

**THE CORPORATION OF THE MUNICIPALITY  
OF CENTRAL ELGIN  
Consolidated Financial Statements  
December 31, 2015**

**THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN**  
**Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

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, 2015, and the consolidated statements of operations and accumulated surplus, changes in net 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, 2015, and the consolidated statements of operations and accumulated surplus, changes in net debt, and cash flow for the year then ended in accordance with Canadian accounting standards for public sector entities.

**St. Thomas, Ontario**

**November 14, 2016**

*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, 2015

|  | 2015                       | 2014                       |
|--|----------------------------|----------------------------|
|  | <u>\$</u>                  | <u>\$</u>                  |
| <b>ASSETS</b>  |                            |                            |
| <b>Financial Assets</b>                              |                            |                            |
| Cash   | 4,737,962                  | 3,058,538                  |
| Loan receivable (Note 3)                             | 1,077,000                  | 1,077,000                  |
| Taxes receivable (Note 4)                            | 2,403,481                  | 2,064,180                  |
| Accounts receivable                                  | 2,464,796                  | 2,461,615                  |
| Investments (Note 2)                                 | 8,548,631                  | 12,725,493                 |
| Investment in EARTH Corporation (Note 7)             | <u>1,337,333</u>           | <u>1,313,830</u>           |
| <b>Total financial assets</b>                        | <u><b>20,569,203</b></u>   | <u><b>22,700,656</b></u>   |
| <b>LIABILITIES</b>                                   |                            |                            |
| Bank indebtedness (Note 5)                           | -                          | 1,500,000                  |
| Temporary advances (Note 6)                          | -                          | 5,000,000                  |
| Deferred revenue - obligatory reserve funds (Note 8) | 10,831,028                 | 15,345,421                 |
| Accounts payable and accrued liabilities             | 5,248,420                  | 3,611,074                  |
| Net long-term liabilities (Note 11)                  | <u>20,284,334</u>          | <u>10,666,766</u>          |
| <b>Total financial liabilities</b>                   | <u><b>36,363,782</b></u>   | <u><b>36,123,261</b></u>   |
| <b>NET FINANCIAL DEBT</b>                            | <u><b>(15,794,579)</b></u> | <u><b>(13,422,605)</b></u> |
| <b>NON-FINANCIAL ASSETS</b>                          |                            |                            |
| Tangible capital assets (Note 12)                    | 127,256,129                | 116,667,600                |
| Inventories  | 534,768                    | 67,053                     |
| Prepaid expenses                                     | <u>150,009</u>             | <u>58,056</u>              |
| <b>Total non-financial assets</b>                    | <u><b>127,940,906</b></u>  | <u><b>116,792,709</b></u>  |
| <b>ACCUMULATED SURPLUS (NOTE 13)</b>                 | <u><b>112,146,327</b></u>  | <u><b>103,370,104</b></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, 2015

|   | Budget<br>(Note 17)<br>\$ | Actual<br>2015<br>\$      | Actual<br>2014<br>\$ |
|---|---------------------------|---------------------------|----------------------|
| <b>REVENUES</b>   |                           |                           |                      |
| Property taxation                                       | 11,808,568                | <b>11,896,391</b>         | 11,354,048           |
| Taxation from other governments                         | 421,552                   | <b>449,302</b>            | 335,613              |
| User charges  | 4,222,977                 | <b>4,268,264</b>          | 4,334,215            |
| Funding transfer- Federal                               | 585,030                   | <b>815,422</b>            | 490,530              |
| - Provincial  | 515,450                   | <b>1,290,262</b>          | 760,622              |
| - Other Municipalities                                  | 984,451                   | <b>941,280</b>            | 817,312              |
| Contribution from benefiting land owners and developers | 401,256                   | <b>1,290,513</b>          | 2,300,905            |
| Harbour agreement funding                               | 2,204,445                 | <b>4,679,264</b>          | 1,575,560            |
| Investment income                                       | 99,037                    | <b>269,842</b>            | 45,144               |
| Penalties and interest                                  | 292,642                   | <b>323,989</b>            | 294,787              |
| Other   | 792,246                   | <b>725,474</b>            | 1,028,830            |
| ERTH Corporation income (loss) (Note 7)                 | -                         | <b>23,503</b>             | 111,990              |
|   | <u>22,327,654</u>         | <u><b>26,973,506</b></u>  | <u>23,449,556</u>    |
| <b>EXPENSES</b>   |                           |                           |                      |
| General government                                      | 1,568,337                 | <b>1,714,198</b>          | 1,737,949            |
| Protection to persons and property                      | 4,002,621                 | <b>3,834,309</b>          | 4,318,282            |
| Transportation services                                 | 5,890,035                 | <b>5,213,051</b>          | 5,442,415            |
| Environmental services                                  | 5,343,930                 | <b>4,589,017</b>          | 4,645,698            |
| Health services   | 58,084                    | <b>56,411</b>             | 57,189               |
| Social housing  | -                         | <b>196,550</b>            | 172,890              |
| Recreation and cultural services                        | 2,107,806                 | <b>2,217,173</b>          | 2,117,585            |
| Planning and development                                | 338,326                   | <b>398,258</b>            | 267,444              |
| Loss (gain) on disposal of tangible capital assets      | -                         | <b>(21,684)</b>           | 298,979              |
|   | <u>19,309,139</u>         | <u><b>18,197,283</b></u>  | <u>19,058,431</u>    |
| <b>ANNUAL SURPLUS</b>                                   | <u>3,018,515</u>          | <u><b>8,776,223</b></u>   | <u>4,391,125</u>     |
| <b>ACCUMULATED SURPLUS,<br/>BEGINNING OF YEAR</b>       | <u>103,370,104</u>        | <u><b>103,370,104</b></u> | <u>98,978,979</u>    |
| <b>ACCUMULATED SURPLUS,<br/>END OF YEAR (NOTE 13)</b>   | <u>106,388,619</u>        | <u><b>112,146,327</b></u> | <u>103,370,104</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 Debt  
For the Year Ended December 31, 2015**

