

Consolidated Financial Statements of

**THE CORPORATION OF THE
TOWN OF TECUMSEH**

Year ended December 31, 2019

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Financial Statements

Year ended December 31, 2019

| | |
|---|---------|
| Management's Responsibility for the Consolidated Financial Statements | 1 |
| Independent Auditor's Report | 2 – 4 |
| Consolidated Statement of Financial Position | 5 |
| Consolidated Statement of Operations and Accumulated Surplus | 6 |
| Consolidated Statement of Changes in Net Financial Assets | 7 |
| Consolidated Statement of Cash Flows | 8 |
| Notes to Consolidated Financial Statements | 9 – 36 |
| Schedule of Tangible Capital Assets | 37 |
| Schedule of Segment Disclosure | 38 – 39 |

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, 2019
- 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, 2019, 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 and Those Charged with Governance 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.

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

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
November 24, 2020

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|--|-----------------------|-----------------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 46,714,500 | \$ 37,603,828 |
| Taxes receivable | 2,166,794 | 2,202,683 |
| Accounts receivable | 2,135,784 | 2,212,790 |
| Promissory note receivable - government business enterprise (note 2) | 1,544,408 | 1,544,408 |
| Due from government business enterprise (note 2) | 1,603,940 | 1,692,560 |
| Accounts receivable - long term (note 3) | 912,902 | 1,143,850 |
| Investment - government business enterprise (note 4) | 11,067,362 | 10,939,362 |
| Investment - portfolio | 1,400,000 | 1,200,000 |
| | <u>\$ 67,545,690</u> | <u>\$ 58,539,481</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 4,961,661 | \$ 4,006,738 |
| Other current liabilities | 2,993,960 | 2,583,751 |
| Deferred revenue (note 5) | 5,341,628 | 3,276,641 |
| Employee future benefits payable (note 6) | 11,074,222 | 10,963,273 |
| Landfill post-closure liability (note 7) | 611,791 | 611,050 |
| Municipal debt (note 8) | 15,019,426 | 16,652,907 |
| | <u>40,002,688</u> | <u>38,094,360</u> |
| Net financial assets | 27,543,002 | 20,445,121 |
| Non-financial assets | | |
| Tangible capital assets (schedule 1) | 234,081,250 | 226,207,253 |
| Inventories of supplies | 159,028 | 180,660 |
| Prepaid expenses | 25,439 | 31,709 |
| | <u>234,265,717</u> | <u>226,419,622</u> |
| Contingent liabilities (note 10) | | |
| Contractual obligations (note 11) | | |
| Subsequent event (note 18) | | |
| Accumulated surplus (note 9) | <u>\$ 261,808,719</u> | <u>\$ 246,864,743</u> |

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, 2019, with comparative information for 2018

| | 2019 Budget (note 14) | 2019 Actual | 2018 Actual |
|---|-----------------------------|-----------------------|-----------------------|
| Revenues: | | | |
| Property taxes | \$ 23,755,457 | \$ 23,786,798 | \$ 23,128,867 |
| User charges | 12,524,570 | 12,340,821 | 12,182,582 |
| Capital contributions | 2,664,780 | 9,764,677 | 1,335,508 |
| Government transfers | 4,415,936 | 3,290,450 | 2,508,929 |
| Investment income | 1,079,700 | 1,356,867 | 1,141,000 |
| Penalties and interest on property taxes | 380,000 | 378,113 | 378,375 |
| Income from government business enterprise (note 4) | 782,175 | 588,099 | 926,572 |
| Gain (loss) on disposal of tangible capital assets | (607,341) | (183,841) | 49,353 |
| Other | 8,000 | 145,449 | 363,053 |
| | 45,003,277 | 51,467,433 | 42,014,239 |
| Expenses: | | | |
| General government | 4,952,647 | 4,229,842 | 4,520,330 |
| Protection to persons and property | 6,306,020 | 6,089,417 | 6,036,246 |
| Transportation | 7,389,322 | 7,032,576 | 7,323,390 |
| Environmental | 14,450,591 | 11,932,711 | 12,950,152 |
| Social and family | 49,289 | 46,304 | 49,132 |
| Recreational and cultural | 5,632,312 | 5,259,271 | 5,255,841 |
| Planning and development | 2,061,822 | 1,933,336 | 1,982,647 |
| | 40,842,003 | 36,523,457 | 38,117,738 |
| Annual surplus | 4,161,274 | 14,943,976 | 3,896,501 |
| Accumulated surplus, beginning of year | 247,085,744 | 246,864,743 | 242,968,242 |
| Accumulated surplus, end of year | \$ 251,247,018 | \$ 261,808,719 | \$ 246,864,743 |

