

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

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

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Chief Administrative Officer
Fred Tranquilli

Director of Finance/Treasurer
Bill Dakin

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of Strathroy-Caradoc (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations, consolidated statement of change in net financial assets and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Strathroy-Caradoc as at December 31, 2020, and the results of operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report

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

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

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

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

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario
TBD

The Corporation of the Municipality of Strathroy-Caradoc

Consolidated Statement of Financial Position

| December 31 | 2020 | 2019 |
|--|-----------------------|-----------------------|
| Financial assets | | |
| Cash and cash equivalents (Note 1) | \$48,494,076 | \$ 45,221,076 |
| Taxes receivable | 1,798,747 | 1,672,763 |
| Accounts receivable | 10,313,033 | 6,089,062 |
| Portfolio investments (Note 2) | 3,994,816 | 3,919,720 |
| Long-term receivables | 9,000 | 11,000 |
| | <u>64,609,672</u> | <u>56,913,621</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | 6,747,805 | 5,457,537 |
| Deferred revenue (Note 4) | 16,464,801 | 12,709,056 |
| Employee future benefits (Note 9) | 2,372,459 | 2,288,479 |
| Net long-term debt (Note 5) | 4,362,412 | 4,751,650 |
| Landfill closure and post closure costs (Note 6) | 26,679 | 26,679 |
| | <u>29,974,156</u> | <u>25,233,401</u> |
| Net financial assets | <u>34,635,516</u> | <u>31,680,220</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 7) | 150,965,814 | 150,599,041 |
| Capital work in progress | 14,406,431 | 3,152,699 |
| Land held for resale | 2,941,242 | 2,774,251 |
| Prepaid expenses | 66,591 | 10,125 |
| | <u>168,380,078</u> | <u>156,536,116</u> |
| Accumulated surplus (Note 8) | <u>\$ 203,015,594</u> | <u>\$ 188,216,336</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 2020 | 2020 | 2019 |
|---|-----------------------|-----------------------|-----------------------|
| Revenue | | | |
| Taxation | \$18,355,333 | \$18,989,722 | \$ 17,541,913 |
| User fees and service charges | 14,974,890 | 13,433,096 | 13,056,602 |
| Government transfers - operating (Note 13) | 1,220,316 | 1,841,054 | 1,125,563 |
| Investment income | 92,609 | 535,178 | 658,602 |
| Penalty and interest on taxes | 252,500 | 119,019 | 237,369 |
| Other | 184,818 | 278,258 | 292,724 |
| | <u>35,080,466</u> | <u>35,196,327</u> | <u>32,912,773</u> |
| Expenses | | | |
| General government | 5,549,980 | 3,190,742 | 2,872,597 |
| Protection services | 9,401,632 | 9,300,862 | 8,826,313 |
| Transportation services | 4,194,943 | 3,846,608 | 3,694,297 |
| Environmental services | 7,119,469 | 7,083,073 | 6,741,050 |
| Health services | 265,962 | 184,022 | 219,235 |
| Social housing | 225,751 | 102,331 | 88,426 |
| Recreation and cultural services | 4,614,017 | 3,778,372 | 4,259,700 |
| Planning and development | 945,751 | 690,151 | 613,907 |
| | <u>32,317,505</u> | <u>28,176,161</u> | <u>27,315,525</u> |
| Annual surplus before other | <u>2,762,961</u> | <u>7,020,166</u> | <u>5,597,248</u> |
| Other Revenues (Expenses) | | | |
| Government transfers related to capital (Note 13) | 4,398,200 | 1,715,070 | 2,085,815 |
| User fees, developer and other contributions related to capital | 24,538,262 | 6,174,060 | 1,692,025 |
| (Loss) gain on disposal of capital assets | - | (26,058) | 30,824 |
| Increase in employee future benefits | - | (83,980) | (86,879) |
| | <u>28,936,462</u> | <u>7,779,092</u> | <u>3,721,785</u> |
| Annual surplus | <u>31,699,423</u> | <u>14,799,258</u> | <u>9,319,033</u> |
| Accumulated surplus, beginning of year | <u>188,216,336</u> | <u>188,216,336</u> | <u>178,897,303</u> |
| Accumulated surplus, end of year | <u>\$ 219,915,759</u> | <u>\$ 203,015,594</u> | <u>\$ 188,216,336</u> |

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

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

The Corporation of the Municipality of Strathroy-Caradoc

Consolidated Statement of Cash Flows

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

The Corporation of the Municipality of Strathroy-Caradoc

Summary of Significant Accounting Policies

December 31, 2020

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

Joint Local Board

The Lake Huron Area Primary Water Supply system has been consolidated on a proportionate basis based upon the water flow of the municipality in proportion to the entire flows provided by the joint board. Under the proportionate basis, the municipality's pro rata share of each of the assets, liabilities, revenues and expenditures of the board are consolidated with similar items in the municipality's financial statements. For 2020, the municipality's share of the System was 4.27% (2019 - 4.16%).

