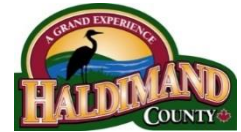

HALDIMAND COUNTY

Report CS-FI-18-2017 Audited Financial Statements for 2016

For Consideration by Council on August 28, 2017



OBJECTIVE:

To present the audited 2016 Consolidated Financial Statements (including the Trust Fund statements) and details of the Operating Surplus/(Deficit) position for Haldimand County for the year ended December 31, 2016.

RECOMMENDATIONS:

1. THAT Report CS-FI-18-2017 Audited Financial Statements for 2016 be received;
2. AND THAT the consolidated financial statements, including the Trust Fund Statements, for Haldimand County for 2016, as audited by Millard, Rouse and Rosebrugh LLP, be received and approved.

Prepared by: Mark Merritt, CPA, CA, Treasurer

Respectfully submitted: Karen General, CPA, CGA, General Manager of Corporate Services

Approved: Donald G. Boyle, Chief Administrative Officer

EXECUTIVE SUMMARY:

The audited 2016 surplus/(deficits) for Haldimand County financial operations are presented in this report, together with reasons for the significant variances from the Council approved budgets. The net surplus or deficit for the three main functional areas is transferred to/from the appropriate reserve in accordance with previously approved Council resolutions.

Audited 2016 Operating Surplus/(Deficit)		
Tax Supported Operations		\$1,830,010
Water Operations		\$861,649
Wastewater Operations		<u>(193,471)</u>
Rate Supported Operations		<u>\$668,178</u>
Total Operating Surplus		<u>\$2,498,188</u>

The presentation of the 2016 audited financial statements, albeit a part of good fiscal management, also fulfills the County's statutory obligations to present annual audited financial statements to Council. These statements, as well as the attached Building Division and Parkland Dedication Reserve Fund Activities, will be posted on the County's website for public access by local taxpayers and ratepayers.

BACKGROUND:

The Municipal Act, 2001 (the Act) provides that the auditor appointed by the municipality shall annually audit the accounts and transactions of the municipality, express an opinion on the financial statements and report to Council. The external auditor's responsibility is to express an opinion on the financial statements, based on audit evidence, as to whether the statements present fairly, in all material respects, the financial information contained therein. Audit practices and procedures are based on the following principles: the users (or readers) of the statements are "reasonable users"; auditor's evaluation of risks of misstatement is based on internal controls/inherent risk of misstatement; professional judgment; and sufficient audit evidence to support their opinion.

Management is responsible for the preparation and fair presentation of the annual statements in accordance with Canadian Public Sector Accounting Board (PSAB) accounting standards. As a result, management is responsible to ensure there are adequate internal controls so that financial reporting is accurate and free of misstatements. The auditors will use management's established controls and processes to determine the level of audit evidence they must obtain to issue their opinion on the municipality's statements.

In an effort to move to a full accrual basis of accounting, PSAB adopted Handbook Section 3150, Tangible Capital Assets, and its associated reporting requirements. The implementation of this section, effective January 1, 2009, requires municipalities to report tangible capital assets in the statement of financial position. In addition, the amortization of tangible capital assets is to be accounted for as an expense in the statement of operations. Ultimately, these reporting requirements changed how municipalities report capital assets and the financial resources necessary, or lack thereof, to fund these requirements.

Even prior to these more recent amendments, there have always been reporting differences between the annual budgets, internal financial reporting and the audited financial statements. Although the intent of the latest PSAB amendments is to better align the municipality's annual reporting with full accrual accounting, most municipalities have maintained their previous internal reporting and budget formats. The rationale for some of these differences is that a municipality's budget is focused on long range financing principles and manageable impacts on rates and taxpayers over these periods. As a result, differences in financial reporting and funding of certain liabilities and costs are likely to persist into the future (e.g. amortization of existing assets may not provide a good basis for determining future funding requirements to replace the existing assets).

Similar to most Canadian municipalities, the County has adopted a process to convert the internal statements to PSAB compliant financial statements for auditing purposes (as detailed in Table 2 below). The County traditionally segregates its operational financial results into three main, self funded areas: tax supported operations, and water operations and wastewater operations (these last two areas are independently financed – water costs from water users and wastewater costs from wastewater users). Capital operations are considered a work-in-progress until projects are complete and each project has specific, Council approved funding. It should also be noted that any capital variances are excluded from the analysis presented in this staff report (as they are reported on separately during the year). Reserve and reserve fund operations represent the net transfers to and from reserves or reserve funds during the year.

Currently, staff present the operational financial results to Council on three separate occasions during the year. These are segregated primarily between tax supported and rate supported operations (with sub-categories identified in each category). Reporting timeframes are as follows:

- In-year results: This report is presented to Council based on year to date financial results and reflects the annual projections for expenditures and revenues to year end (taking into account the year to date operations). This report is typically presented to Council in late summer or early fall.

- Draft Budget: In the respective draft operating budget (i.e. the draft tax supported operating budget and the draft rate supported operating budget), the projected previous year end financial results are reported. Included in the Treasurer's Report is an explanation of any significant anticipated variances and the impact, if any, on the draft operating budgets.
- As part of the audited financial statements: actual surpluses and deficits are identified and major drivers are summarized.

The focus of this report is to:

- Summarize the required adjustments to meet PSAB reporting requirements, as they are reflected in the accompanying audited financial statements; and
- Summarize key components of the audited surplus or deficit for the year (for internal reporting purposes, operational surpluses or deficits are transferred to/from specifically identified reserves).

ANALYSIS:

The County's auditor, Millard, Rouse & Rosebrugh LLP, has recently completed their audit of the 2016 Consolidated Financial Statements. The audited statements are provided under separate cover to this report and will be presented by the auditor at the August 28th Council meeting. These statements also include the annual results of the County administered Trust Funds (i.e. cemetery perpetual care funds, Grandview Lodge bequest funds and Grandview Lodge Comfort trust fund).

As outlined above, under the PSAB principles, the move to full accrual accounting required dramatic changes to past methods of reporting certain transactions. Most notable is the requirement to report tangible capital assets on the Statement of Financial Position (i.e. balance sheet) and amortize these capital costs over their useful life. Prior to 2009, these costs were expensed on a cash basis in the year they were acquired or constructed, rather than depreciated over time.

Reconciliation of Budget and 2016 Operating "Surplus"

To date, Ontario municipalities have not been legislated to amend their annual budget formats to reflect the accrual accounting method for tangible capital assets. As a result, the format of the annual budget does not match the audited financial statement presentation, making it somewhat difficult for Council and the public to reconcile these critical financial reports. Municipalities have expressed significant concern to the Province of Ontario that, although supportive of the reasons for recording asset values in the financial statements, the legislated budgeting methodologies are currently incompatible with the PSAB approach (for example, municipalities must have balanced budgets), resulting in significant public confusion. In particular, the reporting of budget variances (surpluses/deficits) will cause confusion because of the timing of financial transactions based on cash accounting (traditional approach) versus accrual accounting (PSAB approach). In other words, municipalities traditionally do not budget for amortization of the acquisition, utilization or disposal of assets based on the useful life but, instead, based on actual timing of the cash transactions associated with each of those activities. For comparison purposes, the budgets included in the Financial Statements include a budget for amortization based on the actuals.

