

CORPORATION OF THE COUNTY OF ELGIN

Consolidated Financial Statements

December 31, 2017

CORPORATION OF THE COUNTY OF ELGIN
Consolidated Financial Statements
For the Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
Corporation of the County of Elgin:

We have audited the accompanying consolidated financial statements of the **Corporation of the County of Elgin**, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for public sector entities 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of the **Corporation of the County of Elgin** as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended in accordance with Canadian accounting standards for public sector entities.

St. Thomas, Ontario

July 24, 2018

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

CORPORATION OF THE COUNTY OF ELGIN

Consolidated Statement of Financial Position As at December 31, 2017

	2017	2016
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash	14,908,344	19,521,217
Investments (Note 2)	10,117,186	3,017,433
Accounts receivable	2,845,595	2,678,843
Loans receivable (Note 3)	<u>180,000</u>	<u>100,000</u>
Total financial assets	<u>28,051,125</u>	<u>25,317,493</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	4,709,686	6,100,157
Employee post-retirement benefit liabilities (Note 4)	1,702,279	1,289,699
Long-term debt (Note 6)	<u>4,683,987</u>	<u>4,796,253</u>
Total financial liabilities	<u>11,095,952</u>	<u>12,186,109</u>
NET FINANCIAL ASSETS	<u>16,955,173</u>	<u>13,131,384</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	185,869,333	185,006,878
Prepaid expenses	<u>475,864</u>	<u>455,574</u>
Total non-financial assets	<u>186,345,197</u>	<u>185,462,452</u>
ACCUMULATED SURPLUS (NOTE 7)	<u>203,300,370</u>	<u>198,593,836</u>

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

CORPORATION OF THE COUNTY OF ELGIN

Consolidated Statement of Operations and Accumulated Surplus For the Year Ended December 31, 2017

	Budget (Note 12) <u>\$</u>	Actual 2017 <u>\$</u>	Actual 2016 <u>\$</u>
REVENUES			
Requisition of local municipalities	33,905,340	34,183,030	32,581,070
Transfer payments			
Federal	1,521,973	1,708,522	1,676,438
Provincial	24,034,710	23,506,960	24,541,475
Municipal	2,777,641	2,690,349	2,571,348
User charges	6,276,636	6,444,841	6,341,924
Investment income	100,000	221,162	167,825
Other contributions	<u>3,017,586</u>	<u>2,970,461</u>	<u>2,736,627</u>
Total revenues	<u>71,633,886</u>	<u>71,725,325</u>	<u>70,616,707</u>
EXPENSES			
General government	6,258,130	6,053,870	5,543,267
Property assessment and support	747,785	747,784	729,470
Emergency measures	35,065	25,544	30,677
Provincial offences	1,912,775	1,659,055	1,519,280
Transportation services	12,866,065	12,686,977	12,411,771
Public health services	5,292,663	5,587,092	5,685,422
Ambulance services	10,155,959	9,806,928	9,595,271
Social and family services	873,842	814,323	1,123,570
Assistance to aged persons	23,431,891	23,234,029	22,819,842
Social housing	1,567,787	1,496,841	1,685,632
Libraries (Note 11)	2,803,103	2,764,096	2,642,998
Cultural services	496,385	513,759	552,317
Planning and development	294,503	255,255	243,271
Economic development	1,165,498	1,318,128	1,048,794
Agriculture and reforestation	<u>88,049</u>	<u>55,110</u>	<u>75,691</u>
Total expenses (Note 13[a])	<u>67,989,500</u>	<u>67,018,791</u>	<u>65,707,273</u>
ANNUAL SURPLUS	3,644,386	4,706,534	4,909,434
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>198,593,836</u>	<u>198,593,836</u>	<u>193,684,402</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 7)	<u><u>202,238,222</u></u>	<u><u>203,300,370</u></u>	<u><u>198,593,836</u></u>

