

**CORPORATION OF THE VILLAGE
OF POINT EDWARD
CONSOLIDATED FINANCIAL STATEMENTS**
December 31, 2017

CORPORATION OF THE VILLAGE OF POINT EDWARD
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

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MANAGEMENT’S REPORT

The management of the Corporation of the Village of Point Edward (“Village”) is responsible for the integrity, objectivity and accuracy of the financial information in the accompanying consolidated financial statements.

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The Village employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

The Finance Committee, a sub-committee of Village Council (“Council”), reviews and approves the consolidated financial statements before they are submitted to Council.

The December 31, 2017 consolidated financial statements have been examined by the Village of Point Edwards’ external auditors, MNP LLP, and their report precedes the consolidated financial statements.

Point Edward, Canada

September 25, 2018

Teena Thibeault

Treasurer

Jim Burns

Chief Administrative Officer/Clerk

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF COUNCIL, INHABITANTS AND RATEPAYERS OF THE CORPORATION OF THE VILLAGE OF POINT EDWARD

We have audited the consolidated financial statements of the Corporation of the Village of Point Edward which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, accompanying schedules and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the Village of Point Edward as at December 31, 2017, and the results of its consolidated operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of the Corporation of the Village of Point Edward for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on September 25, 2018.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Ontario
September 25, 2018

CORPORATION OF THE VILLAGE OF POINT EDWARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At December 31, 2017

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (note 2)	2,022,852	2,785,521
Investments (note 3)	861,306	726,838
Taxes receivable (note 4)	1,231,332	1,211,932
Accounts and notes receivable	1,143,699	995,131
Investment in Bluewater Power Corporation (note 5)	2,153,168	2,086,475
TOTAL FINANCIAL ASSETS	7,412,357	7,805,897
LIABILITIES		
Accounts payable and accrued liabilities	614,024	502,622
Deferred revenue (note 6)	100,000	100,000
Long-term debt (note 8)	991,333	1,319,259
TOTAL LIABILITIES	1,705,357	1,921,881
NET FINANCIAL ASSETS	5,707,000	5,884,016
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	27,581,536	26,200,654
Prepaid expenses	-	1,368
TOTAL NON-FINANCIAL ASSETS	27,581,536	26,202,022
ACCUMULATED SURPLUS (note 10)	33,288,536	32,086,038

Contingencies (note 16)

Contractual commitments (note 17)

Approved on behalf of Council:

Mayor

C.A.O./Clerk

Treasurer

CORPORATION OF THE VILLAGE OF POINT EDWARD

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the Year Ended December 31, 2017

	Budget 2017 \$ (note 14)	Actual 2017 \$	Actual 2016 \$
REVENUES			
Taxation	2,642,610	2,722,786	2,634,918
User charges	2,034,518	1,932,950	1,870,407
Government of Canada grants	325,435	62,935	61,840
Province of Ontario grants	186,929	180,253	59,880
Other municipalities grants	59,964	71,487	59,631
Penalties and interest on taxes	150,000	161,618	138,572
Investment income	131,869	103,427	81,497
Loss on sale of tangible capital assets	-	(35,068)	(39,333)
Casino revenue	2,185,000	2,390,968	2,350,662
Share of net income in Bluewater Power Corporation	-	123,529	95,575
TOTAL REVENUES	7,716,325	7,714,885	7,313,649
EXPENSES			
General government	917,424	993,218	894,085
Protection services	1,475,197	1,397,556	1,489,769
Transportation services	1,152,819	1,063,117	1,174,022
Environmental services	1,782,286	1,824,473	1,748,825
Recreation and cultural services	1,192,797	1,234,230	1,173,026
Planning and development	62,257	61,549	1,679
TOTAL EXPENSES	6,582,780	6,574,143	6,481,406
ANNUAL SURPLUS	1,133,545	1,140,742	832,243
ACCUMULATED SURPLUS - beginning of year	32,086,038	32,086,038	31,302,813
Equity increase (decrease) in LAWSS due to change in % ownership	61,756	61,756	(49,018)
ACCUMULATED SURPLUS - end of year (note 10)	33,281,339	33,288,536	32,086,038

