

**The Corporation of the Town of
Essex
Financial Statements
For the year ended December 31, 2019**

Draft for discussion purposes

The Corporation of the Town of Essex
Financial Statements
For the year ended December 31, 2019

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Town of Essex, (the Town), which comprise the Consolidated Statement of Financial Position as at December 31, 2019, and the Consolidated Statement of Operations and Accumulated Surplus, Consolidated Statement of Changes in Net Financial Assets and Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2019, and its results of operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Chartered Professional Accountants, Licensed Public Accountants

Essex, Ontario
July 6, 2020

**The Corporation of the Town of Essex
Consolidated Statement of Financial Position**

December 31	2019	2018
Financial Assets		
Cash and cash equivalents	\$ 56,660,184	\$ 46,894,508
Taxes receivable	1,106,168	1,053,120
Accounts receivable	4,015,108	3,447,286
Unearned revenue - development charges (Note 8)	-	564,809
Investment in E.L.K. Energy Inc. (Note 2)	12,493,891	11,800,791
Long-term investments (Note 3)	627,835	612,224
	<u>74,903,186</u>	<u>64,372,738</u>
Financial Liabilities		
Accounts payable and accrued liabilities	4,260,231	3,691,030
Other current liabilities	624,012	634,020
Accrued interest payable on long-term debt	342,110	375,099
Employee future benefits (Note 9)	4,436,721	4,406,014
Deferred revenue - development charges (Note 8)	2,084,091	-
Net long-term debt (Note 5)	18,748,371	20,764,401
	<u>30,495,536</u>	<u>29,870,564</u>
Net financial assets	<u>44,407,650</u>	<u>34,502,174</u>
Non-financial assets		
Tangible capital assets (Note 14 and Schedule 1)	184,392,051	186,083,995
Prepaid expenses and inventories of supplies	214,607	135,835
	<u>184,606,658</u>	<u>186,219,830</u>
Accumulated surplus (Note 7)	<u>\$229,014,308</u>	<u>\$ 220,722,004</u>

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

_____ Treasurer

_____ Mayor

**The Corporation of the Town of Essex
Consolidated Statement of Operations and Accumulated Surplus**

For the year ended December 31	Budget (Note 13) 2019	Actual 2019	Actual 2018
Revenue			
Taxation	\$ 17,458,757	\$ 17,755,842	\$ 16,520,274
User charges	3,397,747	3,266,507	3,114,556
Grants	9,357,520	6,851,807	6,894,120
Interest and penalties	377,000	1,495,380	1,064,385
Landfill compensation	2,241,689	3,343,971	2,312,099
Share of income from E.L.K. Energy Inc. (Note 2)	-	784,082	920,879
Commuted payments	-	152,331	44,151
Development contributions	370,443	660,707	309,879
Sewer and water charges	6,781,818	7,219,452	7,066,191
Other	1,536,899	781,607	807,586
Loss on disposal of tangible capital assets	-	(54,181)	(103,849)
Recovered drain billings	-	806,482	2,291,805
	<u>41,521,873</u>	<u>43,063,987</u>	<u>41,242,076</u>
Expenses			
General government	4,382,364	4,371,011	3,867,092
Protection to persons and property	6,402,794	6,096,070	6,077,769
Transportation services	7,976,193	7,866,324	8,370,687
Environmental services	6,936,103	6,975,625	6,667,323
Health services	270,659	295,089	291,229
Recreation and cultural services	7,216,543	7,385,337	7,017,093
Planning and development	1,566,158	1,782,227	2,193,815
	<u>34,750,814</u>	<u>34,771,683</u>	<u>34,485,008</u>
Annual surplus	6,771,059	8,292,304	6,757,068
Accumulated surplus, beginning of year	<u>220,722,004</u>	<u>220,722,004</u>	<u>213,964,936</u>
Accumulated surplus, end of year	<u>\$ 227,493,063</u>	<u>\$ 229,014,308</u>	<u>\$ 220,722,004</u>

The accompanying notes are an integral part of these financial statements.

**The Corporation of the Town of Essex
Consolidated Statement of Changes in Net Financial Assets**

For the year ended December 31	Budget (Note 13) 2019	Actual 2019	Actual 2018
Annual surplus	\$ 6,771,059	\$ 8,292,304	\$ 6,757,068
Acquisition of tangible capital assets	(25,888,450)	(3,960,518)	(3,448,282)
Change in tangible capital assets WIP	6,500,000	(1,222,682)	(1,658,906)
Amortization of tangible capital assets	6,804,000	6,801,294	6,825,537
Loss on sale of tangible capital assets	-	54,181	103,849
Proceeds on sale of tangible capital assets	-	19,669	11,001
	<u>(5,813,391)</u>	<u>9,984,248</u>	<u>8,590,267</u>
Net change inventories of supplies	-	(82,493)	78,954
Net change prepaid expenses	-	3,721	82,424
	<u>-</u>	<u>(78,772)</u>	<u>161,378</u>
Net change in net financial assets	(5,813,391)	9,905,476	8,751,645
Net financial assets, beginning of year	34,502,174	34,502,174	25,750,529
Net financial assets, end of year	\$ 28,688,783	\$ 44,407,650	\$ 34,502,174

The accompanying notes are an integral part of these financial statements.