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

Portfolio Investments Portfolio investments are recorded at cost. Portfolio investments are written down when there has been a loss in value that is other than a temporary decline.

The Corporation of the Municipality of Strathroy-Caradoc

Summary of Significant Accounting Policies

December 31, 2020

Tangible Capital Assets

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

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

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

Collection of Taxes on Behalf of Other Taxation Authorities

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

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

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

The Corporation of the Municipality of Strathroy-Caradoc

Summary of Significant Accounting Policies

December 31, 2020

Trust Funds

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

Retirement Benefits and Other Employee Benefit Plans

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

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

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

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

Deferred Revenue

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

The Corporation of the Municipality of Strathroy-Caradoc

Summary of Significant Accounting Policies

December 31, 2020

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

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

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

Charges for sewer and water usage are recorded as user fees. User fees are recorded when the amount is determinable, collectibility is assured, and the services are provided. Connection fee revenues are recognized when the connection has been established.

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

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

The Corporation of the Municipality of Strathroy-Caradoc

Summary of Significant Accounting Policies

December 31, 2020

| | |
|----------------------|--|
| Use of Estimates | The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. |
| Land Held for Resale | Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing. |
| Contaminated Sites | A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries. |

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

1. Cash and Cash Equivalents

The Municipality's bank accounts are maintained at a chartered bank and earn interest at the bank's prime rate less 1.75%. The Municipality has established a bank operating line of credit of up to \$5,500,000 bearing interest at the bank's prime rate. At December 31, 2020, the Municipality had a balance owing of \$nil (2019 - \$nil).

2. Portfolio Investments

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

3. Operations of School Boards and the County of Middlesex

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

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

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

4. Deferred Revenue

| | Opening balance | Contributions received | Externally restricted investment income | Revenue recognized | Ending balance |
|---------------------|----------------------|---------------------------|--|-----------------------|----------------------|
| Federal gas tax | \$ 1,481,361 | \$ 633,026 | \$ 28,862 | \$ (473,388) | \$ 1,669,861 |
| Development charges | 10,186,381 | 5,947,059 | 155,250 | (2,436,641) | 13,852,049 |
| Parkland dedication | 328,423 | 11,772 | 9,319 | - | 349,514 |
| Other | 712,891 | 402,751 | 21,502 | (543,767) | 593,377 |
| | <u>\$ 12,709,056</u> | <u>\$ 6,994,608</u> | <u>\$ 214,933</u> | <u>\$ (3,453,796)</u> | <u>\$ 16,464,801</u> |

Federal gas tax

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

Development charges

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

Parkland dedication

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

Other

Funds include \$76,219 MTO Cycling grant, a \$192,672 MTO Transportation grant and \$133,125 in deferred police CSP grants, which will be allocated to revenue as funds are spent on specified purposes (2019 - \$297,698 OCIF formula funding, \$120,003 MTO Cycling grant, and a \$88,246 MTO Transportation grant).

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

5. Net Long-term Debt

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

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

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

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

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

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

6. Landfill Closure and Post Closure Costs

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

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

The estimated liability of \$26,679 (2019 - \$26,679) represents the sum of the discounted future cash flows for post closure care activities discounted at the municipality's current long term borrowing rate of 4%.

