

**THE CORPORATION OF THE MUNICIPALITY
OF CENTRAL ELGIN
Consolidated Financial Statements
December 31, 2023**

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Consolidated Financial Statements

For The Year Ended December 31, 2023

Table of Contents	PAGE
Management's Responsibility for Financial Reporting	1
Independent Auditors' Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Change in Net Financial Debt	6
Consolidated Statement of Remeasurement Gains and Losses	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 31
Consolidated Schedule of Segment Disclosure	32 - 33

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

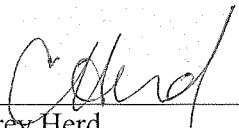
The accompanying consolidated financial statements are the responsibility of the management of The Corporation of the Municipality of Central Elgin and have been prepared in accordance with Canadian public sector accounting standards

These consolidated financial statements include:

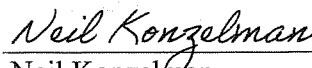
- Independent Auditors' Report
- Consolidated Statement of Financial Position
- Consolidated Statement of Operations and Accumulated Surplus
- Consolidated Statement of Change in Net Financial Debt
- Consolidated Statement of Remeasurement Gains and Losses
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements
- Consolidated Schedule of Segment Disclosure

The Chief Administrative Officer and the Director of Finance are responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing the consolidated financial statements before they are submitted to Council for approval.

The integrity and reliability of The Corporation of the Municipality of Central Elgin reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.



Carey Herd
Chief Administrative Officer



Neil Konzelman
Interim Treasurer

St. Thomas, Ontario
September 9, 2024



GRAHAM SCOTT ENNS LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of: **The Corporation of the Municipality of Central Elgin**

Opinion

We have audited the consolidated financial statements of **The Corporation of the Municipality of Central Elgin**, which comprise the statement of financial position as at December 31, 2023, and the statement of earnings, statement of changes in net financial debt, consolidated statement of remeasurement gains and losses, and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the Municipality's consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

St. Thomas, Ontario

September 9, 2024

Graham Scott Enns LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Consolidated Statement of Financial Position As At December 31, 2023

	2023	2022
	<u>\$</u>	<u>\$</u>
ASSETS		
Financial Assets		
Cash	8,186,790	6,515,996
Loan receivable (Note 5)	1,077,000	1,077,000
Taxes receivable (Note 6)	2,340,167	1,515,818
Accounts receivable (Note 7)	4,195,910	3,876,719
Investments (Note 3)	12,709,649	12,248,497
Investment in EARTH Corporation (Note 8)	<u>2,418,998</u>	<u>2,247,978</u>
Total financial assets	<u>30,928,514</u>	<u>27,482,008</u>
LIABILITIES		
Deferred revenue - obligatory reserve funds (Note 9)	2,759,096	5,080,625
Accounts payable and accrued liabilities	2,765,566	3,400,858
Long-term debt (Note 12)	<u>26,549,988</u>	<u>29,817,186</u>
Total financial liabilities	<u>32,074,650</u>	<u>38,298,669</u>
NET FINANCIAL DEBT	<u>(1,146,136)</u>	<u>(10,816,661)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	157,240,762	161,468,783
Inventories	453,837	453,278
Prepaid expenses	<u>170,536</u>	<u>173,997</u>
Total non-financial assets	<u>157,865,135</u>	<u>162,096,058</u>
ACCUMULATED SURPLUS (NOTE 14)	156,648,159	151,279,397
ACCUMULATED REMEASUREMENT GAINS AND LOSSES (PAGE 7)	<u>70,840</u>	<u>-</u>
	<u>156,718,999</u>	<u>151,279,397</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, 2023

	Budget (Note 17) \$	Actual 2023 \$	Actual 2022 \$
REVENUES			
Property taxation	16,481,692	16,685,277	16,347,117
Taxation from other governments	488,871	482,326	486,406
User charges	9,139,245	9,219,215	8,486,574
Funding transfers:			
- Federal	461,617	461,617	896,298
- Provincial	2,574,326	2,687,824	2,885,845
- Other Municipalities	865,773	907,635	995,334
Contributions - benefiting land owners & developers	1,440,688	807,095	2,062,993
Harbour agreement funding	-	2,078,157	180,115
Investment and interest income	283,231	995,801	577,301
Penalties and interest	270,000	299,570	335,499
Other, fees, permits, licenses	1,517,247	1,859,263	2,245,379
ERTH Corporation equity income (Note 8)	-	227,489	263,118
Total revenues	<u>33,522,690</u>	<u>36,711,269</u>	<u>35,761,979</u>
EXPENSES			
General government	2,816,673	2,894,399	2,765,291
Protection to persons and property	5,851,602	5,768,453	5,281,941
Transportation services	8,856,335	11,482,112	8,414,980
Environmental services	7,041,737	7,177,150	7,081,915
Health services	85,875	81,784	82,143
Social housing	290,049	280,623	199,148
Recreation and cultural services	3,309,097	3,358,513	3,129,661
Planning and development	1,043,331	1,172,591	998,113
Loss (gain) on disposal of tangible capital assets	-	(873,118)	(678,315)
Total expenditures (Note 18)	<u>29,294,699</u>	<u>31,342,507</u>	<u>27,274,877</u>
ANNUAL SURPLUS	<u>4,227,991</u>	<u>5,368,762</u>	<u>8,487,102</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>151,279,397</u>	<u>151,279,397</u>	<u>142,792,295</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 14)	<u><u>155,507,388</u></u>	<u><u>156,648,159</u></u>	<u><u>151,279,397</u></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, 2023