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, 2019, with comparative information for 2018

| | 2019 Budget (note 14) | 2019 Actual | 2018 Actual |
|--|-----------------------------|----------------|----------------|
| Annual surplus | \$ 4,161,274 | \$ 14,943,976 | \$ 3,896,501 |
| Acquisition of tangible capital assets | (14,005,404) | (15,840,967) | (3,839,742) |
| Change in tangible capital assets WIP | 3,584,055 | 347,084 | (1,792,191) |
| Amortization of tangible capital assets | 7,387,925 | 7,384,205 | 7,163,213 |
| (Gain) loss on disposal of tangible capital assets | 607,341 | 183,841 | (49,353) |
| Proceeds from sale of tangible capital assets | - | 51,840 | 86,486 |
| | (2,426,083) | (7,873,997) | 1,568,413 |
| Net change in inventories of supplies | - | 21,632 | (10,086) |
| Net change in prepaid expense | - | 6,270 | (2,525) |
| | - | 27,902 | (12,611) |
| Change in net financial assets | 1,735,191 | 7,097,881 | 5,452,303 |
| Net financial assets, beginning of year | 6,362,863 | 20,445,121 | 14,992,818 |
| Net financial assets, end of year | \$ 8,098,054 | \$ 27,543,002 | \$ 20,445,121 |

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

| | 2019 | 2018 |
|--|---------------|---------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Annual surplus | \$ 14,943,976 | \$ 3,896,501 |
| Items not involving cash: | | |
| Amortization | 7,384,205 | 7,163,213 |
| Income from government business enterprise | (588,099) | (926,572) |
| (Gain) Loss on disposal of tangible capital assets | 183,841 | (49,353) |
| Change in non-cash operating working capital: | | |
| Financial assets | 201,515 | (767,352) |
| Liabilities | 3,541,809 | 2,445,304 |
| Non-financial assets | 27,902 | (12,611) |
| Cash provided from operating transactions | 25,695,149 | 11,749,130 |
| Capital: | | |
| Acquisition of tangible capital assets | (15,840,967) | (3,839,742) |
| Change in tangible capital assets | 347,084 | (1,792,191) |
| Proceeds on sale of tangible capital assets | 51,840 | 86,486 |
| Cash used in capital transactions | (15,442,043) | (5,545,447) |
| Investing: | | |
| Accounts receivable - long-term - new | (60,047) | (543,839) |
| Accounts receivable - long-term - repayment | 290,995 | 188,938 |
| Investment portfolio purchases | (200,000) | (200,000) |
| Dividends from government business enterprise | 460,099 | 446,572 |
| Cash used in investing activities | 491,047 | (108,329) |
| Financing: | | |
| Proceeds from issuance of municipal debt | - | 275,200 |
| Municipal debt principal repayment | (1,633,481) | (1,694,205) |
| Cash used in financing activities | (1,633,481) | (1,419,005) |
| Change in cash and cash equivalents | 9,110,672 | 4,676,349 |
| Cash and cash equivalents, beginning of year | 37,603,828 | 32,927,479 |
| Cash and cash equivalents, end of year | \$ 46,714,500 | \$ 37,603,828 |

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements

Year ended December 31, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

2. Government business enterprise:

| | 2019 | 2018 |
|---|--------------|--------------|
| 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. | 1,603,940 | 1,692,560 |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Accounts receivable – long term:

Accounts receivable – long term consists of the following:

| | 2019 | 2018 |
|------------|-------------------|---------------------|
| Debentures | \$ 650,957 | \$ 837,550 |
| Other | 261,945 | 306,300 |
| | <u>\$ 912,902</u> | <u>\$ 1,143,850</u> |

(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.

