

TOWNSHIP OF BLANDFORD-BLENHEIM
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

**TOWNSHIP OF BLANDFORD-BLENHEIM
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Township of Blandford-Blenheim

Opinion

We have audited the accompanying financial statements of Township of Blandford-Blenheim (the "Township"), which comprise the Statement of Financial Position as at December 31, 2018, and Statements of Operations and Accumulated Surplus, Cash Flows and Change in Net Financial Assets 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 Township of Blandford-Blenheim as at December 31, 2018 and its financial performance and its cash flows and change in net financial assets 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 Township 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 Township'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 Township or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Township'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 Township'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 Township'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 Township 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.

June 19, 2019
London, Canada

Scrimgeour & Company
LICENSED PUBLIC ACCOUNTANT

**TOWNSHIP OF BLANDFORD-BLENHEIM
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

	2018	2017
FINANCIAL ASSETS		
Cash (note 3)	\$ 6,318,423	\$ 4,287,360
Taxes receivable	1,683,917	1,365,022
Accounts receivable	797,609	742,069
	8,799,949	6,394,451
LIABILITIES		
Accounts payable and accrued liabilities	3,196,410	1,157,306
Deferred revenue (notes 1.g and 6)	2,277,201	1,309,854
Net long-term liabilities (note 7)	1,210,408	1,469,727
	6,684,019	3,936,887
NET FINANCIAL ASSETS	2,115,930	2,457,564
NON-FINANCIAL ASSETS (note 1.d)		
Tangible capital assets (note 1.e) (Schedule 1)	35,693,084	33,193,020
Capital work in progress	201,693	513,027
Prepaid expenditures	59,583	32,905
	35,954,360	33,738,952
ACCUMULATED SURPLUS (note 8)	\$ 38,070,290	\$ 36,196,516

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

**TOWNSHIP OF BLANDFORD-BLENHEIM
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget 2018	Actual 2018	Actual 2017
REVENUE			
Taxation revenue	\$ 4,977,981	\$ 5,111,997	\$ 4,715,494
User charges	605,519	744,055	938,619
Government grants	1,997,966	2,339,490	1,945,060
Investment income	51,378	94,217	42,987
Penalty and interest on taxes	155,000	167,895	182,874
Other	81,000	192,625	71,487
	7,868,844	8,650,279	7,896,521
EXPENDITURES			
General government	874,944	1,013,074	791,615
Protection to persons and property	2,113,486	2,271,815	2,075,132
Transportation services	6,209,147	3,372,645	2,942,730
Health	63,237	78,838	49,788
Recreation and cultural development	1,130,348	988,528	994,692
Planning and development	64,277	71,486	69,753
	10,455,439	7,796,386	6,923,710
(Excess operating expenditure over revenue) before other revenue (expenditures)	(2,586,595)	853,893	972,811
OTHER REVENUE (EXPENDITURES)			
Government transfers related to capital Developer and other contributions related to capital	244,474	176,400	158,972
Gain (loss) on disposal of capital assets	489,770	441,355	410,969
	270,000	402,126	(9,997)
	1,004,244	1,019,881	559,944
Excess revenue over expenditures for the year	(1,582,351)	1,873,774	1,532,755
ACCUMULATED SURPLUS, BEGINNING OF YEAR	36,196,516	36,196,516	34,663,761
ACCUMULATED SURPLUS, END OF YEAR (note 8)	\$ 34,614,165	\$ 38,070,290	\$ 36,196,516

