

The Corporation of the Municipality of  
Strathroy-Caradoc  
Consolidated Financial Statements  
For the year ended December 31, 2018

DRAFT - SUBJECT TO CHANGE

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For the year ended December 31, 2018

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The Corporation of the Municipality of Strathroy-Caradoc

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## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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Chief Administrative Officer  
Greg McClinchey

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Director of Finance/Treasurer  
Bill Dakin

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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

### Opinion

We have audited the 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, 2018, 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 financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Strathroy-Caradoc as at December 31, 2018, and its financial performance and its 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 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 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

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

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

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

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

December 31	2018	2017
<b>Financial assets</b>		
Cash and cash equivalents (Note 1)	\$ 37,907,697	\$ 30,463,584
Taxes receivable	1,888,711	1,728,310
Accounts receivable	5,578,743	6,036,878
Portfolio investments (Note 2)	3,848,198	3,775,669
Long-term receivables	8,000	59,037
	<u>49,231,349</u>	<u>42,063,478</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	5,622,592	4,473,948
Deferred revenue (Note 4)	9,985,061	9,963,725
Employee future benefits (Note 9)	2,201,600	2,138,800
Net long-term debt (Note 5)	6,133,563	7,445,946
Landfill closure and post closure costs (Note 6)	26,679	26,679
	<u>23,969,495</u>	<u>24,049,098</u>
<b>Net financial assets</b>	<u>25,261,854</u>	<u>18,014,380</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 7)	147,505,859	148,646,309
Capital work in progress	3,284,945	141,074
Land held for resale	2,836,362	2,934,250
Prepaid expenses	8,283	8,473
	<u>153,635,449</u>	<u>151,730,106</u>
<b>Accumulated surplus (Note 8)</b>	<u>\$ 178,897,303</u>	<u>\$ 169,744,486</u>

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 2018	2018	2017
<b>Revenue</b>			
Taxation	\$16,012,883	\$17,024,972	\$ 16,019,161
User fees and service charges	12,304,622	12,952,481	10,633,049
Government transfers - operating (Note 13)	1,312,133	1,551,309	1,214,350
Investment income	62,200	323,693	218,968
Penalty and interest on taxes	250,000	272,645	277,819
Other	356,372	239,279	254,929
	<u>30,298,210</u>	<u>32,364,379</u>	<u>28,618,276</u>
<b>Expenses</b>			
General government	3,273,582	2,907,347	2,353,289
Protection services	8,470,819	8,568,767	8,007,335
Transportation services	3,224,811	3,875,120	3,447,406
Environmental services	6,553,119	6,906,170	6,901,369
Health services	212,760	199,412	146,545
Social housing	210,793	88,440	152,746
Recreation and cultural services	3,776,258	4,209,261	3,592,994
Planning and development	697,522	664,758	579,393
	<u>26,419,664</u>	<u>27,419,275</u>	<u>25,181,077</u>
<b>Annual surplus before other</b>	<u>3,878,546</u>	<u>4,945,104</u>	<u>3,437,199</u>
<b>Other Revenues (Expenses)</b>			
Government transfers related to capital (Note 13)	2,555,654	2,217,963	3,465,294
User fees, developer and other contributions related to capital	2,407,844	1,921,349	2,590,808
Gain (loss) on disposal of capital assets	-	131,201	(241,584)
Increase in employee future benefits	-	(62,800)	(107,000)
	<u>4,963,498</u>	<u>4,207,713</u>	<u>5,707,518</u>
<b>Annual surplus</b>	<u>8,842,044</u>	<u>9,152,817</u>	<u>9,144,717</u>
<b>Accumulated surplus, beginning of year</b>	<u>169,744,486</u>	<u>169,744,486</u>	<u>160,599,769</u>
<b>Accumulated surplus, end of year</b>	<u>\$178,586,530</u>	<u>\$178,897,303</u>	<u>\$169,744,486</u>

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

For the year ended December 31	Budget 2018	2018	2017
Annual surplus	\$ 8,842,044	\$ 9,152,817	\$ 9,144,717
Acquisition of tangible capital assets	(8,687,117)	(3,638,884)	(7,006,484)
Amortization of tangible capital assets	-	4,686,395	4,769,324
(Gain) loss on disposal of tangible capital assets	-	(131,201)	241,584
Proceeds from sale of tangible capital assets	-	224,140	31,320
(Increase) decrease in work in progress	-	(3,143,871)	460,777
Decrease (increase) in prepaid expenses	-	190	(941)
Decrease in land held for resale	-	97,888	-
<b>Net change in net financial assets</b>	<b>154,927</b>	<b>7,247,474</b>	<b>7,640,297</b>
<b>Net financial assets, beginning of year</b>	<b>18,014,380</b>	<b>18,014,380</b>	<b>10,374,083</b>
<b>Net financial assets, end of year</b>	<b>\$ 18,169,307</b>	<b>\$ 25,261,854</b>	<b>\$ 18,014,380</b>



