

**CORPORATION OF THE VILLAGE
OF POINT EDWARD
CONSOLIDATED FINANCIAL STATEMENTS**
December 31, 2018

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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, 2018 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 24, 2019

Teena Thibeault

Treasurer

Jim Burns

Chief Administrative Officer/Clerk

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the of Village of Point Edward:

Opinion

We have audited the consolidated financial statements of Village of Point Edward and its subsidiaries (the "Village"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Village as at December 31, 2018, and the results of its consolidated operations and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Village'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 Village or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated 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.

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 Village'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 Village'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 consolidated 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 Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Village 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.

London, Ontario

September 24, 2019

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

CORPORATION OF THE VILLAGE OF POINT EDWARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At December 31, 2018

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (note 2)	2,059,429	2,022,852
Investments (note 3)	915,214	861,306
Taxes receivable (note 4)	1,355,788	1,231,332
Accounts and notes receivable	1,116,320	1,143,699
Investment in Bluewater Power Corporation (note 6)	2,297,643	2,153,168
TOTAL FINANCIAL ASSETS	7,744,394	7,412,357
LIABILITIES		
Accounts payable and accrued liabilities (note 7)	453,963	614,024
Deferred revenue	-	100,000
Long-term debt (note 9)	721,225	991,333
TOTAL LIABILITIES	1,175,188	1,705,357
NET FINANCIAL ASSETS	6,569,206	5,707,000
NON-FINANCIAL ASSETS		
Tangible capital assets (note 10) (schedule 1)	28,201,481	27,581,536
Prepaid expenses	1,545	-
TOTAL NON-FINANCIAL ASSETS	28,203,026	27,581,536
ACCUMULATED SURPLUS (note 12)	34,772,232	33,288,536

Commitments (note 16)

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, 2018

	Budget 2018 \$ (note 14)	Actual 2018 \$	Actual 2017 \$
REVENUES			
Taxation	2,773,257	2,778,229	2,722,786
User charges	2,139,003	2,074,445	1,932,950
Government of Canada grants	474,708	64,785	62,935
Province of Ontario grants	-	179,984	180,253
Other municipalities grants	67,964	95,370	71,487
Penalties and interest on taxes	160,000	175,254	161,618
Investment income	150,855	107,242	103,427
Loss on sale of tangible capital assets	-	-	(35,068)
Casino revenue	2,185,000	2,459,020	2,390,968
Share of net income in Bluewater Power Corporation	-	209,856	123,529
TOTAL REVENUES	7,950,787	8,144,185	7,714,885
EXPENSES			
General government	964,403	1,046,190	993,218
Protection services	1,669,257	1,565,783	1,397,556
Transportation services	1,172,281	1,203,401	1,063,117
Environmental services	1,671,126	1,637,881	1,824,473
Recreation and cultural services	1,340,335	1,315,642	1,234,230
Planning and development	75,597	74,280	61,549
TOTAL EXPENSES	6,892,999	6,843,177	6,574,143
ANNUAL SURPLUS	1,057,788	1,301,008	1,140,742
ACCUMULATED SURPLUS - beginning of year	33,288,536	33,288,536	32,086,038
Equity increase in LAWSS due to change in % ownership	182,688	182,688	61,756
ACCUMULATED SURPLUS - end of year (note 12)	34,529,012	34,772,232	33,288,536

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

CORPORATION OF THE VILLAGE OF POINT EDWARD

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the Year Ended December 31, 2018

	Budget 2018 \$ (note 14)	Actual 2018 \$	Actual 2017 \$
ANNUAL SURPLUS	1,057,788	1,301,008	1,140,742
Amortization of tangible capital assets	1,254,043	1,254,043	1,258,192
Acquisition of tangible capital assets	(3,452,729)	(1,697,620)	(2,622,439)
Net book value of disposed tangible capital assets	-	-	45,245
Share of LAWSS adjustment on tangible capital assets due to change in % ownership	(176,368)	(176,368)	(61,880)
Share of LAWSS adjustment on opening surplus due to change in % ownership	182,688	182,688	61,756
(Increase) decrease in prepaid expenses	-	(1,545)	1,368
INCREASE IN NET FINANCIAL ASSETS	(1,134,578)	862,206	(177,016)
NET FINANCIAL ASSETS - beginning of year	5,707,000	5,707,000	5,884,016
NET FINANCIAL ASSETS - end of year	4,572,422	6,569,206	5,707,000