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|  | Budget<br>(Note 17)<br>\$ | Actual<br>2015<br>\$       | Actual<br>2014<br>\$ |
|--|---------------------------|----------------------------|----------------------|
| <b>ANNUAL SURPLUS</b>                                  | 3,018,515                 | <b>8,776,223</b>           | 4,391,125            |
| Acquisition of tangible capital assets                 | (7,821,500)               | <b>(14,138,363)</b>        | (13,971,982)         |
| Amortization of tangible capital assets                | 3,519,242                 | <b>3,519,242</b>           | 3,288,914            |
| Proceeds on disposal of tangible capital assets        | -                         | <b>52,276</b>              | -                    |
| Change in inventories and prepaid expenses             | -                         | <b>(559,668)</b>           | (53,833)             |
| Loss (gain) on disposal of tangible capital assets     | -                         | <b>(21,684)</b>            | 298,979              |
|  | <hr/>                     | <hr/>                      | <hr/>                |
| <b>INCREASE (DECREASE) IN NET<br/>FINANCIAL ASSETS</b> | (1,283,743)               | <b>(2,371,974)</b>         | (6,046,797)          |
| <b>NET DEBT, BEGINNING OF YEAR</b>                     | <u>(13,422,605)</u>       | <u><b>(13,422,605)</b></u> | <u>(7,375,808)</u>   |
| <b>NET DEBT, END OF YEAR</b>                           | <u>(14,706,348)</u>       | <u><b>(15,794,579)</b></u> | <u>(13,422,605)</u>  |

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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, 2015

|   | 2015                           | 2014                           |
|---|--------------------------------|--------------------------------|
|   | <u>\$</u>                      | <u>\$</u>                      |
| <b>OPERATING ACTIVITIES</b>   |                                |                                |
| Annual surplus  | 8,776,223                      | 4,391,125                      |
| <b>Add (deduct) items not involving cash:</b>                                 |                                |                                |
| Amortization of tangible capital assets                                       | 3,519,242                      | 3,288,914                      |
| Change in employee benefits and other liabilities                             | -                              | (12,038)                       |
| Equity in (earnings) loss of government business enterprise                   | (23,503)                       | (111,990)                      |
| Loss on disposal of investments   | -                              | 77,300                         |
| Loss (gain) on disposal of tangible capital assets                            | <u>(21,684)</u>                | <u>298,979</u>                 |
|   | <b>12,250,278</b>              | <b>7,932,290</b>               |
| Change in non-cash assets and liabilities related to operations (Note 18 [b]) | <u>(3,779,197)</u>             | <u>(2,038,090)</u>             |
|   | <u><b>8,471,081</b></u>        | <u><b>5,894,200</b></u>        |
| <b>INVESTING ACTIVITIES</b>   |                                |                                |
| Redemption of (purchase of) investments                                       | 4,176,862                      | 1,431,727                      |
| Dividends received from EARTH Corporation                                     | <u>-</u>                       | <u>16,139</u>                  |
|   | <u><b>4,176,862</b></u>        | <u><b>1,447,866</b></u>        |
| <b>CAPITAL ACTIVITIES</b>   |                                |                                |
| Acquisition of tangible capital assets  | (14,138,363)                   | (13,971,982)                   |
| Proceeds on disposal of tangible capital assets                               | <u>52,276</u>                  | <u>-</u>                       |
|   | <u>(14,086,087)</u>            | <u>(13,971,982)</u>            |
| <b>FINANCING ACTIVITIES</b>   |                                |                                |
| Bank and temporary advances   | 3,883,238                      | 6,500,000                      |
| Long-term debt advances (repayment)   | <u>(765,670)</u>               | <u>(802,011)</u>               |
|   | <u><b>3,117,568</b></u>        | <u><b>5,697,989</b></u>        |
| <b>NET CHANGE IN CASH</b>   | <b>1,679,424</b>               | <b>(931,927)</b>               |
| <b>CASH, BEGINNING OF YEAR</b>  | <u><b>3,058,538</b></u>        | <u><b>3,990,465</b></u>        |
| <b>CASH, END OF YEAR</b>  | <u><u><b>4,737,962</b></u></u> | <u><u><b>3,058,538</b></u></u> |
| <b>SUPPLEMENTARY INFORMATION:</b>   |                                |                                |
| Cash paid for interest on debt  | <u><u><b>601,563</b></u></u>   | <u><u><b>545,044</b></u></u>   |
| Cash received for interest on investments                                     | <u><u><b>582,296</b></u></u>   | <u><u><b>626,614</b></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, 2015

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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, 2015

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### 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 (2014 - \$713,757) 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, 2015

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### 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 2015 the Municipality received \$12,345,693 (2014 - \$11,689,661) 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.

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# THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

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### 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 (2014 - \$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.