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

<u>For the year ended December 31</u>	<u>2018</u>	<u>2017</u>
<b>Operating activities</b>		
Annual surplus	\$ 9,152,817	\$ 9,144,717
Items not involving cash		
Amortization	4,686,395	4,769,324
(Gain) loss on disposal of tangible capital assets	(131,201)	241,584
Changes in non-cash operating balances		
Taxes receivable	(160,401)	153,886
Accounts receivable	458,135	(2,148,618)
Land held for resale	97,888	-
Long-term receivables	51,037	22,000
Prepaid expenses	190	(941)
Accounts payable and accrued liabilities	1,148,644	731,774
Deferred revenue	21,336	1,436,586
Employee future benefits	62,800	107,000
	<u>15,387,640</u>	<u>14,457,312</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(3,638,884)	(7,006,484)
(Increase) decrease in work in progress	(3,143,871)	460,777
Proceeds from sale of tangible capital assets	224,140	31,320
	<u>(6,558,615)</u>	<u>(6,514,387)</u>
<b>Investing activities</b>		
Increase in portfolio investments	<u>(72,529)</u>	<u>(81,911)</u>
<b>Financing activities</b>		
Proceeds from issuance of long-term debt	-	16,574
Repayment of long-term debt	<u>(1,312,383)</u>	<u>(1,384,864)</u>
	<u>(1,312,383)</u>	<u>(1,368,290)</u>
Increase in cash and cash equivalents	7,444,113	6,492,724
Cash and cash equivalents, beginning of year	<u>30,463,584</u>	<u>23,970,860</u>
Cash and cash equivalents, end of year	<u>\$37,907,697</u>	<u>\$ 30,463,584</u>

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# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

December 31, 2018

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**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 2018, the municipality's share of the System was 4.09% (2017 - 4.10%).

**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.

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# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

December 31, 2018

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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 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

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# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

December 31, 2018

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### Trust Funds

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

### Retirement Benefits and Other Employee Benefit Plans

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

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

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

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

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

### Deferred Revenue

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

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# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

December 31, 2018

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**Revenue Recognition** Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services, the requisition made by the County of Middlesex in respect of County services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Part of the assessment process are supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the municipality determines the taxes applicable and renders supplementary billings. Assessments and related property taxes are subject to appeal. Each year, management provides a best estimate of the effect of supplementary assessments and tax appeals on taxation revenue.

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

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

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

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

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

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

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# The Corporation of the Municipality of Strathroy-Caradoc

## Summary of Significant Accounting Policies

December 31, 2018

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

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

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

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

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

**December 31, 2018**

**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, 2018, the Municipality had a balance owing of \$nil (2017 - \$nil).

**2. Portfolio Investments**

The Municipality's portfolio investments include guaranteed investment certificates and cash with a carrying value and market value of \$3,385,299 (2017 - \$3,358,354) and mutual funds with a carrying value of \$462,899 (2017 - \$417,315) and market value of \$449,448 (2017 - \$422,396). These investments are recorded at amortized cost. Interest rates on the guaranteed investment certificates range from 1.65% to 3.10%. The income from these investments for the year was \$72,530 (2017 - \$72,133).

**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:

	<b>School Boards</b>	<b>County</b>
Taxation	\$ 7,471,002	\$ 9,736,208
Share of payments in lieu	884	41,569
	<b>7,471,886</b>	<b>9,777,777</b>
Share of taxes written off	-	-
Amounts transferred	<b>\$ 7,471,886</b>	<b>\$ 9,777,777</b>

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

**December 31, 2018**

**4. Deferred Revenue**

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 821,445	\$ 668,169	\$ 37,464	\$ (637,793)	\$ 889,285
Development charges	7,605,984	2,425,917	88,410	(1,670,311)	8,450,000
Building Department	482,604	-	-	(482,604)	-
Parkland dedication	324,148	1,700	6,138	(70,976)	261,010
Other	729,544	454,338	5,796	(804,912)	384,766
	<u>\$ 9,963,725</u>	<u>\$ 3,550,124</u>	<u>\$ 137,808</u>	<u>\$ (3,666,596)</u>	<u>\$ 9,985,061</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 a \$165,874 MTO Cycling grant, \$55,477 OCIF formula funding, and a \$56,106 mainstreet revitalization fund, which will be allocated to revenue as funds are spent on specified purposes (2017 - \$298,356 OCIF grant for the McKellar Street project).



