

**THE CORPORATION OF THE MUNICIPALITY
OF CENTRAL ELGIN
Consolidated Financial Statements
December 31, 2017**

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL 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
The Corporation of the Municipality of Central Elgin:

We have audited the accompanying consolidated financial statements of **The Corporation of the Municipality of Central Elgin**, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, changes in net financial debt, and cash flow 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 consolidated 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 consolidated 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 financial statements present fairly, in all material respects, the consolidated statement of financial position of **The Corporation of the Municipality of Central Elgin** as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, changes in net financial debt, and cash flow for the year then ended in accordance with Canadian accounting standards for public sector entities.

St. Thomas, Ontario

June 25, 2018

Graham Scott Enns LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Consolidated Statement of Financial Position December 31, 2017

	2017	2016
	<u>\$</u>	<u>\$</u>
ASSETS		
Financial Assets		
Cash	8,193,136	1,712,540
Loan receivable (Note 3)	1,077,000	1,077,000
Taxes receivable (Note 4)	2,625,371	2,759,561
Accounts receivable (Note 5)	4,063,902	2,552,576
Investments (Note 2)	5,769,319	6,239,480
Investment in EARTH Corporation (Note 7)	<u>1,533,943</u>	<u>1,444,979</u>
Total financial assets	<u>23,262,671</u>	<u>15,786,136</u>
LIABILITIES		
Deferred revenue - obligatory reserve funds (Note 8)	7,947,891	7,831,978
Accounts payable and accrued liabilities	6,576,887	5,436,822
Net long-term liabilities (Note 11)	<u>40,586,504</u>	<u>18,861,662</u>
Total financial liabilities	<u>55,111,282</u>	<u>32,130,462</u>
NET FINANCIAL DEBT	<u>(31,848,611)</u>	<u>(16,344,326)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	155,203,433	134,835,231
Inventories	315,513	602,713
Prepaid expenses	<u>100,477</u>	<u>89,410</u>
Total non-financial assets	<u>155,619,423</u>	<u>135,527,354</u>
ACCUMULATED SURPLUS (NOTE 13)	<u>123,770,812</u>	<u>119,183,028</u>

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

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

	Budget (Note 16) \$	Actual 2017 \$	Actual 2016 \$
REVENUES			
Property taxation	12,262,596	12,499,647	12,177,009
Taxation from other governments	305,989	324,941	452,988
User charges	4,550,820	5,011,447	4,520,275
Funding transfer- Federal	463,668	652,606	554,209
- Provincial	915,207	1,642,223	1,941,209
- Other Municipalities	1,188,371	1,064,179	2,378,472
Contribution - benefiting land owners & developers	686,926	849,142	641,732
Harbour agreement funding	501,625	805,190	2,980,824
Investment income	91,362	224,357	122,372
Penalties and interest	318,173	359,101	364,353
Other	749,448	1,410,692	1,005,345
ERTH Corporation equity income (Note 7)	-	88,964	107,646
	<u>22,034,185</u>	<u>24,932,489</u>	<u>27,246,434</u>
EXPENSES			
General government	1,769,685	1,860,729	1,972,632
Protection to persons and property	4,333,500	4,329,573	4,158,494
Transportation services	6,031,759	5,853,846	5,737,488
Environmental services	5,335,540	5,121,114	4,694,648
Health services	67,777	95,067	40,020
Social housing	177,873	177,873	199,046
Recreation and cultural services	2,134,856	2,360,354	2,424,446
Planning and development	361,033	578,873	582,228
Loss (gain) on disposal of tangible capital assets	-	(32,724)	400,731
	<u>20,212,023</u>	<u>20,344,705</u>	<u>20,209,733</u>
	<u>1,822,162</u>	<u>4,587,784</u>	<u>7,036,701</u>
ANNUAL SURPLUS			
	<u>1,822,162</u>	<u>4,587,784</u>	<u>7,036,701</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
	<u>119,183,028</u>	<u>119,183,028</u>	<u>112,146,327</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 13)			
	<u>121,005,190</u>	<u>123,770,812</u>	<u>119,183,028</u>

