

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF TECUMSEH**

Year ended December 31, 2018

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Financial Statements

Year ended December 31, 2018

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of Tecumseh (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 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 accounting period cannot be finalized with certainty until future periods.

The Town'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 consolidated financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the consolidated 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 KPMG LLP, independent external auditors appointed by the Town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



KPMG LLP
618 Greenwood Centre
3200 Deziel Drive
Windsor ON N8W 5K8
Canada
Telephone (519) 251-3500
Fax (519) 251-3530

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Tecumseh

Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Tecumseh (the Entity), which comprise:

- the consolidated statement of financial position as at end December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of December 31, 2018, and its consolidated results of operations and accumulated surplus, its consolidated, its consolidated changes in net financial assets 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 “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity 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 for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
June 25, 2019

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash and cash equivalents	\$ 37,603,828	\$ 32,927,479
Taxes receivable	2,202,683	2,043,548
Accounts receivable	2,212,790	1,646,800
Promissory note receivable - government business enterprise (note 2)	1,544,408	1,544,408
Due from government business enterprise (note 2)	1,692,560	1,650,333
Accounts receivable - long term (note 3)	1,143,850	788,949
Investment - government business enterprise (note 4)	10,939,362	10,459,362
Investment - portfolio	1,200,000	1,000,000
	<u>\$ 58,539,481</u>	<u>\$ 52,060,879</u>

Liabilities

Accounts payable and accrued liabilities	\$ 4,006,738	\$ 3,742,158
Other current liabilities	2,583,751	3,312,588
Deferred revenue (note 5)	3,276,641	1,141,364
Employee future benefits payable (note 6)	10,963,273	10,193,131
Landfill post-closure liability (note 7)	611,050	606,908
Municipal debt (note 8)	16,652,907	18,071,912
	<u>38,094,360</u>	<u>37,068,061</u>

Net financial assets 20,445,121 14,992,818

Non-financial assets

Tangible capital assets (schedule 1)	226,207,253	227,775,666
Inventories of supplies	180,660	170,574
Prepaid expenses	31,709	29,184
	<u>226,419,622</u>	<u>227,975,424</u>

Accumulated surplus (note 9) \$ 246,864,743 \$ 242,968,242

Contingent liabilities (note 10)
Contractual obligations (note 11)

See accompanying notes to consolidated financial statements.

Approved on behalf of Council:

Mayor

Treasurer

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget (note 14)	2018 Actual	2017 Actual
Revenues:			
Property taxes	\$ 22,751,000	\$ 23,128,867	\$ 22,153,294
Government transfers	4,721,900	2,508,929	2,931,412
User charges	12,044,550	12,182,582	11,752,247
Capital contributions	997,500	1,335,508	2,004,578
Investment income	794,100	1,141,000	811,577
Penalties and interest on property taxes	395,000	378,375	365,355
Income from government business enterprise (note 4)	778,000	926,572	772,352
Gain/(loss) on disposal of tangible capital assets	(433,800)	49,353	(190,317)
Other	8,050	363,053	28,773
	42,056,300	42,014,239	40,629,271
Expenses:			
General government	4,819,400	4,520,330	4,201,953
Protection to persons and property	6,088,700	6,036,246	5,804,958
Transportation	7,427,500	7,323,390	6,293,797
Environmental	14,318,000	12,950,152	10,706,540
Social and family	48,500	49,132	51,531
Recreational and cultural	5,376,400	5,255,841	5,036,495
Planning and development	1,486,459	1,982,647	1,835,820
	39,564,959	38,117,738	33,931,094
Annual surplus	2,491,341	3,896,501	6,698,177
Accumulated surplus, beginning of year	242,397,544	242,968,242	236,270,065
Accumulated surplus, end of year	\$ 244,888,885	\$ 246,864,743	\$ 242,968,242

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget (note 14)	2018 Actual	2017 Actual
Annual surplus	\$ 2,491,341	\$ 3,896,501	\$ 6,698,177
Acquisition of tangible capital assets	(12,591,895)	(3,839,742)	(6,405,814)
Change in tangible capital assets WIP	4,096,005	(1,792,191)	(2,718,025)
Amortization of tangible capital assets	7,230,065	7,163,213	6,998,544
(Gain) loss on disposal of tangible capital assets	433,775	(49,353)	190,317
Proceeds from sale of tangible capital assets	-	86,486	57,638
	(832,050)	1,568,413	(1,877,340)
Net change in inventories of supplies	-	(10,086)	(92,761)
Net change in prepaid expense	-	(2,525)	59,779
	-	(12,611)	(32,982)
Change in net financial assets	1,659,291	5,452,303	4,787,855
Net financial assets, beginning of year	4,703,572	14,992,818	10,204,963
Net financial assets, end of year	\$ 6,362,863	\$ 20,445,121	\$ 14,992,818

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 3,896,501	\$ 6,698,177
Items not involving cash:		
Amortization	7,163,213	6,998,544
Income from government business enterprise	(926,572)	(772,352)
(Gain) loss on disposal of tangible capital assets	(49,353)	190,317
Change in non-cash operating working capital:		
Financial assets	(767,352)	147,665
Liabilities	2,445,304	2,218,531
Non-financial assets	(12,611)	(32,982)
Cash provided from operating transactions	11,749,130	15,447,900
Capital:		
Acquisition of tangible capital assets	(3,839,742)	(6,405,814)
Change in work in progress	(1,792,191)	(2,718,025)
Proceeds on sale of tangible capital assets	86,486	57,638
Cash used in capital transactions	(5,545,447)	(9,066,201)
Investing:		
Accounts receivable - long-term - new	(543,839)	(300,416)
Accounts receivable - long-term - repayment	188,938	328,512
Investment portfolio purchases	(200,000)	(600,000)
Dividends from government business enterprise	446,572	433,352
Cash used in investing activities	(108,329)	(138,552)
Financing:		
Proceeds from issuance of municipal debt	275,200	196,800
Municipal debt principal repayment	(1,694,205)	(2,100,650)
Cash used in financing activities	(1,419,005)	(1,903,850)
Change in cash and cash equivalents	4,676,349	4,339,297
Cash and cash equivalents, beginning of year	32,927,479	28,588,182
Cash and cash equivalents, end of year	\$ 37,603,828	\$ 32,927,479