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

CORPORATION OF THE COUNTY OF ELGIN

**Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2017**

	Budget	Actual	Actual
	\$	2017	2016
	<u>\$</u>	<u>\$</u>	<u>\$</u>
ANNUAL SURPLUS	3,644,386	4,706,534	4,909,434
Acquisition of tangible capital assets	(10,827,594)	(12,016,025)	(13,831,839)
Amortization of tangible capital assets	10,174,208	10,351,678	10,274,337
Increase in prepaid expenses	-	(20,289)	(17,942)
Write-down of tangible capital assets	<u>-</u>	<u>801,891</u>	<u>128,750</u>
INCREASE IN NET FINANCIAL ASSETS	2,991,000	3,823,789	1,462,740
NET FINANCIAL ASSETS , BEGINNING OF YEAR	<u>13,131,384</u>	<u>13,131,384</u>	<u>11,668,644</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>16,122,384</u></u>	<u><u>16,955,173</u></u>	<u><u>13,131,384</u></u>

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

CORPORATION OF THE COUNTY OF ELGIN

Consolidated Statement of Cash Flows For the Year Ended December 31, 2017

	2017	2016
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	4,706,534	4,909,434
Items not involving cash:		
Amortization of tangible capital assets	10,351,678	10,274,337
Change in employee post-retirement benefit liabilities	412,580	(259,779)
Write-down of tangible capital assets	<u>801,891</u>	<u>128,750</u>
	16,272,683	15,052,742
Change in non-cash assets and liabilities related to operations (Note 13 [b])	<u>(1,657,512)</u>	<u>(349,303)</u>
	<u>14,615,171</u>	<u>14,703,439</u>
INVESTING ACTIVITIES		
Net increase in investments	<u>(7,099,753)</u>	<u>(975,787)</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	<u>(12,016,025)</u>	<u>(13,831,839)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(112,266)</u>	<u>(108,297)</u>
NET DECREASE IN CASH	(4,612,873)	(212,484)
CASH, BEGINNING OF YEAR	<u>19,521,217</u>	<u>19,733,701</u>
CASH, END OF YEAR	<u>14,908,344</u>	<u>19,521,217</u>
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on term loan	<u>155,654</u>	<u>170,740</u>
Cash received for interest on investments	<u>221,162</u>	<u>167,825</u>

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

CORPORATION OF THE COUNTY OF ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2017

Corporation of the County of Elgin (the "County") is an upper-tier municipality, comprised of seven local municipalities, in the Province of Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the County are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the County are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the County and which are owned or controlled by the County. All inter-fund assets, liabilities, revenues and expenses have been eliminated.

Consolidated Entities

There are no organizations or local boards that are consolidated in these financial statements.

Proportionate Consolidation

The Elgin St. Thomas Public Health has been consolidated on a proportionate basis, based upon the percentage of grant money provided by the County in comparison to the City of St. Thomas.

Trust Funds

Trust funds administered by the County have not been included in the consolidated statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations. At December 31, 2017 the County held \$26,448 (2016 - \$26,139) in trust funds.

Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Investments

Investments, consisting of money market funds and guaranteed investment certificates, are recorded at the lower of cost plus accrued interest and fair market value. Investment income earned on available funds is reported as revenue in the period earned.

CORPORATION OF THE COUNTY OF ELGIN

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expenses, provides the Change in Net Financial Assets for the year.

i) 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 cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20 years
Buildings	20 -40 years
Furniture, fixtures and equipment	8 - 16 years
Computer hardware and software	2 -4 years
Vehicles	4 years
Transportation infrastructure	7 - 80 years
Bridges	20 - 60 years
Library books	8 years

Amortization begins the first month of the year following the year the asset is placed in service and to the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized

ii) Contributions of tangible capital assets

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

iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

Deferred Revenue

The County receives funds for specific purposes which are externally restricted by legislation, regulation or agreement. These restricted funds are not available for general municipal purposes and are recognized as revenue in the fiscal year the funds are used for the specified purpose.