The Corporation of the Town of Essex Consolidated Statement of Cash Flows

For the year ended December 31

2019

2018

Cash provided by (used in)

Operating activities

Annual surplus for the year	\$ 8,292,304	\$ 6,757,068
Items not involving cash		
Amortization	6,801,294	6,825,537
Loss on disposal of tangible capital assets	54,181	103,849
(Increase) decrease in taxes receivable	(53,048)	351,416
Increase in accounts receivable	(567,822)	(589,404)
Decrease in unearned revenue	2,648,900	293,212
Increase in accounts payable and accrued liabilities	569,201	1,081,405
(Decrease) increase in other current liabilities	(10,008)	84,366
Increase (decrease) in accrued interest payable on long-term debt	(32,989)	156,141
Changes in employee future benefits	30,707	18,000
(Increase) decrease in prepaid expenses and inventories of supplies	(78,772)	161,378
	17,653,948	15,242,968

Capital activities

Acquisition of tangible capital assets	(3,960,518)	(3,448,282)
Change in tangible capital assets work-in-process	(1,222,682)	(1,658,906)
Proceeds on disposition of tangible capital assets	19,669	11,001
	(5,163,531)	(5,096,187)

Investing activities

Increase in investment in E.L.K. Energy Inc.	(693,100)	(829,897)
Increase in long-term investments	(15,611)	(15,224)
	(708,711)	(845,121)

Financing activities

Long-term debt repaid	(1,936,210)	(1,912,562)
Changes regarding debt transferred to property owners	(79,820)	(37,986)
	(2,016,030)	(1,950,548)

Net change in cash and cash equivalents

9,765,676 7,351,112

Cash and cash equivalents, beginning of year

46,894,508 39,543,396

Cash and cash equivalents, end of year

\$ 56,660,184 \$ 46,894,508

The Corporation of the Town of Essex Notes to the Consolidated Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies

Management Responsibility The consolidated financial statements of The Corporation of the Town of Essex (the "Town") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards for local governments using guidelines established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The Corporation of the Town of Essex is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. The Town provides municipal services such as fire, roads, water, wastewater, planning, parks, recreation and other general government services.

Use of Estimates The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Basis of Consolidation (i) Consolidated Financial Statements

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, reserves and changes in investment in tangible capital assets of the Town and includes the activities of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and are owned or controlled by the Town. All inter-entity transactions and balances have been eliminated on consolidation.

(ii) Other entities

The investment in E.L.K. Energy Inc. is accounted for using the modified equity basis of accounting, which represents the Town's proportionate share of E.L.K.'s net assets at acquisition plus its share of undistributed earnings. The basis is consistent with the generally accepted accounting treatment of government business enterprises.

The Town's proportionate share in the Union Water Supply System is accounted for on a proportionate consolidation basis, consistent with the generally accepted accounting treatment for government units.

The Corporation of the Town of Essex Notes to the Consolidated Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

(iii) Accounting for County and School Board Transactions

The Town collects taxation revenue on behalf of the school boards and the County of Essex. The taxation and other revenues with respect to the operations of the County of Essex 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 of Essex 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 and accrued liabilities”.

(iv) Trust funds

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

Basis of Accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.

The consolidated statement of financial position reflects all of the financial assets and liabilities of the Town. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the Town, and is the difference between its assets and liabilities. This provides information about the Town's overall future revenue requirements and its ability to finance activities and meet its obligations.

Cash and Cash Equivalents

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

Purchase Premium

Purchase premium arising on the acquisition of a government business enterprise will be deferred and amortized over a period of twenty years.

The Corporation of the Town of Essex Notes to the Consolidated Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Taxation and Related Revenue

Taxes are recognized as revenue in the year they are levied. Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Town Council, incorporating amounts to be raised for local services, the requisition made by the County of Essex in respect of County services and amounts the Town 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 issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Town 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 Town is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

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.

User charges, landfill compensation, and other revenues are recorded on the accrual basis of accounting noted above.

Deferred Revenue

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

The Corporation of the Town of Essex Notes to the Consolidated Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Government Transfers

Government transfers, which include legislative grants, are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. When transfer stipulations give rise to a liability, government transfers are recognized as deferred revenue and recognized as revenue when the stipulations are settled.

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:

Land - not amortized	
Land improvements	10 to 30 years
Buildings	25 to 80 years
Roads and sidewalks	15 to 80 years
Machinery and equipment	1 to 50 years
Water infrastructure	50 to 80 years
Sewer infrastructure	60 to 100 years
Vehicles	3 to 25 years
Stormwater infrastructure	55 to 90 years
Murals	10 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.

Employee Future Benefits

The Town has adopted the accrual method of accounting for employee future benefits as required by the Chartered Professional Accountants of Canada. The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions with respect to mortality and termination rates, retirement age and expected inflation rates with respect to employee benefit costs.

The estimated cost of these benefit obligations is recognized as employee future benefit obligations.

The Corporation of the Town of Essex

Notes to the Consolidated Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expense as incurred.