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

**TOWNSHIP OF BLANDFORD-BLENHEIM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
OPERATIONS		
Excess revenue over expenditures (page 4)	\$ 1,873,774	\$ 1,532,755
Non-cash changes to operations		
Amortization of tangible capital assets	1,665,025	1,573,901
Loss (gain) on disposal of capital assets	4,620	19,306
Changes in non-cash operating balances (A)	2,632,016	220,901
Net change in cash from operating activities	6,175,435	3,346,863
CAPITAL		
Acquisition of tangible capital assets	(4,169,709)	(1,930,431)
Decrease (increase) in work in progress	311,334	(296,247)
Decrease (increase) in prepaid expenditure	(26,678)	(413)
Net change in cash from capital activities	(3,885,053)	(2,227,091)
FINANCING		
Net change in long-term debt	(259,319)	(258,744)
Net change in cash position during the year	2,031,063	861,028
CASH, BEGINNING OF YEAR	4,287,360	3,426,332
CASH, END OF YEAR	\$ 6,318,423	\$ 4,287,360
CASH CONSISTS OF:		
Bank	\$ 6,318,423	\$ 4,287,360

(A) Net change in non-cash operating balances includes the net change in taxes receivable, accounts receivable, accounts payable and accrued liabilities and deferred revenue.

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

**TOWNSHIP OF BLANDFORD-BLENHEIM
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
Excess of revenue over expenditures (page 4)	\$ 1,873,774	\$ 1,532,755
Amortization of tangible capital assets	1,665,025	1,573,901
Acquisition of tangible capital assets	(4,169,709)	(1,930,431)
(Gain) loss on sale of tangible capital assets	4,620	19,306
Increase in work in progress	311,334	(296,247)
Increase in prepaid expenditures	(26,678)	(413)
Increase (decrease) in net financial assets	(341,634)	898,871
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,457,564	1,558,693
NET FINANCIAL ASSETS, END OF YEAR	\$ 2,115,930	\$ 2,457,564

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

**TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The Corporation of the Township of Blandford-Blenheim (the Township) is a lower-tier Township in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant accounting policies

The financial statements of the Township are the representation of management prepared in accordance with Canadian public sector accounting standards.

The focus of these financial statements is on the financial position of the Township and changes thereto. The Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Net financial assets represents the financial position of the Township and is the difference between financial assets and liabilities. This information explains the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

a. Reporting entity

These statements reflect the financial assets, liabilities, operating revenue and expenditures and accumulated surpluses and changes in investment in tangible capital assets of the Township and all committees of Council.

b. Trust funds

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately on the Trust Funds Financial Statements.

c. Accrual accounting

The accrual basis of accounting recognizes revenue 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.

d. 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 revenue over expense, provides the Change in Net Financial Assets for the year.

**TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Significant accounting policies continued

e. Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings and structures	15-40 years
Fleet	8-30 years
Machinery, equipment, furniture and fixtures	5-25 years
Infrastructure - transportation	15-50 years
Infrastructure - drainage	80 years
Bridges and other structures	30-80 years
Streetlights	25 years

Amortization is charged for a half year in the year of acquisition and in the year of disposal.

The Township has a capitalization threshold of \$5,000 so that individual assets of lesser value are expensed unless they are pooled because collectively they have a significant value.

i. 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.

ii. Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The fair value is also recorded as contributed revenue.

**TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Significant accounting policies continued

f. Short-term investments

Short-term investments are recorded at cost. Market value approximates cost.

g. Deferred revenue

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred, services performed, or the tangible capital assets are acquired.

h. Financial instruments

Financial instruments of the Township consist mainly of cash, accounts and taxes receivable. The carrying values of these financial assets approximate their fair values unless otherwise disclosed.

i. Revenue recognition

Government grants and transfers are recognized in the financial statements as revenue 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.

j. Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

k. Budget

The Township's Council completes separate budget reviews for its operating and capital budget each year. The approved operating budget for 2018 is reflected on the Statement of Operations and Accumulated Surplus. For capital spending, budgets are set for individual projects and funding for these activities is determined annually and made by transfers from surplus funds and by application of applicable grants or other funds available to apply to capital projects.

**TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. Trust funds

Trust funds administered by the Township amounting to \$198,493 (2017 - \$196,283) have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations and Accumulated Surplus.

3. Investments

The Township does not own any short-term investments.