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements

Year ended December 31, 2018

The Corporation of the Town of Tecumseh was formed on January 1, 1999, by the amalgamation of the former municipalities of the Village of St. Clair Beach, the Town of Tecumseh and the Township of Sandwich South.

1. Significant accounting policies:

The consolidated financial statements of The Corporation of the Town of Tecumseh (the "Municipality") are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada. The Corporation of the Town of Tecumseh is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. The Municipality provides municipal services such as fire, policing, roads, water, wastewater, planning, parks, recreation and other general government services.

The focus of PSAB consolidated financial statements is on the financial position of the Municipality and the changes thereto. The Consolidated Statement of Financial Position includes all the assets and liabilities of the Municipality. Financial assets are those which provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position and is the difference between assets and liabilities. This provides information about the Municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statement reflect the financial assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Municipality. The following entities have been consolidated:

Tecumseh Business Improvement Area Board
Tecumseh Police Services Board

All inter-entity transactions and balances have been eliminated.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(ii) Non-consolidated entity:

The investment in Essex Power Corporation ("EPC") is accounted for using the modified equity basis of accounting. Under this method, the government business enterprise's accounting policies, which follow International Financial Reporting Standards ("IFRS"), are not adjusted to conform with Public Sector Accounting Standards. Inter-entity transactions and balances are not eliminated.

The Municipality recognizes its equity interest in the annual income or loss of EPC in its Consolidated Statement of Operations with a corresponding increase or decrease in its investment account. Any dividends that the Municipality receives from EPC are reflected as reductions in the investment account.

(iii) Accounting for County of Essex and School Board transactions:

Taxation and other revenues with respect to the operations of the County of Essex (the "County") and School Boards are not reflected in the Consolidated Statement of Operations. In addition, the revenues, expenses, assets and liabilities with respect to the operations of the County and School Boards are not reflected in these consolidated financial statements except to the extent that any amounts due to or from are reported on the Consolidated Statement of Financial Position in "accounts receivable" or "accounts payable".

(iv) Trust funds:

Trust funds and their related operations that are administered by the Municipality are not consolidated.

(v) Municipal debt:

The charges for municipal debt assumed by non-consolidated entities or by individuals, in the case of tile drainage and shoreline property assistance loans, are not reflected in these consolidated financial statements.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(b) Basis of accounting:

(i) Accrual basis of accounting:

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues, as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Cash and cash equivalents:

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

(iii) Portfolio investments:

Portfolio investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

(iv) Non-financial assets:

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

(v) Accounts receivable – long term:

Interest is recognized as income in the year that it is earned.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(vi) 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, 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 commencing once the asset is available for productive use as follows:

Asset	Rate
Land improvements	20 – 50 years
Buildings	20 – 50 years
Leasehold improvements	15 – 50 years
Equipment / vehicles	3 – 40 years
Computer	4 – 12 years
Furniture and fixtures	10 years
Linear assets – roads	20 – 50 years
Linear assets – water	20 – 80 years
Linear assets – wastewater	65 years
Linear assets – stormwater	65 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use at which time they are capitalized.

The Municipality has a capitalization threshold of \$5,000 to \$10,000, so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have greater than \$100,000 value, or for operational reasons. Examples of pools are desktop computer systems, furniture and fixtures, sidewalks and water meters.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(vii) Contribution of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

(viii) Leased assets:

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Municipality, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

(ix) Inventories:

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(x) Taxation and related revenue:

Taxes are recognized as revenue in the year they are levied. 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 Municipal Council, incorporating amounts to be raised for local services, the requisition made by the County 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. A normal part of the assessment process is the issuance of 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 tax billings. Taxation revenue is recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal and write off for physical changes to the property. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known. 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.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(x) Taxation and related revenue (continued):

Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. Government transfers with eligibility criteria but without stipulations are recognized as revenue when the transfer is authorized and all eligibility criteria have been met. Government transfers with or without eligibility criteria but with stipulations are recognized as revenue in the period the transfer is authorized, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability.

Sanitary sewer and water operations are funded by various revenues including frontage, connection and usage charges. Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

(xi) 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. Government transfers of gas taxes, development charges collected under the Development Charges Act, 1997 and parkland contributions collected under the Planning Act are reported as deferred revenue in 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.

(xii) Retirement benefits and other employee benefit plans:

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

(xii) Retirement benefits and other employee benefit plans (continued):

Employee benefits include vacation entitlement, sick leave benefits and certain post-employment benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits and other post-employment benefits that accumulate over the period of service provided by employees are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees, inflation rates, investment returns, wage and salary escalation, insurance and health care cost trends, employee turnover and discount rates. Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employee group.