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# THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

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### 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, 2016. 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.

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# THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

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### 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:

|                              | 2015             |                  | 2014              |                   |
|------------------------------|------------------|------------------|-------------------|-------------------|
|                              | Cost             | Market Value     | Cost              | Market Value      |
|                              | <u>\$</u>        | <u>\$</u>        | <u>\$</u>         | <u>\$</u>         |
| Federal and provincial bonds | 5,164,783        | 5,395,455        | 7,689,197         | 8,154,413         |
| Corporate bonds              | 1,295,728        | 1,352,898        | 2,582,729         | 2,669,009         |
| Cash and cash equivalents    | <u>2,066,544</u> | <u>2,066,544</u> | <u>2,431,991</u>  | <u>2,431,991</u>  |
|                              | <u>8,527,055</u> | <u>8,814,897</u> | <u>12,703,917</u> | <u>13,255,413</u> |

The federal and provincial bonds mature on dates ranging from 2018-2022 and yielding interest rates from 4.0% to 5.60% and the corporate bonds mature in 2022 and yielding an interest rate of 4.60%. Interest and dividends earned on these funds and included in the obligatory funds was \$417,356 (2014 - \$504,170) and a gain of \$120,468 (2014 - loss of \$77,299 reported in statement of operations) was also reported in the obligatory funds. The Municipality has \$607,425 (2014 - \$559,074) 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 2015, \$78,083 (2014 - \$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, 2015

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### 4. TAXES RECEIVABLE

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

|                                 | <b>2015</b>             | 2014                    |
|---------------------------------|-------------------------|-------------------------|
|                                 | <u>\$</u>               | <u>\$</u>               |
| Taxes receivable                | <b>2,242,598</b>        | 1,978,138               |
| Penalties and interest          | <b>231,004</b>          | 156,163                 |
| Allowance for doubtful accounts | <u>(70,121)</u>         | <u>(70,121)</u>         |
|                                 | <b><u>2,403,481</u></b> | <b><u>2,064,180</u></b> |

### 5. 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 (2014 - \$1,500,000) on this facility.

### 6. TEMPORARY ADVANCES

The Municipality secured \$10,383,238 in financing from Ontario Infrastructure and Lands Corporation for an on going water and sewer project. During 2014, funds were advance as a short term temporary advance with interest being charged at the prime rate. During the year, the Municipality paid \$105,585 of interest on this temporary advance. This interest was capitalized with the cost of construction of the asset. At the end of 2015 the project was completed by the Municipality and the temporary advance was converted into long-term debt. The long-term debt is disclosed in note 11 and will begin to be repaid in May 2016. This long-term debt is repayable in semi-annual payments of \$587,924 with interest at 2.43%, and is due November 2025.

# THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

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### 7. INVESTMENT IN EARTH CORPORATION

The Municipality owns 9.22% (2014 - 9.22%) of EARTH Corporation and received \$- (2014 - \$16,141) in dividends during the year. The EARTH Corporation is the electricity distribution utility for the Municipality's urban residents.

During the 2014 year end, EARTH Corporation purchased 782,007 Class B shares for cancellation from another shareholder and as such the investment by the Municipality in EARTH Corporation increased to 9.22%. During the 2015 year end, the EARTH Corporation converted its accounting standards to International Financial Reporting Standards. The impact of this conversion and the share redemption did not have a material impact on the carrying value of the investment in EARTH Corporation and as such no adjustments have been made in the Municipality's financial statements to reflect these two events.

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>2015</u>              | <u>2014</u>       |
|--|--------------------------|-------------------|
|  | <u>\$</u>                | <u>\$</u>         |
| <b>Financial Position:</b>                   |                          |                   |
| Total Net Assets                             | <u><b>12,924,375</b></u> | <u>12,669,555</u> |
| <b>Results of operations:</b>                |                          |                   |
| Total revenues from operations               | <u><b>83,471,032</b></u> | 76,527,370        |
| Total operating and other expenses           | <u><b>83,216,212</b></u> | <u>76,083,760</u> |
| Total net income (loss)                      | <b>254,820</b>           | 443,610           |
| Dividends issued                             | <u>-</u>                 | <u>175,000</u>    |
| Net increase (decrease) in retained earnings | <u><b>254,820</b></u>    | <u>268,610</u>    |

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# THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

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### 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:

|                                | <b>2015</b>              | 2014              |
|--------------------------------|--------------------------|-------------------|
|                                | <u>\$</u>                | <u>\$</u>         |
| Development charges            | <b>687,594</b>           | 633,796           |
| Federal gasoline tax           | <b>80,952</b>            | 429,443           |
| Parkland                       | <b>238,085</b>           | 239,204           |
| Harbour contribution agreement | <b>8,957,212</b>         | 13,234,715        |
| Other                          | <u><b>867,185</b></u>    | <u>808,263</u>    |
|                                | <u><b>10,831,028</b></u> | <u>15,345,421</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 2015, 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<br>Boards        | County                  |
|------------------------------------|-------------------------|-------------------------|
|                                    | <u>\$</u>               | <u>\$</u>               |
| Taxation and user charges          | 3,491,622               | 8,876,001               |
| Share of payments in lieu of taxes | <u>-</u>                | <u>251,653</u>          |
| Amounts requisitioned              | <u><b>3,491,622</b></u> | <u><b>9,127,654</b></u> |

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# THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