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

**December 31, 2018**

**5. Net Long-term Debt**

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

	2018	2017
Total long-term liabilities incurred by the Municipality and outstanding at the end of the year amount to:	\$ 6,133,563	\$ 7,447,130
Less: tile drain loans	-	(1,184)
	\$ 6,133,563	\$ 7,445,946

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

	Principal Repayments
2019	\$ 1,518,295
2020	871,958
2021	817,594
2022	655,622
2023	666,316
Thereafter	1,603,778
	\$ 6,133,563

The gross interest paid relating to the Municipality's long-term debt was \$208,326 (2017 - \$233,501). 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 \$nil (2017 - \$1,184). The amount is not recorded in the Consolidated Statement of Financial Position.

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

**6. Landfill Closure and Post Closure Costs**

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

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

The estimated liability of \$26,679 (2017 - \$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, 2018

7. Tangible Capital Assets

								2018	2017
	Land	Land Improvements	Buildings	Equipment	Fleet	Infrastructure Roads	Infrastructure Environmental	Total	Total
Cost, beginning of year	\$ 5,801,517	\$ 3,954,345	\$ 39,662,356	\$ 9,749,126	\$ 9,475,272	\$ 83,788,354	\$ 107,521,794	\$ 259,952,764	\$ 254,293,828
Additions	119,200	181,720	890,076	759,142	663,185	870,944	170,365	3,654,632	7,099,590
Disposals	(1,219)	(9,107)	(2,620)	(259,397)	(522,674)	(219,243)	-	(1,014,260)	(1,315,946)
Lake Huron Area Primary Water Supply System - rate change	(184)	-	(5,508)	-	(4,169)	-	(11,767)	(21,628)	(124,708)
Cost, end of year	5,919,314	4,126,958	40,544,304	10,248,871	9,611,614	84,440,055	107,680,392	262,571,508	259,952,764
Accumulated amortization, beginning of year	-	1,204,778	12,040,667	4,528,030	4,657,469	60,479,918	28,395,593	111,306,455	107,611,775
Amortization	-	114,788	977,474	514,997	648,485	816,911	1,613,740	4,686,395	4,769,324
Disposals	-	(6,648)	(2,620)	(221,050)	(471,760)	(219,243)	-	(921,321)	(1,043,042)
Lake Huron Area Primary Water Supply System - rate change	-	-	(1,373)	-	(1,803)	-	(2,704)	(5,880)	(31,602)
Accumulated amortization, end of year	-	1,312,918	13,014,148	4,821,977	4,832,391	61,077,586	30,006,629	115,065,649	111,306,455
Net carrying amount, end of year	\$ 5,919,314	\$ 2,814,040	\$ 27,530,156	\$ 5,426,894	\$ 4,779,223	\$ 23,362,469	\$ 77,673,763	\$ 147,505,859	\$ 148,646,309

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

December 31, 2018

7. Tangible Capital Assets (continued)

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

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

**December 31, 2018**

**8. Accumulated Surplus**

The Municipality segregates its accumulated surplus into the following categories:

	2018	2017
Accumulated surplus from operations	\$ 11,557,159	\$ 10,552,815
Investment in tangible capital assets	147,505,859	148,646,309
Investment in capital work in progress	3,284,945	141,074
Reserves		
Future needs reserve	256,256	-
Equipment replacement	478,958	527,939
Insurance	20,096	20,096
General government	1,102,558	1,159,088
Information technology	40,229	-
Building department	936,132	-
Protection services	981,572	370,452
Street lighting	116,428	14,288
Wastewater system	6,389,470	4,493,543
Waterworks system	10,880,971	9,642,224
Health services	100,982	54,251
Recreational facilities	1,117,882	713,422
Libraries and Museum	55,383	123,379
Planning	146,097	99,920
Economic Development	217,814	159,719
Transportation	608,628	157,601
Reserve Funds		
Insurance	260,812	254,345
Roadways	-	85,109
Street lighting	-	23,905
Wastewater system	38,450	1,263,493
Stormwater system	-	5,683
Asset management	964,891	710,964
Waste management	116,348	16,292
Green energy	60,000	60,000
Recreation	21,225	60,000
Unfunded Liabilities	(8,361,842)	(9,611,425)
	<b>\$178,897,303</b>	<b>\$169,744,486</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, 2018**