| | 2019 | 2018 |
|---|-------------------|-------------------|
| Receivable over a five year term in annual instalments of \$57,510 at an interest rate of 2.51% and will mature in 2021 | \$ 110,828 | \$ 164,215 |
| Receivable over a five year term in annual instalments of \$43,013 at an interest rate of 3.04% and will mature in 2022 | 121,571 | 159,731 |
| Receivable over a 10 year term in annual instalments of \$24,310 at an interest rate of 4.04% and will mature in 2022 | 67,414 | 88,160 |
| Receivable over a five year term in annual instalments of \$22,077 at an interest rate of 3.67% and will mature in 2023 | 80,766 | 99,202 |
| Receivable over a five year term in annual instalments of \$63,790 at an interest rate of 4.00% and will mature in 2023 | 231,551 | 283,982 |
| Receivable over a 10 year term in annual instalments of \$5,349 at an interest rate of 4.53% and will mature in 2029 | 38,827 | 42,260 |
| | <u>\$ 650,957</u> | <u>\$ 837,550</u> |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Accounts receivable – long term (continued):

(b) Other:

| | 2019 | 2018 |
|---|-------------------|-------------------|
| Municipal Drain receivable over a five year term in annual Installments of \$4,051 at an interest rate of 3.25% and matured in 2019 | \$ - | \$ 3,923 |
| 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 | 25,734 | 50,694 |
| Municipal Drain receivable over a five year term in annual Installments of \$16,245 at an interest rate of 2.95% and will mature in 2021 | 31,106 | 45,994 |
| 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 | 7,005 | 10,379 |
| Municipal Drain receivable over a five year term in annual Installments of \$14,381 at an interest rate of 3.45% and will mature in 2022 | 40,329 | 52,886 |
| 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 | 22,396 | 29,438 |
| 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 | 18,235 | 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 | 52,098 | 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 | 4,995 | 6,126 |
| Municipal Drain receivable over a five year term in annual Installments of \$13,488 at an interest rate of 4.00% and will mature in 2024 | 60,047 | - |
| | <u>\$ 261,945</u> | <u>\$ 306,300</u> |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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:

| | 2019 | 2018 |
|--|----------------------|----------------------|
| 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% | 5,726,000 | 5,598,000 |
| | <u>\$ 11,067,362</u> | <u>\$ 10,939,362</u> |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

4. Investment – Government Business Enterprise (continued):

(c) Supplementary financial information for EPC:

| | (in thousands of dollars) | |
|--|---------------------------|-------------------|
| | 2019 | 2018 |
| Current assets | \$ 3,979 | \$ 3,866 |
| Accounts receivable | 8,645 | 10,286 |
| Unbilled revenue | 5,802 | 5,671 |
| Other current assets | 1,876 | 1,619 |
| Property, plant and equipment | 69,789 | 65,984 |
| Intangible assets | 5,462 | 6,618 |
| Right-of-use assets | 2,435 | - |
| Goodwill | 1,623 | 1,623 |
| Deferred assets | 1,359 | 1,563 |
| Note receivable | 1,665 | 1,714 |
| Regulatory balances | 13,421 | 10,920 |
| Total assets and regulatory balances | \$ 116,056 | \$ 109,864 |
| Current liabilities | \$ 31,175 | \$ 27,099 |
| Long-term liabilities | 25,397 | 25,005 |
| Post-employment benefits | 2,915 | 2,795 |
| Deferred revenue | 5,674 | 5,010 |
| Deferred tax liabilities | 5,602 | 4,127 |
| Other non-current liabilities | 1,695 | 15 |
| Total liabilities | 72,458 | 64,051 |
| Share capital | 19,667 | 19,667 |
| Retained earnings | 16,931 | 16,317 |
| Net assets attributable to external Limited Partners | 1,599 | 1,711 |
| Accumulated other comprehensive income (loss) | 1,370 | 1,406 |
| Total equity | 39,567 | 39,101 |
| Regulatory balances | 4,031 | 6,712 |
| Total liabilities, equity and regulatory balances | \$ 116,056 | \$ 109,864 |
| Total revenues | \$ 88,898 | \$ 84,294 |
| Total expenses | (88,934) | (83,730) |
| Finance income (costs) | (1,155) | (1,047) |
| Income tax (recovery) | (1,476) | (661) |
| Net movement in regulatory balances, net of tax | 5,182 | (4,125) |
| Other comprehensive income (loss) | (36) | 77 |
| Total comprehensive income for the year | \$ 2,479 | \$ 3,058 |
| 26.44% share of comprehensive income | \$ 655 | \$ 809 |
| 26.44% share of Green Share Dividend | (16) | (16) |
| 26.44% share of regulatory adjustments | (51) | 135 |
| Income from government business enterprise | \$ 588 | \$ 928 |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