CORPORATION OF THE COUNTY OF ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Transfers

Government transfers are 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 determined. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Public Sector Accounting Handbook and recognized as revenue in the period in which the resources are used for the purpose specified.

In addition, the County periodically receives senior government capital funding in the form of infrastructure grants and receives ongoing funding from both senior levels of government as a result of an allocation of the gas tax funds.

Employee Benefit Plans

The County provides a pension plan for its employees through the Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund. The fund is a contributory defined benefit pension plan. As this is a multi-employer plan, no liability is recorded on the County's books. The employer's contribution to a multi-employer, defined benefit plan are expensed as the obligations arise.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains or losses that are related to these benefits are recognized immediately in the period they arise.

The County is an employer included under Schedule II of the Workplace Safety and Insurance Act, it self-ensures the entire risk of its own WSIB claims and is individually liable for reimbursing the WSIB for all costs relating to its workers' WSIB claims. The cost of the claims are expensed as incidents occur, while the liability for future benefit costs is determined by WSIB.

Provincial Offences Fines

The County administers the Provincial Offences Act (POA) on behalf of the Ministry of the Attorney General for the Elgin County Court Service Area.

Fine revenue is recognized as the fine payment is received. Fine revenue includes all monies received less payments made to other municipalities for monies received on their behalf. Revenue also includes outstanding transfers of fine receipts collected by other municipalities.

CORPORATION OF THE COUNTY OF ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Revenues

In 2017 the County received \$34,183,030 (2016 - \$32,581,070) in property tax revenues. The authority to levy and collect property taxes is established under the Municipal Act 2001, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual budget. Tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenue required to meet operating budget requirements.

Taxation revenues are recorded at the time billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The County may receive supplementary assessment rolls over the course of the year from MPAC that identify new or omitted assessments. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment value rising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenue (e.g. uncollectible amounts, write-offs, etc.).

Use of Estimates

The preparation of financial statements 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 expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

Recent Accounting Pronouncements

PSAB released a standard related to Financial Instruments (PS 3450). The standard applies to all local governments for fiscal years beginning on or after April 1, 2019. The standard applies to all types of financial instruments. The new standard requires that equity and derivative instruments be measured at fair value, with changes in value being recorded in the statement of remeasurement gains/losses. The standard gives the option of cost/amortized cost vs. fair value of remaining instruments, which is elected upon by the government organization. The County has not yet determined what, if any, financial reporting implications may arise from this standard.

CORPORATION OF THE COUNTY OF ELGIN

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

2. INVESTMENTS

The investments consist of guaranteed investment certificates with maturity dates extending to July 2018 money market funds, recorded at cost plus accrued interest. Interest rates ranged from 0.70% to 1.40% during the year. The cost plus accrued interest approximates the fair market value of these investments due to the liquidity and nature of these investments.

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Guaranteed investment certificates	<u>10,117,186</u>	<u>3,017,433</u>
	<u>10,117,186</u>	<u>3,017,433</u>

3. LOAN RECEIVABLE

During the prior year \$100,000 was loaned to the Municipality of Central Elgin for the development of the Belmont Library. The loan is non-interest bearing and is to be repaid over 10 years. The balance outstanding at the end of the year is \$80,000 (2016 - \$100,000).

During the year \$100,000 was loaned to the Township of Southwold for the development of the Shedden Library. The loan is non-interest bearing and is to be repaid in 10 installments of \$10,000 annually. The balance outstanding at the end of the year is \$100,000.

4. POST EMPLOYMENT BENEFITS

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Vacation credits	<u>583,307</u>	<u>568,542</u>
Workplace Safety and Insurance premiums - Schedule II Employer	<u>1,118,972</u>	<u>721,157</u>
	<u>1,702,279</u>	<u>1,289,699</u>

The provision of certain employee vacation plans allow for the accumulation of vacation credits for use in future periods. The value of these credits at December 31, 2017 is \$583,307 (2016 - \$568,542).