CORPORATION OF THE VILLAGE OF POINT EDWARD

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the Year Ended December 31, 2017

	Budget 2017 \$ (note 14)	Actual 2017 \$	Actual 2016 \$
ANNUAL SURPLUS	1,133,545	1,140,742	832,243
Amortization of tangible capital assets	1,258,192	1,258,192	1,247,462
Acquisition of tangible capital assets	(3,673,263)	(2,622,439)	(1,048,521)
Net book value of disposed tangible capital assets	-	45,245	54,436
Share of LAWSS adjustment on tangible capital assets due to change in % ownership	(61,880)	(61,880)	52,991
Share of LAWSS adjustment on opening surplus due to change in % ownership	61,756	61,756	(49,018)
Decrease (increase) in prepaid expenses	-	1,368	(1,368)
INCREASE IN NET FINANCIAL ASSETS	(1,281,650)	(177,016)	1,088,225
NET FINANCIAL ASSETS - beginning of year	5,884,016	5,884,016	4,795,791
NET FINANCIAL ASSETS - end of year	4,602,366	5,707,000	5,884,016

CORPORATION OF THE VILLAGE OF POINT EDWARD

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

	Actual 2017 \$	Actual 2016 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	1,140,742	832,243
Non-cash charges to operations		
Amortization of tangible capital assets	1,258,192	1,247,462
Loss on disposal of tangible capital assets	35,068	39,333
Equity basis net income in Bluewater Power Corporation	(123,529)	(95,575)
Change in non-cash assets and liabilities		
Increase in taxes receivable	(19,400)	(364,689)
(Increase) decrease in accounts and notes receivable	(148,568)	39,629
Increase in accounts payable and accrued liabilities	111,402	56,607
(Decrease) Increase in deferred revenue	-	100,000
Decrease (increase) in prepaid expenses	1,368	(1,368)
Net increase in cash from operating transactions	2,255,275	1,853,641
CAPITAL		
Acquisition of tangible capital assets	(2,622,439)	(1,048,521)
Proceeds on disposal of tangible capital assets	10,177	15,103
Share of LAWWS adjustment on tangible capital assets	(61,880)	52,991
Net decrease in cash from capital transactions	(2,674,142)	(980,427)
INVESTING		
Dividends received from Bluewater Power Corporation	56,836	53,920
Equity increase (decrease) in LAWSS due to change in % ownership	61,756	(49,018)
Increase in investments	(134,468)	(214,783)
Net decrease in cash from investing transactions	(15,876)	(209,881)
FINANCING		
Debt principal repayments	(325,646)	(313,259)
Share of LAWSS adjustment on long term debt	(2,280)	(3,877)
Net decrease in cash from financing transactions	(327,926)	(317,136)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(762,669)	346,197
CASH AND CASH EQUIVALENTS - beginning of year	2,785,521	2,439,324
CASH AND CASH EQUIVALENTS - end of year	2,022,852	2,785,521
Cash paid for interest	47,678	62,334
Cash received from interest	82,240	81,497

The accompanying notes and schedules are an integral part of these consolidated financial statements

The Village of Point Edward ("Village") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation. The Village provides municipal services such as fire, public works, planning, parks and recreation and other general government operations.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) as defined in the CPA Canada Public Sector Accounting Handbook. Significant aspects of the accounting policies are as follows:

a) Basis of Consolidation

i. Consolidated Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity.

The reporting entity is comprised of all committees and local boards accountable for the administration of their financial affairs and resources of the Village and which are owned or controlled by the Village.

These entities include:

- Point Edward Electricity Holdings Inc.