CORPORATION OF THE VILLAGE OF POINT EDWARD

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

	Actual 2018 \$	Actual 2017 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	1,301,008	1,140,742
Non-cash charges to operations		
Amortization of tangible capital assets	1,254,043	1,258,192
Loss on disposal of tangible capital assets	-	35,068
Equity basis net income in Bluewater Power Corporation	(209,856)	(123,529)
Change in non-cash assets and liabilities		
Increase in taxes receivable	(124,456)	(19,400)
Decrease (increase) in accounts and notes receivable	27,379	(148,568)
(Decrease) increase in accounts payable and accrued liabilities	(160,061)	111,402
Decrease in deferred revenue	(100,000)	-
(Increase) decrease in prepaid expenses	(1,545)	1,368
Net increase in cash from operating transactions	1,986,512	2,255,275
CAPITAL		
Acquisition of tangible capital assets	(1,697,620)	(2,622,439)
Proceeds on disposal of tangible capital assets	-	10,177
Share of LAWWS adjustment on tangible capital assets	(176,368)	(61,880)
Net decrease in cash from capital transactions	(1,873,988)	(2,674,142)
INVESTING		
Dividends received from Bluewater Power Corporation	65,381	56,836
Equity increase in LAWSS due to change in % ownership	182,688	61,756
Increase in investments	(53,908)	(134,468)
Net decrease in cash from investing transactions	194,161	(15,876)
FINANCING		
Debt principal repayments	(270,108)	(325,646)
Share of LAWSS adjustment on long term debt	-	(2,280)
Net decrease in cash from financing transactions	(270,108)	(327,926)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,577	(762,669)
CASH AND CASH EQUIVALENTS - beginning of year	2,022,852	2,785,521
CASH AND CASH EQUIVALENTS - end of year	2,059,429	2,022,852
Cash paid for interest	10,575	72,047
Cash received from interest	217,410	185,667

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 was incorporated in 1878 and conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, 2001, 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 Village 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 2018, the Village's share of LAWSS was 2.35% (2017 - 2.15%). 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 - 50 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial assets measured at amortized cost include cash, accounts receivable and taxes receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued charges, other current liabilities and net long-term liabilities.

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.

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.

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

Investment income earned on surplus funds is recognized when earned.

Casino revenue is recognized when earned.

The Village's share of net income in Bluewater Power is recognized when earned.

h) Accumulated surplus

Accumulated surplus represents the Corporation's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Corporation has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

i) 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.

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.

CORPORATION OF THE VILLAGE OF POINT EDWARD
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018
NOTES TO THE FINANCIAL STATEMENTS

2. CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
Cash on deposit	417,314	362,282
Cash equivalents	1,642,115	1,660,570
	<u>2,059,429</u>	<u>2,022,852</u>

3. INVESTMENTS

The Village has investments of \$915,214 (2017 - \$861,306) with maturity dates ranging from January 2020 to April 2023 and interest rates from 1.96% to 3.45% and market value of \$915,214 (2017 - \$861,306) at December 31, 2018.

4. TAXES RECEIVABLE

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

	2018	2017
	\$	\$
Taxes receivable	1,049,078	971,205
Penalties and interest	306,710	260,127
	<u>1,355,788</u>	<u>1,231,332</u>

5. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF LAMBTON

During 2018, 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	1,723,531	1,728,298
Payments in lieu	1,652	256,520
	<u>1,725,183</u>	<u>1,984,818</u>
Amounts requisitioned and remitted	<u>1,725,183</u>	<u>1,984,818</u>

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

6. 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 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 Village took back a 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.

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.

	2018	2017
	\$	\$
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	1,036,936	892,461
	<u>2,297,643</u>	<u>2,153,168</u>

Continuity of Investment

Balance, beginning of year	2,153,168	2,086,475
Share of net income for the year	209,856	123,529
Dividends received during the year	(65,381)	(56,836)
Net increase in equity during the year	144,475	66,693
Balance, end of year	<u>2,297,643</u>	<u>2,153,168</u>

6. INVESTMENT IN BLUEWATER POWER CORPORATION (continued)

The promissory note is due from Bluewater Power Distribution Corporation is unsecured, subordinated and due eighteen months following demand for payment. During 2018, the Village of Point Edward received \$45,194 (2017 - \$45,585) of interest income on the promissory note.

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

Consolidated Statement of Financial Position

	2018	2017
	\$	\$
Current assets	29,869,264	39,400,753
Other assets	78,052,051	72,265,546
Regulatory balances	3,305,906	2,314,833
Current liabilities	(18,602,719)	(26,623,854)
Non-current liabilities	(39,051,221)	(38,974,758)
Regulatory balances	(4,771,565)	(3,867,886)
Shareholders' equity	48,801,716	44,514,634

Consolidated Statements of Comprehensive Income

	2018	2017
	\$	\$
Revenue	131,798,575	132,180,703
Operating expenditures	(123,008,116)	(123,294,840)
Finance income and costs	(1,879,944)	(2,228,494)
Income tax expense	(1,667,000)	(1,551,000)
Net movement in regulatory balances, net of tax	(215,606)	(334,876)
Other comprehensive income	1,199,271	(1,105,949)
Total comprehensive income	6,227,180	3,665,544

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in Accounts payable and accrued liabilities are the government remittances totalling \$13,809 (2017 – \$13,274)

8. 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, 2018 was \$NIL (2017 - \$NIL).