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

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

	Budget (Note 16) \$	Actual 2017 \$	Actual 2016 \$
ANNUAL SURPLUS	1,822,162	4,587,784	7,036,701
Acquisition of tangible capital assets	(24,411,031)	(24,411,031)	(12,250,015)
Amortization of tangible capital assets	4,042,737	4,042,737	3,837,832
Proceeds on disposal of tangible capital assets	-	32,815	432,350
Change in inventories and prepaid expenses	-	276,134	(7,346)
Loss (gain) on disposal of tangible capital assets	-	(32,724)	<u>400,731</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(18,546,132)	(15,504,285)	(549,747)
NET DEBT, BEGINNING OF YEAR	<u>(16,344,326)</u>	<u>(16,344,326)</u>	<u>(15,794,579)</u>
NET DEBT, END OF YEAR	<u>(34,890,458)</u>	<u>(31,848,611)</u>	<u>(16,344,326)</u>

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

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

	2017	2016
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	4,587,784	7,036,701
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	4,042,737	3,837,832
ERTH Corporation equity income (Note 7)	(88,964)	(107,646)
Loss (gain) on disposal of tangible capital assets	<u>(32,724)</u>	<u>400,731</u>
	8,508,833	11,167,618
Change in non-cash assets and liabilities related to operations (Note 17 [b])	<u>154,976</u>	<u>(3,261,854)</u>
	<u>8,663,809</u>	<u>7,905,764</u>
INVESTING ACTIVITIES		
Redemption of (purchase of) investments, net of investment income	<u>470,161</u>	<u>2,309,151</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(24,411,031)	(12,250,015)
Proceeds on disposal of tangible capital assets	<u>32,815</u>	<u>432,350</u>
	<u>(24,378,216)</u>	<u>(11,817,665)</u>
FINANCING ACTIVITIES		
Long-term debt advances	23,852,716	-
Long-term debt repayment	<u>(2,127,874)</u>	<u>(1,422,672)</u>
	<u>21,724,842</u>	<u>(1,422,672)</u>
NET CHANGE IN CASH	6,480,596	(3,025,422)
CASH, BEGINNING OF YEAR	<u>1,712,540</u>	<u>4,737,962</u>
CASH, END OF YEAR	<u>8,193,136</u>	<u>1,712,540</u>
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	<u>1,037,650</u>	<u>713,643</u>
Cash received for interest on investments	<u>224,357</u>	<u>330,764</u>

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

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

The Corporation of the Municipality of Central Elgin (the "Municipality") is a municipality 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 Municipality 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 Accountants. Significant aspects of the accounting policies adopted by the Municipality 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 Municipality and which are 100% owned or controlled by the Municipality.

Consolidated Entities

The Municipality consolidates the Central Elgin Municipal Non-Profit Housing Corporation. Any interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

Proportionate Consolidation

The Elgin Area Primary Water Board, Port Burwell Water Board, Elgin Area Secondary Water Board, Aylmer Area Water Board and East Elgin Medical Facility have been consolidated on a proportionate basis. The Water Boards are proportionately consolidated based upon the water flow used by the Municipality in proportion to the entire flows provided by the joint boards.

Equity Accounting

The investment in EARTH Corporation (a Government Business Enterprise) is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality, and inter-organizational transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of EARTH Corporation in its consolidated statement of operations with corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from EARTH Corporation will be reflected as a reduction in the investment asset account.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for School Board Transactions

Although the Municipality collects taxation on behalf of the School Boards, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these statements.

Trust Funds

Trust funds and their related operations administered by the Municipality are not included in these consolidated financial statements.

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 based upon receipt of goods or services and/or the creation of a legal obligation to pay.

Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, 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 Municipality 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. During the year, the Municipality received \$nil (2016 - \$nil) from other municipalities that was applied against the cost of the tangible capital assets.

Deferred Revenue

Government transfers, 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. In addition, certain user charges and fees which have been collected but for which the related services have yet to be performed. Revenue is recognized in the period when the related expense are incurred, services preformed.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Income

Investment income is reported as revenue in the period earned. When required by funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

Tax Revenues

In 2017 the Municipality received \$12,824,588 (2016 - \$12,629,997) in property tax revenues for municipal purposes. 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. Municipal 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. Education tax rates are established by the Province each year in order to fund costs of education on a Province-wide basis.

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 Municipality 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.).