2. Investment in E.L.K. Energy Inc.

The Town holds a 100% investment in E.L.K. Energy Inc. This investment is recorded using the modified equity method, wherein the investment balance represents the Town's proportionate interest in the net assets of E.L.K. Energy Inc. at acquisition, plus its proportionate share of undistributed earnings.

The investment in E.L.K. Energy Inc. at December 31, 2019 is as follows:

	2019	2018
Corporation of the Town of Essex 100% proportionate interest in the net assets of E.L.K. Energy Inc.	\$ 11,696,627	\$ 10,912,545
Purchase premium - net of amortization	797,264	888,246
	<u>\$ 12,493,891</u>	<u>\$ 11,800,791</u>

The Corporation of the Town of Essex Notes to the Consolidated Financial Statements

December 31, 2019

2. Investment in E.L.K. Energy Inc. (continued)

Supplementary information of E.L.K. Energy Inc. at December 31 is as follows:

	2019	2018
Financial Position		
Current assets	\$ 15,471,642	\$ 11,241,613
Capital and regulatory authority	12,610,487	14,354,324
Deferred tax assets	286,000	424,000
Investments	87,395	66,849
Total assets	\$ 28,455,524	\$ 26,086,786
Current liabilities	\$ 10,880,423	\$ 9,716,563
Long-term liabilities	470,557	457,382
Total liabilities	11,350,980	10,173,945
Regulatory balances	5,407,917	5,000,296
Net assets	\$ 11,696,627	\$ 10,912,545
Financial Activities		
Total revenue	\$ 35,519,866	\$ 34,583,589
Total expenditures	34,541,025	33,249,140
Payments in lieu of income taxes	335,375	322,000
Net income	643,466	1,012,449
Net movement in regulatory balances, net of tax	151,473	(132,120)
Other comprehensive (loss)	(10,857)	40,550
Total comprehensive income for the year	784,082	920,879
Corporation of the Town of Essex share of net earnings in E.L.K. Energy Inc.	\$ 784,082	\$ 920,879

E.L.K. Energy Inc. bills and collects the Town's water and sewer surcharge revenue. In 2019 these amounted to \$7,117,052 (2018 - \$7,031,191) and are included in sewer and water charges revenue. For these services, E.L.K. Energy Inc. charges the Town of Essex, amounting to \$341,381 in 2019 (2018 - \$329,832).

These transactions are in the normal course of operations and are measured at the exchange amount which is the cost of the consideration established and agreed to by the related parties.

The Corporation of the Town of Essex Notes to the Consolidated Financial Statements

December 31, 2019

3. Equity in the Union Water Supply System

The Town's equity in the Union Water Supply System ("UWSS") is made up as follows:

	2019	2018
Cash and cash equivalents	\$ 600,625	\$ 509,695
Long-term investments	627,835	612,224
Accounts receivable	70,558	75,774
Accounts payable and accrued liabilities	(160,303)	(26,605)
Net financial assets before long-term debt	1,138,715	1,171,088
Long-term debt	(706,424)	(767,416)
Net financial assets	432,291	403,672
Tangible capital assets and non-financial assets	2,590,557	2,426,532
Accumulated surplus	\$ 3,022,848	\$ 2,830,204
Equity in reserves and reserve funds	\$ 1,138,715	\$ 1,171,088

Tangible capital assets - net book value shown previously consists of:

Water - buildings and equipment	\$ 1,363,846	\$ 1,397,905
Water - linear	1,226,711	1,028,627
	\$ 2,590,557	\$ 2,426,532

Included in the Consolidated Statement of Operations is the UWSS's share of:

	2019	2018
Amortization expense	\$ 75,816	\$ 74,103
Interest on long-term debt	78,247	84,262

Effective January 2001, the assets, liabilities, rights and obligations of the UWSS were transferred from the Ontario Clean Water Agency to the joint ownership of the System's participating municipalities pursuant to an order issued by the Minister of the Environment under the Municipal Water and Sewage Act, 1997.

The equity interest of each municipality is determined every 4 years according to its proportionate water consumption from the system. The order also provides for the establishment of a Board of Management to govern the system. The equity interests were last set January 1, 2017, where it was increased to 5.97%. The change in Essex's equity share during 2017 resulted in a loss of \$29,989.

The Corporation of the Town of Essex Notes to the Consolidated Financial Statements

December 31, 2019

4. Bank Indebtedness

The Town has an authorized line of credit up to \$6,000,000 bearing interest at prime less 0.85%. At December 31, 2019, \$6,000,000 (2018 - \$6,000,000) in unused credit was available.