5. Deferred revenue:

| | 2019 Opening balance | Contributions received | Externally restricted investments income | Revenue recognized | 2019 Ending balance |
|------------------------------|----------------------------|---------------------------|---|-----------------------|---------------------------|
| Development charges | \$ 800,797 | \$ 611,908 | \$ 16,749 | \$ (545,854) | \$ 883,600 |
| Gas tax | 1,212,618 | 790,942 | 60,818 | - | 2,064,378 |
| Parkland development fees | 553,077 | 11,000 | 11,568 | - | 575,645 |
| Storm Sewer | 710,149 | 1,076,989 | 30,867 | - | 1,818,005 |
| | <u>\$3,276,641</u> | <u>\$ 2,490,839</u> | <u>\$ 120,002</u> | <u>\$ (545,854)</u> | <u>\$5,341,628</u> |

6. Employee future benefits payable:

Employee future benefits payable consists of the following:

| | 2019 | 2018 |
|--------------------------------------|----------------------|----------------------|
| Sick leave benefit plan (note 6 (b)) | \$ 352,358 | \$ 356,544 |
| Health and dental (note 6 (c)) | 10,721,864 | 10,606,729 |
| | <u>\$ 11,074,222</u> | <u>\$ 10,963,273</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, 2019, the OMERS plan is in a deficit position. Contributions rates for 2019 were 9.0% (2018 - 9.0%) for employee earnings below the year's maximum pensionable earnings and 14.6% (2018 - 14.6%) thereafter. During the year ended December 31, 2019, the Municipality contributed \$640,100 (2018 - \$617,838) 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, 2019

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 2019 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:

| | 2019 | 2018 |
|--|------------|------------|
| Accrued benefit liability, January 1 | \$ 356,544 | \$ 339,972 |
| Expense for the year: | | |
| Current service cost | 31,400 | 28,835 |
| Interest | 11,836 | 10,207 |
| Amortization of actuarial losses (gains) | (3,026) | (2,731) |
| Benefits paid for the year | (44,396) | (19,739) |
| Accrued benefit liability, December 31 | 352,358 | 356,544 |
| Unamortized actuarial gains | (20,512) | (36,968) |
| Obligation, December 31 | \$ 331,846 | \$ 319,576 |

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

| | 2019 | 2018 |
|-------------------------------|-------|-------|
| Discount rate | 2.90% | 3.60% |
| Rate of compensation increase | 3.00% | 3.00% |

A sick leave reserve has been established in the amount of \$352,358 (2018 - \$356,544).

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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:

| | 2019 | 2018 |
|--|---------------|--------------|
| Accrued benefit liability, January 1 | \$ 10,606,729 | \$ 9,853,159 |
| Expense for the year: | | |
| Current service cost | 208,238 | 453,500 |
| Interest | 333,689 | 377,581 |
| Amortization of actuarial losses (gains) | (308,905) | 49,334 |
| Benefits paid for the year | (117,887) | (126,845) |
| Accrued benefit liability, December 31 | 10,721,864 | 10,606,729 |
| Unamortized actuarial (gains) | (736,870) | (2,413,695) |
| Obligation, December 31 | \$ 9,984,994 | \$ 8,193,034 |

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

| | 2019 | 2018 |
|--------------------------------|------|------|
| Discount rate | 3.2% | 4.0% |
| Rate of compensation increase: | | |
| Dental | 4.5% | 4.5% |
| Health care: | | |
| initial | 6.5% | 6.5% |
| ultimate reached in 2022 | 4.5% | 4.5% |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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.

| | 2019 | 2018 |
|--|------------|------------|
| Landfill post-closure liability, January 1 | \$ 611,050 | \$ 606,908 |
| Expense for the year: | | |
| Interest | 26,035 | 27,008 |
| Amortization of actuarial losses | 1,109 | 3,537 |
| Amounts paid for the year | (26,403) | (26,403) |
| Landfill post-closure liability, December 31 | 611,791 | 611,050 |
| Unamortized actuarial losses | 203,897 | 53,022 |
| Obligation, December 31 | \$ 815,688 | \$ 664,072 |

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

| | 2019 | 2018 |
|--------------------|-------|-------|
| Discount rate | 3.20% | 4.00% |
| Annual growth rate | 2.50% | 2.50% |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