### 11. NET LONG-TERM LIABILITIES

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

|   | <b>2015</b>              | 2014              |
|---|--------------------------|-------------------|
|   | <u>\$</u>                | <u>\$</u>         |
| Total long-term liabilities incurred by the Municipality and outstanding at the end of the year | <b>20,056,860</b>        | 10,400,346        |
| Long-term liabilities assumed by the Municipality   | <u>227,474</u>           | <u>266,420</u>    |
| Total long-term liabilities at the end of the year  | <u><b>20,284,334</b></u> | <u>10,666,766</u> |

Principal repayments are summarized as follows:

|                   | 2016             | 2017             | 2018             | 2019             | 2020             | Beyond            | Total             |
|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
|                   | <u>\$</u>        | <u>\$</u>        | <u>\$</u>        | <u>\$</u>        | <u>\$</u>        | <u>\$</u>         | <u>\$</u>         |
| Recoverable from: |                  |                  |                  |                  |                  |                   |                   |
| Tax revenue       | 306,619          | 314,114          | 321,794          | 329,660          | 337,720          | 1,816,560         | 3,426,467         |
| User charges      | <u>1,403,932</u> | <u>1,378,903</u> | <u>1,399,815</u> | <u>1,397,082</u> | <u>1,420,806</u> | <u>9,857,329</u>  | <u>16,857,867</u> |
|                   | <u>1,710,551</u> | <u>1,693,017</u> | <u>1,721,609</u> | <u>1,726,742</u> | <u>1,758,526</u> | <u>11,673,889</u> | <u>20,284,334</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 rates range from 2.43% to 6%. Interest expense on long-term liabilities in 2015 amounted to \$505,800 (2014 - \$545,044)

**THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN**

**Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2015**

**12. TANGIBLE CAPITAL ASSETS**

**December 31, 2015**

| <b>Cost</b>                           | <b>Opening</b>            | <b>Additions</b>         | <b>Disposals</b>        | <b>Ending</b>             |
|---------------------------------------|---------------------------|--------------------------|-------------------------|---------------------------|
| <b><u>Infrastructure</u></b>          |                           |                          |                         |                           |
| Land                                  | 91,876                    | -                        | -                       | <b>91,876</b>             |
| Buildings/Building Improvements       | 16,583,086                | 874,494                  | (2,519)                 | <b>17,455,061</b>         |
| Machinery and Equipment               | 4,815,011                 | 43,074                   | (34,953)                | <b>4,823,132</b>          |
| Linear - Roadways                     | 57,659,263                | 2,190,761                | -                       | <b>59,850,024</b>         |
| Linear - Sewer and Water Services     | <u>42,511,764</u>         | <u>6,626</u>             | -                       | <u><b>42,518,390</b></u>  |
| <b>Infrastructure Total</b>           | <u><b>121,661,000</b></u> | <u><b>3,114,955</b></u>  | <u><b>(37,472)</b></u>  | <u><b>124,738,483</b></u> |
| <b><u>General</u></b>                 |                           |                          |                         |                           |
| Land                                  | 2,813,664                 | -                        | -                       | <b>2,813,664</b>          |
| Land Improvements                     | 2,057,074                 | -                        | -                       | <b>2,057,074</b>          |
| Building/Building Improvements        | 10,323,096                | 121,009                  | -                       | <b>10,444,105</b>         |
| Machinery and Equipment               | 2,657,049                 | 331,016                  | (53,084)                | <b>2,934,981</b>          |
| Vehicle                               | <u>3,533,691</u>          | <u>1,149,079</u>         | <u>(239,298)</u>        | <u><b>4,443,472</b></u>   |
| <b>General Total</b>                  | <u>21,384,574</u>         | <u>1,601,104</u>         | <u>(292,382)</u>        | <u><b>22,693,296</b></u>  |
| Assets under construction             | <u>14,880,663</u>         | <u>9,571,121</u>         | <u>(148,817)</u>        | <u><b>24,302,967</b></u>  |
| <b>Total Cost</b>                     | <u><b>157,926,237</b></u> | <u><b>14,287,180</b></u> | <u><b>(478,671)</b></u> | <u><b>171,734,746</b></u> |
| <b>Accumulated Amortization</b>       | <b>Opening</b>            | <b>Additions</b>         | <b>Disposals</b>        | <b>Ending</b>             |
| <b><u>Infrastructure</u></b>          |                           |                          |                         |                           |
| Buildings/Building Improvements       | 4,537,572                 | 423,187                  | (2,519)                 | <b>4,958,240</b>          |
| Machinery and Equipment               | 3,138,757                 | 107,961                  | (34,889)                | <b>3,211,829</b>          |
| Linear - Roadways                     | 17,827,773                | 1,550,837                | -                       | <b>19,378,610</b>         |
| Linear - Sewer and Water Services     | <u>8,200,577</u>          | <u>493,592</u>           | -                       | <u><b>8,694,169</b></u>   |
| <b>Infrastructure Total</b>           | <u><b>33,704,679</b></u>  | <u><b>2,575,577</b></u>  | <u><b>(37,408)</b></u>  | <u><b>36,242,848</b></u>  |
| <b><u>General</u></b>                 |                           |                          |                         |                           |
| Land Improvements                     | 721,982                   | 100,873                  | -                       | <b>822,855</b>            |
| Building/Building Improvements        | 3,961,071                 | 261,825                  | -                       | <b>4,222,896</b>          |
| Machinery and Equipment               | 1,499,195                 | 105,744                  | (52,307)                | <b>1,552,632</b>          |
| Vehicle                               | <u>1,371,710</u>          | <u>475,223</u>           | <u>(209,547)</u>        | <u><b>1,637,386</b></u>   |
| <b>General Total</b>                  | <u><b>7,553,958</b></u>   | <u><b>943,665</b></u>    | <u><b>(261,854)</b></u> | <u><b>8,235,769</b></u>   |
| <b>Total Accumulated Amortization</b> | <u><b>41,258,637</b></u>  | <u><b>3,519,242</b></u>  | <u><b>(299,262)</b></u> | <u><b>44,478,617</b></u>  |
| <b>Net Book Value</b>                 | <b>Opening</b>            |                          |                         | <b>Ending</b>             |
| <b><u>Infrastructure</u></b>          |                           |                          |                         |                           |
| Land                                  | 91,876                    |                          |                         | <b>91,876</b>             |
| Building/Building Improvements        | 12,045,514                |                          |                         | <b>12,496,821</b>         |
| Machinery and Equipment               | 1,676,254                 |                          |                         | <b>1,611,303</b>          |
| Linear - Roadways                     | 39,831,490                |                          |                         | <b>40,471,414</b>         |
| Linear - Sewer and Water Services     | <u>34,311,187</u>         |                          |                         | <u><b>33,824,221</b></u>  |
|                                       | 87,956,321                |                          |                         | <b>88,495,635</b>         |
| <b><u>General</u></b>                 |                           |                          |                         |                           |
| Land                                  | 2,813,664                 |                          |                         | <b>2,813,664</b>          |
| Land Improvements                     | 1,335,092                 |                          |                         | <b>1,234,219</b>          |
| Building/Building Improvements        | 6,362,025                 |                          |                         | <b>6,221,209</b>          |
| Machinery and Equipment               | 1,157,854                 |                          |                         | <b>1,382,349</b>          |
| Vehicles                              | <u>2,161,981</u>          |                          |                         | <u><b>2,806,086</b></u>   |
|                                       | 13,830,616                |                          |                         | <b>14,457,527</b>         |
| Assets under construction             | <u>14,880,663</u>         |                          |                         | <u><b>24,302,967</b></u>  |
| <b>Total Net Book Value</b>           | <u><b>116,667,600</b></u> |                          |                         | <u><b>127,256,129</b></u> |

**THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN**

**Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2015**

**12. TANGIBLE CAPITAL ASSETS (CONTINUED)**

**December 31, 2014**

| Cost                              | Opening            | Additions         | Disposals          | Ending             |
|-----------------------------------|--------------------|-------------------|--------------------|--------------------|
| <b><u>Infrastructure</u></b>      |                    |                   |                    |                    |
| Land                              | 44,610             | 47,266            | -                  | 91,876             |
| Buildings/Building Improvements   | 15,985,786         | 597,300           | -                  | 16,583,086         |
| Machinery and Equipment           | 4,835,997          | 14,015            | (35,001)           | 4,815,011          |
| Linear - Roadways                 | 56,937,906         | 1,357,160         | (635,803)          | 57,659,263         |
| Linear - Sewer and Water Services | 42,677,637         | 25,140            | (191,013)          | 42,511,764         |
| <b>Infrastructure Total</b>       | <u>120,481,936</u> | <u>2,040,881</u>  | <u>(861,817)</u>   | <u>121,661,000</u> |
| <b><u>General</u></b>             |                    |                   |                    |                    |
| Land                              | 2,813,664          | -                 | -                  | 2,813,664          |
| Land Improvements                 | 2,018,671          | 38,403            | -                  | 2,057,074          |
| Building/Building Improvements    | 10,063,254         | 259,842           | -                  | 10,323,096         |
| Machinery and Equipment           | 2,548,221          | 217,508           | (108,680)          | 2,657,049          |
| Vehicle                           | 3,226,563          | 838,868           | (531,740)          | 3,533,691          |
| <b>General Total</b>              | <u>20,670,373</u>  | <u>1,354,621</u>  | <u>(640,420)</u>   | <u>21,384,574</u>  |
| Assets under construction         | 4,304,183          | 10,827,622        | (251,142)          | 14,880,663         |
| <b>Total Cost</b>                 | <u>145,456,492</u> | <u>14,223,124</u> | <u>(1,753,379)</u> | <u>157,926,237</u> |

| Accumulated Amortization              | Opening           | Amortization     | Disposal           | Ending            |
|---------------------------------------|-------------------|------------------|--------------------|-------------------|
| <b><u>Infrastructure</u></b>          |                   |                  |                    |                   |
| Buildings/Building Improvements       | 4,170,370         | 367,202          | -                  | 4,537,572         |
| Machinery and Equipment               | 3,053,287         | 120,471          | (35,001)           | 3,138,757         |
| Linear - Roadways                     | 16,859,740        | 1,399,908        | (431,875)          | 17,827,773        |
| Linear - Sewer and Water Services     | 7,774,788         | 527,648          | (101,859)          | 8,200,577         |
| <b>Infrastructure Total</b>           | <u>31,858,185</u> | <u>2,415,229</u> | <u>(568,735)</u>   | <u>33,704,679</u> |
| <b><u>General</u></b>                 |                   |                  |                    |                   |
| Land Improvements                     | 617,188           | 104,794          | -                  | 721,982           |
| Building/Building Improvements        | 3,729,939         | 231,132          | -                  | 3,961,071         |
| Machinery and Equipment               | 1,534,293         | 67,686           | (102,784)          | 1,499,195         |
| Vehicle                               | 1,433,377         | 470,073          | (531,740)          | 1,371,710         |
| <b>General Total</b>                  | <u>7,314,797</u>  | <u>873,685</u>   | <u>(634,524)</u>   | <u>7,553,958</u>  |
| <b>Total Accumulated Amortization</b> | <u>39,172,982</u> | <u>3,288,914</u> | <u>(1,203,259)</u> | <u>41,258,637</u> |