	Budget (Note 17) \$	Actual 2023 \$	Actual 2022 \$
ANNUAL SURPLUS	4,227,991	5,368,762	8,487,102
Acquisition of tangible capital assets	(3,772,703)	(2,908,291)	(6,256,513)
Amortization of tangible capital assets	7,045,712	7,045,712	6,806,242
Proceeds on disposal of tangible capital assets	-	963,718	678,315
Change in inventories and prepaid expenses	-	2,902	(72,166)
Loss (gain) on disposal of tangible capital assets	-	(873,118)	(678,315)
Change in unrealized gain (loss) on investments	<u>-</u>	<u>70,840</u>	<u>-</u>
CHANGE IN NET DEBT	7,501,000	9,670,525	8,964,665
NET DEBT, BEGINNING OF YEAR	<u>(10,816,661)</u>	<u>(10,816,661)</u>	<u>(19,781,326)</u>
NET DEBT, END OF YEAR	<u><u>(3,315,661)</u></u>	<u><u>(1,146,136)</u></u>	<u><u>(10,816,661)</u></u>

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

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Consolidated Statement of Remeasurement Gains and Losses For The Year Ended December 31, 2023

	2023	2022
	<u>\$</u>	<u>\$</u>
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR (NOTE 1)	(591,993)	-
Unrealized gains (losses) attributable to investments	699,443	-
Amounts reclassified to statement of operations through realization of gains(losses)	<u>(36,610)</u>	<u>-</u>
Change in accumulated remeasurement gains	<u>662,833</u>	<u>-</u>
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	<u>70,840</u>	<u>-</u>
Accumulated remeasurement gains is comprised of:		
Investments	<u>70,840</u>	<u>-</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, 2023

	2023 <u>\$</u>	2022 <u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	5,368,762	8,487,102
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	7,045,712	6,806,242
ERTH Corporation equity income (Note 8)	(227,489)	(263,118)
Loss on disposal of investments	36,610	-
Loss (gain) on disposal of tangible capital assets	<u>(873,118)</u>	<u>(678,315)</u>
	11,350,477	14,351,911
Change in non-cash assets and liabilities related to operations (Note 18 [b])	<u>(4,097,459)</u>	<u>(1,583,500)</u>
	<u>7,253,018</u>	<u>12,768,411</u>
INVESTING ACTIVITIES		
Redemption of (purchase of) investments, net of income	(426,922)	(9,308,957)
Dividends received from ERTH Corporation	<u>56,469</u>	<u>65,762</u>
	<u>(370,453)</u>	<u>(9,243,195)</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,908,291)	(6,256,513)
Proceeds on disposal of tangible capital assets	<u>963,718</u>	<u>678,315</u>
	<u>(1,944,573)</u>	<u>(5,578,198)</u>
FINANCING ACTIVITIES		
Long-term debt advances	-	1,628,300
Long-term debt repayments	<u>(3,267,198)</u>	<u>(3,130,729)</u>
	<u>(3,267,198)</u>	<u>(1,502,429)</u>
NET CHANGE IN CASH	1,670,794	(3,555,411)
CASH, BEGINNING OF YEAR	<u>6,515,996</u>	<u>10,071,407</u>
CASH, END OF YEAR	<u><u>8,186,790</u></u>	<u><u>6,515,996</u></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, 2023

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. CHANGE IN ACCOUNTING POLICIES

On January 1, 2023 The Corporation of the Municipality of Central Elgin adopted accounting policies to conform to new standards issued under Canadian public sector accounting standards. The Municipality adopted the following standards which had the following impact:

- PS 1201 - Financial Statement Presentation - results in presentation of a new statement of remeasurement gains and losses. This change has been applied prospectively.
- PS 3280 - Asset Retirement Obligations - require reporting of any asset retirement obligations as tangible capital assets and their liabilities and associated policies. It is managements opinion that no asset retirement obligations exist as at December 31, 2023. This change has been applied prospectively.
- PS 3450 - Financial Instruments - require reporting new disclosures regarding financial instrument risks and the restatement of the opening accumulated surplus for unrealized gain (losses) on investments. This change has been applied prospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian public sector accounting standards. 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, and the Aylmer Area Water Board have been consolidated on a proportionate basis based on water flows used by the Municipality in proportion to the entire flows provided by the joint boards.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Financial Instruments

The Municipality, upon initial recognition, classifies its financial instruments into two categories:

- i. fair value or;
- ii. cost or amortized cost;

Long-term debt is initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Transaction costs related to the issuance of long-term debt are capitalized and amortized over the term of the debt.