The County is a Schedule II employer under the Workplace and Safety and Insurance Act. As a Schedule II employer the County assumes liability for any award made under the Act. The Workplace and Safety and Insurance Board has evaluated the liability estimates for future benefit costs at December 31, 2017 as \$1,118,972 (2016 - \$721,157).

CORPORATION OF THE COUNTY OF ELGIN

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

5. TANGIBLE CAPITAL ASSETS

December 31, 2017

Cost	<u>Opening</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Computer equipment	681,435	198,095	-	879,530
Roadways	220,359,869	10,004,360	(2,891,319)	227,472,910
Bridges	36,183,855	907,075	-	37,090,930
Library - books and equipment	2,338,622	362,622	-	2,701,244
Land	17,987,753	1,037,352	(76,014)	18,949,091
Land improvements	2,911,395	59,664	-	2,971,059
Buildings	38,590,580	382,624	(226,021)	38,747,183
Furniture, fixtures, and equipment	6,314,860	591,316	(143,828)	6,762,348
Vehicles	1,801,509	486,457	(384,175)	1,903,791
	<u>327,169,878</u>	<u>14,029,565</u>	<u>(3,721,357)</u>	<u>337,478,086</u>
Work In Progress	7,395,341	(2,013,540)	-	5,381,801
Total Cost	<u>334,565,219</u>	<u>12,016,025</u>	<u>(3,721,357)</u>	<u>342,859,887</u>
Accumulated Amortization	<u>Opening</u>	<u>Amortization</u>	<u>Disposal</u>	<u>Ending</u>
Computer equipment	269,780	170,361	-	440,141
Roadways	109,104,117	6,902,609	(2,304,363)	113,702,363
Bridges	17,963,027	964,165	-	18,927,192
Library - books and equipment	945,189	287,986	-	1,233,175
Land	-	-	-	-
Land improvements	1,576,593	121,237	-	1,697,830
Buildings	15,413,985	1,074,068	(87,095)	16,400,958
Furniture, fixtures and equipment	3,130,016	581,589	(225,001)	3,486,604
Vehicles	1,155,634	249,663	(303,006)	1,102,291
	<u>149,558,341</u>	<u>10,351,678</u>	<u>(2,919,465)</u>	<u>156,990,554</u>
Work In Progress	-	-	-	-
Total Accumulated Amortization	<u>149,558,341</u>	<u>10,351,678</u>	<u>(2,919,465)</u>	<u>156,990,554</u>
Net Book Value	<u>Opening</u>			<u>Ending</u>
Computer equipment	411,655			439,389
Roadways	111,255,752			113,770,547
Bridges	18,220,828			18,163,738
Library - books and equipment	1,393,433			1,468,069
Land	17,987,753			18,949,091
Land Improvements	1,334,802			1,273,229
Buildings	23,176,595			22,346,225
Furniture, fixtures and equipment	3,184,844			3,275,744
Vehicles	645,875			801,500
	<u>177,611,537</u>			<u>180,487,532</u>
Work In Progress	7,395,341			5,381,801
Total Net Book Value	<u>185,006,878</u>			<u>185,869,333</u>