| Net Book Value                    | Opening            | Ending             |
|-----------------------------------|--------------------|--------------------|
| <b><u>Infrastructure</u></b>      |                    |                    |
| Land                              | 44,610             | 91,876             |
| Building/Building Improvements    | 11,815,416         | 12,045,514         |
| Machinery and Equipment           | 1,782,710          | 1,676,254          |
| Linear - Roadways                 | 40,078,166         | 39,831,490         |
| Linear - Sewer and Water Services | 34,902,849         | 34,311,187         |
|                                   | 88,623,751         | 87,956,321         |
| <b><u>General</u></b>             |                    |                    |
| Land                              | 2,813,664          | 2,813,664          |
| Land Improvements                 | 1,401,483          | 1,335,092          |
| Building/Building Improvements    | 6,333,315          | 6,362,025          |
| Machinery and Equipment           | 1,013,928          | 1,157,854          |
| Vehicles                          | 1,793,186          | 2,161,981          |
|                                   | 13,355,576         | 13,830,616         |
| Assets under construction         | 4,304,183          | 14,880,663         |
| <b>Total Net Book Value</b>       | <u>106,283,510</u> | <u>116,667,600</u> |

**THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN**

**Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2015**

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**13. ACCUMULATED SURPLUS**

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

|   | <b>2015</b>               | 2014                      |
|---|---------------------------|---------------------------|
|   | <u>\$</u>                 | <u>\$</u>                 |
| <b>SURPLUS</b>  |                           |                           |
| General revenue fund                                      | 222,770                   | 573,608                   |
| Sewer operations  | 163,843                   | (180,714)                 |
| Water operations  | (225,363)                 | (367,620)                 |
| Invested in tangible capital assets                       | 127,256,129               | 116,667,600               |
| Invested in EARTH Corporation                             | 2,414,333                 | 2,390,830                 |
| Capital fund  | (8,444,059)               | (14,101,746)              |
| Reserves and reserve funds                                | <u>11,043,008</u>         | <u>9,054,912</u>          |
|   | 132,430,661               | 114,036,870               |
| <b>AMOUNTS TO BE RECOVERED</b>                            |                           |                           |
| Net long-term debt  | <u>(20,284,334)</u>       | <u>(10,666,766)</u>       |
| <b>ACCUMULATED SURPLUS</b>                                | <u><u>112,146,327</u></u> | <u><u>103,370,104</u></u> |
| <b>RESERVES AND RESERVE FUNDS</b>                         |                           |                           |
| Reserves set aside for specific purposes by council:      |                           |                           |
| - for working capital                                     | 1,330,213                 | 1,330,213                 |
| - for current purposes                                    | 4,219,582                 | 3,491,396                 |
| - for capital purposes                                    | <u>3,657,571</u>          | <u>3,271,249</u>          |
| Total reserves  | <u><u>9,207,366</u></u>   | <u><u>8,092,858</u></u>   |
| Reserve funds set aside for specific purposes by council: |                           |                           |
| - for replacement of equipment                            | 12,150                    | 12,110                    |
| - for replacement of sanitary and storm sewers            | 1,241,361                 | 376,626                   |
| - for replacement of water systems                        | 243,233                   | 241,403                   |
| - for sick leave  | 20,360                    | 20,143                    |
| - for social housing capital projects                     | 187,663                   | 181,074                   |
| - from lot levies and parking revenues                    | 104,302                   | 104,183                   |
| - for capital projects                                    | <u>26,573</u>             | <u>26,515</u>             |
| Total reserve funds                                       | <u><u>1,835,642</u></u>   | <u><u>962,054</u></u>     |

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# THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

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### 14. POST EMPLOYMENT BENEFITS

The Municipality provided some medical and life insurance benefits to certain retirees until the age of 65. None of the active employees are eligible for this benefit and as such no actuarial review has been prepared. 2014 was the final year these premiums were paid.

### 15. 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, 2015, and the results of this valuation disclosed actuarial liabilities of \$81.9 billion in respect of benefits accrued for service with actuarial assets at that date of \$74.9 billion leaving an actuarial deficit of \$7 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 2015 was \$331,475 (2014 - \$342,755).

### 16. CONTINGENT LIABILITIES

As at December 31, 2015 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 reasonable determined. Claim provisions are reported as a liability in the consolidated statement of financial position.