Under PSAB reporting requirements, reserve and reserve funds form an integral part of the County's accumulated surplus and, as such, are no longer reported as a separate schedule within the financial statements. Correspondingly, any contributions to or from these reserves and reserve funds must be removed. Principal debt repayments are removed as these payments reflect a reduction in a long term liability. All the above noted adjustments represent "financing" requirements which are integral to any municipality's long range funding plan.

The following table outlines the adjustments required and the resulting amended “budget” to be reflected in the audited financial statements for 2016.

TABLE 1

<u>Description</u>	<u>2016 Impact</u>
Surplus for year per approved Budgets (*)	\$0
Add:	
Capital expenditures to be capitalized	\$45,157,670
Budgeted transfers to accumulated surplus (i.e. reserves/reserve funds)	\$25,328,030
Principal payments on debt	\$3,532,650
Less:	
Debt proceeds	(\$15,070,000)
Budgeted transfers from accumulated surplus (i.e. reserves/reserve funds)	(\$33,721,580)
Amortization	<u>(\$23,403,319)</u>
Revised budgeted surplus as reported on audited Financial Statements	<u>\$1,823,451</u>

(*) – includes both tax supported and rate supported operating and capital budgets.

As shown above, most of the adjustments relate to capital transactions, including expenditures, reserve transactions and debt financing. The net effect of these adjustments results in a budgeted “surplus” due, primarily, to the construction of new capital assets. Since the majority of the County’s financing of capital related transactions is from specific reserves and reserve funds, these amounts must be removed or added back, as applicable, for financial statement presentation purposes. This is due to the PSAB requirement to amortize capital assets on the statement of operations (i.e. income statement). For 2016, budgeted expenditures related to amortization has been added (equal to actual amortization) to eliminate large variances related to amortization for the year (which has been an issue in previous year when reviewing actual results compared to budgets).

As outlined during the review of the 2016 Tax Supported Operating Budget, certain annual expenditures are not required to be budgeted for, as follows: amortization expenses related to capital assets; post-employment benefit costs; and solid waste landfill closure and post-closure expenses. This factor, combined with the required presentation of capital assets in the financial statements (as noted in Table 1), makes it challenging to reconcile the reporting of operational results under the traditional format presented in the annual operating budget, as compared to the current PSAB format.

Table 3, presented later in this report, identifies an overall operating surplus for the year of approximately \$2.5 million. This reflects the financial results for tax and rate supported operations – which excludes capital, municipal drain and reserve/reserve fund operations. In comparison, the PSAB compliant reported surplus on the 2016 audited financial statements is approximately \$15.9 million. The following table reconciles the reasons for the differences in how the surplus/deficit has been reported:

TABLE 2

<u>Description</u>	<i>Impact on 2016 Surplus Increase/(Decrease)</i>
Revenue Fund – surplus from 2016 tax supported and water/wastewater operations (details analyzed in Table 3)	\$2,498,188
<i>Add Net Capital, Municipal Drains and Reserve Fund Operations:</i>	
Capital Fund (work in progress to be funded)	2,453,200
Municipal Drains (timing of net recovery of costs)	(13,865)
Reserves/Reserve Funds (net transfers)	<u>8,194,709</u>
Sub-total per Internal Financial Statements	13,132,230
<i>Adjustments for PSAB Audited Financial Statements:</i>	
Principal debt repayments	3,532,630
Debt Proceeds	(7,363,100)
Business Improvement Areas (net operations-2016 results not included)	0
Decrease/ (Increase) in landfill post-closure liability	262,998
Capital costs capitalized during the year	34,829,735
Capital costs included in work in progress (i.e. not complete as at December 31 st)	2,163,136
Amortization of capital assets	(23,403,319)
Net costs associated with disposal of capital assets	(2,927,753)
Change in post employment and sick leave liabilities	(101,100)
Change in workers' compensation liabilities	(1,015,880)
Change in deferred revenues/obligatory reserves	<u>(3,196,404)</u>
2016 Surplus Reported on Audited Financial Statements	<u>\$15,913,173</u>

Consistent with the adjustments for the approved budget as outlined in Table 1, the above differences between the revenue fund operating surplus and the audited financial statements relate primarily to capital transactions that are not expensed for PSAB reporting purposes or capital revenue sources not budgeted for on an annual basis. In addition adjustments for accrual of post employment benefits and WSIB liability is not reflected in annual budgets (these costs are budgeted based on actual cost to be incurred in the year or estimated liability based on current costs). Some of the majority variances are as follows:

- Operating Revenues: The total variance between actual revenues compared to budgeted revenues is approximately \$16.8 million favourable variance. Three of the main contributing factors to the reported variance is related to:
 - Developer Contributed Assets: Several subdivision were developed to the point during 2016 that the County assumed significant infrastructure totaling approximately \$9.0 million. These contributed assets, although built and paid for by the development, upon assumption by the County, the underlying value of these assets are recorded as revenues by the County. As the timing and value of these assumed assets can vary significantly year over year, these revenues are not budgeted for on an annual basis and as such are reported as a variance.
 - Donations for Capital Assets: Through the framework of the County’s Community Partnership Program, several community partners have undertaken capital projects including providing community contributions/donations to fund all or a portion of these projects. As these projects are approved through the framework of the program, many of these projects and the underlying donations are not included in the approved Capital budgets. In 2016 approximately \$1.9 million in donated assets were received that were not originally budgeted for resulting in a favourable variance.
 - Investment Income allocated to Reserves/Reserve Fund: Investment earnings allocated to applicable Reserves and Reserve Funds (including allocations to the County’s Hydro Legacy Fund) in 2016 were approximately \$3.9 million. Investment earnings for Reserves/Reserve Funds are not included in the annual Tax Supported Operating budget which results in a favourable variance compared to actuals.
- Operating Expenditures: The total variance between actual expenditures compared to budget is approximately \$2.7 million unfavourable variance. Although this a relatively minor variance on a total budget in excess of \$113 million, one of the main contributing factors to the reported variance is related to changes to accruals for post employment, sick leave and WSIB liabilities. The changes to these accrued liabilities are not included in annual budgets and results in an unfavourable variance of \$1.1 million in 2016.

Also, it should be noted that, since under PSAB’s technical reporting guidelines there are no “reserves/reserve funds”, the balance in these reserves/reserve funds form part of the County’s overall “accumulated surplus” as denoted in Note 12 of the audited financial statements.