Employee Benefit Plans

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by the employees based on the length of service and pay rates. Employee benefits include post employment benefits. Post employment benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service period.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL 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:

Building and components	20 to 75 years
Vehicles	7 to 15 years
Fire trucks	20 years
Machinery and equipment	5 to 30 years
Land improvements	25 years
Plants and facilities	20 to 75 years
Roads	6 to 60 years
Bridges and other structures	40 to 80 years
Underground and other networks	15 to 100 years

No amortization is charged in the year of acquisition and a full year of amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue. During the year roads and underground networks contributed to the Municipality totalled \$nil (2016 - \$nil) and were capitalized at their fair value at the time of receipt.

iii) 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 expenses as incurred.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v) Works of art and cultural and historic assets

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

vi) Interest capitalization

Interest costs attributable to financing up-front costs of the acquisition, construction, or development of tangible capital assets will be expensed in the operating budget, and not capitalized.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for public sector entities 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 period. Significant estimates include assumptions used in estimating useful life and net realizable value of tangible capital assets, provisions for accrued liabilities and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

Environmental Provisions and Contaminated Sites

The Municipality may be exposed to litigation or other costs of remediation due to contaminated properties in its jurisdiction. A liability for remediation is recognized in the financial statements when an environmental standard exists, contamination exceeds the standard, the government is responsible for the remediation and a reasonable estimate of the liability can be made. As at December 31, 2015 there were no properties that the Municipality was responsible to remedy and as such no liability has been accrued.

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 equity and derivative instruments be measured at fair value, with changes in value being recorded in 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 Municipality has not yet determined what, if any, financial reporting implications may arise from this standard.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

2. HARBOUR TRANSFER

During 2010 the Municipality signed an agreement with the Federal Ministry of Transport to transfer the harbour property in Port Stanley. As part of this transfer the Municipality also entered into an operating agreement and contribution agreement. As part of the contribution agreement the Municipality received \$13,515,900 to be maintained in a separate bank account for the term of the contribution agreement (September 2030). These funds can be used for eligible expenditures as outlined in the contribution agreement and any unexpended funds must be returned to the Ministry of Transport at the end of the contribution agreement. At year end, the Municipality had invested these funds in fixed income and cash equivalents as follows:

	2017		2016	
	Cost	Market Value	Cost	Market Value
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Federal and provincial bonds	1,621,503	1,636,072	3,870,580	4,037,246
Corporate bonds	2,757,659	2,720,615	1,635,892	1,640,024
Cash and cash equivalents	<u>1,390,157</u>	<u>1,382,305</u>	<u>733,008</u>	<u>733,008</u>
	<u>5,769,319</u>	<u>5,738,992</u>	<u>6,239,480</u>	<u>6,410,278</u>

The federal and provincial bonds mature on dates ranging from 2019-2021 and yielding interest rates from 4.0% to 4.20% and the corporate bonds mature from 2020-2023 and yielding an interest rate from 2.12% to 4.60%. These investments earned interest of \$180,960 (2016 -\$231,244) and a gain on sale of \$30,537 (2016 - gain of \$8,606). This income is reported in the Obligatory Reserve Funds. The Municipality has \$nil (2016 - \$2,118) of cash included in the cash and cash equivalents presented on the balance sheet that is related to the Harbour Contribution Agreement - Obligatory Reserve Funds (Note 8). These assets are reported as an obligatory reserve fund as per the Harbour contribution agreement.

3. LOAN RECEIVABLE

The loan arose on September 1, 2000 as a result of the restructuring of the Hydro-Electric Power Commission of the Corporation of the Municipality of Central Elgin under Bill 35. The loan is receivable from EARTH Corporation with no specific terms of repayment, bearing interest at a rate of 7.25% commencing January 1, 2003. In 2017, \$78,083 (2016 - \$78,083) was charged and received on this loan. The loan is convertible to Class B shares of EARTH Corporation.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

4. TAXES RECEIVABLE

Taxes receivable are reported net of allowance for doubtful accounts. Balances as at December 31 were as follows:

	2017	2016
	<u>\$</u>	<u>\$</u>
Current taxes receivable	1,190,907	1,336,840
Arrears taxes receivable	1,185,633	1,190,381
Penalties and interest	317,975	302,267
Allowance for doubtful accounts	<u>(69,144)</u>	<u>(69,927)</u>
	<u>2,625,371</u>	<u>2,759,561</u>

5. ACCOUNTS RECEIVABLE

	2017	2016
	<u>\$</u>	<u>\$</u>
Trade and other	725,505	390,146
HST receivable	1,473,016	744,241
St. Thomas Cemetery Company loan receivable - interest free, \$5,000 per annum, due July 2027	50,000	-
Water and sewer receivables	515,349	439,908
Government funding, municipalities and school boards	<u>1,300,032</u>	<u>978,281</u>
	<u>4,063,902</u>	<u>2,552,576</u>

6. BANK INDEBTEDNESS

The Municipality has available a \$3,500,000 line of credit with the Bank of Montreal. This line of credit bears interest at the bank's prime rate. At year end, the Municipality had been advanced \$nil (2016 - \$nil) on this facility.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

7. INVESTMENT IN EARTH CORPORATION

The Municipality owns 9.22% (2016 - 9.22%) of EARTH Corporation and received \$- (2016 - \$-) in dividends during the year. The EARTH Corporation is the electricity distribution utility for the Municipality's urban residents.