Other financial instruments including cash, accounts receivable, accounts payable and accrued liabilities are initially measured at fair value and subsequently measured at cost.

Investments are initially recorded at fair value and subsequently measured at fair value with the fair value determined as follows:

- i. Level 1 - Fair value measurements are those derived from quoted prices (in active markets);
- ii. Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- iii. Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable data (unobservable inputs).

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

2. 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 and recognized as revenue in the period in which the resources are used for the purpose specified.

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 and services are performed.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are recorded at cost plus accrued interest. Investment income earned on available funds 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 deferred revenue balance.

Tax Revenues

In 2023 the Municipality received \$17,167,603 (2022 - \$16,833,523) 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, 2023

2. 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 totaled \$nil (2022 - \$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, 2023

2. 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 consolidated 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 consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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, provision for asset retirement obligations and environmental provision for contaminated sites. 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, 2023 there were no properties that the Municipality was responsible to remedy and as such no liability has been accrued or further disclosures made.

Related Party Transactions

Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties.

Disclosure is made when the transaction or events between related parties occur at a value different from what would have been recorded if they were not related and the transaction could have a material financial impact on the consolidated financial statements.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inter-Entity Transactions

Transactions between related parties are recorded at carrying amounts with the exception of the following:

- i. Transactions in the normal course of business or with fair consideration are recorded at exchange amount;
- ii. Transfer of an asset or liability at nominal amounts or no consideration are recorded by the provider at carrying amounts and the recipient has the choice of either carrying amount or fair value;
- iii. Cost allocations are reported using the exchange amounts and revenues and expenses are reported on a gross basis;
- iv. Unallocated costs for the provision of goods or services maybe recorded by the provider at cost, fair value or another amount dictated by policy, accountability structure or budget practice.

Asset Retirement Obligations

The Municipality may be exposed to obligations of remediation associated with their tangible capital assets. If a legal obligation exists of remediation for a tangible capital asset then the Municipality would be required to set up an estimated future cost and liability associated with these obligations. As at December 31, 2023 there were no tangible capital assets that Municipality has controlled, constructed, owned or used that would have a legal obligation of remediation.

Future Accounting Pronouncements

PS 3400 - Revenue

Management is currently evaluating the impact of this accounting standard on future financial statements. This standard establishes a framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This standard is effective for fiscal years beginning on or after April 1, 2023 which for the Municipality is the December 31, 2024 year end.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

3. HARBOUR TRANSFER AND INVESTMENTS

At year end, the Municipality had the following investments:

	2023		2022	
	Cost	Market Value	Cost	Market Value
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
General:				
One Funds	2,276,886	2,293,835	6,213,140	5,581,373
Guaranteed investment certificates	7,340,254	7,280,747	3,068,082	3,068,082
Corporate bonds	1,770,000	1,826,225	-	-
Cash and cash equivalents	<u>1,308,842</u>	<u>1,308,842</u>	<u>-</u>	<u>-</u>
	<u>12,695,982</u>	<u>12,709,649</u>	<u>9,281,222</u>	<u>8,649,455</u>
Harbour Fund:				
Corporate bonds	-	-	2,438,584	2,478,358
Cash and cash equivalents	<u>-</u>	<u>-</u>	<u>528,691</u>	<u>528,691</u>
	<u>-</u>	<u>-</u>	<u>2,967,275</u>	<u>3,007,049</u>
	<u>12,695,982</u>	<u>12,709,649</u>	<u>12,248,497</u>	<u>11,656,504</u>

All of the above investments are valued as Level 1 investments.

These investments earned income of \$390,311 (2022 - \$307,620) and a realized gain on loss of \$36,610 (2022 - gain of \$1,359). At year end, these investments reported an unrealized gain of \$70,840 (2022 - loss of \$591,933) on the statement of remeasurement gains (losses).

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. These assets were reported as an obligatory reserve fund (Note 9) as per the Harbour contribution agreement until utilized for specific capital and expenditures related to the harbour. The obligatory reserve fund is reported as \$nil (2022 - \$2,078,157). All of these funds were expended in the year and were transferred to the general fund of the Municipality.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

4. 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 (2022 - \$nil) on this facility.