CORPORATION OF THE COUNTY OF ELGIN

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

5. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2016

Cost	<u>Opening</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Computer equipment	846,175	167,843	(332,583)	681,435
Roadways	220,496,796	4,431,155	(4,568,082)	220,359,869
Bridges	34,998,548	1,185,307	-	36,183,855
Library - books and equipment	2,191,458	384,450	(237,286)	2,338,622
Land	17,982,531	5,222	-	17,987,753
Land improvements	2,807,784	103,611	-	2,911,395
Buildings	37,830,234	824,230	(63,884)	38,590,580
Furniture, fixtures, and equipment	5,659,060	661,753	(5,953)	6,314,860
Vehicles	<u>1,606,441</u>	<u>423,834</u>	<u>(228,766)</u>	<u>1,801,509</u>
	324,419,027	8,187,405	(5,436,554)	327,169,878
Work In Progress	<u>1,750,907</u>	<u>5,644,434</u>	<u>-</u>	<u>7,395,341</u>
Total Cost	<u>326,169,934</u>	<u>13,831,839</u>	<u>(5,436,554)</u>	<u>\$ 334,565,219</u>
Accumulated Amortization	<u>Opening</u>	<u>Amortization</u>	<u>Disposal</u>	<u>Ending</u>
Computer equipment	418,301	184,062	(332,583)	269,780
Roadways	106,601,471	7,005,863	(4,503,217)	109,104,117
Bridges	17,024,721	938,306	-	17,963,027
Library - books and equipment	912,879	269,596	(237,286)	945,189
Land	-	-	-	-
Land improvements	1,454,511	122,082	-	1,576,593
Buildings	14,376,851	1,037,134	-	15,413,985
Furniture, fixtures and equipment	2,623,626	512,343	(5,953)	3,130,016
Vehicles	<u>1,179,449</u>	<u>204,951</u>	<u>(228,766)</u>	<u>1,155,634</u>
	144,591,809	10,274,337	(5,307,805)	149,558,341
Work In Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Accumulated Amortization	<u>144,591,809</u>	<u>10,274,337</u>	<u>(5,307,805)</u>	<u>149,558,341</u>
Net Book Value	<u>Opening</u>			<u>Ending</u>
Computer equipment	427,874			411,655
Roadways	113,895,325			111,255,752
Bridges	17,973,827			18,220,828
Library - books and equipment	1,278,579			1,393,433
Land	17,982,531			17,987,753
Land Improvements	1,353,273			1,334,802
Buildings	23,453,383			23,176,595
Furniture, fixtures and equipment	3,035,434			3,184,844
Vehicles	<u>426,992</u>			<u>645,875</u>
	179,827,218			177,611,537
Work In Progress	<u>1,750,907</u>			<u>7,395,341</u>
Total Net Book Value	<u>181,578,125</u>			<u>185,006,878</u>

During the year there were write-downs of tangible capital assets of \$801,891 (2016 - \$128,750).

The County does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

CORPORATION OF THE COUNTY OF ELGIN

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

6. LONG-TERM DEBT

The long-term debt represents the County's proportionate share of the Elgin St. Thomas Public Health's debt to finance construction of a new office building completed in 2014. The organization was advanced \$9 million in 32 day banker acceptance notes at the CDOR rate of 1.22% plus a stamping fee of 0.40%. At the same time, the organization entered into an interest rate swap contract to fix the interest rate on the long-term financing at 2.85% for a 30 year period. As a result of these transactions, the organization has fixed their rate on this debt obligation at 2.85% plus the stamping fee (3.25% for 2017 and 2016). The stamping fee is reviewed every 15 years to determine if the risk assessment of the organization has changed. The County's proportionate share of interest expense on the term loan was \$155,654 (2016 - \$170,742).

7. ACCUMULATED SURPLUS

The accumulated surplus consists of the following balances:

	2017	2016
	<u>\$</u>	<u>\$</u>
SURPLUS		
Tangible capital assets	185,869,333	185,006,878
Share of surplus in Elgin St. Thomas Public Health	594,284	485,823
Reserves	<u>16,342,906</u>	<u>10,493,928</u>
	202,806,523	195,986,629
AMOUNTS TO BE RECOVERED		
Committed for completion of assets under construction	33,270,805	35,249,076
Long-term debt	(4,683,987)	(4,796,253)
Self-financed capital projects	<u>(28,092,971)</u>	<u>(27,845,616)</u>
ACCUMULATED SURPLUS	<u>203,300,370</u>	<u>198,593,836</u>
RESERVES		
Reserves set aside for specific purposes by Council:		
Contingencies	15,792,183	10,000,706
Homes for senior citizens	382,283	377,911
Libraries and cultural services	127,099	71,381
Other municipal services	<u>41,341</u>	<u>43,930</u>
Total reserves	<u>16,342,906</u>	<u>10,493,928</u>

CORPORATION OF THE COUNTY OF ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2017

8. PENSION AGREEMENTS

The County makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf 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 service and rates of pay. The OMERS Administration Corporation, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and the administration of the benefits. Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits the members have earned to date. The most recent actuarial valuation of the Plan was conducted December 31, 2017, and the results of this valuation disclosed actuarial liabilities of \$93.6 billion in respect of benefits accrued for service with actuarial assets at that date of \$88.2 billion leaving an actuarial deficit of \$5.4 billion.