**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).

	2018	2017
Post-retirement benefits	\$ 2,047,200	\$ 1,975,800
Post-employment benefits	154,400	163,000
	<b>\$ 2,201,600</b>	<b>\$ 2,138,800</b>

**(a) Post-Retirement Benefits**

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

	2018	2017
Accrued benefit liability as at January 1	\$ 1,975,800	\$ 1,863,700
Current service cost	98,000	95,000
Interest cost	62,400	59,500
Actuarial gain	-	-
Estimated benefits paid	(89,000)	(42,400)
	<b>\$ 2,047,200</b>	<b>\$ 1,975,800</b>

**(b) Post-Employment Benefits**

The Municipality provides certain health and dental benefits on behalf of eligible members receiving long term disability benefits up to age 65.

	2018	2017
Accrued benefit liability as at January 1	\$ 163,000	\$ 168,100
Interest cost	4,900	5,100
Estimated benefits paid	(13,500)	(10,200)
	<b>\$ 154,400</b>	<b>\$ 163,000</b>

The actuarial estimate of the future liability of post-retirement and post-employment benefits assumes a discount rate of 3.40% (2017 - 3.15%) and inflation rates for benefit premiums of 2.0% (2017 - 2.0%). Dental cost increases are assumed at 4.0% per annum (2017 - 4.0%). In addition, extended healthcare premiums are assumed to increase by 8.0% in 2019, 7.5% in 2020, 7.0% in 2021, 6.5% in 2022, 6.0% in 2023 and 5.5% per annum thereafter.

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# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

December 31, 2018

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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, 2018 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. 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.

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### 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 496,000 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, 2018. The results of this valuation disclosed total actuarial liabilities of \$99,058 million (2017 - \$93,614 million) in respect of benefits accrued for service with actuarial assets at that date of \$94,869 million (2017 - \$88,211 million) indicating an actuarial deficit of \$4,189 million (2017 - \$5,403 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 2018 was \$841,607 (2017 - \$784,946) for current service. The OMERS Board rate was 9.0% to 15.8% depending on income level (2017 - 9.0% to 15.8% depending on income level).

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

**December 31, 2018**

**13. Government Transfers**

	2018	2017
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	\$ 279,200	\$ 328,400
Program support	718,947	428,025
Drainage grants	29,927	30,941
Government of Canada		
FCM grant - Asset Management Plan	42,940	-
Other Municipalities		
Program support	480,295	426,984
<b>Total operating</b>	<b>\$ 1,551,309</b>	<b>\$ 1,214,350</b>
Capital		
Province of Ontario		
Lake Huron Area Primary Water Supply System	27,598	1,488
CWWF grant	228,648	228,172
OCIF grant	815,034	1,793,573
Government of Canada		
Gas tax	637,793	942,216
CWWF grant	457,295	477,237
Accessibility grant	7,526	-
Lake Huron Area Primary Water Supply System	44,069	1,470
Other Municipalities		
Library	-	21,138
<b>Total capital</b>	<b>\$ 2,217,963</b>	<b>\$ 3,465,294</b>
<b>Total government transfers</b>	<b>\$ 3,769,272</b>	<b>\$ 4,679,644</b>

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

**December 31, 2018**

**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:

	2018	2017
<b>Statement of Financial Position</b>		
Assets	\$ 191,047	\$ 214,499
Liabilities	74,908	98,360
	\$ 116,139	\$ 116,139
<b>Statement of Operations</b>		
Revenues	\$ 483,672	\$ 371,060
Expenses	483,672	371,060
	\$ -	\$ -

**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.

	2018	2017
<b>Statement of Financial Position</b>		
Assets	\$ 214,328	\$ 187,759
Liabilities	57,435	61,653
	\$ 156,893	\$ 126,106
<b>Statement of Operations</b>		
Revenues	\$ 119,284	\$ 119,911
Expenses	88,440	120,614
	\$ 30,844	\$ (703)



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

**December 31, 2018**

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

The consolidated financial statements include the municipality's 4.09% (2017- 4.10%) proportionate interest of the following:

	2018	2017
<b>Statement of Financial Position</b>		
Financial Assets	\$ 31,742,010	\$ 24,132,978
Liabilities	10,027,502	12,244,566
Net Financial Assets	\$ 21,714,508	\$ 11,888,412
Non Financial Assets		
Tangible Capital Assets	\$153,032,700	\$157,682,748
Prepaid Expenses	202,510	206,664
Total Non-Financial Assets	\$153,235,210	\$157,889,412
Accumulated Surplus	\$174,949,718	\$169,777,824
<b>Statement of Operations</b>		
Revenues	\$ 24,835,434	\$ 21,958,483
Expenses	19,663,539	18,869,076
Net Revenues	\$ 5,171,895	\$ 3,089,407

**17. Trust Funds**

Trust funds administered by the municipality amounting to \$711,578 (2017- \$683,758) 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, 2018**

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**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	\$ 29,992,145
Adjustments:	
Net contribution from reserve and reserve funds	(255,695)
Change in future tax liability	549,724
Internal allocation elimination entries	(2,025,371)
Tri-Township Arena, Caradoc Housing Corporation, and BIA consolidation entries	573,171
LHPWS adjustment	93,486
Taxation revenue for capital projects	<u>1,370,750</u>
Adjusted operating budget revenues per statement of operations	<u>\$ 30,298,210</u>

**EXPENSES**

Approved operating budget	\$ 29,992,145
Adjustments:	
Net contribution to reserves and reserve funds	(5,335,614)
Debt principal repayments	(1,312,379)
Internal allocation elimination entries	(2,025,371)
Tri-Township Arena, Caradoc Housing Corporation, and BIA consolidation entries	532,534
LHPWS adjustment	(118,046)
Amortization expense	<u>4,686,395</u>
Adjusted operating budget expenses per statement of operations	<u>\$ 26,419,664</u>

**NET OPERATING REVENUE** \$ 3,878,546

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# The Corporation of the Municipality of Strathroy-Caradoc

## Notes to Consolidated Financial Statements

December 31, 2018

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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 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, 2018

19. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social Housing	Recreation and Cultural Services	Planning and Development	2018 Total
<b>Revenue</b>									
Taxation	\$ 3,120,335	\$ 6,983,939	\$ 3,890,028	\$ 83,319	\$ 102,225	\$ -	\$ 2,320,446	\$ 524,680	\$ 17,024,972
User fees and service charges	396,300	1,143,518	20,382	9,370,137	126,520	-	1,739,083	156,541	12,952,481
Government transfers	329,666	1,120,261	-	2,210,436	-	-	78,982	29,927	3,769,272
Investment income	302,174	-	-	-	21,519	-	-	-	323,693
Penalty and interest on taxes	272,645	-	-	-	-	-	-	-	272,645
Other	77,472	70,452	345,896	1,237,678	-	119,284	285,729	24,116	2,160,627
	<u>4,498,592</u>	<u>9,318,170</u>	<u>4,256,306</u>	<u>12,901,570</u>	<u>250,264</u>	<u>119,284</u>	<u>4,424,240</u>	<u>735,264</u>	<u>36,503,690</u>
<b>Expenses</b>									
Wages and benefits	1,873,469	6,990,535	1,485,397	1,408,278	127,024	-	1,446,368	294,502	13,625,573
Materials, goods and services	956,457	1,190,906	1,271,802	3,310,625	62,244	88,440	1,920,570	369,062	9,170,106
	<u>2,829,926</u>	<u>8,181,441</u>	<u>2,757,199</u>	<u>4,718,903</u>	<u>189,268</u>	<u>88,440</u>	<u>3,366,938</u>	<u>663,564</u>	<u>22,795,679</u>
Gain on disposal of capital assets	(5,997)	(15,696)	(84,133)	(6,594)	(6,000)	-	(12,781)	-	(131,201)
	<u>2,823,929</u>	<u>8,165,745</u>	<u>2,673,066</u>	<u>4,712,309</u>	<u>183,268</u>	<u>88,440</u>	<u>3,354,157</u>	<u>663,564</u>	<u>22,664,478</u>
<b>Net surplus before Amortization</b>	1,674,663	1,152,425	1,583,240	8,189,261	66,996	30,844	1,070,083	71,700	13,839,212
Amortization	140,223	387,326	1,117,920	2,187,267	10,145	-	842,322	1,192	4,686,395
<b>Net surplus</b>	<u>\$ 1,534,440</u>	<u>\$ 765,099</u>	<u>\$ 465,320</u>	<u>\$ 6,001,994</u>	<u>\$ 56,851</u>	<u>\$ 30,844</u>	<u>\$ 227,761</u>	<u>\$ 70,508</u>	<u>\$ 9,152,817</u>