5. Net Long-Term Debt

The balance of long-term debt reported on the consolidated statement of financial position is made up of the following:

	2019	2018
<i>User Fee Supported</i>		
i) Infrastructure Improvement Debenture, OIPC - repayable in semi-annual instalments of \$321,758 including interest at 2.76%, due December 15, 2027	\$ 4,591,146	\$ 5,097,442
ii) Essex Sewage Treatment Plant Update and Expansion Debenture, Ontario Infrastructure Projects Corporation (OIPC) - repayable in semi-annual instalments of \$138,915 including interest at 2.66%, due September 1, 2026	1,763,834	1,990,220
iii) Harrow Sewage Lagoon Debenture, OIPC - repayable in semi-annual instalments of \$131,564 including interest at 2.67%, due February 3, 2025	1,337,688	1,560,626
iv) Vehicle Debenture, OIPC - repayable in semi-annual instalments of \$64,157 including interest at 2.37%, due December 15, 2022	369,468	486,934
v) Building Energy Upgrade Debenture - along with Property Tax Supported (iii), repayable based on pro rata share of payment including interest at 3.6%, due July 9, 2023	14,429	17,364
	8,076,565	9,152,586

The Corporation of the Town of Essex Notes to the Consolidated Financial Statements

December 31, 2019

5. Net Long-Term Debt (continued)

Property Tax Supported

i) Essex Twin Pad Arena Debenture - repayable in semi-annual instalments of \$386,712 including interest at 4.65%, due March 2030	6,368,030	6,829,195
ii) Capital Works Debenture - repayable in annual instalments including interest ranging from 2.07% to 3.62%, due in various amounts from 2019 to 2034	3,378,119	3,835,751
iii) Fire Station 1 Debenture - repayable in annual instalments of \$185,850 including interest at 3.45%, due December 2023	693,457	852,397
iv) Building Energy Upgrade Debenture - along with User Fee Supported (iv), repayable based on pro rata share of payment including interest at 3.6%, due July 9, 2023	163,861	197,194
	<u>10,603,467</u>	<u>11,714,537</u>

Benefiting Property Owners

i) Drain debentures - repayable in annual instalments including interest at 3.20%, due in various amounts in November 2023	35,773	44,024
ii) Drain Debentures - repayable in annual instalments including interest at 2.61%, due in various amounts in July 2023	308,725	381,062
iii) Sanitary sewer extension debentures - repayable in annual instalments of \$48,130 including interest at 3.40%, due December 2024	217,928	257,310
iv) Drainage debentures - repayable in annual instalments including interest at 2.17%, due in various amounts in October 2021	56,066	83,209
v) Drain loans - repayable in annual instalments including interest ranging from 2.69% to 4.07%, due in various amounts from 2019 to 2020	16,864	55,738
vi) Tile Drain loans - repayable in annual instalments including interest at 6.0%, due in various amounts from 2019 to 2020	1,500	8,811
vii) Shoreline loans - repayable in annual instalments including interest ranging from 3.79% to 6.8%, due in various amounts from 2019 to 2020	6,897	13,543

The Corporation of the Town of Essex Notes to the Consolidated Financial Statements

December 31, 2019

5. Net Long-Term Debt (continued)

viii) Watermain debentures - repayable in annual instalments including interest at 3.48%, repaid during the year	-	5,108	
ix) Drain debentures - repayable in annual instalments including interest at 3.45%, due in various amounts in July 2023	14,278		-
x) Vehicle loan - repayable in annual instalments including interest at 3.45%, due in June 2024	56,405		-
xi) Drain debentures - repayable in annual instalments including interest at 3.95%, due in various amounts in July 2028	65,946		-
	<u>780,382</u>		<u>848,805</u>
Share of Union Water System obligations	<u>706,424</u>		<u>767,416</u>
Subtotal	<u>20,166,838</u>		<u>22,483,344</u>
The Municipality is contingently liable for the tile and shoreline loans included above. The responsibility for payment of principal and interest has been assumed by individual landowners	8,396		23,964
Internally financed debt	<u>1,410,071</u>		<u>1,694,979</u>
	<u>\$ 18,748,371</u>		<u>\$ 20,764,401</u>

Principal payments for the next 5 fiscal years and thereafter are as follows:

2020		\$ 1,929,516	
2021		1,989,944	
2022		2,063,511	
2023		2,011,368	
2024		2,088,792	
Thereafter		<u>8,665,240</u>	
		<u>\$ 18,748,371</u>	

Interest payments included in operating fund expenditures during the year were \$722,908 (2018- \$911,571), excluding the interest on tile and shoreline loans which is recovered from the individual landowners.

The long-term liabilities issued in the name of the Municipality have received approval by the Municipal Board on or before December 31, 2019. 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 Essex Notes to the Consolidated Financial Statements

December 31, 2019

6. Operations of School Boards and the County of Essex

During the year, the following taxation revenue was raised and remitted to the School Boards and the County of Essex:

	2019	2018
School Boards	\$ 4,740,215	\$ 4,841,520
County of Essex	9,346,095	8,860,920
	\$ 14,086,310	\$ 13,702,440

7. Accumulated Surplus

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

	2019	2018
Invested in tangible capital assets	\$184,392,051	\$ 186,083,995
To be used to offset (financed by) taxation	1,464,352	879,854
To be financed by user charges and municipal debt	(5,162,427)	(3,009,870)
Equity in E.L.K. Energy Inc.	12,493,891	11,800,791
Amounts to be recovered		
Employee benefits payable	(4,408,500)	(4,397,500)
Accrued interest on net long-term liabilities	(342,110)	(375,099)
Municipal debt	(18,748,371)	(20,764,401)
Reserves and reserve funds (Note 7(b))	59,325,422	50,504,234
Total accumulated surplus	\$229,014,308	\$ 220,722,004