Because OMERS is a multi-employer pension plan, any pension surpluses or deficits are a joint responsibility of the Ontario municipal organizations and their employees. As a result, the County does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2017 was \$1,446,763 (2016 - \$1,428,049) for current service. OMERS contribution rates for 2017 and 2016, depending on income level and retirement dates, ranged from 9.0% to 15.8%.

9. CONTINGENT LIABILITIES

As at December 31, 2017 certain legal actions are pending against the County. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that ultimate disposition of these matters will not materially exceed the amounts recorded in these consolidated financial statements.

Estimated costs to settle claims are based on available information and projections of estimated future expenses developed based on the County's historical experience. Claims are reported as an operating expense in the year of the loss, where the costs are deemed to be likely and can be reasonably determined. Claim provisions are reported as a liability in the consolidated statement of financial position.

10. ALLOWANCE FOR TAXES RECEIVABLE

The County makes annual estimates and allowances for potential exposure to property tax appeals, reassessments, environmental and collection issues. Included in the taxes receivable of its lower-tier municipalities' are taxes, penalties and interest due from two specific gas pipeline properties that are undergoing various appeals and financial restructuring. The County's exposure to loss on these balances is estimated to be approximately \$350,000 if it is determined that nothing is recoverable from these properties. At year end, the County made an assessment of the exposure based on the current information available. Based on this information, it was determined an allowance amount for these properties is indeterminable and as such no amounts have been allowed for in these financial statements.

CORPORATION OF THE COUNTY OF ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2017

11. LIBRARY OPERATIONS

The County Council, operating as a Committee of Council, oversees operations of the Elgin County library system. A summary of revenues and expenses of the library system operations is as follows:

	Budget 2017 <u>\$</u>	Actual 2017 <u>\$</u>	Actual 2016 <u>\$</u>
Revenues			
Province of Ontario	116,739	116,739	116,739
Province of Ontario - project	30,924	34,836	32,809
Fines	35,996	31,266	37,012
Book sales, donations, and other project revenue	19,500	25,340	32,476
Federal funding	-	5,291	-
Total revenues	<u>203,159</u>	<u>213,472</u>	<u>219,036</u>
Expenses			
Salaries and benefits	1,857,960	1,865,828	1,840,866
Lease space	411,945	410,195	375,210
Electronic resources and periodicals	75,358	72,169	48,017
Programs	11,996	24,477	19,925
Photocopy, office supplies	25,898	22,909	15,704
Project costs	24,060	19,865	15,303
Telephone, fax	20,004	19,545	19,575
Other	18,237	10,219	12,394
Travel, mileage	12,500	9,898	9,676
Staff development	16,496	7,833	6,799
Furniture and fixtures	6,996	5,511	2,272
Expenses before amortization	2,481,450	2,468,449	2,365,741
Amortization	<u>295,648</u>	<u>295,647</u>	<u>277,257</u>
Total expenses	<u>2,777,098</u>	<u>2,764,096</u>	<u>2,642,998</u>
Net operating costs	<u>2,573,939</u>	<u>2,550,624</u>	<u>2,423,962</u>

CORPORATION OF THE COUNTY OF ELGIN

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2017**

12. BUDGET FIGURES

County Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2017 is reflected on the Consolidated Statement of Operations. Budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. The 2017 operating and capital budgets were approved on February 14, 2017.