(xiii) Use of estimates:

The preparation of consolidated 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. Significant items subject to such estimates and assumptions include valuation allowances for receivables, certain accrued liabilities and obligations related to employee future benefits and the landfill post closure liability, the carrying value of tangible capital assets and the evaluation of contingencies. Actual results could differ from management's best estimates as additional information becomes available in the future.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

2. Government business enterprise:

	2018	2017
Note receivable from EPC (note 4), long-term interest rate of 4.00%, repayable up to 20% of the original balance of \$1,544,408 in each year. The Municipality can request payment in full upon a years notice subject to EPC's ability to make such payment. Term is from January 1, 2018 to December 31, 2022. The Municipality can defer any payment to a subsequent year.	\$ 1,544,408	\$ 1,544,408
Amount due from EPC relates to water and sewer billings collected by EPC on behalf of the Municipality under an ongoing agreement.	1,692,560	1,650,333

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

3. Accounts receivable – long term:

Accounts receivable – long term consists of the following:

	2018	2017
Debentures	\$ 837,550	\$ 521,160
Other	306,300	267,789
	\$ 1,143,850	\$ 788,949

(a) Debentures:

These accounts receivable are owing from taxpayers and are related to amounts recoverable with regards to infrastructure work completed and paid for by the Municipality but for which the taxpayers are responsible. Due to the work performed being substantial and the related costs being significant, the Municipality provides taxpayers the option to pay when the work is completed or to provide payments over a term of five years. If the taxpayer could prove undue hardship, then the Municipality allows for a term of 10 years.

	2018	2017
Receivable over a five year term in annual instalments of \$57,510 at an interest rate of 2.91% and will mature January 2021	\$ 164,215	\$ 216,295
Receivable over a five year term in annual instalments of \$43,013 at an interest rate of 3.04% and will mature January 2022	159,731	196,762
Receivable over a 10 year term in annual instalments of \$24,310 at an interest rate of 4.04% and will mature January 2022	88,160	108,103
Receivable over a five year term in annual instalments of \$22,077 at an interest rate of 3.67% and will mature October 2023	99,202	-
Receivable over a five year term in annual instalments of \$63,790 at an interest rate of 4.00% and will mature December 2023	283,982	-
Receivable over a 10 year term in annual instalments of \$5,349 at an interest rate of 4.53% and will mature January 2029	42,260	-
	\$ 837,550	\$ 521,160

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

3. Accounts receivable – long term (continued):

(b) Other:

	2018	2017
Lacasse Park Scoreboard donation, paid during the year	\$ -	\$ 2,000
Municipal Drain receivable over a five year term in annual Installments of \$4,051 at an interest rate of 3.25% and will mature in 2019	3,923	7,723
Municipal Drain receivables over a five year term in annual Installments of \$26,352 at an interest rate of 3.10% and will mature in 2020	50,694	74,904
Municipal Drain receivable over a five year term in annual Installments of \$48,134 at an interest rate of 2.51% and will mature in 2021	45,994	65,838
Sanitary Sewer receivable over a five year term in annual Installments of \$3,635 at an interest rate of 2.51% and will mature in 2021	10,379	13,671
Municipal Drain receivable over a five year term in annual Installments of \$14,901 at an interest rate of 3.45% and will mature in 2022	52,886	67,376
Municipal Drain receivable over a five year term in annual Installments of \$7,910 at an interest rate of 2.95% and will mature in 2022	29,438	36,277
Sanitary Sewer receivable over a five year term in annual Installments of \$6,565 at an interest rate of 3.95% and will mature in 2022	23,858	-
Municipal Drain receivable over a five year term in annual Installments of \$18,618 at an interest rate of 3.95% and will mature in 2023	83,002	-
Municipal Drain receivable over a five year term in annual Installments of \$1,376 at an interest rate of 4.00% and will mature in 2023	6,126	-
	<u>\$ 306,300</u>	<u>\$ 267,789</u>

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

4. Investment – Government Business Enterprise:

- (a) Pursuant to the Energy Competition Act, the Municipality incorporated companies created for the purposes of generating, distributing and retailing electricity. The corporations include the former Utilities of the Towns of Amherstburg, Lasalle, Leamington and Tecumseh.

The Corporation of the Town of Tecumseh holds a 26.44% interest in Essex Power Corporation.

- (b) Investment balance at December 31, is comprised of the following:

	2018	2017
2,678,177 Class A voting common shares – EPC	\$ 2,678,177	\$ 2,678,177
2,289,242 Class B non-voting common shares – EPC	2,289,242	2,289,242
373,943 special shares, Class A non-voting – EPC	373,943	373,943
Share of accumulated earnings 26.44%	5,598,000	5,118,000
	<u>\$ 10,939,362</u>	<u>\$ 10,459,362</u>

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

4. Investment – Government Business Enterprise (continued):

(c) Supplementary financial information for EPC:

	(in thousands of dollars)	
	2018	2017
		Restated
Current assets	\$ 3,866	\$ 3,477
Accounts receivable	10,286	8,968
Unbilled revenue	5,671	5,502
Other current assets	1,619	1,710
Property, plant and equipment	65,984	61,410
Intangible assets	6,618	6,595
Goodwill	1,623	1,623
Deferred assets	614	1,157
Note Receivable	1,714	-
Deferred tax assets	165	136
Regulatory balances	10,920	40,155
Total assets and regulatory balances	\$ 109,080	\$ 130,733
Current liabilities	\$ 32,108	\$ 28,193
Long-term liabilities	25,005	19,970
Post-employment benefits	2,795	2,838
Deferred tax liabilities	3,343	3,344
Other non-current liabilities	16	84
Total liabilities	63,267	54,429
Share capital	19,667	19,667
Retained earnings	18,028	15,217
Accumulated other comprehensive income (loss)	1,406	1,329
Total equity	39,101	36,213
Regulatory balances	6,712	40,091
Total liabilities, equity and regulatory balances	\$ 109,080	\$ 130,733
Total revenues	\$ 84,294	\$ 87,886
Total expenses	(83,730)	(83,485)
Finance income (costs)	(1,047)	(1,013)
Income tax expense	(661)	(977)
Net movement in regulatory balances, net of tax	4,125	(153)
Other comprehensive income	77	526
Total comprehensive income for the year	\$ 3,058	\$ 2,784
26.44% share of comprehensive income	\$ 809	\$ 828
26.44% share of Green Share Dividend	(16)	(16)
26.44% share of regulatory adjustments	135	(39)
Income from government business enterprise	\$ 928	\$ 773