(b) Reserves and reserve funds consist of individual funds as follows:

	2019	2018
Reserves set aside for specific purpose by Council:		
Working funds	\$ 1,000,000	\$ 1,000,000
Reserve funds set aside for specific purpose by Council:		
Capital purposes	33,932,241	28,410,421
Landfill	10,565,705	10,920,699
Contingencies	9,611,864	7,334,660
Other	2,864,440	2,582,719
Gas tax revenue	1,098,861	131,669
Sick leave benefits	252,311	255,735
	58,325,422	49,635,903
Total reserves and reserve funds	\$59,325,422	\$ 50,635,903

**The Corporation of the Town of Essex
Notes to the Consolidated Financial Statements**

December 31, 2019

8. Unearned/Deferred Revenue

Development charges are reported as deferred revenue since provincial legislation restricts the use of the funds to specific purposes and under certain circumstances the funds may be refunded.

The net change during the year in the deferred revenue balances is as follows:

	Opening	Contributions Received	Deferred Revenue Allocated	Ending
Development charges	\$ 696,477	\$ (1,131,021)	\$ 660,707	\$ 226,163
Federal gas tax	(131,668)	(2,047,443)	1,080,267	(1,098,844)
Ontario Community Infrastructure Fund	-	(937,055)	290,207	(646,848)
Modernization grant	-	(610,527)	45,965	(564,562)
	\$ 564,809	\$ (4,726,046)	\$ 2,077,146	\$ (2,084,091)

Draft for discussion purposes

The Corporation of the Town of Essex Notes to the Consolidated Financial Statements

December 31, 2019

9. Employee Future Benefits

(a) Pension agreement

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain employees. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of 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 Town to account for the plan as a defined benefit plan. At December 31, 2019, the OMERS plan is in a deficit position, funded at 96% (2018 - 96%). The amount contributed by the Town to OMERS for 2019 was \$592,492 (2018 - \$561,301).

(b) Employee future benefit liabilities

Employee future benefit liabilities are future liabilities of the Town to its employees and retirees for benefits earned but not taken as at December 31, 2019 and consists of the following:

	2019	2018
Post employment benefits	\$ 4,408,500	\$ 4,397,500
Vacation	28,221	8,514
	\$ 4,436,721	\$ 4,406,014

Sick pay is paid annually for union employees.

(i) Post employment benefits

The post employment benefit liability is based on an actuarial valuation performed by the Town's actuaries. The actuarial valuation was performed as at December 31, 2017. The significant actuarial assumptions adopted in estimating the Municipality's liability are as follows:

Discount rate	2.73%
Health Care Trend Rate	7% for 2019 grading down to 4% in 2038
Other Medical Care Trend Rate	4% per annum
Dental	4% per annum

The Corporation of the Town of Essex

Notes to the Consolidated Financial Statements

December 31, 2019

9. Employee Future Benefits (continued)

Information about the Town's future liability with respect to these costs are as follows:

	2019	2018
Accrued benefit liability, beginning of year	\$ 4,397,500	\$ 4,379,500
Annual expense	209,700	199,300
Benefits paid	(198,700)	(181,300)
	<u>\$ 4,408,500</u>	<u>\$ 4,397,500</u>

(ii) Accrued sick leave

Under the sick leave benefit plan, approved for all union employees, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Town's employment. The amount of the payment is equal to the number of sick days to which the employee is entitled at one-half their rate of pay at the time of termination. Sick leave unused is normally paid out to union employees before the end of each fiscal year, resulting in no accrual at the year end. Non-union employees are not entitled to sick leave benefits.

(iii) Vacation

Vacation entitlements can accumulate and employees would be entitled to a cash payment equal to the value of their unused entitlements if they were to terminate employment.

10. Contingent Liabilities

The Town has been named defendant in certain legal actions. The ultimate liability if any, which may arise, is indeterminable as the Town has established valid defence positions. In the opinion of administration and legal counsel, any payments, which may result from these actions, are subject to material coverage under the Town's insurance policies. Consequently, the consolidated financial statements contain no provision for any liability, which may occur as a result of these claims.

The Corporation of the Town of Essex Notes to the Consolidated Financial Statements

December 31, 2019

11. Contractual Obligations

In accordance with a service agreement entered into by the Town on February 13, 1958 with the Ontario Clean Water Agency (OCWA), the existing sewage and water systems are operated by OCWA. Under this agreement, the Town is obligated to meet all operating costs and repay the long-term liabilities related to this project.

Included in the consolidated statement of financial activities are the 2019 charges from OCWA of \$1,166,046 (2018 - \$926,347). The consolidated statement of financial position does not reflect any assets or liabilities pertaining to the sewage or water systems except to the extent of service charges due to (or from) OCWA and the total long-term liabilities outstanding. The accumulated net surplus of OCWA is not reflected in the accompanying consolidated financial statements.

The Town has entered into various other service agreements. The largest of these relates to The Minister of Community Safety and Correctional Services (Police Services). The current contract expires December 31, 2021. Under the agreement, the annual obligation approximates \$3.35 million. The total expense included in the consolidated statement of financial activities for 2019 is \$3,341,388 (2018 - \$3,320,953).