Inter-departmental and inter-organizational transactions and balances with this entity have been eliminated.

ii. Government Business Enterprise

The Village's investment in Bluewater Power Corporation ("BPC") is accounted for on the modified equity basis, consistent with Canadian public sector accounting standards as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, BPC's accounting policies are not adjusted to conform to those of the Village and inter-organizations transactions and balances are not eliminated. The Village recognizes its equity interest in the annual income or loss of BPC in its Consolidated Statement of Operations with corresponding increase or decrease in its investment asset account. Any dividends that the Village may receive from BPC will be reflected as reductions in the investment asset account.

iii. Joint Local Board

The Lambton Area Water Supply System ("LAWSS") 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 for the previous year. Under the proportionate basis, the Village's pro rata share of each assets, liabilities, revenues and expenditures of LAWSS are consolidated with similar items in the Village's financial statements. For 2017, the Village's share of LAWSS was 2.15% (2016 - 2.08%). Material inter-organizational transactions and balances have been eliminated.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

iv. Accounting for County and School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the County of Lambton are not reflected in these consolidated financial statements.

b) Basis of accounting

The Village follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of a receipt of goods or services and/or the creation of a legal obligation to pay.

c) Non-financial assets

Non-financial assets are not yet available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

d) Cash and cash equivalents

Cash equivalents are comprised of guaranteed investment certificates and term deposits with original maturities of 90 days or less and are recorded at cost.

e) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amount that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Asset	Useful Life - Years
Land improvements	20 years
Buildings and building improvements	15 - 100 years
Transportation infrastructure	15 - 50 years
Environmental infrastructure	35 - 100 years
Vehicles	7 - 15 years
Equipment	5 - 20 years

Amortization is charged starting in the year subsequent to acquisition and a full year of amortization is charged in the year of disposition. Assets under construction are not amortized until the year after the asset is available for productive use.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Tangible capital assets (continued)

The Village's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset. Works of art and cultural and historic assets are not recorded as assets in these financial statements.

f) Financial instruments

i. Measurement of financial instruments

The Village initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Village subsequently measures its financial assets and financial liabilities at amortized cost

ii. Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the consolidated statement of operations. The write-down reflects the difference between the carrying amount and the higher of:

- a) the present value of the cash flows expected to be generated by the asset or group of assets;
- b) the amount that could be realized by selling the assets or group of assets;
- c) the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the event occurring after the impairment confirms that a reversal is necessary, the reversal is recognized in the Consolidated Statement of Operations up to the amount of the previously recognized impairment.

g) Revenue recognition

Property tax billings are prepared by the Village based on the assessment roles issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Council, incorporating amounts to be raised for local services. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in the property assessments. Once a supplementary assessment roll is received, the Village determines the taxes applicable and renders a supplementary tax billing. Taxation revenues are recorded at the time the tax billings are issued.

The Village is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Revenue recognition (continued)

User charges, Government of Canada grants, Province of Ontario grants & Other municipal grants are recognized when related goods or services are provided and collectability is reasonably assured.

Investment income earned on surplus funds is recognized when earned.

Casino revenue is recognized when earned. Share of net income in BWP is recognized when earned.

h) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 expenses during the period. Estimates are used with accounting for items such as accrued receivables and accrued liabilities.

In addition, the Village's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from these estimates.

i) Government Transfers

Transfers are recognized in the consolidated financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

j) Investments

Investments consist of guaranteed investment certificates ("GICs") with maturity dates greater than 90 days and are recorded at amortized cost. Investment income is reported as revenue in the period earned..

k) Employee future benefits

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit pension plan, are expensed when contributions are due.

2. CASH AND CASH EQUIVALENTS

	2017	2016
	\$	\$
Cash on deposit	362,282	1,024,360
Cash equivalents	1,660,570	1,761,161
	<u>2,022,852</u>	<u>2,785,521</u>

3. INVESTMENTS

The investments of \$861,306 (2016 - \$726,838) reported on the Consolidated Statement of Financial Position at cost, have a market value of \$861,306 (2016 - \$726,838) at the end of the year.