4. Pension agreements

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of services and rates of pay. The amount contributed to OMERS for 2018 was \$138,063 (2017 - \$128,717) for current service and is included as an expenditure on the Statement of Operations. The Township had no obligation, as at December 31, 2018, under the past service provisions. The OMERS funding ratio for 2018 is 96.0% (2017 - 94.2%), with the goal of being fully funded by 2025.

5. Operations of School Boards and the Township of Blandford-Blenheim

The Township is required to bill, collect and remit taxation revenue on behalf of the School Boards and the County of Oxford pursuant to provincial legislation. The Township has no jurisdiction or control over the operations of these entities or the setting of their tax rates. Therefore, the taxation, other revenue, expenditures, assets and liabilities with respect to the operations of the School Boards and the County are not reflected in these financial statements. Taxation revenue billed and requisitions paid on behalf of the School Boards and County of Oxford are not reflected in the Statement of Operations and are comprised of the following:

	School Boards	County
Taxation	\$ 3,630,936	\$ 5,062,422
Requisitions	\$ 3,630,936	\$ 5,062,422

**TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

6. Deferred revenue

The deferred revenue balance is comprised of the following:

	2018	2017
Development charges	\$ 201,890	\$ 247,725
Federal gas tax	985,421	1,024,909
OCIF	1,089,890	-
Other	-	37,220
	\$ 2,277,201	\$ 1,309,854

7. Net long-term liabilities

a. The balance of long-term liabilities reported on the Statement of Financial Position is made up of the following:

	2018	2017
Total long-term liabilities, incurred by the Township and outstanding at the end of the year, amount to:	\$ 1,267,627	\$ 1,483,757
Of the long-term liabilities above, the responsibility for payment of principal and interest charges for tile drain loans assumed by individuals. At the end of the year, the outstanding principal amount of this liability is:	(57,219)	(14,030)
Net long-term liabilities at the end of the year:	\$ 1,210,408	\$ 1,469,727

b. Of the net long-term liabilities reported in a. of this note; the minimum principal repayments required are estimated as follows:

	Recoverable from ratepayers	Recoverable from tax rate
2019	\$ 29,905	\$ 230,000
2020	\$ 30,503	\$ 230,000
2021	\$ -	\$ 230,000
2022	\$ -	\$ 230,000
2023	\$ -	\$ 230,000

**TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

7. Net long-term liabilities continued

- c. The long-term liabilities in a. issued in the name of the Township have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved on or after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.
- d. The Township is contingently liable for long-term liabilities with respect to tile drainage loans. The total amount outstanding as at December 31, 2018 is \$57,219 (2017 - \$14,030) and is not recorded on the Statement of Financial Position.
- e. The Township paid interest on its long-term liabilities of \$44,078 (2017 - \$52,454).

8. Accumulated surplus

The accumulated surplus is comprised of the following:

	2018	2017
Surplus		
Operations	\$ 381,232	\$ 390,166
Invested in tangible capital assets	34,704,345	31,981,705
Reserves	2,984,713	3,824,645
	\$ 38,070,290	\$ 36,196,516

9. Tax revenue

Property tax billings are prepared by the Township based on an assessment roll prepared by the Municipal Property Assessment Corporation. All assessed property values in the Township were reviewed and new values established based on a common valuation date which was used by the Township in computing the 2018 property tax bills. Property tax revenue and tax receivables are subject to appeals which may not have been heard yet. Any supplementary billing adjustments made necessary by the determination of such appeals will be recognized in the fiscal year they are determined and the effect shared with the Township of Blandford-Blenheim and the appropriate school boards.

**TOWNSHIP OF BLANDFORD-BLENHEIM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

10. Commitment

The Township entered into a policing contract that expires on December 31, 2019 with the Ontario Provincial Police. The contracted amount paid for 2018 was \$941,256 (2017 - \$936,980).

11. Public sector salary disclosure

There are two employees paid a salary, as defined in the Public Sector Disclosure Act, 1996 of \$100,000 or more by the Township.

12. Contaminated sites

The Township has reviewed their land inventory in accordance with PSAB 3260 for possible contamination. The Township has not recognized a liability for contaminated sites as the Township does not expect that future economic benefits will be given up for remediation of any properties.