As a business enterprise of the Municipality it is accounted for on a modified equity basis in these financial statements and reports only the Municipality's portion of income (loss) on the financial statements. The following table provides condensed supplementary financial information for the EARTH Corporation for the year ended December 31:

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Financial Position:		
Current assets	19,054,326	18,845,749
Capital and other long-term assets	54,532,801	53,227,201
Regulatory assets	<u>6,342,767</u>	<u>5,732,952</u>
Total assets	<u>79,929,894</u>	<u>77,805,902</u>
Current liabilities	22,144,891	23,688,356
Other liabilities	39,988,655	37,637,196
Regulatory liabilities	<u>3,240,299</u>	<u>2,388,864</u>
Total Liabilities	<u>65,373,845</u>	<u>63,714,416</u>
Total share capital and equity	<u>14,556,049</u>	<u>14,091,486</u>
Results of operations:		
Total revenues from operations	80,660,199	91,044,239
Total operating and other expenses	<u>79,695,636</u>	<u>89,877,128</u>
Total net income	<u>964,563</u>	<u>1,167,111</u>
Municipality portion of net income - 9.22%	88,964	107,646
Opening investment in EARTH Corporation	<u>1,444,979</u>	<u>1,337,333</u>
	<u>1,533,943</u>	<u>1,444,979</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

8. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Municipality are summarized below:

	2017	2016
	<u>\$</u>	<u>\$</u>
Development charges	1,593,280	1,088,614
Federal gasoline tax	63	-
Parkland	318,995	270,050
Harbour contribution agreement	5,769,319	6,220,029
Other	<u>266,234</u>	<u>253,285</u>
	<u><u>7,947,891</u></u>	<u><u>7,831,978</u></u>

9. GUARANTEES AND COMMITMENTS

The Municipality has provided a letter of credit for \$778,000 to the Department of Fisheries and Oceans. This letter of credit has a monthly fee of 0.1%.

10. OPERATION OF SCHOOL BOARDS AND THE COUNTY OF ELGIN

During 2017, requisitions were made by the school boards and the County of Elgin requiring the Municipality to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards	County
	<u>\$</u>	<u>\$</u>
Taxation and user charges	3,380,613	9,722,422
Share of payments in lieu of taxes	<u>23,755</u>	<u>199,052</u>
Amounts requisitioned	<u><u>3,404,368</u></u>	<u><u>9,921,474</u></u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

11. LONG-TERM LIABILITIES

- a) The balance of the long-term liabilities reported on the Consolidated Statement of Financial Position consists of the following:

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Ontario Infrastructure and Lands Corporation, 2.43%, repayable in blended semi annual payments of \$587,924, due November 2025 (33% funded by tax revenue)	8,502,229	9,454,091
Ontario Infrastructure and Lands Corporation, 2.45%, repayable in blended semi annual payments of \$261,810, due May 2027	4,413,953	-
Ontario Infrastructure and Lands Corporation, 3.33%, repayable in blended semi-annual payments of \$566,740, due June 2042	18,883,016	-
OIPC, 4.89%, repayable in blended semi-annual payments of \$157,460, due March 2035	3,674,952	3,805,364
OIPC, 4.86%, repayable in blended semi-annual payments of \$278,627, due December 2025	3,657,367	4,023,474
OIPC, 4.54%, repayable in semi-annual principal payments of \$46,489, due January 2027	883,288	976,266
Various debenture and drain loans, varying interest and repayment terms	181,496	258,289
Consolidated water board debt, varying interest and repayment terms	<u>390,203</u>	<u>344,178</u>
	<u>40,586,504</u>	<u>18,861,662</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

11. LONG-TERM LIABILITIES (CONTINUED)

Principal repayments are summarized as follows:

	Tax Revenue	User Charges	Total
2018	331,545	2,307,098	2,638,643
2019	339,651	2,351,097	2,690,748
2020	347,954	2,403,320	2,751,274
2021	356,460	2,459,720	2,816,180
2022	365,176	2,537,387	2,902,563
Beyond	<u>1,149,971</u>	<u>25,637,125</u>	<u>26,787,096</u>
Total	<u>2,890,757</u>	<u>37,695,747</u>	<u>40,586,504</u>