4. TAXES RECEIVABLE

Taxes receivable are reported net of allowance for doubtful accounts. As at December 31, the balances are as follows:

	2017	2016
	\$	\$
Taxes receivable	971,206	1,031,184
Penalties and interest	260,127	180,748
	<u>1,231,333</u>	<u>1,211,932</u>

5. INVESTMENT IN BLUEWATER POWER CORPORATION

In recognition of the requirements of Bill 35 (The Energy Competition Act, 1998) the Village, along with the City of Sarnia, Town of Petrolia, Township of Warwick, Village of Oil Springs and Village of Alvinston passed in the year 2000 transfer by-laws that transferred, effective October 31, 2000, all of the their hydro assets and liabilities to Bluewater Power Distribution Corporation. Upon determination of the fair value of assets and liabilities transferred, each municipality received a promissory note from Bluewater Power Distribution Corporation and shares of Bluewater Power Corporation, which owns 100% of Bluewater Power Distribution Corporation, equal to the percentage of the fair market value of assets and liabilities each municipality contributed compared to the total fair market value of the assets and liabilities contributed by the municipalities. The fair market value of the assets and liabilities contributed by the Village of Point Edward was determined to be 3.37% of the fair market value of all of the assets and liabilities contributed by all of the six participating municipalities.

For its contribution the Township took back a \$686,609 promissory note from Bluewater Power Distribution Corporation bearing interest at 7.25% and Point Edward Electricity Holdings Inc., wholly owned by the Village was incorporated to hold the Village's investment in 3.37% of the common shares of Bluewater Power Corporation. This investment in 3.37% of the common shares of Bluewater Power Corporation was valued at \$607,682.

5. INVESTMENT IN BLUEWATER POWER CORPORATION (continued)

Commencing May 1, 2009, the interest rate payable on the promissory note increased from 7.25% to 7.62%, the deemed debt cost allowed by the Ontario Energy Board and on May 1, 2013 the increase rate declined to 6.39%. In May 2016 the rate was adjusted to 6.73%.

The investment in Bluewater Power Corporation is reported on the modified equity basis.

	2017	2016
	\$	\$
Promissory Note	653,025	653,025
Point Edward Electricity Holdings Inc. common shares	607,682	607,682
Share of net income since acquisition, net of dividends received	892,461	825,768
	<u>2,153,168</u>	<u>2,086,475</u>
Continuity of Investment		
Balance, beginning of year	2,086,475	2,044,820
Share of net income for the year	123,529	95,575
Dividends received during the year	(56,836)	(53,920)
Net increase in equity during the year	66,693	41,655
	<u>2,153,168</u>	<u>2,086,475</u>
Balance, end of year	<u>2,153,168</u>	<u>2,086,475</u>

The promissory note is due from Bluewater Power Distribution Corporation is unsecured, subordinated and due eighteen months following demand for payment. During 2017, the Village of Point Edward received \$45,585 (2016 - \$41,867) of interest income on the promissory note.

5. INVESTMENT IN BLUEWATER POWER CORPORATION (continued)

The following is the financial information presented by Bluewater Power Corporation:

Consolidated Statement of Financial Position

	2017	2016
	\$	\$
Current assets	39,400,753	33,630,344
Other assets	72,265,546	68,108,376
Regulatory balances	2,314,833	2,572,446
Current liabilities	(26,612,683)	(20,466,249)
Non-current liabilities	(38,974,758)	(37,797,675)
Regulatory balances	(3,867,886)	(3,511,623)
Shareholders' equity	44,525,805	42,535,619

Consolidated Statements of Comprehensive Income

	2017	2016
	\$	\$
Revenue	132,180,703	148,739,522
Operating expenditures	(123,294,840)	(136,070,476)
Finance income and costs	(2,228,494)	(2,769,108)
Income tax expense	(1,551,000)	(1,560,000)
Net movement in regulatory balances, net of tax	(334,876)	(3,523,416)
Other comprehensive income	(1,105,949)	(1,980,470)
Total comprehensive income	3,665,544	2,836,052

6. DEFERRED REVENUE

Deferred revenue represents a donation received in 2016 to be used towards construction of a splash pad. The donation is to be deferred and recognized into income in the same manner as the amortization of the splash pad.

The splash pad was completed in 2017 and will be amortized over the life of the splash pad, which is estimated to be 20 years, beginning in 2018.