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

December 31, 2020

7. Tangible Capital Assets

| | | | | | | | | 2020 | 2019 |
|---|--------------|-------------------|---------------|---------------|--------------|----------------------|------------------------------|----------------|----------------|
| | Land | Land Improvements | Buildings | Equipment | Fleet | Infrastructure Roads | Infrastructure Environmental | Total | Total |
| Cost, beginning of year | \$ 6,143,299 | \$ 4,523,474 | \$ 41,455,840 | \$ 11,348,611 | \$ 9,883,646 | \$ 86,359,668 | \$ 110,593,927 | \$ 270,308,465 | \$ 262,571,508 |
| Additions | 996 | 132,188 | 374,766 | 1,283,943 | 1,494,080 | 788,276 | 1,158,443 | 5,232,692 | 7,871,031 |
| Disposals | | - | (2,919) | (9,320) | (813,116) | - | - | (825,355) | (287,249) |
| Lake Huron Area Primary Water Supply System - rate change | 2,628 | - | 61,381 | - | 48,537 | - | 130,526 | 243,072 | 153,175 |
| Cost, end of year | 6,146,923 | 4,655,662 | 41,889,068 | 12,623,234 | 10,613,147 | 87,147,944 | 111,882,896 | 274,958,874 | 270,308,465 |
| Accumulated amortization, beginning of year | - | 1,434,604 | 13,995,578 | 5,299,141 | 5,389,880 | 61,932,306 | 31,657,915 | 119,709,424 | 115,065,649 |
| Amortization | - | 123,811 | 961,297 | 643,201 | 716,813 | 866,030 | 1,660,556 | 4,971,708 | 4,822,975 |
| Disposals | - | - | (2,919) | (9,320) | (756,310) | - | - | (768,549) | (225,510) |
| Lake Huron Area Primary Water Supply System - rate change | 1 | - | 19,865 | - | 25,937 | - | 34,674 | 80,477 | 46,310 |
| Accumulated amortization, end of year | 1 | 1,558,415 | 14,973,821 | 5,933,022 | 5,376,320 | 62,798,336 | 33,353,145 | 123,993,060 | 119,709,424 |
| Net carrying amount, end of year | \$ 6,146,922 | \$ 3,097,247 | \$ 26,915,247 | \$ 6,690,212 | \$ 5,236,827 | \$ 24,349,608 | \$ 78,529,751 | \$ 150,965,814 | \$ 150,599,041 |

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

December 31, 2020

7. Tangible Capital Assets (continued)

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

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

8. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

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

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by by-law or Council resolution for specific purposes.

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

9. Employee Future Benefits

The municipality provides certain employee benefits, which will require funding in future periods. These benefits include life insurance, and extended health and dental benefits for early retirees. An estimate of the future liabilities for these benefits has been actuarially determined and forms the basis for the estimated liability reported in these financial statements.

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

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

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

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

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

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

10. Contingent Liabilities

The Municipality is a co-defendant in various legal actions. The ultimate outcomes are indeterminable at December 31, 2020 as litigation is still in progress. The Municipality's management is of the opinion that the Municipality has adequate insurance coverage to offset the amount of any claims and related costs, if any. Consequently, no provision for potential loss, if any, is reflected in these financial statements.

11. Commitments

The Municipality signed a five year contract with a third party to perform billing and collection services relating to its water and sewer operations. The contract expires in June 2022, and approximates \$345,000 per year.

12. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer plan, on behalf of certain employees of the Municipality. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on their length of service and rates of pay. The OMERS Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 525,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2020. The results of this valuation disclosed total actuarial liabilities of \$113,055 million (2019 - \$107,687 million) in respect of benefits accrued for service with actuarial assets at that date of \$109,844 million (2019 - \$104,290 million) indicating an actuarial deficit of \$3,211 million (2019 - \$3,397 million).

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed for 2020 was \$970,917 (2019 - \$894,413) for current service. The OMERS Board rate was 9.0% to 15.8% depending on income level (2019 - 9.0% to 15.8% depending on income level).

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

December 31, 2020

13. Government Transfers

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

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

14. Tri-Township Arena Board Consolidation

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

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

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

15. Caradoc Housing Corporation Consolidation

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

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

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

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

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

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

17. Trust Funds

Trust funds administered by the municipality amounting to \$716,620 (2019- \$730,923) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

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

December 31, 2020

18. Budget

The budget approved by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards) which is allowable as per Ontario Regulation 284/09 of the Municipal Act. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting.

REVENUE

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

EXPENSES

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

| | |
|------------------------------|----------------------------|
| NET OPERATING REVENUE | <u><u>\$ 2,762,961</u></u> |
|------------------------------|----------------------------|

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

19. Segmented Information

The Municipality of Strathroy-Caradoc has adopted a business approach to the various responsibilities carried out by the municipality and has separated the financial transactions to better reflect the true cost of each segment. The following provides a brief description of the individual segments used.

General Government

General Government is comprised of various departments including the Clerk's, Finance and Taxation, Legal, Human Resources and Information Technology departments. These departments support and provide a variety of services to other departments within the municipality and the public.

Protection Services

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

Transportation Services

Transportation Services consists of road maintenance and construction as well as winter control, parking, and street lighting. Road maintenance and construction maintains approximately 225 kilometres of road and takes care of pothole maintenance, hot mix patching, paving, street cleaning, signage, and winter control.