8. Municipal debt:

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

| | 2019 | 2018 |
|---|--------------|--------------|
| Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$348,228 including interest at 3.78%, due 2036 | \$ 8,676,468 | \$ 9,034,764 |
| Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$106,736 including interest at 4.71%, due 2025 | 1,104,547 | 1,260,466 |
| Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$75,229 including interest at 4.76%, due 2026 | 886,850 | 991,349 |
| Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$68,111 including interest at 4.95%, due 2027 | 890,924 | 979,735 |
| Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$61,485 including interest at 5.62%, due 2028 | 859,384 | 931,024 |
| Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$129,277 including interest at 3.65%, due 2020 | 251,644 | 494,349 |
| Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$31,583 including interest at 4.77%, due 2029 | 497,744 | 535,801 |
| Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$139,915 including interest at 3.89%, repaid during the year | - | 271,873 |
| Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$26,241 including interest at 4.40%, due 2030 | 453,791 | 485,265 |
| Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$20,666 including interest at 3.59%, due 2031 | 400,108 | 426,367 |
| Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$28,680 including interest at 2.69%, due 2022 | 164,260 | 216,152 |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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):

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$11,979 including interest at 3.41%, due 2032 | 249,892 | 264,943 |
| Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$28,020 including interest at 1.76%, due 2021 | 109,656 | 163,060 |
| Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$20,941 including interest at 2.29%, due 2022 | 120,758 | 159,212 |
| Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$11,356 including interest at 2.79%, due 2022 | 64,929 | 85,400 |
| Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$7,084 including interest at 1.50%, due 2020 | 14,010 | 27,810 |
| Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$2,651 including interest at 3.97% due 2033 | 56,518 | 59,487 |
| Tile Drain Loans – repayable in annual installments including interest from 6% to 8%, due in various amounts to 2021 | 1,868 | 2,724 |
| Ontario Infrastructure and Lands Corporation Debenture – repayable in semi-annual installments of \$10,649 including interest at 2.62%, due 2023 | 70,783 | 89,850 |
| Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$14,530 including interest at 3.00%, due 2023 | 108,772 | 134,000 |
| Ontario Strategic Infrastructure Financing Authority Debenture – repayable in semi-annual installments of \$2,480 including interest at 3.28%, due 2028 | 38,388 | 42,000 |
| | <u>15,021,294</u> | <u>16,655,631</u> |
| 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 | (1,868) | (2,724) |
| Net municipal debt at the end of the year | \$ 15,019,426 | \$ 16,652,907 |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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 |
|-------------|------------------------------|---|---------------|
| 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 |
| 2024 | 1,109,097 | 4,250 | 1,113,348 |
| | 5,510,059 | 508,841 | 6,018,901 |
| 2025 – 2029 | 4,516,428 | 18,454 | 4,534,882 |
| Thereafter | 4,465,644 | - | 4,465,644 |
| | \$ 14,492,131 | \$ 527,295 | \$ 15,019,426 |

(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, 2019

9. Accumulated surplus:

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

| | 2019 | 2018 |
|---|-----------------------|-----------------------|
| Surplus: | | |
| Invested in tangible capital assets | \$ 234,081,250 | \$ 226,207,253 |
| Inventories | 159,028 | 180,660 |
| To be used to offset user charges and taxation | 919,026 | 761,197 |
| To be financed by user charges and municipal debt | (2,743,619) | (2,166,917) |
| Equity in EPC | 10,632,624 | 10,504,625 |
| Amounts to be recovered: | | |
| Benefitting landowners | 650,957 | 837,551 |
| Vacation pay liability | (338,800) | (336,400) |
| Employee benefits payable | (11,014,824) | (10,903,875) |
| Landfill post-closure liability | (611,791) | (611,050) |
| Accrued interest on net long term liabilities | (44,100) | (48,300) |
| Municipal debt | (15,019,426) | (16,652,907) |
| Reserves and reserve funds (note 9 (b)) | 45,138,394 | 39,092,906 |
| Total surplus | \$ 261,808,719 | \$ 246,864,743 |