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

5. Deferred revenue:

	2018 Opening balance	Contributions received	Externally restricted investments income	Revenue recognized	2018 Ending balance
Development charges	\$ 688,934	\$ 506,114	\$ 20,400	\$ (414,651)	\$ 800,797
Gas tax	-	1,203,202	9,416	-	1,212,618
Parkland development fees	452,430	87,250	13,397	-	553,077
Storm Sewer	-	699,909	10,240	-	710,149
	<u>\$1,141,364</u>	<u>\$ 2,496,475</u>	<u>\$ 53,453</u>	<u>\$ (414,651)</u>	<u>\$3,276,641</u>

6. Employee future benefits payable:

Employee future benefits payable consists of the following:

	2018	2017
Sick leave benefit plan (note 6 (b))	\$ 356,544	\$ 339,972
Health and dental (note 6 (c))	10,606,729	9,853,159
	<u>\$ 10,963,273</u>	<u>\$ 10,193,131</u>

(a) Pension:

Certain employees of the Municipality are eligible to be members of the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of credited service and rates of pay. However, as OMERS does not segregate its pension assets and liabilities information by individual employer, there is not sufficient information to enable the Municipality to account for the plan as a defined benefit plan. At December 31, 2018, the OMERS plan is in a deficit position. Contributions rates for 2018 were 9.0% (2017 - 9.0%) for employee earnings below the year's maximum pensionable earnings and 14.6% (2017 - 14.6%) thereafter. During the year ended December 31, 2018, the Municipality contributed \$617,838 (2017 - \$598,380) to the plan. These contributions are the Municipality's pension benefit expense. No pension liability for this type of plan is included in the Municipality's Consolidated Statement of Financial Position.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

6. Employee future benefits payable (continued):

(b) Sick leave benefit plan:

The Municipality provides paid sick leave that can be carried forward up to a maximum of 65 days and employees may become entitled to a cash payment of one-half of the sick bank balance when they leave the Municipality's employment. The benefit costs and liabilities recorded in 2018 are based on an actuarial valuation prepared by an independent firm. The most recent actuarial valuation was performed as at December 31, 2018. Information about the Municipality's sick leave benefit plan is as follows:

	2018	2017
Accrued benefit liability, January 1	\$ 339,972	\$ 338,663
Expense for the year:		
Current service cost	28,835	27,711
Interest	10,207	10,213
Amortization of actuarial losses (gains)	(2,731)	(2,933)
Benefits paid for the year	(19,739)	(33,682)
Accrued benefit liability, December 31	356,544	339,972
Unamortized actuarial gains	(36,968)	(34,899)
Obligation, December 31	\$ 319,576	\$ 305,073

The main actuarial assumptions employed for the valuations are as follows:

	2018	2017
Discount rate	3.60%	3.15%
Rate of compensation increase	3.00%	3.00%

A sick leave reserve has been established in the amount of \$356,544 (2017 - \$339,983).

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

6. Employee future benefits payable (continued):

(c) Health and dental:

The Municipality pays certain benefits on behalf of its retired employees.

The Municipality provides life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. In addition, the Municipality provides dental and health care benefits beyond age 65 until death for the union employees hired prior to March 31, 2010 and for management employees hired prior to January 9, 2007. The benefit costs and liabilities related to this plan are based on an actuarial valuation prepared by an independent firm. The date of the last actuarial valuation was as of December 31, 2018.

Information about the Municipality's health and dental plan is as follows:

	2018	2017
Accrued benefit liability, January 1	\$ 9,853,159	\$ 8,948,798
Expense for the year:		
Current service cost	453,500	620,299
Interest	377,581	364,150
Amortization of actuarial losses	49,334	34,206
Benefits paid for the year	(126,845)	(114,294)
Accrued benefit liability, December 31	10,606,729	9,853,159
Unamortized actuarial losses (gains)	(2,413,695)	245,266
Obligation, December 31	\$ 8,193,034	\$ 10,098,425

The main actuarial assumptions employed for the valuations are as follows:

	2018	2017
Discount rate	4.0%	3.60%
Rate of compensation increase:		
Dental	4.5%	3.00%
Health care:		
initial	6.5%	8.00%
ultimate reached in 2022	4.5%	5.00%

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

7. Landfill post-closure liability:

Landfill #3 was closed in 1997 and requires care consisting of hauling and treating leachate for an indefinite period of time. Landfill #3 is the joint responsibility of the Municipality, the Town of Lakeshore and the City of Windsor. The site is administered by the Essex Windsor Solid Waste Authority.