Staff acknowledge that the above reporting of the annual “surplus” is confusing. It must be emphasized that the PSAB reported surplus of \$15.7 million above is a book value adjustment, not a “cash” surplus. Although the Province initiated a review in 2014 to evaluate the current disparities between internal reporting/budgeting and current PSAB annual reporting requirements, the overwhelming response from municipal representatives was to leave the current reporting requirements as is. It was also acknowledged that better methods of reconciling the differences and reporting to the public need to be developed to foster a better understanding of the municipalities’ financial position and key financial components. This will be an evolving process with best practices and feedback from users of the financial statements leading the way.

Analysis of 2016 Operating Surplus/(Deficit)

The table below provides a breakdown of the audited 2016 operating surplus (the “cash” surplus) by major function. In accordance with previous resolutions of Council, the net surplus/(deficit) from the operational areas denoted below are contributed to or transferred from various Reserves/Reserve Funds.

TABLE 3

Audited 2016 Operating Surplus/(Deficit)		
(a)	Tax Supported Operations - General	\$1,320,630
	Public Health (included as part of transfer to Contingency Reserve)	\$117,561
	Social Assistance/Child Care	\$169,547
	Social Housing	\$18,345
	Waste Management	(\$311,221)
	Library	\$62,049
	Investment Income (in excess of \$100,000)	\$453,099
	Sub-Total – Tax Supported Operations	\$1,830,010
(b)	Water Operations	\$861,649
	Wastewater Operations	(\$193,471)
	Sub-Total – Rate Supported Operations	\$668,178
	Total Operating Surplus/(Deficit)	\$2,498,188

Overall, the total 2016 budgeted operating expenditures (combined tax supported and rate supported) were approximately \$120.3 million. The above noted total operating surplus of \$2,498,188 represents a 2.1% variance. Details of the significant variances in the individual functions are provided below.

(a) Tax Supported Operations

Overall, the Tax Supported Operations reflect a 2016 surplus of approximately \$1,830,000. This net surplus represents a 1.8% favourable variance on approximately \$100.4 million of budgeted 2016 tax supported operating expenditures. The net variance is a result of several favourable and unfavourable financial impacts on operations during the year. Significant items contributing to the overall surplus from Tax Supported Operations are detailed below.

TABLE 4

2016 Operating Variance Analysis for Tax Supported Operations	
Revenue	Surplus/(Deficit)
One Time Provincial Transitional Mitigation Grant (offset lost property taxation from two long term care facilities change in tax status to exempt)	183,327
Annual Aggregate Resources Grant - amount received was less than budgeted	(34,363)
Grandview Lodge Subsidy/Resident Revenue	110,321
Fees - due mainly to delayed implementation of new fees for transferring arrears to property taxes (not initiated until January 1, 2017)	(49,776)
Engineering/Inspection Fees - Mainly due to Jarvis Meadows and Avalon developments	163,545
Planning Fees - Mainly due to Jarvis Meadows and Avalon developments	45,932

Recoveries related to excess tax sale funds	89,742
Arena Revenues (net) - mainly due to increased ice time revenue	42,349
Waste management - deficit mainly due to less revenue than expected for tipping fees partially offset by savings in expenditures	(311,221)
Penalty and Interest on property taxes – due mainly to US Steel Canada Inc. credit protection (paid in 2017)	208,926
Fines - mainly POA (\$240,000 due to prior year adjustment-recorded as a prior period adjustment in audited financial statements)	(308,898)
Investment Income - surplus over \$100K transferred to stabilization reserve per policy- as reported in report CS-FI-06-2017	553,099
Cemetery Revenues – primarily interments	(51,469)
Supplementary Tax billings - mainly residential	90,900
Subtotal Revenues	<u>732,414</u>
Expenditures	
Salaries & Wages - Including Meeting, Travel, and Professional Development - mainly due to gapping, i.e. unfilled vacancies - County wide	881,751
General Operating Supplies - corporate wide (individually under \$25,000)	86,806
Fleet Maintenance and Repair and Fuel costs - mainly from lower consumption and lower rates than budgeted	190,257
Corporate Advertising (partially offset by gapping)	(30,683)
Property tax adjustments (tax appeals and vacancy rebates) - a few large settlements in 2016	(86,161)
Corporate Legal Costs	48,437
Consulting Services - mainly planning and engineering (contaminated sites study)	(29,594)
Winter Control Supplies and Services - light early 2016 (Jan-Apr) winter	238,029
Hydro - mainly driven by overages in arenas, Grandview Lodge and Streetlights	(317,517)
Natural Gas/Propane - corporate wide savings, with \$27,000 savings in Grandview Lodge	77,976
Maintenance and Repair Activities - arena	(69,038)
Public Health (2011-2015 adjustments)	117,561
Social Assistance/Child Care/Social Housing (2011-2015 adjustments)	187,892
Library operations	62,049
Miscellaneous net items (individually under \$25,000)	(260,169)
Subtotal Expenditures	<u>\$1,097,596</u>
Total Tax Supported Operational Surplus	<u>\$1,830,010</u>

Note: Above table excludes an itemization of variances that net to a \$0 levy impact (e.g. additional revenues offset by transfers to reserves or additional costs).

The majority of the net surplus for the year is made up of only a handful of items, albeit representing significant dollars. Explanations for the major areas (not already detailed above) from Table 4 are as follows:

Salaries/Benefits and related costs (net surplus of \$881,751) – Net surplus is reflective of a gapping surplus of \$1,127,000 (including overtime), less Fire Services wage deficit of \$156,400, and Paramedic Services wage deficit of \$166,000. As the budget is prepared based on a full staff complement on an annualized basis, any staff vacancies will result in “gapping savings” that typically more than offset unanticipated compensation adjustments or recruitment costs to fill these positions. As well, meeting expenses, travel, and professional development experienced surpluses mainly driven by gapping. The gapping savings throughout the Corporation in 2016 were sufficient to offset the unbudgeted costs associated with post employment benefits for retirees.

Winter Control costs including supplies, services and snow removal (net surplus of \$238,000): The frequency, timing and severity of the weather events can significantly impact the operational budget (primarily in the areas of sand/salt purchases or contracted snow plowing services). Early 2016 experienced a mild winter, resulting in salt/sand purchases under budget by \$87,100 and contracted snow plowing and snow removal was also under budget by \$150,900. As experienced with the mild/severe winter conditions of past years, winter control costs can fluctuate significantly year to year. Continued refinement of winter control budgeting will be required to assess the appropriate annual funding necessary to meet the Council approved service levels related to winter control events. Staff also continue to look at efficient methods to reduce the County’s winter control costs, such as the salt management program and alternative control materials, to offset a portion of the historical annual deficits associated with the purchase of these supplies.

Solid Waste Operations (net deficit of \$311,221 transferred to Waste Management Reserve): The net operational deficit was due mainly to reduced tipping fee revenues partially offset by savings in expenditures. The net deficit has been funded from the Waste Management Reserve Fund . This reserve fund has a balance of approximately \$785,600 as at December 31, 2016. As indicated during the 2017 Tax Supported budget review, starting in 2017 all solid waste operational variances will form a part of the overall tax supported operational variance. This change in approach was not initiated until 2017 due to the part year of operations of a transfer station in 2015 and the first full year of operations in 2016 which generated significant favourable variances in 2015 (as planned) and some offsetting negative variances in 2016.

