THE CORPORATION OF THE TOWN OF TILLSONBURG
WATERWORKS DEPARTMENT

DECEMBER 31, 2018

FINANCIAL STATEMENTS
THE CORPORATION OF THE TOWN OF TILLSONBURG
WATERWORKS DEPARTMENT
FINANCIAL STATEMENTS
DECEMBER 31, 2018

-1- Independent Auditor's Report
-3- Statement of Financial Position
-4- Statement of Operations and Accumulated Surplus
-5- Statement of Cash Flows
-6- Statement of Changes in Net Financial Assets (Liabilities)
-7- Notes to the Financial Statements
INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Ratepayers and Inhabitants of the Corporation of the Town of Tillsonburg

Opinion

We have audited the accompanying financial statements of The Corporation of the Town of Tillsonburg Waterworks Department (the "Waterworks Department"), which comprise the Statement of Financial Position as at December 31, 2018, and Statements of Operations and Accumulated Surplus, Cash Flows and Changes in Net Financial Assets (Liabilities) for the year then ended, and notes 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 Corporation of the Town of Tillsonburg Waterworks Department as at December 31, 2018 and its financial performance and its cash flows and changes in net financial assets (liabilities) for the year then ended in accordance with Canadian public sector accounting standards.

Basis of 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 Waterworks Department 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 Waterworks Department's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Waterworks Department or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Waterworks Department'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 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 Waterworks Department'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 Waterworks Department'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 Waterworks Department 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.

August 12, 2019
London, Canada

LICENSED PUBLIC ACCOUNTANT
THE CORPORATION OF THE TOWN OF TILLSONBURG  
WATERWORKS DEPARTMENT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018  
(with comparative balances as at December 31, 2017)

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable (note 2. d)</td>
<td>$625,864</td>
<td>$594,982</td>
</tr>
<tr>
<td></td>
<td>625,864</td>
<td>594,982</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to Town of Tillsonburg (note 3)</td>
<td>315,233</td>
<td>253,914</td>
</tr>
<tr>
<td>Due to County of Oxford</td>
<td>406,289</td>
<td>412,239</td>
</tr>
<tr>
<td></td>
<td>721,522</td>
<td>666,153</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Financial Liabilities (page 6)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(95,658)</td>
<td>(71,171)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Financial Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>95,658</td>
<td>71,171</td>
</tr>
</tbody>
</table>

| Accumulated Surplus (page 4)      | $NIL     | $NIL     |

The accompanying notes are an integral part of these financial statements.
# THE CORPORATION OF THE TOWN OF TILLSONBURG

## WATERWORKS DEPARTMENT

### STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

#### FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative balances for the year ended December 31, 2017)

<table>
<thead>
<tr>
<th></th>
<th>Budget 2018</th>
<th>Actual 2018</th>
<th>Actual 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct water billings</td>
<td>$3,379,300</td>
<td>$3,642,818</td>
<td>$3,619,794</td>
</tr>
<tr>
<td>Other revenue</td>
<td>20,000</td>
<td>57,513</td>
<td>77,037</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$3,399,300</td>
<td>$3,700,331</td>
<td>$3,696,831</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating and maintenance</td>
<td>1,045,900</td>
<td>1,056,618</td>
<td>1,017,831</td>
</tr>
<tr>
<td>Customer service</td>
<td>299,800</td>
<td>312,459</td>
<td>300,606</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>10,000</td>
<td>4,752</td>
<td>3,882</td>
</tr>
<tr>
<td>Equipment and distribution system</td>
<td>275,000</td>
<td>267,165</td>
<td>229,193</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$1,630,700</td>
<td>$1,640,994</td>
<td>$1,551,512</td>
</tr>
<tr>
<td><strong>OTHER EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County of Oxford</td>
<td>$1,768,600</td>
<td>2,059,337</td>
<td>2,145,319</td>
</tr>
<tr>
<td>Excess revenues over expenditures</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td>Accumulated surplus, beginning of year</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td><strong>ACCUMULATED SURPLUS, END OF YEAR</strong></td>
<td>$NIL</td>
<td>$NIL</td>
<td>$NIL</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
THE CORPORATION OF THE TOWN OF TILLSONBURG
WATERWORKS DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative figures for the year ended December 31, 2017)

NET INFLOW OF CASH RELATED TO
THE FOLLOWING ACTIVITIES:

2018  2017

OPERATING

Excess revenues over expenditures (page 3)  $  NIL  $  NIL

Cash, beginning of year  NIL  NIL

CASH, END OF YEAR  $  NIL  $  NIL

The accompanying notes are an integral part of these financial statements.
THE CORPORATION OF THE TOWN OF TILLSONBURG  
WATERWORKS DEPARTMENT  
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (LIABILITIES)  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(with comparative figures for the year ended December 31, 2017)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess revenues over expenditures (page 4)</td>
<td>$NIL</td>
<td>$NIL</td>
</tr>
<tr>
<td>Decrease (increase) in inventory</td>
<td>$24,487</td>
<td>$1,216</td>
</tr>
<tr>
<td>Increase in net financial liabilities</td>
<td>$24,487</td>
<td>$1,216</td>
</tr>
<tr>
<td>Net financial liabilities, beginning of year</td>
<td>$(71,171)</td>
<td>$(72,387)</td>
</tr>
</tbody>
</table>

**NET FINANCIAL LIABILITIES, END OF YEAR**  
$95,658       $71,171

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

The Corporation of the Town of Tillsonburg Waterworks Department (the "Waterworks Department") is a municipal enterprise in the Province of Ontario, Canada. Its operations are governed by the provisions of provincial statutes. Effective January 1, 2000, responsibility for the Waterworks system was assumed by the County of Oxford.

2. Accounting policies

The financial statements of The Corporation of the Town of Tillsonburg Waterworks Department are the representation of the Waterworks Department prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

(a) Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenditures and accumulated surplus of the Waterworks Department.

(b) 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 the receipt of goods or services and the creation of a legal obligation to pay.

(c) Non-financial assets

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

(d) Accounts receivable

The accounts receivable of the Waterworks Department is reported net of an allowance for doubtful accounts in the amount of $14,585 (2017 - $19,531).

(e) Tangible capital assets

The Waterworks Department does not own any tangible capital assets.
2. Accounting policies continued

(f) Financial instruments

Financial instruments of the Waterworks Department consist of accounts receivable and due to County of Oxford and due to Town of Tillsonburg. The carrying values of these financial assets approximate their fair values unless otherwise disclosed.

(g) Revenue recognition

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

Service billing revenue is recorded on the basis of regular meter readings and the estimates of customer usage since the last meter reading to the end of the year.

(h) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. Actual results could differ from management’s best estimates, as additional information becomes available in the future.

(i) Inventory

Inventory of supplies is valued at the lower of cost and replacement value. Cost is determined on an averaged basis.

(j) Budget

The operating budget approved by the County of Oxford for 2018 is reflected on the Statement of Operations and Accumulated Surplus.

3. Continuing operations

All banking activities are administered by the Town of Tillsonburg, on behalf of the Waterworks Department's activities. The amount due to the Town of Tillsonburg represents the net working capital position between the Town and the Waterworks Department after adding or deducting payments made to or received from the County of Oxford.
4. Comparative balances

Certain comparative balances have been reclassified to conform with the current year's financial statement presentation.