5. 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 2023, \$78,083 (2022 - \$78,083) was charged and received on this loan. The loan is convertible to Class B shares of EARTH Corporation.

6. TAXES RECEIVABLE

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

	2023	2022
	<u>\$</u>	<u>\$</u>
Current taxes receivable	1,483,180	744,669
Arrears taxes receivable	857,444	579,388
Penalties and interest	292,835	248,022
Allowance for doubtful accounts	<u>(293,292)</u>	<u>(56,261)</u>
	<u><u>2,340,167</u></u>	<u><u>1,515,818</u></u>

7. ACCOUNTS RECEIVABLE

	2023	2022
	<u>\$</u>	<u>\$</u>
Trade and other	834,705	893,110
HST receivable	443,807	496,947
St. Thomas Cemetery Company loan receivable - interest free, \$5,000 per annum, due July 2027	20,000	25,000
Water and sewer receivables	979,033	914,957
Government funding, municipalities and school boards	489,501	204,857
Drain receivables	<u>1,428,864</u>	<u>1,341,848</u>
	<u><u>4,195,910</u></u>	<u><u>3,876,719</u></u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

8. INVESTMENT IN EARTH CORPORATION

The Municipality owns 7.148% (2022 - 7.148%) of EARTH Corporation and received \$56,469 (2022 - \$65,762) 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:

	2023	2022
	<u>\$</u>	<u>\$</u>
Financial Position:		
Current assets	25,012,733	23,844,200
Capital and other long-term assets	90,650,461	87,216,218
Regulatory assets	<u>11,797,301</u>	<u>11,007,905</u>
Total assets	<u>127,460,495</u>	<u>122,068,323</u>
Current liabilities	31,657,088	30,070,846
Other liabilities	56,412,738	54,933,142
Regulatory liabilities	<u>1,591,032</u>	<u>1,657,248</u>
Total liabilities	<u>89,660,858</u>	<u>86,661,236</u>
Total share capital and equity	<u>37,799,637</u>	<u>35,407,087</u>
Results of operations:		
Total revenues from operations	99,128,198	98,335,547
Total operating and other expenses	<u>95,945,648</u>	<u>94,654,552</u>
Total net income	<u>3,182,550</u>	<u>3,680,995</u>
Municipality portion of net income - 7.148% (2022 - 7.148%)	227,489	263,118
Dividends received	(56,469)	(65,762)
Opening investment in EARTH Corporation	<u>2,247,978</u>	<u>2,050,622</u>
	<u>2,418,998</u>	<u>2,247,978</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

9. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

The balances in the obligatory reserve funds of the Municipality are summarized below:

	2023	2022
	<u>\$</u>	<u>\$</u>
Development charges	1,754,006	1,916,682
Parkland	368,214	252,261
Harbour contribution agreement (Note 3)	-	2,078,157
Building	555,689	794,474
Other - Trust funds and other	<u>81,187</u>	<u>39,051</u>
	<u>2,759,096</u>	<u>5,080,625</u>

10. 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%.

11. OPERATION OF SCHOOL BOARDS AND THE COUNTY OF ELGIN

During 2023, 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	3,610,154	13,474,970
Share of payments in lieu of taxes	<u>28,584</u>	<u>143,960</u>
Amounts requisitioned	<u>3,638,738</u>	<u>13,618,930</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

12. LONG-TERM DEBT

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

	2023	2022
	<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)	2,281,965	3,382,268
Ontario Infrastructure and Lands Corporation, 2.45%, repayable in blended semi annual payments of \$261,810, due May 2027	1,746,073	2,218,222
Ontario Infrastructure and Lands Corporation, 3.33%, repayable in blended semi-annual payments of \$566,740, due June 2042	15,561,689	16,161,932
OIPC, 4.89%, repayable in blended semi-annual payments of \$157,460, due March 2035	2,745,168	2,919,432
OIPC, 4.86%, repayable in blended semi-annual payments of \$278,627, due December 2025	1,049,956	1,538,310
OIPC, 4.54%, repayable in semi-annual principal payments of \$46,489, due January 2027	325,422	418,400
County Library loan, interest free, repayable in annual principal payment of \$10,000 due December 2025	20,000	30,000
Consolidated water board debt, varying interest and repayment terms	94,126	120,530
Federation of Canadian Municipalities (FCM), 2.62%, (2022 - 1.85%) %, repayable in blended semi annual payments of \$189,932 (2022 - \$89,548), due October 2031 (funded by development charges)	<u>2,725,589</u>	<u>3,028,092</u>
	<u>26,549,988</u>	<u>29,817,186</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

12. LONG-TERM DEBT (CONTINUED)

a) Principal repayments are summarized as follows:

	Development Charges	Tax Revenue	User Charges	Total
2024	320,474	383,249	2,663,530	3,367,253
2025	328,668	392,619	2,749,327	3,470,614
2026	327,072	-	1,493,483	1,820,555
2027	335,698	-	1,212,421	1,548,119
2028	344,544	-	929,892	1,274,436
Beyond	<u>1,089,134</u>	<u>-</u>	<u>13,979,877</u>	<u>15,069,011</u>
Total	<u>2,745,590</u>	<u>775,868</u>	<u>23,028,530</u>	<u>26,549,988</u>

b) All long-term debt issued on or before December 31, 1992 have received approval of the Ontario Municipal Board. Long-term debt 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 debt in 2023 amounted to \$966,893 (2022 - \$1,034,797).

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

13. TANGIBLE CAPITAL ASSETS

December 31, 2023

Cost	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Land	943,766	-	-	943,766
Buildings/Building Improvements	45,657,637	-	-	45,657,637
Machinery and Equipment	5,229,800	305,580	-	5,535,380
Linear - Roadways	87,785,248	1,747,312	-	89,532,560
Linear - Sewer and Water Services	54,845,830	78,872	(33,883)	54,890,819
Infrastructure Total	194,462,281	2,131,764	(33,883)	196,560,162
<u>General</u>				
Land	6,042,238	-	(90,600)	5,951,638
Land Improvements	5,336,013	-	-	5,336,013
Building/Building Improvements	17,825,460	1,222,168	-	19,047,628
Machinery and Equipment	6,150,616	202,871	-	6,353,487
Vehicle	9,072,007	-	-	9,072,007
General Total	44,426,334	1,425,039	(90,600)	45,760,773
Assets under construction	1,614,618	302,277	(950,789)	966,106
Total Cost	240,503,233	3,859,080	(1,075,272)	243,287,041

Accumulated Amortization	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Buildings/Building Improvements	12,327,554	1,474,858	-	13,802,412
Machinery and Equipment	3,904,337	77,120	-	3,981,457
Linear - Roadways	34,151,208	2,744,732	-	36,895,940
Linear - Sewer and Water Services	12,667,993	755,488	(33,883)	13,389,598
Infrastructure Total	63,051,092	5,052,198	(33,883)	68,069,407
<u>General</u>				
Land Improvements	2,564,026	379,645	-	2,943,671
Building/Building Improvements	5,950,768	353,821	-	6,304,589
Machinery and Equipment	3,126,451	350,981	-	3,477,432
Vehicle	4,342,113	909,067	-	5,251,180
General Total	15,983,358	1,993,514	-	17,976,872
Total Accumulated Amortization	79,034,450	7,045,712	(33,883)	86,046,279

Net Book Value	Opening	Ending
<u>Infrastructure</u>		
Land	943,766	943,766
Building/Building Improvements	33,330,083	31,855,225
Machinery and Equipment	1,325,463	1,553,923
Linear - Roadways	53,634,040	52,636,620
Linear - Sewer and Water Services	42,177,837	41,501,221
	131,411,189	128,490,755
<u>General</u>		
Land	6,042,238	5,951,638
Land Improvements	2,771,987	2,392,342
Building/Building Improvements	11,874,692	12,743,039
Machinery and Equipment	3,024,165	2,876,055
Vehicles	4,729,894	3,820,827
	28,442,976	27,783,901
Assets under construction	1,614,618	966,106
Total Net Book Value	161,468,783	157,240,762

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

13. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2022

Cost	Opening	Additions	Disposals	Ending
<u>Infrastructure</u>				
Land	713,107	230,659	-	943,766
Buildings/Building Improvements	45,657,637	-	-	45,657,637
Machinery and Equipment	5,229,800	-	-	5,229,800
Linear - Roadways	83,735,646	4,049,602	-	87,785,248
Linear - Sewer and Water Services	54,569,117	288,689	(11,976)	54,845,830
Infrastructure Total	189,905,307	4,568,950	(11,976)	194,462,281
<u>General</u>				
Land	5,738,131	304,107	-	6,042,238
Land Improvements	4,815,762	520,251	-	5,336,013
Building/Building Improvements	11,265,566	6,559,894	-	17,825,460
Machinery and Equipment	5,150,075	1,062,372	(61,831)	6,150,616
Vehicle	8,507,221	564,786	-	9,072,007
General Total	35,476,755	9,011,410	(61,831)	44,426,334
Assets under construction	8,938,465	1,687,419	(9,011,266)	1,614,618
Total Cost	234,320,527	15,267,779	(9,085,073)	240,503,233