Environmental Services

Environmental Services consists of sanitary sewer, storm sewer maintenance, waterworks system construction and maintenance, waste collection, waste disposal, and recycling. The sewage division constructs and maintains the municipalities storm and sanitary sewers as well as 10 sewage pumping stations.

Health Services

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

Social Housing

Social Housing consists of non-profit housing accommodation using rent geared to income guidelines. The housing accommodations are managed by the Caradoc Housing Corporation.

Recreation and Cultural Services

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

Planning and Development

Planning and Development's function is to assist Council, the development community and the public in matters relating to land use planning and economic development.

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

December 31, 2020

19. Segmented Information (continued)

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

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

December 31, 2020

19. Segmented Information (continued)

| For the year ended December 31 | General Government | Protection Services | Transportation Services | Environmental Services | Health Services | Social Housing | Recreation and Cultural Services | Planning and Development | 2019 Total |
|---|-----------------------|------------------------|----------------------------|---------------------------|--------------------|-------------------|--|-----------------------------|---------------------|
| Revenue | | | | | | | | | |
| Taxation | \$ 3,022,092 | \$ 7,568,912 | \$ 4,117,498 | \$ 79,134 | \$ 120,087 | \$ - | \$ 2,068,780 | \$ 565,410 | \$ 17,541,913 |
| User fees and service charges | 395,079 | 884,733 | 56,243 | 9,728,292 | 92,497 | - | 1,740,615 | 159,143 | 13,056,602 |
| Government transfers | 854,738 | 807,400 | - | 1,381,827 | 34,445 | - | 100,793 | 32,175 | 3,211,378 |
| Investment income | 644,790 | - | - | - | 13,812 | - | - | - | 658,602 |
| Penalty and interest on taxes | 237,369 | - | - | - | - | - | - | - | 237,369 |
| Other | 176,591 | 8,229 | 708,323 | 661,369 | - | 129,355 | 263,204 | 37,678 | 1,984,749 |
| | <u>5,330,659</u> | <u>9,269,274</u> | <u>4,882,064</u> | <u>11,850,622</u> | <u>260,841</u> | <u>129,355</u> | <u>4,173,392</u> | <u>794,406</u> | <u>36,690,613</u> |
| Expenses | | | | | | | | | |
| Wages and benefits | 1,980,761 | 7,127,208 | 1,478,587 | 1,390,539 | 138,849 | - | 1,579,958 | 261,400 | 13,957,302 |
| Materials, goods and services | 787,458 | 1,310,722 | 1,060,534 | 3,145,445 | 64,705 | 88,426 | 1,812,330 | 352,507 | 8,622,127 |
| | <u>2,768,219</u> | <u>8,437,930</u> | <u>2,539,121</u> | <u>4,535,984</u> | <u>203,554</u> | <u>88,426</u> | <u>3,392,288</u> | <u>613,907</u> | <u>22,579,429</u> |
| (Gain) loss on disposal of capital assets | (11,885) | (7,437) | 18,739 | (1,448) | (14,147) | - | (14,646) | - | (30,824) |
| | <u>2,756,334</u> | <u>8,430,493</u> | <u>2,557,860</u> | <u>4,534,536</u> | <u>189,407</u> | <u>88,426</u> | <u>3,377,642</u> | <u>613,907</u> | <u>22,548,605</u> |
| Annual surplus before Amortization | <u>2,574,325</u> | <u>838,781</u> | <u>2,324,204</u> | <u>7,316,086</u> | <u>71,434</u> | <u>40,929</u> | <u>795,750</u> | <u>180,499</u> | <u>14,142,008</u> |
| Amortization | 191,257 | 388,383 | 1,155,176 | 2,205,066 | 15,681 | - | 867,412 | - | 4,822,975 |
| Annual surplus (deficit) | <u>\$ 2,383,068</u> | <u>\$ 450,398</u> | <u>\$ 1,169,028</u> | <u>\$ 5,111,020</u> | <u>\$ 55,753</u> | <u>\$ 40,929</u> | <u>\$ (71,662)</u> | <u>\$ 180,499</u> | <u>\$ 9,319,033</u> |

The Corporation of the Municipality of Strathroy-Caradoc

Notes to Consolidated Financial Statements

December 31, 2020

20. Comparative Figures

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

21. Contractual Obligations

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

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

22. COVID-19 Impacts

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

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

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

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