9. LONG-TERM DEBT

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

	2018	2017
	\$	\$
Ontario Infrastructure Projects Corporation ("OIPC") capital loan, bearing interest at 3.78% per annum, due and payable in full February 15, 2021.	721,225	991,332
TOTAL LONG-TERM DEBT:	721,225	991,332

- b) Interest paid during the year on long term debt amounted to \$34,944 (2017 - \$47,678).
- 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
	\$	\$	\$
2019	280,414	24,637	305,051
2020	291,114	13,937	305,051
2021	149,697	2,829	152,526
	721,225	41,403	762,628

10. TANGIBLE CAPITAL ASSETS

The net book value of the tangible capital assets are:

	2018	2017
	\$	\$
General		
Land and land improvements	2,413,669	2,572,674
Buildings	12,918,812	13,068,913
Vehicles and equipment	1,965,495	1,844,634
Infrastructure		
Transportation	3,969,357	4,086,569
Environmental	5,908,283	5,844,638
	27,175,616	27,417,428
Work in progress	1,025,865	164,108
	28,201,481	27,581,536

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

During 2018, there were no write-downs of assets (2017 - \$NIL) and no interest capitalized (2017 - \$Nil).

11. PENSION AGREEMENTS

The Village makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is 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. The employer amount contributed to OMERS for 2018 was \$165,552 (2017 - \$156,172). The contribution rate for 2018 was 9.0% to 15.8% depending on age and income level (2017 – 9.0% to 15.8%)

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Village does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2018. At that time the plan reported a \$4.19 billion actuarial deficit (2017 - \$5.40 billion actuarial deficit), based on actuarial liabilities of \$99.06 billion (2017 - \$93.61 billion) and actuarial assets of \$94.87 billion (2017 - \$88.21 billion). Ongoing adequacy of the current contribution rates will need to be monitored as declines in the financial markets may lead to increased future funding requirements.

12. ACCUMULATED SURPLUS

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

	2018	2017
	\$	\$
Surplus		
Investment in Bluewater Power Corporation	2,297,643	2,153,168
Invested In Capital Assets		
Tangible capital assets - net book value	28,201,481	27,581,536
Long-term debt	(721,225)	(991,333)
	<u>27,480,256</u>	<u>26,590,203</u>
Surplus	<u>29,777,899</u>	<u>28,743,371</u>
Reserves		
Emergencies	1,414,222	1,847,909
Working capital	848,582	848,582
Fire department rescue truck	700,000	500,000
Specified capital projects	537,554	267,775
Water	447,584	390,438
Roads capital	406,086	249,219
LAWSS	180,573	67,946
Point Edward Electricity Holdings	127,816	76,501
Donation reserve	80,325	83,204
Public works winter maintenance	51,980	51,980
Storm station upgrade	50,000	-
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	18,190
Insurance claims	16,468	16,468
Farmers Market	3,000	3,000
General election	-	12,000
Total Reserves	<u>4,994,333</u>	<u>4,545,165</u>
	<u>34,772,232</u>	<u>33,288,536</u>

13. 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 2.35% (2017 - 2.15%) proportionate interest as follows:

Consolidated Statement of Financial Position

	2018	2017
	\$	\$
Cash	168,785	81,874
Accounts and notes receivable	13,156	13,759
Accounts payable and accrued liabilities	(1,368)	(27,687)
Net financial debt	180,573	67,946
Tangible capital assets	2,035,021	1,895,953
Accumulated surplus	2,215,594	1,963,899

Consolidated Statement of Operations

	2018	2017
	\$	\$
Total revenues	233,579	228,689
Total expenses	(164,571)	(161,636)
Annual surplus	69,008	67,053

14. BUDGET FIGURES

Budget data presented in these consolidated financial statements are based upon the 2018 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	7,878,252	72,535	7,950,787
General expenses	(5,349,953)	(1,543,046)	(6,892,999)
Non Statement of Operations Transactions:			
Capital expenditures	3,452,729	(3,452,729)	-
Reserve transfers	(999,786)	999,786	-
Annual surplus	4,981,242	(3,923,454)	1,057,788

15. EXPENSES BY OBJECT

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

	Budget 2018	Actual 2018	Actual 2017
	\$	\$	\$
Salaries and benefits	2,526,343	2,431,552	2,313,969
Interest charges	31,083	31,083	61,846
Materials	1,923,919	2,009,386	1,823,849
Contracted services	762,399	1,010,973	939,209
Rents and financial expenses	3,000	2,931	2,601
External transfers	103,209	103,209	173,373
Amortization	1,543,046	1,254,043	1,259,296
	6,892,999	6,843,177	6,574,143

16. 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 \$134,152 for 2019 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 \$581,128 including HST for 2019 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, 2019 at a cost of \$206,000 including HST.