7. BANK INDEBTEDNESS

The Village has an operating loan agreement with a Canadian Chartered bank for a credit facility up to \$600,000, payable on demand, bearing interest at the bank's prime rate per annum. The balance on the credit facility at December 31, 2017 was \$NIL (2016 - \$NIL).

8. LONG-TERM DEBT

- a) The balance of long term-debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2017	2016
	\$	\$
Debt incurred by The Corporation of the County of Lambton on behalf of LAWSS and participating municipalities, with interest at increasing rates from 7.95% to 8.00%, maturing May 2017. Recoverable from taxation and user fees.	-	67,746
Ontario Infrastructure Projects Corporation ("OIPC") capital loan, bearing interest at 3.78% per annum, due and payable in full February 15, 2021.	991,333	1,251,513
TOTAL LONG-TERM DEBT:	991,333	1,319,259

- b) Interest paid during the year on long term debt amounted to \$47,678 (2016 - \$62,334).
- c) The long term liabilities in (a) issued in the name of the Village have received approval of the Ontario Municipal Board (or approval by private legislation) for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.
- d) The long term debt reported in (a) of this note is repayable as follows:

	Principal	Interest	Total
	\$	\$	\$
2018	270,108	34,944	305,052
2019	280,414	24,638	305,052
2020	291,114	13,938	305,052
2021	149,697	2,829	152,526
	991,333	76,349	1,067,682

9. TANGIBLE CAPITAL ASSETS

The net book value of the tangible capital assets are:

	2017	2016
	\$	\$
General		
Land and land improvements	2,572,674	2,139,612
Buildings	13,068,913	12,302,716
Vehicles and equipment	1,844,634	1,524,736
Infrastructure		
Transportation	4,086,569	4,198,030
Environmental	5,844,638	5,862,819
	27,417,428	26,027,913
Work in progress	164,108	172,741
	27,581,536	26,200,654

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During 2017, there were no write-downs of assets (2016 - \$NIL) and no interest capitalized (2016 - \$NIL).

10. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus/(deficit) and reserves as follows:

	2017	2016
	\$	\$
Surplus		
Investment in Bluewater Power Corporation	2,153,168	2,086,475
Invested In Capital Assets		
Tangible capital assets - net book value	27,581,536	26,200,654
Long-term debt	(991,333)	(1,319,259)
	26,590,203	24,881,395
Surplus	28,743,371	26,967,870
Reserves		
Emergencies	1,847,909	2,402,522
Working capital	848,582	848,582
Fire department rescue truck	500,000	200,000
Water	390,438	295,082
Specified capital projects	267,775	244,800
Roads capital	249,219	-
Donation reserve	83,204	83,204
Point Edward Electricity Holdings	76,501	351,880
LAWSS	67,946	64,122
Public works winter maintenance	51,980	51,980
Capital expenditures	40,474	40,474
Fire department vehicle	25,000	25,000
Parks sick leave	23,601	23,601
Fire department training	22,878	22,878
Planning licenses and permits	18,190	16,407
Insurance claims	16,468	16,468
General election	12,000	8,000
Farmers Market	3,000	-
Dump truck replacement	-	100,000
Parks splash pad	-	251,935
Grants on hold	-	71,233
Total Reserves	4,545,165	5,118,168
	33,288,536	32,086,038

11. JOINT LOCAL BOARD CONSOLIDATION – LAWSS

The following summarizes the financial position and operations of LAWSS which has been reported in these consolidated financial statements using the proportionate consolidation method.

The consolidated financial statements include the Village's 2.15% (2016 - 2.08%) proportionate interest as follows:

Consolidated Statement of Financial Position

	2017	2016
	\$	\$
Cash	81,874	86,173
Accounts and notes receivable	13,759	3,321
Accounts payable and accrued liabilities	(27,687)	(25,372)
Long-term debt	-	(67,746)
Net financial debt	67,946	(3,624)
Tangible capital assets	1,895,953	1,838,712
Accumulated surplus	1,963,899	1,835,088

Consolidated Statement of Operations

	2017	2016
	\$	\$
Total revenues	228,689	213,747
Total expenses	(161,636)	(154,007)
Annual surplus	67,053	59,740

12. PENSION AGREEMENTS

The Village makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Corporation does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

Employer contributions for current service amounted to \$156,172 (2016 - \$150,219) and were matched by employee contributions.

13. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF LAMBTON

During 2017, requisitions were made by the County of Lambton and School Boards requiring the Village to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	School Boards \$	County \$
Property taxes	1,606,975	1,861,363
Payments in lieu	2,941	121,902
	<u>1,609,916</u>	<u>1,983,265</u>
Amounts requisitioned and remitted	<u>1,609,916</u>	<u>1,983,265</u>

These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

14. EXPENSES BY OBJECT

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are as follows:

	Budget 2017 \$	Actual 2017 \$	Actual 2016 \$
Salaries and benefits	2,375,379	2,313,969	2,219,656
Interest charges	21,980	61,846	62,334
Materials	1,855,569	1,823,849	1,760,103
Contracted services	818,391	939,209	1,054,356
Rents and financial expenses	3,000	2,601	2,737
External transfers	105,944	173,373	134,756
Amortization	1,402,517	1,259,296	1,247,464
	<u>6,582,780</u>	<u>6,574,143</u>	<u>6,481,406</u>

15. BUDGET FIGURES

Budget data presented in these consolidated financial statements are based upon the 2017 operating and capital budget approved by Council. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Village Approved Budget	PSAB Adjustment & Consolidated Entities	Budget Per Financial Statements
	\$	\$	\$
General revenues	7,569,312	147,013	7,716,325
General expenses	(5,192,941)	(1,389,839)	(6,582,780)
Non Statement of Operations Transactions:			
Capital expenditures	3,673,263	(3,673,263)	-
Reserve transfers	(1,296,892)	1,296,892	-
Annual surplus	4,752,742	(3,619,197)	1,133,545

16. CONTINGENCIES

The Village is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not be material to the financial statements and the Village's insurance will adequately cover any potential liability arising from these claims. Claims are reported as an expense in the year of the loss, where costs are deemed to be likely and can be reasonably determined. No amounts have been accrued at this time.

17. CONTRACTUAL COMMITMENTS

The Village entered into a service agreement with Marcotte Recycling for the collection of garbage for a ten year term ending June 30, 2022 at an approximate cost of \$131,532 in 2017 and \$134,163 for 2018 to 2022 annually, including HST.

The Village has entered into a service agreement with the Ontario Provincial Police for the provision of policing services which will expire on December 31, 2019 at an annual cost of \$581,564 including HST for 2018 and subsequent years' amounts to be determined on an annual basis based on estimated salary and benefit costs.

The Village has entered into a service agreement with the City of Sarnia for the provision of transit services which will expire on December 31, 2018 at a cost of \$177,000 including HST.

17. CONTRACTUAL COMMITMENTS (continued)

The Village has entered into a contract with Maaten Construction Limited related to the digester lid refurbishment. The contract is for \$580,124 including HST and construction is estimated to be completed in 2018.

18. SEGMENTED INFORMATION

The Village is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of those segments and the activities they encompass are as follows:

General Government

The departments within general government are responsible for the general management and control of the Village, including adopting by-laws, adopting administrative policy, levying taxes, and providing administrative services. They also ensure that quality services are provided to the community and that the services are aligned with Council approved actions.

Protection Services

Protection is comprised of police services, fire protection, building department and animal control. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression services, fire prevention programs, training and education related to prevention, detection or extinguishment of fires and emergency rescue services. The building department is responsible for permit processing and building inspections. The animal control department is responsible to provide a licensing system for dogs.

Transportation Services

Transportation includes the delivery of municipal public works services related to the planning, development and maintenance of the roadway system, street lighting and funding for mobility transit services.