	2018	2017
Landfill post-closure liability, January 1	\$ 606,908	\$ 598,654
Expense for the year:		
Interest	27,008	30,720
Amortization of actuarial losses	3,537	3,554
Amounts paid for the year	(26,403)	(26,020)
Landfill post-closure liability, December 31	611,050	606,908
Unamortized actuarial losses	53,022	177,944
Obligation, December 31	\$ 664,072	\$ 784,852

The main actuarial assumptions employed for the valuations are as follows:

	2018	2017
Discount rate	4.00%	3.50%
Annual growth rate	2.50%	2.50%

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

8. Municipal debt:

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

	2018	2017
Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$348,228 including interest at 3.78%, due December 2036	\$ 9,034,764	\$ 9,379,890
Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$106,736 including interest at 4.71%, due December 2025	1,260,466	1,409,291
Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$75,229 including interest at 4.76%, due December 2026	991,349	1,091,046
Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$68,111 including interest at 4.95%, due December 2027	979,735	1,064,308
Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$61,485 including interest at 5.62%, due December 2028	931,024	998,801
Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$129,277 including interest at 3.65%, due December 2020	494,349	728,432
Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$31,583 including interest at 4.77%, due December 2029	535,801	572,105
Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$139,915 including interest at 3.89%, due December 2019	271,873	533,470
Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$26,241 including interest at 4.40%, due December 2030	485,265	515,398
Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$20,666 including interest at 3.59%, due December 2031	426,367	451,708
Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$28,680 including interest at 2.69%, due December 2022	216,152	266,676

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

8. Municipal debt (continued):

(a) The balance of municipal debt reported on the Consolidated Statement of Financial Position is made up of the following (continued):

	2018	2017
Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$11,979 including interest at 3.41%, due December 2032	264,943	279,493
Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$28,020 including interest at 1.76%, due December 2021	163,060	215,536
Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$20,941 including interest at 2.29%, due August 2022	159,212	196,800
Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$82,880 including interest at 4.87%, due December 2018	-	159,897
Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$11,356 including interest at 2.79%, due October 2022	85,400	105,312
Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$7,084 including interest at 1.50%, due October 2020	27,810	41,408
Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$2,651 including interest at 3.97% due December 2033	59,487	62,341
Tile Drain Loans – repayable in annual installments including interest from 6% to 8%, due in various amounts to June 2021	2,724	3,531
Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$10,649 including interest at 2.62%, due April 2023	89,850	-
Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$14,530 including interest at 3.00%, due December 2023	134,000	-
Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$2,480 including interest at 3.28%, due December 2028	42,000	-
	16,655,631	18,075,443
The Municipality is contingently liable for the tile drain loans listed above. The responsibility for payment of principal and interest charges has been assumed by individual landowners	(2,724)	(3,531)
Net municipal debt at the end of the year	\$ 16,652,907	\$ 18,071,912

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

8. Municipal debt (continued):

(b) Principal due on municipal debt reported in (a) is summarized as follows:

	Recoverable from taxes	Recoverable from benefiting landowners	Total
2019	\$ 1,459,442	\$ 174,038	\$ 1,633,480
2020	1,237,408	178,035	1,415,443
2021	1,028,482	167,909	1,196,391
2022	1,073,103	115,602	1,188,705
2023	1,061,969	43,045	1,105,014
	5,860,404	678,629	6,539,033
2024 – 2028	4,931,885	22,705	4,954,590
Thereafter	5,159,284	-	5,159,284
	\$ 15,951,573	\$ 701,334	\$ 16,652,907

(c) The municipal debt in the name of the Municipality has received the approval of the Ontario Municipal Board or has been approved by the Council of the Municipality 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 and Housing.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

9. Accumulated surplus:

(a) Accumulated surplus consists of individual fund surplus (deficit) as follows:

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 226,207,253	\$ 227,775,666
Inventories	180,660	170,574
To be used to offset user charges and taxation	761,197	972,785
To be financed by user charges and municipal debt	(2,166,917)	(1,906,160)
Equity in EPC	10,504,625	10,024,624
Amounts to be recovered:		
Benefitting landowners	837,551	521,160
Vacation pay liability	(336,400)	(345,804)
Employee benefits payable	(10,903,875)	(10,133,733)
Landfill post-closure liability	(611,050)	(606,908)
Accrued interest on net long term liabilities	(48,300)	(51,900)
Municipal debt	(16,652,907)	(18,071,912)
Reserves and reserve funds (note 9 (b))	39,092,906	34,619,850
Total surplus	\$ 246,864,743	\$ 242,968,242

(b) Reserves and reserve funds consist of the following

	2018	2017
Reserves set aside for specific purposes by Council:		
Capital / lifecycle	\$ 20,951,063	\$ 19,054,498
Tax rate stabilization	4,991,614	3,861,885
Storm sewer	284,345	284,345
Working capital	216,300	218,200
Business improvement area	69,212	61,002
Sick and vacation leave	693,037	685,823
General	17,435	17,435
Fire Education Awareness	7,500	8,945
Community Improvement Plan	164,616	359,539
Total reserves	27,395,122	24,551,672
Reserve funds set aside for specific purposes by Council:		
Water capital	10,798,572	10,168,476
Sanitary sewers	(829,796)	(1,809,363)
Post-retirement benefits	1,729,008	1,709,065
Total reserve funds	11,697,784	10,068,178
Total reserve and reserve funds	\$ 39,092,906	\$ 34,619,850

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

10. Contingent liabilities:

During the normal course of operations, the Municipality is subject to various legal actions, including some which could be substantial. The settlement of the actions that can be reasonably estimated is not expected to have a material effect on the consolidated financial statements of the Municipality. Other legal actions may be at an early stage and therefore the likelihood and magnitude of impact cannot be reasonably determined.

11. Contractual obligations:

(a) The former municipalities entered into agreements with the City of Windsor (“Windsor”) whereby Windsor provides sewage treatment services to the Municipality at its Little River plant. In exchange for treatment services, the Municipality is responsible to the City of Windsor for a portion of debt charges associated with the Little River plant. Currently, there are no debt charges outstanding.