- b) All long-term liabilities issued on or before December 31, 1992 have received approval of the Ontario Municipal Board. Long-term liabilities issued after January 31, 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 and Housing;
- c) Interest expense on long-term liabilities in 2017 amounted to \$1,037,650 (2016 - \$717,590);

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

12. TANGIBLE CAPITAL ASSETS

December 31, 2017

Cost	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Land	91,876	-	-	91,876
Buildings/Building Improvements	17,855,727	14,311	(1,321)	17,868,717
Machinery and Equipment	5,122,126	44,310	(10,455)	5,155,981
Linear - Roadways	61,159,999	2,047,750	-	63,207,749
Linear - Sewer and Water Services	45,521,805	58,850	-	45,580,655
Infrastructure Total	<u>129,751,533</u>	<u>2,165,221</u>	<u>(11,776)</u>	<u>131,904,978</u>
<u>General</u>				
Land	3,234,403	-	-	3,234,403
Land Improvements	2,159,388	(501)	-	2,158,887
Building/Building Improvements	10,534,274	135,160	-	10,669,434
Machinery and Equipment	3,272,295	643,887	(3,393)	3,912,789
Vehicle	5,237,364	612,763	(304,035)	5,546,092
General Total	<u>24,437,724</u>	<u>1,391,309</u>	<u>(307,428)</u>	<u>25,521,605</u>
Assets under construction	<u>28,803,693</u>	<u>21,011,783</u>	<u>(157,282)</u>	<u>49,658,194</u>
Total Cost	<u>182,992,950</u>	<u>24,568,313</u>	<u>(476,486)</u>	<u>207,084,777</u>
Accumulated Amortization				
<u>Infrastructure</u>				
Buildings/Building Improvements	5,419,154	471,326	(1,229)	5,889,251
Machinery and Equipment	3,281,241	88,520	(10,455)	3,359,306
Linear - Roadways	21,077,329	1,766,016	-	22,843,345
Linear - Sewer and Water Services	9,213,730	570,779	-	9,784,509
Infrastructure Total	<u>38,991,454</u>	<u>2,896,641</u>	<u>(11,684)</u>	<u>41,876,411</u>
<u>General</u>				
Land Improvements	923,728	107,896	-	1,031,624
Building/Building Improvements	4,479,737	270,737	-	4,750,474
Machinery and Equipment	1,683,756	174,288	(3,393)	1,854,651
Vehicle	2,079,044	593,175	(304,035)	2,368,184
General Total	<u>9,166,265</u>	<u>1,146,096</u>	<u>(307,428)</u>	<u>10,004,933</u>
Total Accumulated Amortization	<u>48,157,719</u>	<u>4,042,737</u>	<u>(319,112)</u>	<u>51,881,344</u>
Net Book Value				
<u>Infrastructure</u>				
Land	91,876			91,876
Building/Building Improvements	12,436,573			11,979,466
Machinery and Equipment	1,840,885			1,796,675
Linear - Roadways	40,082,670			40,364,404
Linear - Sewer and Water Services	36,308,075			35,796,146
	<u>90,760,079</u>			<u>90,028,567</u>
<u>General</u>				
Land	3,234,403			3,234,403
Land Improvements	1,235,660			1,127,263
Building/Building Improvements	6,054,537			5,918,960
Machinery and Equipment	1,588,539			2,058,138
Vehicles	3,158,320			3,177,908
	<u>15,271,459</u>			<u>15,516,672</u>
Assets under construction	<u>28,803,693</u>			<u>49,658,194</u>
Total Net Book Value	<u>134,835,231</u>			<u>155,203,433</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

12. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2016

Cost	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Land	91,876	820,021	(820,021)	91,876
Buildings/Building Improvements	17,455,061	404,973	(4,307)	17,855,727
Machinery and Equipment	4,823,132	315,919	(16,925)	5,122,126
Linear - Roadways	59,850,024	1,309,975	-	61,159,999
Linear - Sewer and Water Services	42,518,390	3,005,287	(1,872)	45,521,805
Infrastructure Total	<u>124,738,483</u>	<u>5,856,175</u>	<u>(843,125)</u>	<u>129,751,533</u>
<u>General</u>				
Land	2,813,664	420,739	-	3,234,403
Land Improvements	2,057,074	102,314	-	2,159,388
Building/Building Improvements	10,444,105	116,289	(26,120)	10,534,274
Machinery and Equipment	2,934,981	348,310	(10,996)	3,272,295
Vehicle	4,443,472	905,462	(111,570)	5,237,364
General Total	<u>22,693,296</u>	<u>1,893,114</u>	<u>(148,686)</u>	<u>24,437,724</u>
Assets under construction	24,302,967	8,318,046	(3,817,320)	28,803,693
Total Cost	<u>171,734,746</u>	<u>16,067,335</u>	<u>(4,809,131)</u>	<u>182,992,950</u>