Shared Services with Norfolk County (net surplus of \$305,453): Norfolk County is the Consolidated Municipal Service Manager (CMSM) for Social Services as well as the provider of Public Health and Social Housing Services for both Norfolk and Haldimand Counties. Norfolk County bills Haldimand County on a monthly basis for the estimated costs of services attributed to Haldimand County (based on the principles of a previous arbitration award). Once the actual costs for the year are determined, a reconciliation is completed and any surplus/deficits are determined. Based on a reconciliation of actual results for the years 2011 to 2015 (the years 2001 to 2010 have been previously reconciled; 2016 reconciliation was not available in time for the year end audit and will be included with 2017 operational results), a total surplus of \$305,453 was recognized as follows: Public Health \$117,561 , Social Services/Child Care \$169,547 and Social Housing \$18,345 . Based on Council direction, senior staff have been working on formalizing a cost sharing agreement to be presented to Council in the fall of 2017

Building Division Operations (net surplus of \$813,087) offset by transfer to Building Permit Stabilization Reserve Fund: Building Division net operating results are required, by legislation, to be transferred to the County’s Building Permit Stabilization Reserve Fund. This has been a requirement since 2005 and the County’s relative reserve fund balance has fluctuated during this time. Due primarily to the building permits associated with recent growth, a net surplus of \$813,087 was transferred to this reserve fund in 2016. This reserve fund has a balance of approximately \$4.0 million as at December 31, 2016. As a result, the net impact on the 2016 tax supported operations is \$0 in keeping with the legislative requirements (the budget is also approved at a net \$0). Included in Attachment #1 are the historical operations of the Building Division affecting the balance of this reserve fund. This statement is required

to be produced annually and will be released in conjunction with the annual audited financial statements.

Overall, the tax supported net operating surplus of \$1,830,010 is not significant in relation to total expenditures or acceptable municipal financial standards. As any annual surplus/(deficit) is transferred to or from the applicable reserves, annual variances will impact the associated balances of these reserves. With respect to the general tax supported operations, a surplus of \$1,320,630 will impact the Contingency Reserve which has a balance of \$10.5 Million at the end of 2016, after inclusion of the above noted surplus.

(c) Water and Wastewater Operations

The combined 2016 Water and Wastewater Operations surplus is approximately \$668,000 on total budgeted expenditures of \$19.9 million. This represents a positive variance of 3.4%. However, as the water systems are self funded specifically from the direct users of that system, as are the wastewater systems (which in some cases are not the same users), the variance must be further segregated between water and wastewater operations.

The 2016 water operations reflected a \$861,649 surplus on budgeted expenditures of approximately \$11.5 million (7.5%), while the wastewater operations had a deficit of \$193,471 on budgeted expenditures of approximately \$8.4 million (2.3%). A further breakdown of the significant variances is provided as follows (Table 5 for Water and Table 6 for Wastewater.)

TABLE 5

2016 Operating Variance Analysis for Rate Supported Operations - Water	
	Surplus/(Deficit)
Revenues:	
Commercial/Industrial User Rates - Basic and Consumption (large surplus in industrial consumption of \$200K, offset by deficit in commercial basic and consumption of \$160K)	39,788
Industrial Potable Water (Unbudgeted potable water billings to industries supplied by the Nanticoke Water Treatment facility for use of potable water for dedicated pumps)	202,678
New Credit Water (mainly due to surplus in depot consumption)	78,034
Water Dispenser Sales (unbudgeted usage throughout 2016; decommissioned December 31, 2016)	30,638
Bulk Water Sales (deficit in Hagersville, offset by surplus in both Jarvis and Dunnville)	123,685
Water Meter Installations and Connection Permits (due to increased development)	70,821
Industrial Pumping Station (offset by expenditures below)	353,661
Microstrainer Reserve Fund (offset by expenditures below)	(21,748)
Miscellaneous Fees & Recoveries (individually under \$25,000)	29,256
Sub-total Revenues	<u>\$906,813</u>
Expenditures:	
Salaries & Wages (shift in distributed wages based on additional hours allocated to water operations and council approved change in Manager position subsequent to budget - total deficit of \$26,320)	(46,395)
Hamilton Water Supply - Wholesale Water Purchases	186,910

Hydro	(30,195)
Maintenance and Repair - Services	112,360
Industrial Pumping Station (offset by recoveries above)	(353,661)
Microstrainer Reserve Fund (offset by revenue above)	21,748
Miscellaneous Net Items (Individually under \$25,000)	64,069
Sub-total Expenditures	(\$45,164)
Total Water Operating Surplus	<u>\$861,649</u>

Water operational revenues are significantly impacted by consumption patterns. Extreme wet or dry conditions can dramatically impact consumption, particularly for residential users.. There has been a downward trend in residential consumption in recent years as a result of water conservation measures. Staff will continue to monitor this trending and incorporate in to future budget analysis as required. Commercial and Industrial revenues resulted in a favourable variance of approximately \$39,800 (1.9%) - this was due to a surplus in large industrial consumption of approximately \$200,000, which was largely offset by a deficit in commercial basic and consumption of approximately \$160,000. In addition, potable water used by industry in Nanticoke for their dedicated water pumps resulted in a surplus of approximately \$202,700. These revenues were not budgeted as County staff have been working with these industry to investigate alternative pumping strategies to eliminate these future costs. Both the New Credit water depot and the County owned bulk water depots had increased consumption. Continued monitoring of consumption patterns will assist in predicting future uses and budget implications. Net water surpluses are transferred to the Water Rate Stabilization Reserve which has a balance of approximately \$4.1 million as at December 31, 2016.

TABLE 6

2016 Operating Variance Analysis	
for Rate Supported Operations – Wastewater	
<u>Revenue</u>	Surplus/(Deficit)
Residential User Rates Revenue - Basic and Consumption	(47,366)
Commercial/Industrial User Rates - Basic and Consumption (largely driven by commercial basic and consumption revenues)	(147,286)
Septic/Holding Charges	(49,807)
Bulk Processing Leachate	(42,605)
Recoveries from Norfolk (Sludge Storage)	(31,258)
Over strength discharge recoveries (due to higher volumes than budget)(offset)	(40,647)
Water Meter Installations and Connection Permits (Wastewater Portion) (due to increased development)	70,391
Miscellaneous net items (individually under \$25,000)	16,261
Subtotal Revenues	<u>(\$272,316)</u>

<u>Expenditures</u>	
Salaries & Wages (shift in distributed wages based on additional hours allocated to water operations and council approved change in Manager position subsequent to budget - total deficit of \$26,320)	20,075
Property taxes (due to current lease provisions at of Townsend Lagoon)	33,422
Transfer to Wastewater Rate Stabilization Reserve due to increased overstrength charges (offset)	40,647
Veolia Operations	29,679
Hydro	(78,963)
Miscellaneous net items (individually under \$25,000)	33,985
Subtotal Expenditures	<u>\$78,845</u>
Total Wastewater Operating Deficit	<u>(\$193,471)</u>

The wastewater deficit is mainly due to a shortfall in customer revenues. Although the majority of water users also have wastewater services, a number of these customers (approximately 200 users including several large industrial users) only have water services. As a result, annual fluctuations in water consumption may not have the same corresponding impact on wastewater revenues. Residential wastewater base and consumption charges are under budget by approximately \$47,000 (1.1%). Commercial and industrial base and consumption charges are under budget by approximately \$147,000 (8.5%). The bulk processing revenues were under budget in Leachate by approximately \$43,000 (2.7%) and Septic/Holding tank processing charges were under budget by approximately \$50,000 (29.0%). The net wastewater deficit is transferred from the Wastewater Rate Stabilization Reserve which has a balance of approximately \$973,000 as at December 31, 2016.