(b) Reserves and reserve funds consist of the following

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Reserves set aside for specific purposes by Council: | | |
| Capital / lifecycle | \$ 26,144,000 | \$ 20,951,063 |
| Tax rate stabilization | 4,454,986 | 4,991,614 |
| Storm sewer | 284,345 | 284,345 |
| Working capital | 216,300 | 216,300 |
| Business improvement area | 80,037 | 69,212 |
| Sick and vacation leave | 614,822 | 693,037 |
| General | 17,435 | 17,435 |
| Fire Education Awareness | 7,500 | 7,500 |
| Community Improvement Plan | 223,133 | 164,616 |
| Total reserves | 32,042,558 | 27,395,122 |
| Reserve funds set aside for specific purposes by Council: | | |
| Water capital | 11,884,803 | 10,798,572 |
| Sanitary sewers | (612,825) | (829,796) |
| Post-retirement benefits | 1,765,170 | 1,729,008 |
| HEC | 58,688 | - |
| Total reserve funds | 13,095,836 | 11,697,784 |
| Total reserve and reserve funds | \$ 45,138,394 | \$ 39,092,906 |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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:

| | 2019 | 2018 |
|------------------|--------------|--------------|
| Sewage treatment | \$ 1,291,940 | \$ 1,238,109 |

(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, 2019

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:

| | 2019 | 2018 |
|---|---------------|---------------|
| Taxation and share of payments in lieu and rights of way: | | |
| School Boards | \$ 10,636,579 | \$ 10,632,836 |
| County | 15,559,567 | 14,623,430 |
| | 26,196,146 | 25,256,266 |
| Requisitions | 26,196,146 | 25,256,266 |
| Over levy for the year | \$ - | \$ - |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

14. Budget:

- (a) The Financial Plan (Budget) By-Law adopted by Council on December 11, 2018 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 11, 2018 with adjustments as follows:

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Financial Plan (Budget By-Law surplus) for the year | \$ 2,399,195 | \$ 2,299,300 |
| Add: | | |
| Share of government business enterprises surplus | 732,000 | 728,000 |
| Landfill post-closure expenditures | 29,000 | 29,000 |
| Loss on sale of tangible capital assets | (607,341) | (433,800) |
| Capital expenditures | 10,421,349 | 8,495,900 |
| | <u>10,575,008</u> | <u>8,819,100</u> |
| Less: | | |
| Accrued interest expense | (4,400) | (4,800) |
| Dividend from government business enterprise | 433,000 | 420,000 |
| Employee future benefits expense | 975,000 | 955,000 |
| Landfill post-closure expense | 43,594 | 41,600 |
| Amortization | 7,387,925 | 7,230,100 |
| | <u>8,835,119</u> | <u>8,641,900</u> |
| Budget surplus | <u>\$ 4,139,084</u> | <u>\$ 2,476,500</u> |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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 \$4,161,274:

| | 2019 |
|--|---------------------|
| Town | \$ 4,139,084 |
| BIA | 22,190 |
| Budget surplus per Consolidated Statement of Operations | \$ 4,161,274 |

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:

(c) 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 \$9,006,361 (2018 - \$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.

© 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, 2019

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.

Tangible capital assets consist of:

| | 2019 | 2018 |
|--------------------------------|-----------------------|-----------------------|
| General: | | |
| Land | \$ 22,623,758 | \$ 22,623,758 |
| Land improvements | 6,415,525 | 6,775,003 |
| Buildings | 25,129,820 | 25,773,865 |
| Leasehold improvements | 759,087 | 796,249 |
| Equipment and vehicles | 6,579,114 | 6,839,392 |
| Computer | 387,846 | 338,068 |
| Furniture and fixtures | 110,183 | 119,064 |
| Infrastructure: | | |
| Roads | 61,248,667 | 59,289,567 |
| Underground and other networks | 101,146,552 | 93,624,505 |
| Assets under construction | 9,680,698 | 10,027,782 |
| | <u>\$ 234,081,250</u> | <u>\$ 226,207,253</u> |

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

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 |
|--|----------------|-------------|------------------|
| Director Parks & Recreation | P. Anthony | \$ 146,377 | \$ 1,558 |
| Director Planning Services | B. Hillman | 146,377 | 1,558 |
| Director Corporate Services & Clerk | L. Moy | 146,028 | 1,558 |
| Chief Administrative Officer | M. Misek-Evans | 139,686 | 1,517 |
| Director Public Works | P. Bartnik | 130,128 | 1,367 |
| Director Information & Com Services | S. Fuerth | 129,101 | 1,382 |
| Manager Water Services | D. Berthiaume | 120,472 | 1,283 |
| Manager Planning Services/Senior Planner | C. Jeffery | 120,472 | 1,283 |
| Manager Roads & Fleet | K. McArdle | 120,472 | 1,283 |
| Director Financial Services & CFO | T. Kitsos | 119,955 | 1,282 |
| Manager Building Services | M. Voegeli | 116,834 | 1,201 |
| Manager Engineering Services | J. Henderson | 107,657 | 1,100 |
| Deputy Fire Chief | C. Mactier | 105,936 | 1,140 |
| Manager Facilities | R. Hammond | 104,168 | 1,112 |
| Manager Parks & Horticulture | K. Colthurst | 103,502 | 1,112 |
| Water Quality/Volunteer Firefighter | B. Dupuis | 102,601 | 863 |
| Manager Strategic Initiatives | L. Reeves | 100,978 | 1,112 |
| Manager Recreation | K. Rice | 100,978 | 1,112 |