12. Public Sector Salary Disclosure

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. During 2019, the following met this requirement:

Position	Name	Salary Paid	Taxable Benefits
Manager, Capital Works and Infrastructure	Richard Beausoleil	119,139	1,735
Manager, Operations	Norman Nussio	111,876	1,676
Manager, Recreation and Culture	Cynthia Cakebread	114,726	1,735
Manager, Parks and Facilities	John Olsen	119,139	1,735
Manager, Environmental Services	Andrew Graf	125,813	1,830
Fire Chief	Richard Arnel	129,037	5,931
Director, Community Services/ Deputy Chief Administrative Officer	Doug Sweet	144,502	2,134
Chief Administrative Officer	Chris Nepszy	170,817	2,462
Director, Corporate Services/Treasurer	Jeffrey Morrison	138,459	1,987
Town Solicitor/Clerk	Robert Auger	110,777	1,674
Nurse Practitioner	Catherine Macpherson	113,494	733
Assistant Manager, Parks and Facilities	Jay Affleck	100,833	1,524
Chief Building Official	Kevin Carter	103,534	1,678
Superintendent, Roads	Alphonsus Diemer	102,277	1,095
Deputy Fire Chief	Rick Malott	100,386	2,966

The Corporation of the Town of Essex

Notes to the Consolidated Financial Statements

December 31, 2019

13. Budget

The Financial Plan (Budget) By-Law adopted by Council on February 25, 2019 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget is unaudited and was prepared on a modified accrual basis while 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. 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 February 25, 2019 with adjustments as follows:

	<u>2019</u>
Financial Plan (Budget) By-Law consolidated surplus for the year	<u>\$ (5,813,391)</u>
Add:	
Debt principal repayments	2,400,260
Capital expenditures	<u>19,388,450</u>
	<u>21,788,710</u>
Less:	
New debt issued	3,173,605
Amortization	<u>6,804,000</u>
	<u>9,977,605</u>
	<u>\$ 5,997,714</u>

14. Tangible Capital Assets

The Consolidated Schedule of Tangible Capital Assets (Schedule 1) provides information on the tangible capital assets of the Town by major asset class as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information 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. There were no such transfers in the current or prior year.

(b) Capitalization of Interest

The Town has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset.

The Corporation of the Town of Essex

Notes to the Consolidated Financial Statements

December 31, 2019

15. Segmented Information

The Town is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, water, wastewater and parks and recreation. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

General government consists of three categories: governance, corporate management and program support. It includes offices of the Council, Chief Administrative Officer, Information Technology, Financial and Clerk Services. General Government is responsible for the collection and administration of all formula based funding. Therefore, all of this revenue type is classified in this segment regardless of where the expenditures are classified.

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-laws for the protection of occupants.

Transportation

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

Environmental

Environmental includes Water, Wastewater, Storm Sewer, as well as Garbage Collection and Disposal. The department provides drinking water to citizens of Essex, collecting and treating wastewater, and providing collection and disposal of waste. Recycling is provided at the County level.

Health

Health services are comprised of public health services which work to improve the overall health of the population and overcome health inequalities by providing services to individuals and communities.

Recreational and Cultural

This department provides public services that respond to citizens' leisure and cultural requirements. Facilities include a wide variety of parks plus three arenas, a pool and various community facilities. Recreational and Cultural also includes services related to the harbour.

The Corporation of the Town of Essex

Notes to the Consolidated Financial Statements

December 31, 2019

15. Segmented information (continued)

Planning and Development

This department provides a number of services including town planning, maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Municipal taxation revenue has been allocated based on the percentage of total budgeted expenditures. 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 Schedule of Segment Disclosure (Schedule 2).

16. Subsequent Events - COVID-19

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the Town, its citizens, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the Town's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the Town is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The Town's ability to continue delivering non-essential services and employ related staff, will depend on the legislative mandates from the various levels of government. The Town will continue to focus on collecting receivables, managing expenditures, and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens.