The operating surplus/(deficits) in water and wastewater operations are transferred to or funded from the applicable rate stabilization reserve. A multi-year plan has been established to ensure these reserves have sufficient funds to cover annual fluctuations in operations. The impact of the current year's surplus or deficit will be re-evaluated with future operating budget reviews.

Summary of Operational Variances:

To summarize the above analysis, although there are significant variations in certain revenue sources or expenditures in many operational areas, staff worked diligently during the 2016 calendar year to offset most of these fluctuations through changes to approved expenditures. The end result is limited net surpluses and deficits in all operational areas. As some of these fluctuations appear to be a historical recurrence (for example, emergency services relief) or unpredictable (for example, winter control), it is increasingly difficult to mitigate the negative impacts. Finding significant expenditure savings to mitigate revenue shortfalls or expenditure overruns is not a realistic solution on an ongoing basis without a negative impact on service delivery. Steps have and will continue to be taken to deal with the revenue shortfalls and re-occurring expenditure overruns that the County is experiencing in certain areas of its operations. This will be an ongoing focus of future budget reviews, both from a preparation and monitoring perspective, in order to ensure the sustainability of the County's operations and service delivery.

FINANCIAL/LEGAL IMPLICATIONS:

The transfer of the audited 2016 operating surpluses (or funding of deficits) to or from various reserves or reserve funds provides a means of ensuring the prior year's variance is not carried forward to the future year's budget. The reserves and reserve funds also provide a source of financing for unexpected or future expenditures and are particularly appropriate to fund one-time costs. During the preparation of the annual operating budgets, the balances in the respective reserves and reserve funds are evaluated and plans are recommended to replenish these funds where necessary.

STAKEHOLDER IMPACTS:

Division Managers review their budgets regularly during the year and attempt to mitigate variances within their relevant operations to the best of their ability.

REPORT IMPACTS:

Agreement: No

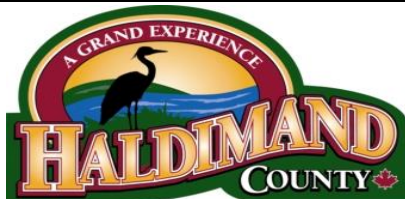
By-law: No

Budget Amendment: No

Policy: No

ATTACHMENTS:

1. Hydro Fund Statement of Activities 2015-2016
2. Building Division Statement of Activities 2005-2016.
3. Parkland Dedication Reserve Fund Statement of Activities 2016
4. Auditors Report from Millard, Rouse & Rosebrugh, dated August 17, 2017, accompanied by a copy of Haldimand County's 2016 Audited Financial Statements (Enclosed Separately).



Corporation of Haldimand County

Hydro Divestiture Reserve Fund
Statement of Activities 2015-2016

January 1st to December 31st

	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Statement of Operations		
Revenues:		
Interest Earnings	2,800,332	778,766
HCUI Audit/Tax Recovery		74,467
Hydro Proceeds		73,265,957
Total Revenues	2,800,332	74,119,190
Less Expenses:		
Hydro Divestiture Closing Costs	(7,632)	(735,625)
WWW Billing Conversion Costs	(214,748)	
Lawsuit Settlement (CS-GM-08-2016)	(150,000)	
Levy Offset	(500,000)	(750,000)
Total Expenses	(872,380)	(1,485,625)
Contribution to/(from) Hydro Fund	1,927,952	72,633,566

Continuity of Hydro Divestiture Reserve Fund

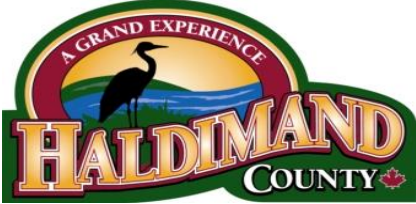
Opening Balance - January 1st	72,633,566	
General Hydro Principal Opening Balance	65,604,799	
Transfer to/(from) Reserve	(222,380)	72,604,799
Less HCUI Litigation Fund		(7,000,000)
Ending General Hydro Principal Balance	65,382,419	65,604,799
HCUI Litigation Fund Opening Balance	7,000,000	
Transfer to/(from) Reserve	(150,000)	7,000,000
Ending HCUI Litigation Fund Balance	6,850,000	7,000,000
Interest Earnings Opening Balance	28,766	
Interest	2,800,332	778,766
Transfers to/(from) Reserve	(500,000)	(750,000)
Ending Interest Earnings Balance	2,329,098	28,766
Closing Balance - December 31st	74,561,517	72,633,566



Corporation of Haldimand County
Building Division
Statement of Activities 2005 - 2016

January 1st to December 31st	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Revenues:												
Building Permits	865,925	863,271	669,827	673,828	568,637	915,497	725,620	1,502,558	1,527,622	1,565,168	1,333,386	1,661,880
Septic Inspections	20,200	25,050	13,525	10,048	7,050	14,059	12,987	15,537	15,235	15,572	14,858	16,787
Provincial Student Grant						753	312					
Total Revenues	886,125	888,321	683,352	683,876	575,687	930,309	738,918	1,518,095	1,542,857	1,580,740	1,348,244	1,678,667
Less Expenses:												
Direct Costs	(623,722)	(510,735)	(590,019)	(598,987)	(620,076)	(587,426)	(600,028)	(577,159)	(653,354)	(599,915)	(620,022)	(670,871)
Indirect Costs	(154,324)	(161,265)	(186,405)	(160,353)	(162,560)	(169,530)	(176,220)	(180,870)	(176,210)	(172,220)	(178,660)	(194,710)
Total Expenses	(778,046)	(672,000)	(776,424)	(759,340)	(782,636)	(756,956)	(776,248)	(758,029)	(829,564)	(772,135)	(798,682)	(865,581)
Contribution to/(from) Building Permit Cost Stabilization Reserve Fund	108,079	216,321	(93,073)	(75,464)	(206,949)	173,352	(37,330)	760,067	713,293	808,605	549,562	813,087
Continuity of Building Permit Cost Stabilization Reserve Fund												
Opening Balance - January 1st	-	108,079	324,401	231,328	155,864	(46,474)	125,512	92,371	857,089	1,589,453	2,441,959	3,041,573
Transfer to/(from) Reserve	108,079	216,321	(93,073)	(75,464)	(206,949)	173,352	(37,330)	760,067	713,293	808,605	549,562	813,087
Interest					4,611	(1,366)	4,189	4,651	19,072	43,901	50,053	120,441
Closing Balance - December 31st	108,079	324,401	231,328	155,864	(46,474)	125,512	92,371	857,089	1,589,453	2,441,959	3,041,573	3,975,100

This statement is presented in accordance with Section 7(4) of the Building Code Act (the "Act") and related Ontario Regulations in relation to fees authorized under Section 7(1)(c) of the Act.