The Consolidated Statement of Financial Position does not reflect any assets or liabilities related to the Little River plant as the Municipality does not and will not have any ownership interest in the plant.

Included in the Consolidated Statement of Operations, are the following charges from the City of Windsor:

	2018	2017
<u>Sewage treatment</u>	<u>\$ 1,238,109</u>	<u>\$ 1,180,838</u>

(b) The Municipality has entered into various service agreements. The two largest relate to Waste Collection and The Solicitor General of Ontario (“Police Services”). The obligations under these contracts approximate \$0.6M and \$3.3M respectively in expenditures on an annual basis. The duration of these contracts is five years. The contract with Police Services can be terminated by either party with written notice of one year.

12. Trust funds:

The Municipality does not administer any trust funds and, as such, there are no trust funds included in these consolidated financial statements.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

13. Operations of School Boards and the County of Essex:

The taxation, other revenues and expenditures of the School Boards and the County of Essex are comprised of the following:

	2018	2017
Taxation and share of payments in lieu and rights of way:		
School Boards	\$ 10,632,836	\$ 10,585,022
County	14,623,430	13,705,670
	25,256,266	24,290,692
Requisitions	25,256,266	24,290,692
Over levy for the year	\$ -	\$ -

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

14. Budget:

- (a) The Financial Plan (Budget) By-Law adopted by Council on December 12, 2017 was not prepared on a basis consistent with that used to report actual results ("Canadian public sector accounting standards"). The budget was prepared on a modified accrual basis while Canadian public sector accounting standards now require a full accrual basis. The budget figures anticipated using surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. Subsequently Council approved a report from the Treasurer restating the Financial Plan (Budget) to conform with PSAB basis of accounting. As a result, the budget figures presented in the Consolidated Statements of Operations and change in net financial assets represent the Financial Plan adopted by Council on December 12, 2017 with adjustments as follows:

	2018	2017
Financial Plan (Budget By-Law surplus (deficit)) for the year	\$ 2,299,300	\$ (1,316,413)
Add:		
Share of government business enterprises surplus	728,000	702,000
Landfill post-closure expenditures	29,000	32,000
Loss on sale of tangible capital assets	(433,800)	(357,254)
Capital expenditures	8,495,900	12,953,450
	8,819,100	13,330,196
Less:		
Accrued interest expense	(4,800)	(6,200)
Dividend from government business enterprise	420,000	410,000
Employee future benefits expense	955,000	1,013,000
Landfill post-closure expense	41,600	36,000
Amortization	7,230,100	7,011,796
	8,641,900	8,464,596
Budget surplus	\$ 2,476,500	\$ 3,549,187

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

14. Budget:

- (b) The Business Improvement Area (BIA) is a Consolidated Entity which is not included in the Budget By-Law adopted by Council. These Consolidated Budget figures include the BIA budget approved by the BIA Board. Total overall budget surplus is \$2,491,341:

	2018
Town	\$ 2,476,500
BIA	14,841
Budget surplus per Consolidated Statement of Operations	\$ 2,491,341

15. Tangible capital assets:

The Consolidated Schedule of Tangible Capital Assets (Schedule 1) provides information on the tangible capital assets of the Town by major assets as well as accumulated amortization of the assets controlled. The reader should be aware of the following relating to tangible capital assets:

- (a) Contributed capital assets:

The Town records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways, water and sewer lines installed by a developer as part of a subdivision agreement. Transfers recorded amounted to \$nil (2017 - \$nil).

- (b) Tangible capital assets recognized at nominal value:

Certain assets have been assigned a nominal value of one Canadian Dollar, because of the difficulty of determining a tenable valuation. These assets generally consist of small parcels of land acquired over seventy years ago.

- (c) Works of art and historical treasures:

The town has been given and purchased a number of paintings and other pieces of artwork. Altogether, there are 35 pieces that were appraised at \$96,000 in 2005. These pieces are insured for \$100,000. These have not been capitalized.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

15. Tangible capital assets (continued):

(d) Capitalization of interest:

The Town has a policy of not capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset.

16. Public Sector Salary Disclosure Act:

The Public Sector Salary Disclosure Act requires all municipalities to disclose which, if any, employees or officers received remuneration totaling more than \$100,000 during the year.

Position	Name	Salary paid	Taxable benefits
Chief Administrative Officer	T. Haddad	\$ 211,681	\$ 20,000
Director Corporate Services & Clerk	L. Moy	170,752	1,618
Director Planning Services	B. Hillman	143,240	1,618
Director Financial Services & Treasurer	L. Gagnon	143,507	1,618
Director Parks & Recreation	P. Anthony	142,974	1,618
Director Information & Com Services	S. Fuerth	127,042	1,432
Director Fire Services & Fire Chief	D. Pitre	126,806	265
Director Public Works	P. Bartnik	120,805	1,629
Manager Water Services	D. Berthiaume	118,110	1,321
Manager Roads & Fleet	K. McArdle	118,110	1,321
Manager Planning Services/Senior Planner	C. Jeffery	117,781	1,332
Manager Building Services	M. Voegeli	110,267	1,245
Deputy Treasurer & Tax Collector	T. Kitsos	109,360	1,245
Manager Facilities	R. Hammond	102,139	1,152
Manager Parks & Horticulture	K. Colthurst	101,092	1,152
Manager Recreation	K. Rice	100,902	1,152
Water Quality/Volunteer Firefighter	B. Dupuis	100,908	879

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

17. Segmented information (continued):

The Town of Tecumseh is a diversified local municipal government that provides a wide range of services to its citizens, including police, fire, water, wastewater and parks and recreation. For management reporting purposes the Government's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Town services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General government:

General government consists of three categories: governance, corporate management and program support. It includes offices of Council, Chief Administrative Officer, Information Technology, Financial and Clerk Services.