13. Segmented information

Segmented information is presented on Schedule 2. The Township is a diversified Township and provides a wide range of services to its citizens including police, through contracted services, fire, transportation and community services, including recreation and planning. The general government segment includes such functions as finance, council and administrative offices.

14. Annexation

On August 17, 2005 the Minister of Municipal Affairs and Housing issued a restructuring order to allow an area of approximately 2,900 acres to be annexed into the Corporation of the City of Woodstock from the Township. The effective date of the annexation was September 1, 2005. The Township and the City of Woodstock also entered into a compensation agreement whereby the City will effectively pay the Township a base amount for the loss of current tax revenue and a percentage of future tax revenue. The future tax revenue will depend on the level of development of the annexed lands. This compensation is included in Government Grant revenue on the Statement of Operations and Accumulated Surplus.

15. Comparative balances

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

**TOWNSHIP OF BLANDFORD-BLENHEIM
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Land and Land Improvements	Buildings	Fleet	Machinery and Equipment	Furniture and Fixtures	Bridges and Roads	2018 Total	2017 Total
COST								
Balance, beginning of year	\$ 4,951,117	\$ 8,616,667	\$ 4,240,726	\$ 3,009,152	\$ 1,147,252	\$ 38,766,763	\$ 60,731,677	\$ 59,017,280
Add:								
Additions during the year	423,408	35,845	536,683	255,377	11,019	2,907,377	4,169,709	1,930,431
Less:								
Disposals during the year	-	(6,811)	(206,853)	(243,972)	-	(71,837)	(529,473)	(216,034)
Balance, end of year	5,374,525	8,645,701	4,570,556	3,020,557	1,158,271	41,602,303	64,371,913	60,731,677
ACCUMULATED AMORTIZATION								
Balance, beginning of year	547,000	2,799,084	2,223,224	1,293,184	474,807	20,201,358	27,538,657	26,161,484
Add:								
Amortization during the year	54,510	284,702	377,479	84,932	60,593	802,809	1,665,025	1,573,901
Less:								
Disposals during the year	-	(6,198)	(206,853)	(243,972)	-	(67,830)	(524,853)	(196,728)
Balance, end of year	601,510	3,077,588	2,393,850	1,134,144	535,400	20,936,337	28,678,829	27,538,657
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 4,773,015	\$ 5,568,113	\$ 2,176,706	\$ 1,886,413	\$ 622,871	\$ 20,665,966	\$ 35,693,084	\$ 33,193,020

This schedule is provided for information purposes only.

**TOWNSHIP OF BLANDFORD-BLENHEIM
SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Government	Protective Services	Transportation	Health	Recreation and Culture	Planning and Development	Total
REVENUE							
Taxation	\$ 5,111,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,111,997
User fees	46,025	371,650	5,908	41,793	246,920	31,759	744,055
Government grants	1,846,916	98,912	358,757	-	3,546	31,359	2,339,490
Investment income	87,389	-	-	4,816	-	2,012	94,217
Penalty and interest on taxes	167,895	-	-	-	-	-	167,895
Other	-	8,432	-	-	184,193	-	192,625
Capital revenue	(4,619)	3,727	420,420	-	600,353	-	1,019,881
	7,255,603	482,721	785,085	46,609	1,035,012	65,130	9,670,160
EXPENDITURES							
Salaries and benefits	572,405	586,865	734,586	15,028	333,675	54,731	2,297,290
Materials, goods and services	399,492	1,485,594	1,504,746	63,734	371,920	8,585	3,834,071
Amortization	41,177	199,356	1,133,313	76	282,933	8,170	1,665,025
	1,013,074	2,271,815	3,372,645	78,838	988,528	71,486	7,796,386
EXCESS OF REVENUE OVER EXPENDITURES	\$ 6,242,529	\$ (1,789,094)	\$ (2,587,560)	\$ (32,229)	\$ 46,484	\$ (6,356)	\$ 1,873,774

This schedule is provided for information purposes only.