		Corporation of Haldimand County
		Parkland Dedication Reserve Fund
		Statement of Activities 2016
January 1st to December 31st		<u>2016</u>
		<u>(\$)</u>
Continuity of Parkland Reserve Fund		
Opening Balance - January 1st		<u>663,518</u>
Sources of Funds:		
Park Dedication Payments		58,309
Interest Earned		<u>26,722</u>
Total Source of Funds		85,031
Use of Funds*		
Amounts Transferred to Capital (or Other) Funds (1)		<u>-21,792</u>
Total Use of Funds		-21,792
Closing Balance - December 31st		<u><u>726,757</u></u>
<i>(1) See Attachment 1 for details</i>		
<i>This statement is presented in accordance with Section 37 (5)-(10) and 42 (17)-(20) of the Planning Act (the "Act").</i>		

PARKLAND RESERVE FUND STATEMENT
 THE CORPORATION OF HALDIMAND COUNTY
 FOR THE YEAR 2016

Capital Project	Parkland Reserve Fund Draw	Development Charges - Leisure Services	Other Reserves Fund Draw	Grants, Subsidies, Other Contributions	Total 2016 Funding
Trail Development & Signage	18,907	36,117			55,024
Caledonia Kinsmen Park Land Transfer from GRCA	2,885				2,885
Totals	\$ 21,792	\$ 36,117	\$ -	\$ -	\$ 57,910

The Corporation of Haldimand County

Consolidated Financial Statements

December 31, 2016



The Corporation of Haldimand County

Index to Consolidated Financial Statements

December 31, 2016

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Independent Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of Haldimand County

We have audited the consolidated statement of financial position of The Corporation of Haldimand County as at December 31, 2016 and the consolidated statements of operations, changes in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines necessary to enable the preparation of consolidated 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 about 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 our 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, we consider 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of Haldimand County as at December 31, 2016 and its consolidated results of operations, consolidated changes in net financial assets and consolidated cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express any opinion regarding the budget figures.

Millard, Rowe & Rosebry Ltd

Simcoe, Ontario
August 17, 2017

Chartered Professional Accountants
Licensed Public Accountants



Management's Responsibility for Financial Reporting

The consolidated financial statements of The Corporation of Haldimand County have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

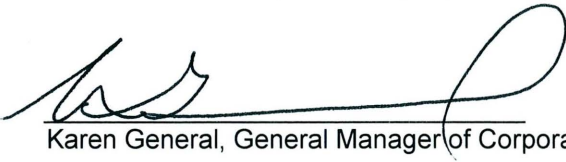
The integrity and reliability of The Corporation of Haldimand County's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that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

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

The consolidated financial statements have been audited on behalf of the members of council, inhabitants and ratepayers of The Corporation of Haldimand County by Millard, Rouse & Rosebrugh LLP, in accordance with generally accepted auditing standards.



Don Boyle, Chief Administrative Officer



Karen General, General Manager of Corporate Services



Mark Merritt, Treasurer



The Corporation of Haldimand County

Consolidated Statement of Financial Position

As at December 31,

2016

2015

(Restated - note 22)

Financial assets

Cash	\$ 7,217,575	\$ 6,378,365
Investments (note 3)	140,920,964	137,676,262
Taxes receivable	12,797,410	8,593,961
Accounts receivable	9,037,530	6,010,830
Loan receivable (note 4)	<u>1,890,695</u>	<u>-</u>
	<u>171,864,174</u>	<u>158,659,418</u>

Liabilities

Accounts payable	17,342,881	13,879,414
Due to Norfolk County (note 5)	1,749,789	864,370
Due to trust funds	154,370	205,189
Employee benefits liability (note 6)	10,300,899	9,183,919
Allowance for assessment adjustments (note 7)	10,361,220	14,161,206
Deferred revenue (note 8)	9,235,778	6,400,875
Solid waste landfill closure and post-closure liability (note 9)	14,053,543	14,316,541
Long term liabilities (note 10)	<u>39,641,590</u>	<u>35,811,120</u>
	<u>102,840,070</u>	<u>94,822,634</u>

Net financial assets

	<u>69,024,104</u>	<u>63,836,784</u>
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Non-financial assets

Tangible capital assets (note 11)	441,435,520	430,773,721
Prepaid expenses	281,891	335,636
Inventory of supplies	<u>638,494</u>	<u>520,695</u>
	<u>442,355,905</u>	<u>431,630,052</u>

Accumulated surplus (note 12)

	<u>\$511,380,009</u>	<u>\$495,466,836</u>
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The accompanying notes are an integral part of these financial statements.



The Corporation of Haldimand County

Consolidated Statement of Operations

Year Ended December 31,	Budget 2016	2016	2015
	(note 20)		(Restated - note 22)
Revenue			
Taxation	\$ 63,962,990	\$ 64,059,582	\$ 62,076,897
Government transfers - Federal (note 13)	2,765,170	3,177,443	1,848,341
Government transfers - Provincial (note 14)	13,891,890	15,914,190	14,398,829
Recoveries from other municipalities	589,190	573,855	759,897
User charges	27,742,580	26,932,912	25,515,918
Other income (note 15)	<u>6,227,300</u>	<u>21,275,227</u>	<u>9,575,140</u>
	<u>115,179,120</u>	<u>131,933,209</u>	<u>114,175,022</u>
Haldimand County Utilities Inc.			
Gain on sale of Haldimand County Utilities Inc.	<u>-</u>	<u>-</u>	<u>33,341,814</u>
	<u>115,179,120</u>	<u>131,933,209</u>	<u>147,516,836</u>
Expenses			
General government	9,635,378	10,396,672	10,416,444
Protection services	16,984,055	15,402,358	17,078,737
Transportation services	26,889,902	28,423,275	29,332,448
Environmental services	25,389,455	26,397,209	27,423,546
Health services	8,386,074	8,214,313	8,089,021
Social and family services	12,621,902	12,620,101	12,928,107
Social housing	1,113,500	1,095,155	1,105,900
Recreation and cultural services	9,976,962	11,155,732	10,435,053
Planning and development	<u>2,358,441</u>	<u>2,315,221</u>	<u>3,393,365</u>
	<u>113,355,669</u>	<u>116,020,036</u>	<u>120,202,621</u>
Annual surplus	<u>\$ 1,823,451</u>	15,913,173	27,314,215
Accumulated surplus, beginning of year		<u>495,466,836</u>	<u>468,152,621</u>
Accumulated surplus, end of year		<u>\$511,380,009</u>	<u>\$495,466,836</u>