**The Corporation of the Town of Essex
Consolidated Schedule of Tangible Capital Assets - Schedule 1**

December 31, 2019

	2019								
	Land	Buildings	Vehicles	Machinery & equipment	Murals & land improvements	Roads	Underground and other networks	Assets under construction	Total
Cost, beginning of year	\$ 21,828,352	\$ 48,238,342	\$ 5,715,193	\$ 14,427,627	\$ 5,229,318	\$ 63,872,788	\$ 124,024,538	\$ 2,189,173	\$ 285,525,331
Additions	15,424	286,039	36,683	416,073	843,636	1,173,218	643,113	1,769,014	5,183,200
Disposals		(2,369)	(200,884)	(190,217)	-	(3,800)	-	-	(397,270)
Other transfers/writedowns				31,992		491,975	22,365	(546,332)	-
Cost, end of year	<u>21,843,776</u>	<u>48,522,012</u>	<u>5,550,992</u>	<u>14,685,475</u>	<u>6,072,954</u>	<u>65,534,181</u>	<u>124,690,016</u>	<u>3,411,855</u>	<u>290,311,261</u>
Accumulated amortization, beginning of year	-	16,895,478	3,145,713	6,404,174	1,479,746	28,135,898	43,380,327	-	99,441,336
Amortization	-	1,101,529	292,446	738,539	148,167	2,808,185	1,712,428	-	6,801,294
Disposals	-	(995)	(167,793)	(154,632)	-	-	-	-	(323,420)
Other transfers/writedowns	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	<u>-</u>	<u>17,996,012</u>	<u>3,270,366</u>	<u>6,988,081</u>	<u>1,627,913</u>	<u>30,944,083</u>	<u>45,092,755</u>	<u>-</u>	<u>105,919,210</u>
Net carrying amount, end of year	<u>\$ 21,843,776</u>	<u>\$ 30,526,000</u>	<u>\$ 2,280,626</u>	<u>\$ 7,697,394</u>	<u>\$ 4,445,041</u>	<u>\$ 34,590,098</u>	<u>\$ 79,597,261</u>	<u>\$ 3,411,855</u>	<u>\$ 184,392,051</u>

**The Corporation of the Town of Essex
Consolidated Schedule of Tangible Capital Assets - Schedule 1**

December 31, 2018

	2018								
	Land	Buildings	Vehicles	Machinery & equipment	Murals & land improvements	Roads	Underground and other networks	Assets under construction	Total
Cost, beginning of year	\$ 21,828,352	\$47,697,395	\$5,488,002	\$ 13,867,137	\$ 5,209,142	\$ 62,553,455	\$123,416,528	\$ 530,267	\$280,590,278
Additions	-	540,947	184,659	620,548	20,176	1,252,310	586,768	1,901,780	5,107,188
Disposals/writedowns	-	-	(36,328)	(60,058)	-	(75,749)	-	-	(172,135)
Other transfers/writedowns	-	-	78,860	-	-	142,772	21,242	(242,874)	-
Cost, end of year	<u>21,828,352</u>	<u>48,238,342</u>	<u>5,715,193</u>	<u>14,427,627</u>	<u>5,229,318</u>	<u>63,872,788</u>	<u>124,024,538</u>	<u>2,189,173</u>	<u>285,525,331</u>
Accumulated amortization, beginning of year	-	15,763,275	2,872,070	5,746,576	1,334,288	25,285,434	41,671,441	-	92,673,084
Amortization	-	1,132,203	293,320	695,206	145,458	2,850,464	1,708,886	-	6,825,537
Disposals/writedowns	-	-	(19,677)	(37,608)	-	-	-	-	(57,285)
Accumulated amortization, end of year	-	<u>16,895,478</u>	<u>3,145,713</u>	<u>6,404,174</u>	<u>1,479,746</u>	<u>28,135,898</u>	<u>43,380,327</u>	-	<u>99,441,336</u>
Net carrying amount, end of year	<u>\$ 21,828,352</u>	<u>\$31,342,864</u>	<u>\$2,569,480</u>	<u>\$ 8,023,453</u>	<u>\$ 3,749,572</u>	<u>\$ 35,736,890</u>	<u>\$ 80,644,211</u>	<u>\$ 2,189,173</u>	<u>\$186,083,995</u>

The Corporation of the Town of Essex
Schedule of Segment Disclosure - Schedule 2

For the year ended December 31, 2019

	General government	Protection to persons and property	Transportation	Environmental	Health services	Recreation and cultural services	Planning and development	2019 Total
Revenue								
Taxation	\$ 2,239,157	\$ 3,271,492	\$ 4,075,416	\$ 3,543,985	\$ 138,293	\$ 3,687,275	\$ 800,225	\$ 17,755,843
User charges	123,037	565,175	-	15,185	63,774	2,467,786	31,550	3,266,507
Grants (Note 15)	5,697,271	182,813	-	-	154,980	786,060	30,684	6,851,808
Interest	1,495,380	-	-	-	-	-	-	1,495,380
Landfill compensation	-	-	-	3,343,971	-	-	-	3,343,971
Share of income government business enterprise	784,082	-	-	-	-	-	-	784,082
Commuted payments	-	-	-	152,331	-	-	-	152,331
Development contributions	660,707	-	-	-	-	-	-	660,707
Sewer and water charges	-	-	-	7,219,452	-	-	-	7,219,452
Other	115,985	149,728	48,707	128,814	454	277,364	867,036	1,588,088
Loss on disposal of tangible capital assets	581	(16,600)	(40,311)	2,093	-	56	-	(54,181)
	<u>11,116,200</u>	<u>4,152,608</u>	<u>4,083,812</u>	<u>14,405,831</u>	<u>357,501</u>	<u>7,218,541</u>	<u>1,729,495</u>	<u>43,063,988</u>
Expenses								
Salaries and benefits	2,692,795	1,388,511	1,465,361	454,858	144,927	3,497,156	418,090	10,061,698
Materials and supplies	1,361,384	645,850	2,268,406	1,440,287	135,251	1,822,822	1,262,803	8,936,803
Interest	1,362	110,612	10,210	185,711	-	406,391	17,720	732,006
Contract service	7,684	3,364,535	614,570	3,441,341	1,521	370,200	10,176	7,810,027
Amortization	121,400	413,769	3,506,548	1,453,253	3,390	1,229,697	73,236	6,801,293
Other	186,386	172,793	1,229	175	10,000	59,071	202	429,856
	<u>4,371,011</u>	<u>6,096,070</u>	<u>7,866,324</u>	<u>6,975,625</u>	<u>295,089</u>	<u>7,385,337</u>	<u>1,782,227</u>	<u>34,771,683</u>
Annual surplus for the year	<u>\$ 6,745,189</u>	<u>\$ (1,943,462)</u>	<u>\$ (3,782,512)</u>	<u>\$ 7,430,206</u>	<u>\$ 62,412</u>	<u>\$ (166,796)</u>	<u>\$ (52,732)</u>	<u>\$ 8,292,305</u>