(b) Protection to persons and property:

Protection is comprised of Fire, Police, Conservation Authority and Protective Inspection and Control. The mandate of the Police Services department is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offender; and enforce the law. Conservation Authority includes the Town's share of the Essex Region Conservation Authority. The Fire Service department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. Protective Inspection and Control ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants.

(c) Transportation:

The Public Works department is responsible for the delivery of municipal public works services to the planning, development and maintenance of roadway systems, snow clearing and removal and street lighting.

(d) Environmental:

Includes water, wastewater as well as garbage collection and disposal. The department provides drinking water to citizens of Tecumseh, collecting and treating wastewater, and providing collection and disposal of waste. Recycling is provided at the County level.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2018

17. Segmented information (continued):

(e) Social and Family:

It provides the Town's share of the Golden Age Club operations.

(f) Recreational and cultural:

The department provides public services that responds to citizens' leisure and cultural requirements. Facilities include a wide variety of parks plus a twin pad arena, pool and various community facilities.

(g) Business Improvement Area (BIA):

The BIA, a geographic area of the municipality, has a board of management which is an organization set up to provide business promotion and improvement functions. A BIA allows local business people and property owners to join together and with the support of the municipality, organize, finance and carry out physical improvement and promote economic development in their district. The local municipality is the body responsible for approving the budget of the BIA.

(h) Planning and development:

The Planning and Development department facilitates the orderly growth of the Town through approval to all land development plans in accordance with the Official Plan.

For each reported segment, revenues and expense represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The General Revenue Fund reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. Certain government transfers, transfer from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1. For additional information see the Consolidated Schedule of Segmented Disclosure (Schedule 2).

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2018

	General							Infrastructure				Totals	
	Land	Land improvements	Buildings	Leasehold improvements	Equipment / vehicles	Computer	Furniture and fixtures	Linear assets - Roads	Linear assets - Water, wastewater and storm	Assets under construction	2018	2017	
Cost:													
Balance, beginning of year	\$ 22,623,758	\$ 10,989,151	\$ 39,498,968	\$ 1,237,447	\$ 12,033,274	\$ 1,238,460	\$ 219,178	\$ 115,498,078	\$ 142,596,107	\$ 8,235,591	\$ 354,170,012	\$ 345,877,200	
Add: Additions during the year	-	67,513	370,211	212,336	1,967,144	63,994	24,720	159,955	973,869	1,980,869	5,820,611	13,227,821	
Less: Disposals during the year	-	33,198	78,053	-	556,413	53,889	-	-	57,269	-	778,822	831,027	
Other	-	-	-	-	-	-	-	-	-	(188,678)	(188,678)	(4,103,982)	
Balance, end of year	22,623,758	11,023,466	39,791,126	1,449,783	13,444,005	1,248,565	243,898	115,658,033	143,512,707	10,027,782	359,023,123	354,170,012	
Accumulated amortization:													
Balance, beginning of year	-	3,810,486	12,981,031	587,656	6,250,451	857,203	102,143	54,049,950	47,755,426	-	126,394,346	119,978,874	
Add: amortization	-	468,047	1,099,729	65,878	899,589	105,674	22,691	2,318,516	2,183,089	-	7,163,213	6,998,544	
Less: accumulated amortization on disposals	-	30,070	63,499	-	545,427	52,380	-	-	50,313	-	741,689	583,072	
Balance, end of year	-	4,248,463	14,017,261	653,534	6,604,613	910,497	124,834	56,368,466	49,888,202	-	132,815,870	126,394,346	
Net book value of tangible capital assets	\$ 22,623,758	\$ 6,775,003	25,773,865	\$ 796,249	\$ 6,839,392	\$ 338,068	\$ 119,064	59,289,567	93,624,505	10,027,782	\$ 226,207,253	\$ 227,775,666	

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Schedule of Segment Disclosure