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



The Corporation of Haldimand County

Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31,	Budget 2016	2016	2015
	(note 20)		(Restated - note 22)
Annual surplus	\$ 1,823,451	\$ 15,913,173	\$ 27,314,215
Acquisition of tangible capital assets	(45,157,670)	(36,992,871)	(29,651,869)
Amortization of tangible capital assets	23,403,319	23,403,319	23,107,518
Loss on disposal of tangible capital assets	-	2,179,058	232,271
Proceeds from sale of tangible capital assets	<u>-</u>	<u>748,695</u>	<u>508,039</u>
	<u>(19,930,900)</u>	<u>5,251,374</u>	<u>21,510,174</u>
Disposition (acquisition) of prepaid expenses	-	53,745	(14,788)
Disposition (acquisition) of inventory of supplies	<u>-</u>	<u>(117,799)</u>	<u>72,487</u>
	<u>-</u>	<u>(64,054)</u>	<u>57,699</u>
Net change in net financial assets	(19,930,900)	5,187,320	21,567,873
Net financial assets, beginning of year	<u>63,836,784</u>	<u>63,836,784</u>	<u>42,268,911</u>
Net financial assets, end of year	<u>\$ 43,905,884</u>	<u>\$ 69,024,104</u>	<u>\$ 63,836,784</u>

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



The Corporation of Haldimand County

Consolidated Statement of Cash Flow

Year Ended December 31,	2016	2015
		(Restated - note 22)
Cash provided by (used in):		
Operating transactions		
Annual surplus	\$ 15,913,173	\$ 27,314,215
Amortization of tangible capital assets	23,403,319	23,107,518
Loss on disposal of tangible capital assets	2,179,058	232,271
Gain on sale of Haldimand County Utilities Inc.	<u>-</u>	<u>(33,341,814)</u>
	41,495,550	17,312,190
Changes in non-cash operating balances:		
Taxes receivable	(4,203,449)	625,318
Accounts receivable	(3,026,700)	7,012,847
Loan receivable	(1,890,695)	-
Due to trust funds	(50,819)	(6,803)
Accounts payable	3,463,467	(528,226)
Due to Norfolk County	885,419	(194,237)
Employee benefits liability	1,116,980	5,378,712
Allowance for assessment adjustments	(3,799,986)	(3,854,327)
Deferred revenue	2,834,903	1,003,474
Solid waste landfill closure and post-closure liability	(262,998)	677,665
Prepaid expenses	53,745	(14,788)
Inventory of supplies	<u>(117,799)</u>	<u>72,487</u>
	36,497,618	27,484,312
Capital transactions		
Acquisition of tangible capital assets	(36,992,871)	(29,651,869)
Proceeds from sale of tangible capital assets	<u>748,695</u>	<u>508,039</u>
	(36,244,176)	(29,143,830)
Financing transactions		
Long term debt issued	7,363,100	-
Proceeds from sale of Haldimand County Utilities Inc.	-	72,604,798
Long term debt repaid	<u>(3,532,630)</u>	<u>(3,544,455)</u>
	3,830,470	69,060,343
Net change in cash and cash equivalents	4,083,912	67,400,825
Cash and cash equivalents, beginning of year	<u>144,054,627</u>	<u>76,653,802</u>
Cash and cash equivalents, end of year	\$148,138,539	\$144,054,627
Cash and cash equivalents consists of:		
Cash	\$ 7,217,575	\$ 6,378,365
Investments	<u>140,920,964</u>	<u>137,676,262</u>
	\$148,138,539	\$144,054,627

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



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

1. Incorporation

Effective January 1, 2001, Haldimand County was incorporated as a single tier municipality. Haldimand County assumed all assets, liabilities and operations of the former Town of Haldimand, and former Town of Dunnville and some of the assets, liabilities and operations of the former City of Nanticoke and former Regional Municipality of Haldimand-Norfolk.

Based on the recommendations of the provincially appointed arbitrator of the transition and restructuring process, Haldimand County was given the administrative responsibility over investments and long term liabilities existing as at December 31, 2000, some of which are to be shared with Norfolk County. Haldimand County was also to administer the Tom Howe waste disposal site. Norfolk County was given administrative responsibility as the Consolidated Municipal Service Manager, as well as the Board of Health, for the provision of Public Health and Social Services to both Haldimand County and Norfolk County.

2. Summary of significant accounting policies

The consolidated financial statements of The Corporation of Haldimand County are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Significant aspects of the accounting policies adopted by The Corporation of Haldimand County are as follows:

a) Reporting entity

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, changes in accumulated surplus, and changes in net financial assets of the reporting entity. The consolidated financial statements include the activities of all committees of Council and local boards, municipal enterprises and utilities which are owned or controlled by the County. These consolidated financial statements include:

*Haldimand County Library Board
Southern Grand River Advisory Board
Local Architectural Conservation Advisory Committee
Haldimand Museums Advisory Board
Caledonia Business Improvement Area
Dunnville Business Improvement Area
Hagersville Business Improvement Area*

All inter-departmental and inter-organizational transactions and balances between these organizations have been eliminated.



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

2. Summary of significant accounting policies (continued)

(ii) Joint local boards

As explained in Note 1, Norfolk County has been given administrative responsibility for the following joint local boards:

Joint Health and Social Services Advisory Committee

Amounts paid to Norfolk County for Haldimand County's proportionate share of Health, Social and Family Services and Social Housing are recorded as an expense on the Consolidated Statement of Operations.

(iii) Accounting for school board transactions

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these financial statements. The taxation revenue collected and remitted on behalf of the school boards amounted to \$15,598,391 (2015 - \$15,558,176).

(iv) Trust funds

Trust funds and their related operations administered by the municipality are not consolidated and have their own separate audited financial statements.

(v) Provincial offences fines

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

Fine revenue is recognized as the fine payment is received. Fine revenue includes all monies received less payments made to other municipalities for monies received on their behalf, less payments made to the Ministry of the Attorney General for victim fine surcharges and dedicated fines. Revenue also includes outstanding transfers of fine receipts collected by other municipalities.

A receivable for the value of fines issued but unpaid as at the year-end date amounts to \$7,474,693 (2015 - \$7,249,674) and is not recorded in these consolidated financial statements.

b) Basis of presentation

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

2. Summary of significant accounting policies (continued)

c) Revenue recognition

(i) Taxation

Annually, the County bills and collects property tax revenue for municipal levy purposes as well as education taxes on behalf of the local school boards. The County has the authority to levy and collect property taxes under the Municipal Act, 2001.

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

The Municipal Property Assessment Corporation (MPAC), a not-for-profit corporation funded by all of Ontario's municipalities, is responsible for property assessments. MPAC provides the current value assessment (CVA) of each property in the returned assessment roll in December of each year. The amount of property tax levied on an individual property is the product of the CVA, the municipal tax rate by class, and the education tax rate by class.