Accumulated Amortization

	Opening	Amortization	Disposal	Ending
<u>Infrastructure</u>				
Buildings/Building Improvements	4,958,240	465,221	(4,307)	5,419,154
Machinery and Equipment	3,211,829	86,337	(16,925)	3,281,241
Linear - Roadways	19,378,610	1,698,719	-	21,077,329
Linear - Sewer and Water Services	8,694,169	521,433	(1,872)	9,213,730
Infrastructure Total	<u>36,242,848</u>	<u>2,771,710</u>	<u>(23,104)</u>	<u>38,991,454</u>
<u>General</u>				
Land Improvements	822,855	100,873	-	923,728
Building/Building Improvements	4,222,896	269,901	(13,060)	4,479,737
Machinery and Equipment	1,552,632	142,120	(10,996)	1,683,756
Vehicle	1,637,386	553,228	(111,570)	2,079,044
General Total	<u>8,235,769</u>	<u>1,066,122</u>	<u>(135,626)</u>	<u>9,166,265</u>
Total Accumulated Amortization	<u>44,478,617</u>	<u>3,837,832</u>	<u>(158,730)</u>	<u>48,157,719</u>

Net Book Value

	Opening	Ending
<u>Infrastructure</u>		
Land	91,876	91,876
Building/Building Improvements	12,496,821	12,436,573
Machinery and Equipment	1,611,303	1,840,885
Linear - Roadways	40,471,414	40,082,670
Linear - Sewer and Water Services	33,824,221	36,308,075
	<u>88,495,635</u>	<u>90,760,079</u>
<u>General</u>		
Land	2,813,664	3,234,403
Land Improvements	1,234,219	1,235,660
Building/Building Improvements	6,221,209	6,054,537
Machinery and Equipment	1,382,349	1,588,539
Vehicles	2,806,086	3,158,320
	<u>14,457,527</u>	<u>15,271,459</u>
Assets under construction	24,302,967	28,803,693
Total Net Book Value	<u>127,256,129</u>	<u>134,835,231</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

13. ACCUMULATED SURPLUS

The accumulated surplus consists of individual fund surplus/(deficit) and reserves/reserve funds as follows:

	2017	2016
	<u>\$</u>	<u>\$</u>
SURPLUS		
General revenue fund	(38,153)	721,444
Sewer operations	613,653	313,415
Water operations	(401,358)	(276,868)
Invested in tangible capital assets	155,203,433	134,835,231
Invested in EARTH Corporation	2,610,943	2,521,979
Capital fund	(5,139,372)	(11,754,711)
Reserves and reserve funds	<u>11,508,170</u>	<u>11,684,200</u>
	164,357,316	138,044,690
AMOUNTS TO BE RECOVERED		
Net long-term debt	<u>(40,586,504)</u>	<u>(18,861,662)</u>
ACCUMULATED SURPLUS	<u>123,770,812</u>	<u>119,183,028</u>
RESERVES AND RESERVE FUNDS		
Reserves set aside for specific purposes by council:		
- for working capital	874,252	1,330,213
- for current purposes	4,452,097	4,249,707
- for capital purposes	<u>5,086,791</u>	<u>4,234,732</u>
Total reserves	<u>10,413,140</u>	<u>9,814,652</u>
Reserve funds set aside for specific purposes by council:		
- for replacement of equipment	100	12,267
- for replacement of sanitary and storm sewers	610,800	1,385,875
- for replacement of water systems	222,663	203,771
- for sick leave	20,776	20,554
- for social housing capital projects	152,243	125,778
- from lot levies and parking revenues	72,032	104,995
- for capital projects	<u>16,416</u>	<u>16,308</u>
Total reserve funds	<u>1,095,030</u>	<u>1,869,548</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

14. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of approximately 50 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 service and rates of pay.

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, which is required every three years. As at December 31, 2017 the Plan had 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.

Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Municipality does not recognize any share of the OMERS Pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS for 2017 was approximately \$377,000 (2016 - \$365,000).

15. CONTINGENT LIABILITIES

As at December 31, 2017 certain legal actions are pending against the Municipality. 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 Municipality'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.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

16. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2017 is reflected on the consolidated statement of operations. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. These adjustments include reserve transfers, capital expenditures, amortization and debt financing and repayment.

