$ 610,895	\$ 14,865,120
User fees and service charges	371,452	266,327	37,702	7,852,911	107,231	-	1,468,452	108,375	10,212,450
Government transfers	454,400	447,942	-	426,016	-	-	206,772	30,127	1,565,257
Investment income	159,597	-	-	-	672	-	-	-	160,269
Penalty and interest on taxes	307,247	-	-	-	-	-	-	-	307,247
Other	44,822	55,858	384,557	22,029	19,215	146,051	727,325	35,214	1,435,071
	<u>3,581,544</u>	<u>7,570,693</u>	<u>3,386,914</u>	<u>8,790,321</u>	<u>230,682</u>	<u>146,051</u>	<u>4,054,598</u>	<u>784,611</u>	<u>28,545,414</u>
<b>Expenses</b>									
Wages and benefits	1,589,262	6,216,175	1,261,428	891,902	94,188	-	1,204,822	351,650	11,609,427
Materials, goods and services	737,740	965,340	1,315,492	3,765,221	27,684	104,687	1,552,080	213,682	8,681,926
	<u>2,327,002</u>	<u>7,181,515</u>	<u>2,576,920</u>	<u>4,657,123</u>	<u>121,872</u>	<u>104,687</u>	<u>2,756,902</u>	<u>565,332</u>	<u>20,291,353</u>
Loss on disposal of capital assets	97,151	-	-	-	-	-	-	-	97,151
	<u>2,424,153</u>	<u>7,181,515</u>	<u>2,576,920</u>	<u>4,657,123</u>	<u>121,872</u>	<u>104,687</u>	<u>2,756,902</u>	<u>565,332</u>	<u>20,388,504</u>
<b>Net surplus before Amortization</b>	<u>1,157,391</u>	<u>389,178</u>	<u>809,994</u>	<u>4,133,198</u>	<u>108,810</u>	<u>41,364</u>	<u>1,297,696</u>	<u>219,279</u>	<u>8,156,910</u>
Amortization	75,951	421,668	2,504,172	1,989,099	8,272	33,476	1,095,896	-	\$ 6,128,534
<b>Net surplus (deficit)</b>	<u>\$ 1,081,440</u>	<u>\$ (32,490)</u>	<u>\$ (1,694,178)</u>	<u>\$ 2,144,099</u>	<u>\$ 100,538</u>	<u>\$ 7,888</u>	<u>\$ 201,800</u>	<u>\$ 219,279</u>	<u>\$ 2,028,376</u>