17. Segmented information:

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.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

17. Segmented information (continued):

(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 offenders; 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, is responsible for collecting wastewater, and providing collection and disposal of waste. Recycling is provided at the County level.

(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.

THE CORPORATION OF THE TOWN OF TECUMSEH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

17. Segmented information (continued):

(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).

18. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Corporation did not have significant adjustments to reflect the possible future impact of COVID-19. Management has assessed the going concern assumptions and believes there are no issues, given that cost containment measures were implemented immediately following the declaration of emergency in March.

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2019

| | 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 | 2019 | 2018 |
| Cost: | | | | | | | | | | | | |
| Balance, beginning 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 |
| Add: Additions during the year | - | 111,559 | 472,293 | 35,616 | 734,266 | 158,978 | 14,950 | 4,452,218 | 9,861,087 | 4,141,116 | 19,982,083 | 5,820,611 |
| Less: Disposals during the year | - | - | 17,301 | - | 495,819 | 61,049 | 16,879 | 535,563 | 268,075 | - | 1,394,686 | 778,822 |
| Other | - | - | - | - | - | - | - | - | - | (4,488,200) | (4,488,200) | (188,678) |
| Balance, end of year | 22,623,758 | 11,135,025 | 40,246,118 | 1,485,399 | 13,682,452 | 1,346,494 | 241,969 | 119,574,688 | 153,105,719 | 9,680,698 | 373,122,320 | 359,023,123 |
| Accumulated amortization: | | | | | | | | | | | | |
| Balance, beginning 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 |
| Add: amortization | - | 471,037 | 1,108,400 | 72,778 | 985,746 | 102,888 | 23,831 | 2,373,807 | 2,245,718 | - | 7,384,205 | 7,163,213 |
| Less: accumulated amortization on disposals | - | - | 9,363 | - | 487,021 | 54,737 | 16,879 | 416,252 | 174,753 | - | 1,159,005 | 741,689 |
| Other | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance, end of year | - | 4,719,500 | 15,116,298 | 726,312 | 7,103,338 | 958,648 | 131,786 | 58,326,021 | 51,959,167 | - | 139,041,070 | 132,815,870 |
| Net book value of tangible capital assets | \$ 22,623,758 | \$ 6,415,525 | 25,129,820 | \$ 759,087 | \$ 6,579,114 | \$ 387,846 | \$ 110,183 | 61,248,667 | 101,146,552 | 9,680,698 | \$ 234,081,250 | \$ 226,207,253 |

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Schedule of Segment Disclosure