	Approved Budget	Adjustments	PSAB Budget
	<u>\$</u>	<u>\$</u>	<u>\$</u>
REVENUES			
Property taxation	12,262,596	-	12,262,596
Taxation from other governments	305,989	-	305,989
User charges	4,550,820	-	4,550,820
Transfer payments			
Federal	-	463,668	463,668
Provincial	754,371	160,836	915,207
Other municipalities	763,221	425,150	1,188,371
Contributions - benefiting land owners & developers	312,789	374,137	686,926
Harbour funding agreement	-	501,625	501,625
Investment income	91,362	-	91,362
Penalties and interest on taxes	318,173	-	318,173
Other	749,448	-	749,448
Reserve transfers and borrowing	4,840,405	(4,840,405)	-
Capital funding - revenue	<u>1,894,664</u>	<u>(1,894,664)</u>	<u>-</u>
Total Revenues	<u>26,843,838</u>	<u>(4,809,653)</u>	<u>22,034,185</u>
EXPENSES			
General government	1,477,631	292,054	1,769,685
Protection to persons and property	4,350,628	(17,128)	4,333,500
Transportation services	4,229,443	1,802,316	6,031,759
Environmental services	5,352,781	(17,241)	5,335,540
Health services	82,777	(15,000)	67,777
Social housing	-	177,873	177,873
Recreation and cultural services	1,824,238	310,618	2,134,856
Planning and development	361,033	-	361,033
Capital expenditures and reserve transfers	<u>9,165,307</u>	<u>(9,165,307)</u>	<u>-</u>
Total Expenses	<u>26,843,838</u>	<u>(6,631,815)</u>	<u>20,212,023</u>
BUDGETED ANNUAL SURPLUS	<u>-</u>	<u>1,822,162</u>	<u>1,822,162</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

17. SUPPLEMENTARY INFORMATION:

	2017	2016
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	6,095,562	6,376,374
Long-term debt interest expense	1,037,650	717,590
Materials	5,377,014	4,977,973
Contracted services	3,532,071	3,597,116
Rents and financial expenses	148,897	168,378
Amortization and loss on disposal of capital assets	4,010,013	4,238,563
Transfer to others	<u>143,498</u>	<u>133,739</u>
	<u>20,344,705</u>	<u>20,209,733</u>
[b] Change in non-cash assets and liabilities related to operations:		
(Increase) decrease in taxes receivable	134,190	(356,080)
(Increase) decrease in accounts receivable	(1,511,326)	(87,780)
(Increase) decrease in inventories and prepaid expenses	276,134	(7,346)
Increase (decrease) in accounts payable and accrued liabilities	1,140,065	188,402
Increase (decrease) in deferred revenue - obligatory reserve funds	<u>115,913</u>	<u>(2,999,050)</u>
	<u>154,976</u>	<u>(3,261,854)</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

18. SEGMENTED INFORMATION

The Municipality 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 Municipality'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 Municipality 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:

Protection

Protection is comprised of the Police Services Board and Fire departments. The mandate of the Police Services Board, by way of contact with the Ontario Provincial Police, 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. The Fire department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishments of fires.

Community Services

The Parks and Recreation department provides public services that contribute to neighbourhood development and sustainability through the provision of parks, recreation and leisure services. It provides public services that contribute to healthy communities through partnerships, promotion, prevention and protection.

The County of Elgin is contracted to provide the information needs of the Municipality's citizens through the provision of library services.

Planning, By-Law Enforcement and Economic Development

The Planning, Property and Development departments provides a diverse bundle of services. It manages urban development for business interest, environmental concerns, heritage matters, local neighbourhoods and the downtown through city planning, community development, and parks planning. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development through its economic development programs.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

18. SEGMENTED INFORMATION (CONTINUED)

Public Works

The Physical Services department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of both county and municipal roadway and municipal drainage systems, the maintenance of parking, street lighting and the harbour.

The Water and Waste Funds

Water, stormwater and wastewater disposal is provided by the Water and Sewer Department. The department provides drinking water to citizens of Central Elgin, as well as, collection and treatment of stormwater and wastewater.

Social Housing

The Municipal Non-Profit Housing Corporation provides low income housing to the community.

Finance and Administration

This segment includes a number of support functions that are responsible for maintenance of buildings, Mayor and Council, the Clerk's department, Treasury Department and Human Resources Department.

Other Funds

This segment includes the remaining departments and activities of the Municipality. Some of the larger activities in this segment include Solid Waste Collection and Disposal., Emergency Measures and Animal Control, Public Health Services, Business Improvement Association, Conservation authorities, and Cemetery maintenance.