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

December 31, 2018

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

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

December 31, 2018

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20. Comparative Amounts

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

DRAFT - SUBJECT TO CHANGE

The Corporation of the Municipality of  
Strathroy-Caradoc  
Trust Funds  
Financial Statements  
For the year ended December 31, 2018

DRAFT - SUBJECT TO CHANGE

The Corporation of the Municipality of  
Strathroy-Caradoc  
Trust Funds  
Financial Statements  
For the year ended December 31, 2018

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The Corporation of the Municipality of Strathroy-Caradoc Trust Funds

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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

### Opinion

We have audited the trust fund financial statements of The Corporation of the Municipality of Strathroy-Caradoc (the Municipality), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of The Corporation of the Municipality of Strathroy-Caradoc as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis for Opinion

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

### Emphasis of Matter - Basis of Accounting

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

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

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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## Independent Auditor's Report

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

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

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

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

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario  
TBD

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

December 31	2018	2017
<b>Assets</b>		
Cash	\$ 28,421	\$ 31,251
Portfolio investments (Note 2)	651,117	636,272
Due from The Municipality of Strathroy-Caradoc	30,790	14,985
Due from Tri-Township Arena	1,250	1,250
	<u>\$ 711,578</u>	<u>\$ 683,758</u>
<b>Accumulated Surplus</b>	<u>\$ 711,578</u>	<u>\$ 683,758</u>

DRAFT - SUBJECT TO CHANGE

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

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Revenues</b>		
Investment income	\$ 22,018	\$ 9,127
Commissions	-	1,250
Capital receipts	15,805	14,985
	<u>37,823</u>	<u>25,362</u>
<b>Expenditures</b>		
The Municipality of Strathroy-Caradoc	676	614
Transaction costs	9,327	1,651
	<u>10,003</u>	<u>2,265</u>
<b>Annual surplus</b>	<b>27,820</b>	<b>23,097</b>
<b>Accumulated surplus, beginning of year</b>	<b>683,758</b>	<b>660,661</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 711,578</b>	<b>\$ 683,758</b>

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

<u>For the year ended December 31</u>	<u>2018</u>	<u>2017</u>
Cash provided by (used in)		
Operating Activities		
Annual surplus	\$ 27,820	\$ 23,097
Decrease (increase) in due from The Municipality of Strathroy-Caradoc	(15,805)	603,503
Decrease in due from Tri-Township Arena	-	1,250
	<u>12,015</u>	<u>627,850</u>
Investing Activities		
Decrease in portfolio investments	<u>(14,845)</u>	<u>(620,482)</u>
Net change in cash and cash equivalents	(2,830)	7,368
Cash and cash equivalents, beginning of year	<u>31,251</u>	<u>23,883</u>
Cash and cash equivalents, end of year	<u>\$ 28,421</u>	<u>\$ 31,251</u>

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

**December 31, 2018**

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**1. Summary of Significant Accounting Policies**

<b>Management Responsibility</b>	The financial statements of The Corporation of the Municipality of Strathroy Caradoc Trust Funds are the representation of management. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review.
<b>Basis of Accounting</b>	The financial statements have been prepared in accordance with Canadian public sector accounting standards. Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.
<b>Financial Instruments</b>	The financial instruments of the trust funds consist of cash, investments, due from The Municipality of Strathroy-Caradoc and due from Tri-Township Arena. The carrying values of these financial assets approximate their fair values unless otherwise disclosed. The investments are held by the Public Trustee.
<b>Use of Estimates</b>	The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.
<b>Portfolio Investments</b>	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.

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

December 31, 2018

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**2. Portfolio investments**

The trust fund portfolio investments consist of mutual funds and preferred shares with a carrying value of \$651,117 (2017 - \$636,272) and a market value of \$626,231 (2017 - \$635,903). The investments are held by the Public Trustee and Scotia Wealth Management.

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**3. Accumulated Surplus**

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

	2018	2017
Tri-Township Arena Board Trust Fund	\$ 15,763	\$ 15,618
Burwell Cemetery Trust Fund	571	560
Campbell Cemetery Trust Fund	7,311	7,178
Strathroy Cemetery Trust Fund	687,933	660,402
	<u>\$ 711,578</u>	<u>\$ 683,758</u>