The Corporation of the Town of Essex
Schedule of Segment Disclosure - Schedule 2

For the year ended December 31, 2018

	General government	Protection to persons and property	Transportation	Environmental	Health services	Recreation and cultural services	Planning and development	2018 Total
Revenue								
Taxation	\$ 2,054,614	\$ 3,090,265	\$ 4,027,742	\$ 3,179,394	\$ 126,842	\$ 3,349,011	\$ 692,406	\$ 16,520,274
User charges	123,773	502,278	-	15,070	79,510	2,352,953	40,972	3,114,556
Grants (Note 15)	6,509,225	166,901	-	-	147,327	20,289	50,378	6,894,120
Interest	1,064,385	-	-	-	-	-	-	1,064,385
Landfill compensation	-	-	-	2,312,099	-	-	-	2,312,099
Share of income government business enterprise	920,879	-	-	-	-	-	-	920,879
Commuted payments	-	-	-	44,151	-	-	-	44,151
Development contributions	309,879	-	-	-	-	-	-	309,879
Sewer and water charges	-	-	-	7,066,191	-	-	-	7,066,191
Other	199,750	164,891	6,580	61,370	-	163,734	2,503,066	3,099,391
Loss on disposal of tangible capital assets	-	(22,450)	-	(81,399)	-	-	-	(103,849)
	11,182,505	3,901,885	4,034,322	12,596,876	353,679	5,885,987	3,286,822	41,242,076
Expenses								
Salaries and benefits	2,457,897	1,372,724	1,374,920	450,257	142,288	3,184,662	438,456	9,421,204
Material and supplies	1,119,832	618,743	2,073,392	1,386,264	137,244	1,673,066	1,671,466	8,680,007
Interest	1,596	100,499	12,750	197,445	-	593,062	6,219	911,571
Contract service	4,707	3,404,526	1,350,408	3,179,719	762	246,231	-	8,186,353
Amortization	61,188	413,643	3,555,819	1,455,209	3,435	1,259,885	76,358	6,825,537
Other	219,872	167,634	3,398	429	7,500	60,187	1,316	460,336
	3,865,092	6,077,769	8,370,687	6,669,323	291,229	7,017,093	2,193,815	34,485,008
Annual surplus for the year	\$ 7,317,413	\$ (2,175,884)	\$ (4,336,365)	\$ 5,927,553	\$ 62,450	\$ (1,131,106)	\$ 1,093,007	\$ 6,757,068

**The Corporation of the Town of Essex
Trust Funds
Financial Statements
For the year ended December 31, 2019**

Draft for discussion purposes

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the trust funds of The Corporation of the Town of Essex, (the Town), which comprise the balance sheet as at December 31, 2019, and the statement of continuity of trust funds for the year then ended, and note to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Town as at December 31, 2019, and the continuity thereof, in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 Town'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 Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town 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.

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

Chartered Professional Accountants, Licensed Public Accountants

Essex, Ontario
July 6, 2020

**The Corporation of the Town of Essex
Trust Funds
Balance Sheet**

December 31	2019	2018
Financial assets and liabilities		
Cash	\$ 353,042	\$ 343,590
Due from general account	-	11,602
	<u>\$ 353,042</u>	<u>\$ 355,192</u>
 Accumulated surplus	 <u>\$ 353,042</u>	 <u>\$ 355,192</u>

**Statement of
Continuity**

For the year ended December 31	2019	2018
Revenues		
Interest and other	\$ 14,534	\$ 24,915
Expenditures		
Transfer to general fund	<u>16,684</u>	<u>6,656</u>
Net change in trust funds during the year	(2,150)	18,259
Balance, beginning of the year	<u>355,192</u>	<u>336,933</u>
Balance, end of the year	<u>\$ 353,042</u>	<u>\$ 355,192</u>

**The Corporation of the Town of Essex
Trust Funds
Note to Financial Statements**

December 31, 2019

1. Summary of significant accounting policies

The Trust Fund financial statements are the representation of management and have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Precise determination of some assets and liabilities may be dependent upon future events and involves the use of estimates and approximations. These estimates have been based upon the information available using careful judgment and review. Actual results could differ from management's best estimates as additional information becomes available in the future.

(a) Basis of accounting

- i) Sources of financing and expenditures are reported on the accrual basis of accounting
- ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.