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 municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. Certain government transfers, transfer from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

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

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

	Social Housing	Planning	Public Works	Finance & Administration	Protection	Water and Waste Funds	Community Services	Other Funds	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES									
Taxation	-	303,041	4,229,443	1,640,471	3,391,627	-	1,823,006	1,437,000	12,824,588
Sales of services and regulatory fees	203,892	-	-	-	1,968	4,321,251	484,029	307	5,011,447
Government transfers	-	-	1,732,668	413,300	199,528	430,752	20,684	562,076	3,359,008
Other	-	30,380	1,244,923	127,850	54,232	530,916	257,516	1,402,665	3,648,482
ERTH Corporation net income	-	-	-	-	-	-	-	88,964	88,964
	<u>203,892</u>	<u>333,421</u>	<u>7,207,034</u>	<u>2,181,621</u>	<u>3,647,355</u>	<u>5,282,919</u>	<u>2,585,235</u>	<u>3,491,012</u>	<u>24,932,489</u>
EXPENSES									
Salaries, wages and employees benefits	-	8,230	1,616,419	1,179,496	956,403	809,904	1,215,045	310,065	6,095,562
Long-term debt interest expense	-	4,979	78,156	-	-	956,515	-	-	1,037,650
Materials	168,208	450,516	1,810,239	281,322	423,664	989,891	595,275	657,158	5,377,014
Contracted services, rents and financial	-	14,192	319,103	266,698	1,937,197	230,351	230,945	825,980	3,824,466
Loss (gain) on disposal of capital assets	-	-	-	-	-	(32,724)	-	-	(32,724)
Amortization	9,665	-	2,152,002	133,214	352,872	1,075,895	319,089	-	4,042,737
	<u>177,873</u>	<u>477,917</u>	<u>5,974,660</u>	<u>1,860,730</u>	<u>3,670,136</u>	<u>4,029,832</u>	<u>2,360,354</u>	<u>1,793,203</u>	<u>20,344,705</u>
ANNUAL SURPLUS (DEFICIT)	<u>26,019</u>	<u>(144,496)</u>	<u>1,232,374</u>	<u>320,891</u>	<u>(22,781)</u>	<u>1,253,087</u>	<u>224,881</u>	<u>1,697,809</u>	<u>4,587,784</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

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

	Social Housing	Planning	Public Works	Finance & Administration	Protection	Water and Waste Funds	Community Services	Other Funds	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES									
Taxation	-	221,805	3,743,827	1,471,357	3,098,237	-	1,696,310	2,398,461	12,629,997
Sales of services and regulatory fees	212,950	-	-	-	-	3,820,065	478,266	8,994	4,520,275
Government transfers	-	9,648	2,799,920	385,700	46,959	1,244,752	-	386,911	4,873,890
Other	-	-	2,496,654	492,807	80,230	542,938	-	1,501,997	5,114,626
ERTH Corporation net loss	-	-	-	-	-	-	-	107,646	107,646
	<u>212,950</u>	<u>231,453</u>	<u>9,040,401</u>	<u>2,349,864</u>	<u>3,225,426</u>	<u>5,607,755</u>	<u>2,174,576</u>	<u>4,404,009</u>	<u>27,246,434</u>
EXPENSES									
Salaries, wages and employees benefits	27,400	27	1,813,014	1,235,532	812,217	868,887	1,272,335	346,962	6,376,374
Long-term debt interest expense	-	6,416	83,879	-	-	627,295	-	-	717,590
Materials	162,521	513,655	1,456,645	338,017	464,928	834,232	607,948	600,027	4,977,973
Contracted services, rents and financial	-	843	390,906	276,853	1,993,672	298,737	243,046	695,176	3,899,233
Loss on disposal of capital assets	-	-	-	387,671	-	13,060	-	-	400,731
Amortization	9,125	-	2,082,647	122,228	308,177	1,014,642	301,117	-	3,837,832
	<u>199,046</u>	<u>520,941</u>	<u>5,826,987</u>	<u>2,360,301</u>	<u>3,578,994</u>	<u>3,656,853</u>	<u>2,424,446</u>	<u>1,642,165</u>	<u>20,209,733</u>
ANNUAL SURPLUS (DEFICIT)	<u>13,904</u>	<u>(289,488)</u>	<u>3,213,414</u>	<u>(10,437)</u>	<u>(353,568)</u>	<u>1,950,902</u>	<u>(249,870)</u>	<u>2,761,844</u>	<u>7,036,701</u>