Accumulated Amortization	Opening	Amortization	Disposal	Ending
<u>Infrastructure</u>				
Buildings/Building Improvements	10,852,696	1,474,858	-	12,327,554
Machinery and Equipment	3,827,216	77,121	-	3,904,337
Linear - Roadways	31,475,327	2,675,881	-	34,151,208
Linear - Sewer and Water Services	11,927,409	752,560	(11,976)	12,667,993
Infrastructure Total	58,082,648	4,980,420	(11,976)	63,051,092
<u>General</u>				
Land Improvements	2,191,318	372,708	-	2,564,026
Building/Building Improvements	5,682,401	268,367	-	5,950,768
Machinery and Equipment	2,880,129	308,153	(61,831)	3,126,451
Vehicle	3,465,519	876,594	-	4,342,113
General Total	14,219,367	1,825,822	(61,831)	15,983,358
Total Accumulated Amortization	72,302,015	6,806,242	(73,807)	79,034,450

Net Book Value	Opening	Ending
<u>Infrastructure</u>		
Land	713,107	943,766
Building/Building Improvements	34,804,941	33,330,083
Machinery and Equipment	1,402,584	1,325,463
Linear - Roadways	52,260,319	53,634,040
Linear - Sewer and Water Services	42,641,708	42,177,837
	131,822,659	131,411,189
<u>General</u>		
Land	5,738,131	6,042,238
Land Improvements	2,624,444	2,771,987
Building/Building Improvements	5,583,165	11,874,692
Machinery and Equipment	2,269,946	3,024,165
Vehicles	5,041,702	4,729,894
	21,257,388	28,442,976
Assets under construction	8,938,465	1,614,618
Total Net Book Value	162,018,512	161,468,783

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

14. ACCUMULATED SURPLUS

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

	2023	2022
	<u>\$</u>	<u>\$</u>
SURPLUS		
General revenue fund	281,586	441,251
Sewer operations	988,481	1,508,973
Water operations	1,162,655	482,227
Invested in tangible capital assets	157,240,762	161,468,783
Invested in EARTH Corporation	3,495,998	3,324,978
Capital fund (unfunded)	4,254,714	2,716,620
Reserves and reserve funds	<u>15,773,951</u>	<u>11,153,751</u>
	183,198,147	181,096,583
AMOUNTS TO BE RECOVERED		
Net long-term debt	<u>(26,549,988)</u>	<u>(29,817,186)</u>
ACCUMULATED SURPLUS	<u><u>156,648,159</u></u>	<u><u>151,279,397</u></u>
RESERVES AND RESERVE FUNDS		
Reserves set aside for specific purposes by council:		
- for working capital	2,613,836	3,367,841
- for current purposes	1,260,503	1,176,984
- for capital purposes	<u>5,926,707</u>	<u>3,106,297</u>
Total reserves	<u><u>9,801,046</u></u>	<u><u>7,651,122</u></u>
Reserve funds set aside for specific purposes by council:		
- for replacement of sanitary and storm sewers	12,535	12,287
- for replacement of water systems	413,459	358,311
- for social housing capital projects	287,773	232,151
- from lot levies and parking revenues	78,690	77,134
- for fire vehicle and equipment	2,092,134	616,405
- for roads vehicle and equipment	<u>3,088,314</u>	<u>2,206,341</u>
Total reserve funds	<u><u>5,972,905</u></u>	<u><u>3,502,629</u></u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

15. PENSION AGREEMENTS

The Municipality 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.

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, 2023, and the results of this valuation disclosed actuarial liabilities of \$136.2 billion in respect of benefits accrued for service with actuarial assets at that date of \$132 billion leaving an actuarial deficit of \$4.2 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 2023 was approximately \$590,000 (2022 - \$559,000).

16. CONTINGENT LIABILITIES

As at December 31, 2023 certain legal actions are pending against the Municipality. The final outcome of the outstanding claims cannot be determined at this time. As such no liability has been accrued or disclosed in these consolidated financial statements.

Estimated costs to settle any claims or litigation 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 Municipality has specific lands that are currently being evaluated for contamination that may exceed environmental standards which the Municipality may have an obligation for remediation. At this time, as the study is on going the determination of whether any contamination exceeds the environmental standard cannot be determined and no liability for this remediation can be estimated or disclosed. The results of this study will be an event that will determine whether the Municipality is required to set up a liability for remediation.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

17. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2023 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 \$
REVENUES			
Property taxation	16,481,692	-	16,481,692
Taxation from other governments	488,871	-	488,871
User charges	8,848,709	290,536	9,139,245
Transfer payments:			
Federal	-	461,617	461,617
Provincial	1,629,900	944,426	2,574,326
Other municipalities	865,773	-	865,773
Contributions - benefiting land owners & developers	5,753,788	(4,313,100)	1,440,688
Harbour funding agreement	-	-	-
Investment income	238,595	44,636	283,231
Penalties and interest on taxes	270,000	-	270,000
Other	<u>1,412,871</u>	<u>104,376</u>	<u>1,517,247</u>
Total Revenues	<u>35,990,199</u>	<u>(2,467,509)</u>	<u>33,522,690</u>
EXPENSES			
General government	2,451,299	365,374	2,816,673
Protection to persons and property	5,534,100	317,502	5,851,602
Transportation services	6,299,786	2,556,549	8,856,335
Environmental services	14,992,882	(7,951,145)	7,041,737
Health services	85,875	-	85,875
Social housing	-	290,049	290,049
Recreation and cultural services	2,833,836	475,261	3,309,097
Planning and development	1,043,331	-	1,043,331
Capital expenditures and reserve transfers	<u>2,749,090</u>	<u>(2,749,090)</u>	<u>-</u>
Total Expenses	<u>35,990,199</u>	<u>(6,695,500)</u>	<u>29,294,699</u>
BUDGETED ANNUAL SURPLUS	<u>-</u>	<u>4,227,991</u>	<u>4,227,991</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

18. SUPPLEMENTARY INFORMATION:

	2023	2022
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	9,539,187	9,178,030
Long-term debt interest expense	966,893	1,034,797
Materials	6,511,969	6,190,386
Contracted services, rents and financial expenses	7,950,426	4,556,264
Amortization and gain (loss) on disposal of capital assets	6,172,594	6,127,927
Transfer to others	<u>201,438</u>	<u>187,473</u>
	<u>31,342,507</u>	<u>27,274,877</u>
[b] Change in non-cash assets and liabilities related to operations:		
Taxes receivable	(824,349)	597,075
Accounts receivable	(319,191)	(168,939)
Inventories and prepaid expenses	2,902	(72,166)
Accounts payable and accrued liabilities	(635,292)	(1,972,013)
Deferred revenue - obligatory reserve funds	<u>(2,321,529)</u>	<u>32,543</u>
	<u>(4,097,459)</u>	<u>(1,583,500)</u>

19. FINANCIAL INSTRUMENTS

Risks and Concentrations

The Municipality is exposed to various risks through its financial instruments. The following analysis provides a measure of the Municipality's risk exposure and concentrations at the balance sheet date.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Municipality is mainly exposed to interest and price risk. The Municipality has no foreign currency transactions that would expose it to currency risk.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

19. FINANCIAL INSTRUMENT RISKS (CONTINUED)

i] Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is exposed to interest rate risk on its fixed rate long-term debt and guaranteed investment certificates. As the interest rates are fixed management doesn't believe that interest rate risk is a significant risk.

ii] Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Municipality is exposed to price risk through its investments in quoted One Fund investments and corporate bonds. These investments have a fair market value of \$4,120,060 (2022 - \$8,059,731). If the market value changed by 1% on these investments the Municipality would experience a gain or loss in value on these investments of \$41,000 (2022 - \$81,000). The Municipality actively manages this risk by evaluating these portfolio investments on a regular basis and management doesn't feel this is a significant risk that would require more disclosures.

Liquidity Risk

Liquidity risk is the risk that a Municipality will encounter difficulty in meeting obligations associated with financial liabilities. The Municipality is exposed to this risk mainly in respect of its accounts payable, accrued liabilities and long-term debt. Management doesn't believe that liquidity risk is a significant risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Municipality's main credit risks relate to its accounts receivable and taxes receivable. The Municipality manages this risk by monitoring active receivable balances and forces tax sale on properties considered unrecoverable.

The balances of taxes and utility receivables (water and sewer) are normally collectible from the property owner and the Municipality is able to force tax sale on properties to recover. In some instances the property owner may challenge property values which will in impact future recovery of taxes and potential repayments to the property owners. The Municipality actively monitors these assessment challenges and provides provisions when reasonable estimates can be made. At year end, the Municipality has provided an allowance of \$nil (2022 - \$nil) for these assessment challenges and \$232,292 (2022 - \$56,261) in potential uncollectible tax assessments. Management believes there are no significant risks associated with these receivables.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

20. SUBSEQUENT EVENT

Subsequent to end of the year, the Municipality entered into an agreement for a Boundary Adjustment Compensation Settlement with the City of St. Thomas. This agreement was entered into to compensate for the annexation of certain lands by the City of St. Thomas. This agreement resulted in the Municipality to receive \$15,000,000 in a lump sum payment and other benefits related to infrastructure. \$10,000,000 of this lump sum payment was received subsequent to year end with an additional \$1,000,000 due over five years beginning January 2028.

21. 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 contract 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.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

21. SEGMENTED INFORMATION (CONTINUED)

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 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.