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**THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN**

**Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2015**

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**17. BUDGET FIGURES**

The operating budget approved by the council of the Municipality for 2015 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<br>Budget | Adjustments        | PSAB<br>Budget    |
|--|--------------------|--------------------|-------------------|
|  | <u>\$</u>          | <u>\$</u>          | <u>\$</u>         |
| <b>REVENUES</b>                                      |                    |                    |                   |
| Property taxation                                    | 11,808,568         | -                  | 11,808,568        |
| Taxation from other governments                      | 421,552            | -                  | 421,552           |
| User charges   | 4,222,977          | -                  | 4,222,977         |
| Transfer payments                                    |                    |                    |                   |
| Federal  | 585,030            | -                  | 585,030           |
| Provincial   | 515,450            | -                  | 515,450           |
| Other municipalities                                 | 984,451            | -                  | 984,451           |
| Investment income                                    | 99,037             | -                  | 99,037            |
| Penalties and interest on taxes                      | 292,642            | -                  | 292,642           |
| Recoveries from benefiting landowners and developers | 2,605,701          | -                  | 2,605,701         |
| Other  | 792,246            | -                  | 792,246           |
| Reserve transfers                                    | (140,000)          | 140,000            | -                 |
| Capital funding - borrowing                          | <u>2,023,000</u>   | <u>(2,023,000)</u> | <u>-</u>          |
| Total Revenues                                       | <u>24,210,654</u>  | <u>(1,883,000)</u> | <u>22,327,654</u> |
| <b>EXPENSES</b>                                      |                    |                    |                   |
| General government                                   | 1,458,125          | 110,212            | 1,568,337         |
| Protection to persons and property                   | 3,304,369          | 698,252            | 4,002,621         |
| Transportation services                              | 3,528,835          | 2,361,200          | 5,890,035         |
| Environmental services                               | 5,354,785          | (10,855)           | 5,343,930         |
| Health services                                      | 58,084             | -                  | 58,084            |
| Recreation and cultural services                     | 1,607,885          | 499,921            | 2,107,806         |
| Planning and development                             | 338,326            | -                  | 338,326           |
| Capital  | <u>8,560,245</u>   | <u>(8,560,245)</u> | <u>-</u>          |
| Total Expenses                                       | <u>24,210,654</u>  | <u>(4,901,515)</u> | <u>19,309,139</u> |
| <b>BUDGETED ANNUAL SURPLUS</b>                       | <u>-</u>           | <u>3,018,515</u>   | <u>3,018,515</u>  |

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**THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN**

**Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2015**

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**18. SUPPLEMENTARY INFORMATION:**

|   | <b>2015</b>               | 2014                      |
|---|---------------------------|---------------------------|
|   | <u>\$</u>                 | <u>\$</u>                 |
| <b>[a] Current fund expenditures by object:</b>                                 |                           |                           |
| Salaries, wages and employee benefits   | <b>5,682,216</b>          | 5,550,724                 |
| Long-term debt interest expense   | <b>505,800</b>            | 545,213                   |
| Materials   | <b>5,342,186</b>          | 5,901,647                 |
| Contracted services   | <b>2,932,868</b>          | 3,249,893                 |
| Rents and financial expenses  | <b>112,422</b>            | 103,655                   |
| Amortization and loss on disposal of capital assets                             | <b>3,497,558</b>          | 3,587,893                 |
| Transfer to others  | <b>124,233</b>            | 119,406                   |
|   | <b><u>18,197,283</u></b>  | <b><u>19,058,431</u></b>  |
| <br><b>[b] Change in non-cash assets and liabilities related to operations:</b> |                           |                           |
| (Increase) decrease in taxes receivable   | <b>(339,301)</b>          | (253,679)                 |
| (Increase) decrease in accounts receivable                                      | <b>(3,181)</b>            | (205,675)                 |
| (Increase) decrease in inventories and prepaid expenses                         | <b>(559,668)</b>          | (53,832)                  |
| Increase (decrease) in accounts payable and accrued liabilities                 | <b>1,637,346</b>          | 639,342                   |
| Increase (decrease) in deferred revenue - obligatory reserve funds              | <b><u>(4,514,393)</u></b> | <b><u>(2,164,246)</u></b> |
|   | <b><u>(3,779,197)</u></b> | <b><u>(2,038,090)</u></b> |

# THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

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### 19. 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 extinguishment 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.

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# THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

## Notes to the Consolidated Financial Statements For the Year Ended December 31, 2015

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### 19. 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, 2015**