13. SUPPLEMENTARY INFORMATION:

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	26,721,646	26,717,959
Materials and services	6,857,029	6,679,861
Contracted services	17,845,853	17,060,199
Rents and financial expenses	1,113,635	476,778
Interest on long term debt	155,654	170,742
Amortization	10,351,678	10,274,337
Transfer to others	<u>3,973,296</u>	<u>4,327,397</u>
	<u>67,018,791</u>	<u>65,707,273</u>
[b] Change in non-cash assets and liabilities related to operations:		
Increase in loans receivable	(80,000)	(100,000)
(Decrease) increase in accounts receivable	(166,752)	32,402
Increase in prepaid expenses	(20,289)	(17,942)
Decrease in accounts payable and accrued liabilities	<u>(1,390,471)</u>	<u>(263,763)</u>
	<u>(1,657,512)</u>	<u>(349,303)</u>

14. SUBSEQUENT EVENT

Subsequent to year end, a County owned bridge collapsed in Port Bruce requiring full replacement. The County is responsible for replacing the bridge. The estimated amount of the bridge repair is indeterminable at year end.

CORPORATION OF THE COUNTY OF ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2017

15. SEGMENTED INFORMATION

The County is a diversified municipal government institution that provides a wide range of services to its citizens, including contract police services, fire, roads, community services, water and sewer. For management reporting purposes the County's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

The County services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provided, are as follows:

General Government

General government is comprised of County council, administration, treasury, human resources and information technology, providing services to Council and the other departments.

Provincial Offences

Provincial offences consists of the operations of the County's Court offices, including trials and proceedings and receiving payment for fines resulting from charges laid by various police forces and officials operating within the County. Distribution to area municipalities are also reflected.

Transportation Services

The County Engineer's office oversees the maintenance and capital works operations of roads and bridges throughout the County in accordance with minimum maintenance standards.

Ambulance Services

The County provides land ambulance services to residents from five stations located throughout the County.

Health Services

Health services are comprised of the County's proportional share of the operation of the Elgin St. Thomas Public Health and other public health transfers.

CORPORATION OF THE COUNTY OF ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2017

15. SEGMENTED INFORMATION (CONTINUED)

Homes for Seniors

The County operates three long-term care facilities with a total of 247 beds, and two Adult Day programs for senior citizens. It operates under provincial legislation and oversight of the Ministry of Health and Long-Term Care.

Social and Family Services

Social and family services consist of the County share of services that provides employment and income assistance, social housing and child care assistance to eligible participants. The social and family services program for the County is administered by the City of St. Thomas.

Library and Cultural Services

Library and cultural services are comprised of the operations of the County library and archives system, Museum and other cultural services and transfers.

Planning and Development

Planning and development services include the preparation and administration of the County's Official Plan, economic development, tourism and agricultural and reforestation services within the County.

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. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The General Revenue Fund reports on County services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. Certain government transfers, transfer from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Schedule of Segment Disclosure.