The Village has entered into a contact with Maaten Construction Limited related to the digester lid refurbishment. The contract is for \$580,124 including HST. Construction was delayed in 2018 and is now estimated to be completed in 2019.

The Village has entered into a contract with E-One 1200 Degrees Darch Fire to purchase an emergency rescue truck for a total of \$690,126 including HST. The truck is expected to be delivered in 2020.

17. 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 Village's infrastructure including roads, bridges, storm drains, sidewalks, streetlights, traffic signals and winter control 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.

18. 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.

19. ECONOMIC DEPENDENCE

Approximately 32% (2017 - 31%) 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.

20. SUBSEQUENT EVENTS

During 2018, the Village entered into a tax sale to sell two properties with taxes owing greater than 10 years of \$385,806 at December 31, 2018. This amount represents unpaid taxes, interest, penalties, fines, water charges, WSIB fees and tax sale costs. The tax sale was unsuccessful and the Village acquired the properties in June 2019.

CORPORATION OF THE VILLAGE OF POINT EDWARD

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2018

	General			Infrastructure		Work in Progress \$	Totals \$
	Land and Land Improvements	Buildings	Vehicles and Equipment	Transportation	Environmental		
	\$	\$	\$	\$	\$		
COST							
Balance, beginning of year	4,587,792	21,871,768	4,062,403	7,787,122	9,537,515	164,108	48,010,708
Add: additions during the year	6,106	342,009	367,312	111,862	8,574	861,757	1,697,620
Less: disposals during the year	-	57,917	49,381	-	-	-	107,298
LAWSS equity adjustment	-	-	-	-	267,324	-	267,324
Balance, end of year	4,593,898	22,155,860	4,380,334	7,898,984	9,813,413	1,025,865	49,868,354
ACCUMULATED AMORTIZATION							
Balance, beginning of year	2,015,118	8,802,855	2,217,769	3,700,553	3,692,877	-	20,429,172
Add: amortization for the year	165,111	492,110	246,451	229,074	121,297	-	1,254,043
Less: disposals during the year	-	57,917	49,381	-	-	-	107,298
LAWSS equity adjustment	-	-	-	-	90,956	-	90,956
Balance, end of year	2,180,229	9,237,048	2,414,839	3,929,627	3,905,130	-	21,666,873
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,413,669	12,918,812	1,965,495	3,969,357	5,908,283	1,025,865	28,201,481

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 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2018

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenue							
Property taxation	2,778,229	-	-	-	-	-	2,778,229
User charges	206,019	4,307	33,417	1,366,720	463,982	-	2,074,445
Government transfers - operating	-	-	130,709	114,060	-	-	244,769
Other municipalities	-	17,964	77,406	-	-	-	95,370
Penalties and interest on taxes	175,254	-	-	-	-	-	175,254
Investment income	107,242	-	-	-	-	-	107,242
Loss on sale of tangible capital assets	-	-	-	-	-	-	-
Casino	2,459,020	-	-	-	-	-	2,459,020
Equity in income of Bluewater Power Corporation	209,856	-	-	-	-	-	209,856
Total revenues	5,935,620	22,271	241,532	1,480,780	463,982	-	8,144,185
Expenses							
Salaries and benefits	533,887	561,137	335,687	544,933	455,003	905	2,431,552
Interest charges	-	-	8,703	-	22,380	-	31,083
Materials	397,780	299,707	305,202	510,784	422,538	73,375	2,009,386
Contracted services	-	574,696	205,666	230,611	-	-	1,010,973
Rents and financial expenses	2,931	-	-	-	-	-	2,931
External transfers	81,000	22,209	-	-	-	-	103,209
Amortization	30,592	108,034	348,143	351,553	415,721	-	1,254,043
Total expenses	1,046,190	1,565,783	1,203,401	1,637,881	1,315,642	74,280	6,843,177
Net surplus/(deficit)	4,889,430	(1,543,512)	(961,869)	(157,101)	(851,660)	(74,280)	1,301,008

CORPORATION OF THE VILLAGE OF POINT EDWARD

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended 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