Schedule 2

Year ended December 31, 2018

2018	General government	Protection to persons and property	Transportation	Environmental	Social and family services	Recreation and culture	BIA	Planning and development	Totals
Revenues:									
Property taxes	\$ 3,534,948	\$ 5,275,095	\$ 5,471,443	\$ 5,121,737	\$ 20,155	\$ 2,959,110	\$ 106,687	\$ 639,692	\$ 23,128,867
Government transfers	16,613	182,834	179,105	1,815,538	23,258	86,931	2,726	201,924	2,508,929
User charges	252,237	874,790	185,054	9,122,036	2,137	1,629,194	14,772	102,362	12,182,582
Capital contributions	-	-	116,065	796,009	-	55,774	-	367,660	1,335,508
Investment income	226,902	265,903	108,857	333,678	1,754	161,331	1,956	40,619	1,141,000
Penalties and interest on property taxes	89,846	115,435	47,258	37,403	761	70,038	-	17,634	378,375
Income from government business enterprise	220,017	282,681	115,725	91,593	1,864	171,511	-	43,181	926,572
Gain (loss) on disposal of tangible capital assets	1,098	(1,722)	4,011	(19,579)	-	65,545	-	-	49,353
Other	-	13,407	-	-	-	343,893	-	5,753	363,053
	<u>4,341,661</u>	<u>7,008,423</u>	<u>6,227,518</u>	<u>17,298,415</u>	<u>49,929</u>	<u>5,543,327</u>	<u>126,141</u>	<u>1,418,825</u>	<u>42,014,239</u>
Expenses:									
Wages and benefits	3,048,975	1,647,172	1,341,693	1,546,255	-	2,290,080	51,787	637,961	10,563,923
Interest on municipal debt	-	-	298,307	66,430	-	350,229	-	-	714,966
Office supplies and equipment maintenance	251,241	17,744	7,931	44,248	969	18,654	9,488	4,066	354,341
Memberships	17,202	5,658	10,290	118	-	4,866	485	3,427	42,046
Conventions and training	65,395	27,790	11,450	18,544	-	16,296	1,446	17,494	158,415
Maintenance materials and supplies	51,977	95,841	510,228	205,573	20	456,246	-	2,129	1,322,014
Purchases for resale	7,449	-	-	1,523,699	-	38,103	-	-	1,569,251
Maintenance	11,733	104,217	305,633	292,771	4,155	189,739	-	-	908,248
Contract services	31,620	3,675,626	1,803,641	5,062,416	-	161,292	-	428,017	11,162,612
Professional	495,731	17,012	54,598	734,924	-	9,532	794	418,121	1,730,712
Vehicle and equipment leases	2,329	-	-	-	-	-	-	-	2,329
Utilities	26,382	42,724	204,781	169,002	5,990	351,849	-	1,831	802,559
Insurance	95,634	58,013	74,781	130,261	5,726	96,858	-	4,848	466,121
Grants and donations	15,000	42,711	-	102,130	21,000	-	-	319,923	500,764
Amortization	147,374	268,807	2,673,229	2,942,759	11,272	1,117,344	-	2,428	7,163,213
Other	132,808	32,931	26,828	84,860	-	141,320	53,931	24,442	497,120
Financial	28,371	36,451	14,923	38,002	240	35,549	-	5,568	159,104
	<u>4,429,221</u>	<u>6,072,697</u>	<u>7,338,313</u>	<u>12,961,992</u>	<u>49,372</u>	<u>5,277,957</u>	<u>117,931</u>	<u>1,870,255</u>	<u>38,117,738</u>
Annual surplus (deficit)	\$ (87,560)	\$ 935,726	(1,110,795)	\$ 4,336,423	\$ 557	\$ 265,370	\$ 8,210	\$ (451,430)	\$ 3,896,501

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Schedule of Segment Disclosure

Schedule 2

Year ended December 31, 2018

2017	General government	Protection to persons and property	Transportation	Environmental	Social and family services	Recreation and culture	BIA	Planning and development	Totals
Revenues:									
Property taxes	\$ 3,036,481	\$ 5,149,586	\$ 5,527,621	\$ 5,085,660	\$ 20,498	\$ 2,637,409	\$ 108,983	\$ 587,056	\$ 22,153,294
Government transfers	18,462	179,871	1,383,530	513,589	27,497	709,711	1,125	97,627	2,931,412
User charges	209,441	861,094	229,642	8,683,485	1,969	1,661,075	9,694	95,847	11,752,247
Capital contributions	-	-	331,869	1,133,605	-	160,606	-	378,498	2,004,578
Investment income	155,350	183,011	77,575	260,906	1,238	108,460	1,199	23,838	811,577
Penalties and interest on property taxes	83,868	116,550	49,403	30,492	788	69,073	-	15,181	365,355
Income from government business enterprise	177,292	246,385	104,437	64,460	1,667	146,018	-	32,093	772,352
Gain (loss) on disposal of tangible capital assets	-	-	(74,842)	(78,186)	-	(37,289)	-	-	(190,317)
Other	-	-	-	-	-	28,773	-	-	28,773
	3,680,894	6,736,497	7,629,235	15,694,011	53,657	5,483,836	121,001	1,230,140	40,629,271
Expenses:									
Wages and benefits	3,042,372	1,631,062	1,252,389	1,489,990	-	2,113,449	51,738	590,398	10,171,398
Interest on municipal debt	-	-	(1,000)	104,256	-	363,014	-	-	466,270
Office supplies and equipment maintenance	208,851	20,807	6,508	44,334	585	9,787	4,546	3,188	298,606
Memberships	18,773	6,305	10,859	1,082	-	4,856	481	3,337	45,693
Conventions and training	79,090	17,805	5,800	21,074	-	14,616	1,362	17,786	157,533
Maintenance materials and supplies	34,284	78,232	518,813	155,184	-	485,941	-	-	1,272,454
Purchases for resale	-	-	-	1,339,171	-	37,822	-	-	1,376,993
Maintenance	7,553	87,420	190,835	281,172	6,154	185,680	-	-	758,814
Contract services	29,321	3,554,700	1,341,374	3,356,414	-	116,757	-	602,093	9,000,659
Professional	251,798	26,414	24,679	350,212	650	42,031	814	428,721	1,125,319
Vehicle and equipment leases	2,414	-	-	-	-	280	-	-	2,694
Utilities	28,560	48,584	220,242	194,898	6,309	371,581	-	2,410	872,584
Insurance	102,401	55,578	76,585	119,850	5,561	86,465	-	-	446,440
Grants and donations	10,000	-	-	255,014	21,000	-	-	16,987	303,001
Amortization	139,899	249,039	2,623,274	2,915,556	11,272	1,059,363	-	141	6,998,544
Other	114,341	29,012	23,439	60,206	-	130,265	52,041	59,779	469,083
Financial	30,368	42,203	17,889	29,168	285	39,599	-	5,497	165,009
	4,100,025	5,847,161	6,311,686	10,717,581	51,816	5,061,506	110,982	1,730,337	33,931,094
Annual surplus (deficit)	\$ (419,131)	\$ 889,336	1,317,549	\$ 4,976,430	\$ 1,841	\$ 422,330	\$ 10,019	\$ (500,197)	\$ 6,698,177