Schedule 2

Year ended December 31, 2019

| 2019 | General government | Protection to persons and property | Transportation | Environmental | Social and family services | Recreation and culture | BIA | Planning and development | Totals |
|--|--------------------|------------------------------------|-------------------|----------------------|----------------------------|------------------------|------------------|--------------------------|----------------------|
| Revenues: | | | | | | | | | |
| Property taxes | \$ 3,537,340 | \$ 5,361,395 | \$ 5,450,215 | \$ 5,402,581 | \$ 19,334 | \$ 3,128,299 | \$ 121,893 | \$ 765,741 | \$ 23,786,798 |
| Government transfers | 32,118 | 171,745 | 2,046,103 | 807,626 | 22,627 | 56,988 | 33 | 153,210 | 3,290,450 |
| User charges | 238,555 | 899,006 | 198,602 | 9,244,348 | 2,031 | 1,644,584 | 7,323 | 106,372 | 12,340,821 |
| Capital contributions | - | - | 2,749,248 | 6,674,333 | - | 36,389 | - | 304,708 | 9,764,678 |
| Investment income | 279,878 | 316,335 | 135,601 | 369,640 | 2,075 | 200,380 | 2,143 | 50,815 | 1,356,867 |
| Penalties and interest on property taxes | 87,649 | 113,766 | 48,767 | 36,846 | 746 | 72,064 | - | 18,275 | 378,113 |
| Income from government business enterprise | 136,326 | 176,946 | 75,850 | 57,308 | 1,160 | 112,085 | - | 28,424 | 588,099 |
| Gain (loss) on disposal of tangible capital assets | (6,312) | 3,225 | (113,293) | (93,322) | - | 25,861 | - | - | (183,841) |
| Other | - | - | - | 375 | - | 145,074 | - | - | 145,449 |
| | 4,305,554 | 7,042,418 | 10,591,093 | 22,499,735 | 47,973 | 5,421,724 | 131,392 | 1,427,545 | 51,467,434 |
| Expenses: | | | | | | | | | |
| Wages and benefits | 3,036,374 | 1,575,370 | 1,245,845 | 1,464,598 | - | 2,305,892 | 42,316 | 632,940 | 10,303,335 |
| Interest on municipal debt | - | - | 272,486 | 44,328 | - | 337,160 | - | - | 653,974 |
| Office supplies and equipment maintenance | 227,269 | 16,191 | 9,917 | 24,721 | 64 | 18,910 | 11,658 | 4,762 | 313,492 |
| Memberships | 19,607 | 5,413 | 10,839 | 392 | - | 5,856 | 270 | 3,896 | 46,273 |
| Conventions and training | 53,007 | 17,083 | 12,432 | 16,509 | - | 17,683 | 779 | 17,472 | 134,965 |
| Maintenance materials and supplies | 22,818 | 85,816 | 415,555 | 219,767 | 867 | 413,148 | - | 2,746 | 1,160,717 |
| Purchases for resale | 8,930 | - | - | 1,418,966 | - | 38,176 | - | - | 1,466,072 |
| Maintenance | - | - | - | - | - | - | - | - | - |
| Contract services | 28,257 | 3,832,888 | 1,597,991 | 4,056,699 | - | 111,777 | - | 513,446 | 10,141,058 |
| Professional | 374,559 | 15,887 | 185,375 | 899,698 | - | 12,197 | 4,371 | 531,553 | 2,023,640 |
| Vehicle and equipment leases | 2,376 | - | - | - | - | - | - | - | 2,376 |
| Utilities | 25,648 | 44,164 | 210,425 | 169,959 | 7,178 | 362,033 | - | 2,571 | 821,978 |
| Insurance | 69,657 | 37,741 | 54,395 | 110,903 | 4,094 | 70,336 | - | 4,075 | 351,201 |
| Grants and donations | 10,000 | - | - | 38,180 | 21,000 | - | - | 66,482 | 135,662 |
| Amortization | 147,202 | 305,722 | 2,746,054 | 3,010,426 | 11,271 | 1,158,728 | - | 4,802 | 7,384,205 |
| Other | 134,444 | 35,322 | 18,965 | 60,006 | - | 162,197 | 61,175 | 26,673 | 498,782 |
| Financial | 12,333 | 16,009 | 6,862 | 16,004 | 105 | 23,406 | - | 2,572 | 77,291 |
| | 4,172,481 | 5,987,606 | 6,787,141 | 11,551,156 | 44,579 | 5,037,499 | 120,569 | 1,813,990 | 35,515,021 |
| Annual surplus (deficit) | \$ 133,073 | \$ 1,054,812 | 3,803,952 | \$ 10,948,579 | \$ 3,394 | \$ 384,225 | \$ 10,823 | \$ (386,445) | \$ 15,952,413 |

THE CORPORATION OF THE TOWN OF TECUMSEH

Consolidated Schedule of Segment Disclosure

Schedule 2

Year ended December 31, 2019

| 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 | \$ 5,223,407 | \$ 5,450,069 | \$ 5,102,954 | \$ 19,988 | \$ 2,938,213 | \$ 106,687 | \$ 752,601 | \$ 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 |
| | 4,341,661 | 6,956,735 | 6,206,144 | 17,279,632 | 49,762 | 5,522,430 | 126,141 | 1,531,734 | 42,014,239 |
| 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 |
| | 4,429,221 | 6,072,697 | 7,338,313 | 12,961,992 | 49,372 | 5,277,957 | 117,931 | 1,870,255 | 38,117,738 |
| Annual surplus (deficit) | \$ (87,560) | \$ 884,038 | (1,132,169) | \$ 4,317,640 | \$ 390 | \$ 244,473 | \$ 8,210 | \$ (338,521) | \$ 3,896,501 |