|   | Social Housing | Planning       | Public Works      | Finance &<br>Administration | Protection       | Water and<br>Waste Funds | Community<br>Services | Other<br>Funds     | Consolidated      |
|---|----------------|----------------|-------------------|-----------------------------|------------------|--------------------------|-----------------------|--------------------|-------------------|
|   | \$             | \$             | \$                | \$                          | \$               | \$                       | \$                    | \$                 | \$                |
| <b>REVENUES</b>                           |                |                |                   |                             |                  |                          |                       |                    |                   |
| Taxation                                  | -              | 361,102        | 3,584,430         | 1,458,125                   | 2,751,314        | -                        | 1,607,885             | 2,582,837          | 12,345,693        |
| Sales of services and regulatory fees     | 211,270        | -              | -                 | 28,436                      | -                | 3,513,008                | 515,550               | -                  | 4,268,264         |
| Government transfers                      | -              | -              | 1,728,027         | 453,700                     | 47,929           | 134,382                  | 50,000                | 632,926            | 3,046,964         |
| Other                                     | -              | 30,050         | 4,848,498         | 556,398                     | 95,302           | 1,118,778                | 84,639                | (4,123,847)        | 2,609,818         |
| ERTH Corporation net income               | -              | -              | -                 | -                           | -                | -                        | -                     | 23,503             | 23,503            |
|   | <u>211,270</u> | <u>391,152</u> | <u>10,160,955</u> | <u>2,496,659</u>            | <u>2,894,545</u> | <u>4,766,168</u>         | <u>2,258,074</u>      | <u>(884,581)</u>   | <u>22,294,242</u> |
| <b>EXPENSES</b>                           |                |                |                   |                             |                  |                          |                       |                    |                   |
| Salaries, wages and employees benefits    | 27,400         | 31             | 1,719,908         | 1,064,566                   | 692,587          | 797,942                  | 1,072,740             | 307,042            | 5,682,216         |
| Long-term debt interest expense           | -              | 10,170         | -                 | -                           | -                | 495,630                  | -                     | -                  | 505,800           |
| Materials                                 | 159,858        | 290,864        | 1,414,773         | 377,790                     | 415,983          | 1,144,190                | 811,259               | 727,469            | 5,342,186         |
| Contracted services, rents and financial  | -              | 21,208         | 244,852           | 185,964                     | 1,839,396        | 128,097                  | 65,254                | 684,752            | 3,169,523         |
| Loss (gain) on disposal of capital assets | -              | -              | (11,372)          | -                           | (10,312)         | -                        | -                     | -                  | (21,684)          |
| Amortization                              | 9,292          | -              | 1,882,202         | 85,879                      | 281,252          | 992,696                  | 267,921               | -                  | 3,519,242         |
|   | <u>196,550</u> | <u>322,273</u> | <u>5,250,363</u>  | <u>1,714,199</u>            | <u>3,218,906</u> | <u>3,558,555</u>         | <u>2,217,174</u>      | <u>1,719,263</u>   | <u>18,197,283</u> |
| <b>ANNUAL SURPLUS (DEFICIT)</b>           | <u>14,720</u>  | <u>68,879</u>  | <u>4,910,592</u>  | <u>782,460</u>              | <u>(324,361)</u> | <u>1,207,613</u>         | <u>40,900</u>         | <u>(2,603,844)</u> | <u>4,096,959</u>  |

**THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN**

**Consolidated Schedule of Segment Disclosure  
For the Year Ended December 31, 2014**

|  | Social Housing | Planning       | Public Works     | Finance &<br>Administration | Protection       | Water and<br>Waste Funds | Community<br>Services | Other<br>Funds     | Consolidated      |
|--|----------------|----------------|------------------|-----------------------------|------------------|--------------------------|-----------------------|--------------------|-------------------|
|  | \$             | \$             | \$               | \$                          | \$               | \$                       | \$                    | \$                 | \$                |
| <b>REVENUES</b>                          |                |                |                  |                             |                  |                          |                       |                    |                   |
| Taxation                                 | -              | 369,704        | 4,029,212        | 1,382,708                   | 3,511,250        | -                        | 1,663,100             | 733,687            | 11,689,661        |
| Sales of services and regulatory fees    | 212,606        | -              | 85,841           | 23,436                      | 3,325            | 3,285,120                | 723,887               | -                  | 4,334,215         |
| Government transfers                     | -              | -              | 1,124,844        | 567,100                     | -                | 112,056                  | -                     | 264,464            | 2,068,464         |
| Other                                    | -              | 23,423         | 1,979,833        | 681,244                     | 169,349          | 1,246,008                | 290,582               | (720,773)          | 3,669,666         |
| ERTH Corporation net loss                | -              | -              | -                | -                           | -                | -                        | -                     | 111,990            | 111,990           |
|  | <u>212,606</u> | <u>393,127</u> | <u>7,219,730</u> | <u>2,654,488</u>            | <u>3,683,924</u> | <u>4,643,184</u>         | <u>2,677,569</u>      | <u>389,368</u>     | <u>21,873,996</u> |
| <b>EXPENSES</b>                          |                |                |                  |                             |                  |                          |                       |                    |                   |
| Salaries, wages and employees benefits   | 27,000         | 27,536         | 1,736,945        | 960,794                     | 712,913          | 799,675                  | 993,360               | 292,501            | 5,550,724         |
| Long-term debt interest expense          | -              | 11,200         | -                | -                           | -                | 534,013                  | -                     | -                  | 545,213           |
| Materials                                | 136,622        | 166,455        | 1,784,370        | 545,559                     | 488,875          | 1,170,674                | 835,596               | 773,496            | 5,901,647         |
| Contracted services, rents and financial | -              | 10,913         | 246,023          | 183,795                     | 2,266,970        | 105,384                  | 40,661                | 619,208            | 3,472,954         |
| Loss on disposal of capital assets       | -              | -              | 203,928          | -                           | 5,896            | 89,155                   | -                     | -                  | 298,979           |
| Amortization                             | <u>9,268</u>   | <u>-</u>       | <u>1,719,034</u> | <u>46,494</u>               | <u>263,387</u>   | <u>995,195</u>           | <u>247,968</u>        | <u>7,568</u>       | <u>3,288,914</u>  |
|  | <u>172,890</u> | <u>216,104</u> | <u>5,690,300</u> | <u>1,736,642</u>            | <u>3,738,041</u> | <u>3,694,096</u>         | <u>2,117,585</u>      | <u>1,692,773</u>   | <u>19,058,431</u> |
| <b>ANNUAL SURPLUS (DEFICIT)</b>          | <u>39,716</u>  | <u>177,023</u> | <u>1,529,430</u> | <u>917,846</u>              | <u>(54,117)</u>  | <u>949,088</u>           | <u>559,984</u>        | <u>(1,303,405)</u> | <u>2,815,565</u>  |