CORPORATION OF THE COUNTY OF ELGIN

**Schedule of Segment Disclosure
For the Year Ended December 31, 2017**

	General Government	Provincial Offences	Transportation Services	Ambulance Services	Health Services	Homes for Seniors	Social and Family Services	Library and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Municipal requisitions	6,861,989	-	8,545,758	3,418,303	1,081,755	5,982,030	2,311,164	4,272,879	1,709,152	34,183,030
User charges	28,741	-	-	-	41,738	6,239,959	-	36,356	98,047	6,444,841
Transfer payments	1,531,848	-	2,604,702	7,027,455	4,566,530	11,911,099	-	194,036	70,161	27,905,831
Investment income	215,634	-	-	-	5,528	-	-	-	-	221,162
Other contributions	648,089	1,841,976	256,580	-	-	22,727	-	32,489	168,600	2,970,461
	<u>9,286,301</u>	<u>1,841,976</u>	<u>11,407,040</u>	<u>10,445,758</u>	<u>5,695,551</u>	<u>24,155,815</u>	<u>2,311,164</u>	<u>4,535,760</u>	<u>2,045,960</u>	<u>71,725,325</u>
EXPENSES										
Salaries, wages and employees benefits	2,762,383	341,160	345,403	47,522	2,226,107	18,169,646	-	2,197,473	631,952	26,721,646
Operating	3,654,517	393,458	4,317,355	9,404,424	2,416,116	3,977,473	-	686,296	966,878	25,816,517
External transfers	-	922,116	-	32,110	612,985	-	2,311,164	94,921	-	3,973,296
Interest on long-term debt	-	-	-	-	155,654	-	-	-	-	155,654
Amortization	410,298	2,321	8,024,219	322,872	176,230	1,086,910	-	299,165	29,663	10,351,678
	<u>6,827,198</u>	<u>1,659,055</u>	<u>12,686,977</u>	<u>9,806,928</u>	<u>5,587,092</u>	<u>23,234,029</u>	<u>2,311,164</u>	<u>3,277,855</u>	<u>1,628,493</u>	<u>67,018,791</u>
ANNUAL SURPLUS	<u>2,459,103</u>	<u>182,921</u>	<u>(1,279,937)</u>	<u>638,830</u>	<u>108,459</u>	<u>921,786</u>	<u>-</u>	<u>1,257,905</u>	<u>417,467</u>	<u>4,706,534</u>

CORPORATION OF THE COUNTY OF ELGIN

**Schedule of Segment Disclosure
For the Year Ended December 31, 2016**

	General Government \$	Provincial Offences \$	Transportation Services \$	Ambulance Services \$	Health Services \$	Homes for Seniors \$	Social and Family Services \$	Library and Cultural Services \$	Planning and Development \$	Total \$
REVENUES										
Municipal requisitions	5,908,938	-	8,145,268	3,258,107	1,056,180	5,701,687	2,809,202	4,072,634	1,629,054	32,581,070
User charges	44,862	-	-	-	54,234	6,124,770	-	41,312	76,746	6,341,924
Transfer payments	1,172,491	-	4,015,213	6,884,309	4,578,548	11,953,555	-	177,203	7,942	28,789,261
Investment income	166,246	-	-	-	1,579	-	-	-	-	167,825
Other contributions	645,126	1,686,980	218,159	(2,829)	-	23,298	-	35,243	130,650	2,736,627
Gain on sale of capital assets	(2,829)	-	-	2,829	-	-	-	-	-	-
	<u>7,934,834</u>	<u>1,686,980</u>	<u>12,378,640</u>	<u>10,142,416</u>	<u>5,690,541</u>	<u>23,803,310</u>	<u>2,809,202</u>	<u>4,326,392</u>	<u>1,844,392</u>	<u>70,616,707</u>
EXPENSES										
Salaries, wages and employees benefits	2,623,066	340,134	382,521	45,319	2,461,822	18,002,883	-	2,255,331	606,883	26,717,959
Operating	3,261,718	382,128	3,968,511	9,242,907	2,295,549	3,765,551	-	590,415	710,059	24,216,838
External transfers	100	794,697	-	27,328	599,076	-	2,809,202	68,794	28,200	4,327,397
Interest on long-term debt	-	-	-	-	170,742	-	-	-	-	170,742
Amortization	<u>418,530</u>	<u>2,321</u>	<u>8,060,739</u>	<u>279,717</u>	<u>158,233</u>	<u>1,051,408</u>	<u>-</u>	<u>280,775</u>	<u>22,614</u>	<u>10,274,337</u>
	<u>6,303,414</u>	<u>1,519,280</u>	<u>12,411,771</u>	<u>9,595,271</u>	<u>5,685,422</u>	<u>22,819,842</u>	<u>2,809,202</u>	<u>3,195,315</u>	<u>1,367,756</u>	<u>65,707,273</u>
ANNUAL SURPLUS	<u>1,631,420</u>	<u>167,700</u>	<u>(33,131)</u>	<u>547,145</u>	<u>5,119</u>	<u>983,468</u>	<u>-</u>	<u>1,131,077</u>	<u>476,636</u>	<u>4,909,434</u>