Public Works

The Infrastructure 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.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2023

21. SEGMENTED INFORMATION (CONTINUED)

Other Funds(continued)

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, 2023**

	Social Housing	Planning	Public Works	Finance & Administration	Protection	Water & Waste Funds	Community Services	Other Funds	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES									
Taxation	-	1,043,331	5,634,419	2,451,299	4,757,955	-	2,754,603	525,996	17,167,603
Sales of services and regulatory fees	290,536	13,446	-	-	23,510	7,585,944	607,602	698,177	9,219,215
Government transfers	44,400	-	1,326,901	1,818,300	-	-	573,526	293,949	4,057,076
Other	-	572,298	2,190,688	1,445,820	15,372	197,534	-	1,618,174	6,039,886
ERTH Corporation income	-	-	-	-	-	-	-	227,489	227,489
	<u>334,936</u>	<u>1,629,075</u>	<u>9,152,008</u>	<u>5,715,419</u>	<u>4,796,837</u>	<u>7,783,478</u>	<u>3,935,731</u>	<u>3,363,785</u>	<u>36,711,269</u>
EXPENSES									
Salaries, wages and employees benefits	-	572,851	2,083,800	2,019,211	1,167,786	1,110,060	1,656,654	928,825	9,539,187
Long-term debt interest expense	-	-	25,685	-	76,408	864,800	-	-	966,893
Materials	271,197	24,634	2,171,556	376,822	577,639	2,125,941	592,711	371,469	6,511,969
Contracted services, rents and financial	-	434,238	3,412,491	272,492	2,165,895	593,426	516,747	756,575	8,151,864
Loss (gain) on disposal of capital assets	-	-	-	-	(873,118)	-	-	-	(873,118)
Amortization	<u>9,426</u>	<u>-</u>	<u>3,788,579</u>	<u>225,874</u>	<u>827,802</u>	<u>1,601,631</u>	<u>592,400</u>	<u>-</u>	<u>7,045,712</u>
	<u>280,623</u>	<u>1,031,723</u>	<u>11,482,111</u>	<u>2,894,399</u>	<u>3,942,412</u>	<u>6,295,858</u>	<u>3,358,512</u>	<u>2,056,869</u>	<u>31,342,507</u>
ANNUAL SURPLUS (DEFICIT)	<u>54,313</u>	<u>597,352</u>	<u>(2,330,103)</u>	<u>2,821,020</u>	<u>854,425</u>	<u>1,487,620</u>	<u>577,219</u>	<u>1,306,916</u>	<u>5,368,762</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

**Consolidated Schedule of Segment Disclosure
For The Year Ended December 31, 2022**

	Social Housing	Planning	Public Works	Finance & Administration	Protection	Water & Waste Funds	Community Services	Other Funds	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES									
Taxation	-	919,864	5,670,871	2,154,269	4,800,037	-	2,973,081	315,401	16,833,523
Sales of services and regulatory fees	258,130	15,072	-	-	6,686	7,095,878	475,514	635,294	8,486,574
Government transfers	-	-	2,608,838	694,000	331,174	-	721,042	422,423	4,777,477
Other	-	592,968	215,708	1,069,660	48,301	1,174,450	404,535	1,895,665	5,401,287
ERTH Corporation income	-	-	-	-	-	-	-	263,118	263,118
	<u>258,130</u>	<u>1,527,904</u>	<u>8,495,417</u>	<u>3,917,929</u>	<u>5,186,198</u>	<u>8,270,328</u>	<u>4,574,172</u>	<u>3,531,901</u>	<u>35,761,979</u>
EXPENSES									
Salaries, wages and employees benefits	-	639,256	2,064,374	1,684,461	1,069,738	1,198,771	1,565,808	955,622	9,178,030
Long-term debt interest expense	-	-	34,613	-	50,499	949,685	-	-	1,034,797
Materials	188,989	66,170	2,062,169	500,682	545,489	1,823,656	550,561	452,670	6,190,386
Contracted services, rents and financial	-	420,911	372,209	354,275	2,033,371	556,574	461,086	545,311	4,743,737
Loss (gain) on disposal of capital assets	-	-	(55,150)	-	(623,165)	-	-	-	(678,315)
Amortization	10,159	-	3,707,047	225,874	712,669	1,598,287	552,206	-	6,806,242
	<u>199,148</u>	<u>1,126,337</u>	<u>8,185,262</u>	<u>2,765,292</u>	<u>3,788,601</u>	<u>6,126,973</u>	<u>3,129,661</u>	<u>1,953,603</u>	<u>27,274,877</u>
ANNUAL SURPLUS (DEFICIT)	<u>58,982</u>	<u>401,567</u>	<u>310,155</u>	<u>1,152,637</u>	<u>1,397,597</u>	<u>2,143,355</u>	<u>1,444,511</u>	<u>1,578,298</u>	<u>8,487,102</u>