Environmental Services

Environmental services consist of providing sanitary and storm sewer, water, waste collection and disposal, and recycling services.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the Village's citizens. The Village is responsible for the development, provision and maintenance of the Point Edward Arena and Community Hall, as well as parks and recreation.

Planning and Development

The County of Lambton Planning Department provides advice, guidance and recommendations to Council, the Committee of Adjustment and staff members on all planning issues. The administration for all planning application is dealt with by municipal office staff. The Point Edward Committee of Adjustment supports an open and inclusive planning process and considers decisions on severance and minor variance applications.

19. FINANCIAL INSTRUMENTS AND RISKS

Unless otherwise noted, it is management's opinion that the Village is not exposed to significant risks. There have been no changes in the Village's risk exposures from the prior year.

Credit risk

The Village is exposed to credit risk through its cash, taxes receivable and accounts and notes receivable. There is a possibility of non-collection of its accounts receivable. The majority of the Village's receivables are from rate payers and government entities. The Village mitigates its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk

Liquidity risk is the risk that the Village will not be able to meet its obligations as they become due. The Village manages this risk by establishing budgets and funding plans to fund its expenses and debt repayments.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Village is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and long-term liabilities and the value of fixed rate long-term liabilities.

20. ECONOMIC DEPENDENCE

Approximately 31% (2016 - 32%) of the Village's total revenues are generated from the Ontario Lottery and Gaming Corporation (OLG). The loss of a material amount of casino revenue from OLG could have a material adverse effect on the operations of the Village.

21. SUBSEQUENT EVENTS

Subsequent to the year end the Village entered into the following contract:

The Village has entered into a contract with Bluewater Regional Networks subsequent to year end to provide fiber internet services. Total estimated costs are a one time setup fee of \$150,000 including HST, plus \$945 per month for a term of 10 years.

22. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to confirm to the presentation used in the current year. The changes do not affect prior year earnings.

CORPORATION OF THE VILLAGE OF POINT EDWARD

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2017

	General			Infrastructure		Work in Progress	Totals
	Land and Land Improvements	Buildings	Vehicles and Equipment	Transportation	Environmental		
	\$	\$	\$	\$	\$		
COST							
Balance, beginning of year	4,008,460	20,590,115	3,740,612	7,648,011	9,409,650	172,741	45,569,589
Add: additions during the year	579,332	1,303,188	523,955	170,376	35,456	10,132	2,622,439
Less: disposals during the year	-	21,535	202,164	31,265	-	18,765	273,729
LAWSS equity adjustment	-	-	-	-	92,409	-	92,409
Balance, end of year	4,587,792	21,871,768	4,062,403	7,787,122	9,537,515	164,108	48,010,708
ACCUMULATED AMORTIZATION							
Balance, beginning of year	1,868,848	8,287,399	2,215,876	3,449,981	3,546,831	-	19,368,935
Add: amortization for the year	146,270	524,624	189,944	281,837	115,517	-	1,258,192
Less: disposals during the year	-	9,168	188,051	31,265	-	-	228,484
LAWSS equity adjustment	-	-	-	-	30,529	-	30,529
Balance, end of year	2,015,118	8,802,855	2,217,769	3,700,553	3,692,877	-	20,429,172
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,572,674	13,068,913	1,844,634	4,086,569	5,844,638	164,108	27,581,536

CORPORATION OF THE VILLAGE OF POINT EDWARD

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2016

	General			Infrastructure		Work in Progress	Totals
	Land and Land Improvements	Buildings	Vehicles and Equipment	Transportation	Environmental		
	\$	\$	\$	\$	\$		
COST							
Balance, beginning of year	3,992,662	20,142,954	3,627,268	7,441,650	9,447,251	148,156	44,799,941
Add: additions during the year	15,798	479,684	232,162	241,231	55,061	24,585	1,048,521
Less: disposals during the year	-	32,523	118,818	34,870	14,621	-	200,832
LAWSS equity adjustment	-	-	-	-	(78,041)	-	(78,041)
Balance, end of year	4,008,460	20,590,115	3,740,612	7,648,011	9,409,650	172,741	45,569,589
ACCUMULATED AMORTIZATION							
Balance, beginning of year	1,723,368	7,789,158	2,039,333	3,283,275	3,457,787	-	18,292,921
Add: amortization for the year	145,480	525,856	267,758	194,140	114,228	-	1,247,462
Less: disposals during the year	-	27,615	91,215	27,434	132	-	146,396
LAWSS equity adjustment	-	-	-	-	(25,052)	-	(25,052)
Balance, end of year	1,868,848	8,287,399	2,215,876	3,449,981	3,546,831	-	19,368,935
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,139,612	12,302,716	1,524,736	4,198,030	5,862,819	172,741	26,200,654

CORPORATION OF THE VILLAGE OF POINT EDWARD

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year End December 31, 2017

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenue							
Property taxation	2,722,786	-	-	-	-	-	2,722,786
User charges	161,063	6,680	16,557	1,391,003	357,647	-	1,932,950
Government transfers - operating	-	-	188,023	55,165	-	-	243,188
Other municipalities	-	17,964	53,523	-	-	-	71,487
Penalties and interest on taxes	161,618	-	-	-	-	-	161,618
Investment income	103,427	-	-	-	-	-	103,427
Loss on sale of tangible capital assets	(35,068)	-	-	-	-	-	(35,068)
Casino	2,390,968	-	-	-	-	-	2,390,968
Equity in income of Bluewater Power Corporation	123,529	-	-	-	-	-	123,529
Total revenues	5,628,323	24,644	258,103	1,446,168	357,647	-	7,714,885
Expenses							
Salaries and benefits	524,939	512,195	314,681	509,649	450,534	1,971	2,313,969
Interest charges	-	-	16,531	2,807	42,508	-	61,846
Materials	360,905	196,857	230,325	602,722	373,462	59,578	1,823,849
Contracted services	-	537,483	171,612	230,114	-	-	939,209
Rents and financial expenses	2,601	-	-	-	-	-	2,601
External transfers	72,250	30,944	-	70,179	-	-	173,373
Amortization	32,523	120,077	329,968	409,002	367,726	-	1,259,296
Total expenses	993,218	1,397,556	1,063,117	1,824,473	1,234,230	61,549	6,574,143
Net surplus/(deficit)	4,635,105	(1,372,912)	(805,014)	(378,305)	(876,583)	(61,549)	1,140,742

CORPORATION OF THE VILLAGE OF POINT EDWARD

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year End December 31, 2016

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenue							
Property taxation	2,634,918	-	-	-	-	-	2,634,918
User charges	152,124	4,129	20,605	1,339,942	353,607	-	1,870,407
Government transfers - operating	-	-	94,603	27,117	-	-	121,720
Other municipalities	-	17,964	41,667	-	-	-	59,631
Penalties and interest on taxes	138,572	-	-	-	-	-	138,572
Investment income	81,497	-	-	-	-	-	81,497
Loss on sale of tangible capital assets	(39,333)	-	-	-	-	-	(39,333)
Casino	2,350,662	-	-	-	-	-	2,350,662
Equity in income of Bluewater Power Corporation	95,575	-	-	-	-	-	95,575
Total revenues	5,414,015	22,093	156,875	1,367,059	353,607	-	7,313,649
Expenses							
Salaries and benefits	514,522	486,853	337,779	450,115	428,898	1,489	2,219,656
Interest charges	-	-	54,434	7,900	-	-	62,334
Materials	295,138	201,960	283,351	612,651	366,813	190	1,760,103
Contracted services	-	644,426	190,558	219,372	-	-	1,054,356
Rents and financial expenses	2,737	-	-	-	-	-	2,737
External transfers	46,000	26,114	-	62,642	-	-	134,756
Amortization	35,688	130,416	307,900	396,145	377,315	-	1,247,464
Total expenses	894,085	1,489,769	1,174,022	1,748,825	1,173,026	1,679	6,481,406
Net surplus/(deficit)	4,519,930	(1,467,676)	(1,017,147)	(381,766)	(819,419)	(1,679)	832,243