Taxation revenue is recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year relating to; newly occupied properties, properties omitted in the December assessment roll, or other MPAC adjustments. Tax revenue can also be reduced if there are reductions in assessment values resulting from property assessment appeals.

(ii) Government transfers

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(iii) User charges

User charges relate to various municipal programs and fees imposed based on specific activities. Examples of user charges include: recreation programs, water, wastewater and solid waste. Revenue is recognized when the activity is performed or when services are rendered.

(iv) Developer contributed assets

Developer contributed assets are recognized in the year that the subdivision has reached preliminary acceptance from the County. Estimated value is provided by the developer with the exception of storm management ponds which is estimated based on acreage.

(v) Other income

Other income is recognized in the year that the events giving rise to the revenue occur and the revenue is earned. Amounts received which relate to revenue that will be earned in a future year are deferred and reported as liabilities on the Statement of Financial Position.



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

2. Summary of significant accounting policies (continued)

d) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Costs include all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing the year the asset is available for productive use. Half the normal rate of amortization is recorded in the initial year of productive use. Amortization rates are as follows:

Land improvements	50 years
Buildings and structures	50 to 100 years
Infrastructure	28 to 100 years
Vehicles, machinery and equipment	5 to 20 years

e) Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise of government bonds, GICs, debentures and money market instruments.

Investment income earned on available current funds, reserves and reserve funds (other than obligatory funds) are reported in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

f) Inventory

Inventory of supplies held for consumption is valued at the lower of cost and replacement value.

g) Deferred revenue

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

h) Measurement uncertainty

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period.

Significant items subject to such estimates and assumptions include valuation allowances for taxes receivable, accounts receivable, employee benefits liability and solid waste landfill closure and post-closure liability. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the year which they become known.

Actual results could differ from management's best estimates as additional information becomes available in the future.



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

3. Investments

Investments, as at December 31, consist of the following:

	2016		2015	
	Market Value \$	Carrying Value \$	Market Value \$	Carrying Value \$
Government bonds and GICs	38,434,803	38,434,803	97,012,147	95,521,430
Money market instruments	486,161	486,161	42,187,432	42,154,832
Principal protected notes	<u>102,000,000</u>	<u>102,000,000</u>	-	-
	<u>140,920,964</u>	<u>140,920,964</u>	<u>139,199,579</u>	<u>137,676,262</u>

Maturity dates on the investments in the portfolio range from 2017 to 2024.

4. Loan receivable

In 2015, Council approved a policy and framework for Front End Financing of Residential Development. Eligible properties, as approved by Council, can receive a loan of up to 50% of the eligible development costs. All approved loans have a maximum term of 10 years and accumulated annual interest at 1% above the County's borrowing rate.

Council has approved one loan agreement to date, the maximum approved loan is \$2,367,096. The term of the loan shall be a maximum of 10 years commencing on the date which the County makes the final advance on the loan. As at December 31, 2016, total advances of \$1,890,695 had been made and interest of \$8,200, at an average interest rate of 3.34%, has been accrued.

5. Due to Norfolk County

Net amounts payable to Norfolk County as at December 31, represent a combination of certain amounts owing to Haldimand for Norfolk's share of the Tom Howe waste disposal site and offset by certain amounts owing from Haldimand for its share of Health, Social Services, and Social Housing, which were administered by Norfolk County.

6. Employee benefits liability

The municipality provides certain employee benefits which will require funding in future periods and is comprised of the following:

	2016 \$	2015 \$
Vested and non-vested sick leave	862,300	810,800
Post employment and post retirement benefits	2,686,500	2,636,900
Workers' compensation	<u>6,752,099</u>	<u>5,736,219</u>
	<u>10,300,899</u>	<u>9,183,919</u>

The County is liable for vacation days earned by its employees as at December 31 but not taken until a later date. The liability as at December 31, 2016 is estimated at \$290,156 (2015 - \$269,596) and is recorded in accounts payable.



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

6. Employee benefits liability (continued)

a) *Liability for vested and non-vested sick leave benefits*

Under the sick leave benefit plan, unused sick leave can be accumulated and some employees may become entitled to a cash payment when they leave the municipality's employment. The amount paid to employees who left the County's employment during the year amounted to \$14,734 (2015 - \$103,175).

A comprehensive actuarial evaluation for the vested and non-vested sick leave benefits liability was conducted as at December 31, 2015, the report includes projections for the years 2016 to 2018.

b) *Post employment and post retirement benefits*

Haldimand County provides retirement benefits consisting of health care, dental and life insurance to qualifying members.

A comprehensive actuarial evaluation for the employee benefits liability was conducted as at December 31, 2015, the report includes projections for the years 2016 to 2018. Significant assumptions used in the actuarial evaluation are:

Discount rate	3.5%
Extended healthcare trend rate	
Initial	5.45%
Ultimate	4.0%
Year ultimate reached	2036
Dental trend rate	4.0%

c) *Workers' compensation*

Haldimand County is self-insured for injured worker benefits with Workplace Safety and Insurance Board (WSIB) administering the benefits on behalf of the municipality as a schedule II employer.

The estimate of future benefit costs for WSIB claims based on the WSIB board calculations are \$6,752,099 (2015 - \$5,736,219). The County has established a reserve fund to mitigate some of the future impacts of these obligations, however WSIB is unfunded by a balance of \$758,224 (2015 - \$388,381). This unfunded liability is presented in the Consolidated Statement of Financial Position in accumulated surplus (note 12).

Please see note 22 for disclosure of the prior period adjustment related to this workers' compensation liability.

The County also administers a reserve fund, in trust, from the former Regional Municipality of Haldimand-Norfolk, for WSIB, which has a gross amount of \$472,393 (2015 - \$413,630).

7. Allowance for assessment adjustments

Haldimand County is currently in arbitration with taxpayers in regards to assessed tax amounts. The final outcome of these outstanding amounts cannot be determined at this time. However, management believes that ultimate disposition of these matters will not materially exceed the amounts recorded in these financial statements.



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

8. Deferred revenue

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Professional 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 deferred revenue including obligatory reserve funds of The Corporation of Haldimand County are as follows:

	Opening Balance	Contributions Received	Investment Income	Revenue Recognized	Ending Balance
Parkland	\$ 663,519	\$ 58,309	\$ 26,722	\$ (21,792)	\$ 726,758
Development charges	(2,671,862)	4,238,564	(9,697)	(1,784,064)	(227,059)
Building permits	3,041,573	872,660	120,441	(59,574)	3,975,100
Federal gas tax	4,110,152	2,728,747	129,925	(3,103,837)	3,864,987
Deferred provincial grants	755,781	-	-	-	755,781
Other	<u>501,712</u>	<u>140,211</u>	<u>-</u>	<u>(501,712)</u>	<u>140,211</u>
	<u>\$ 6,400,875</u>	<u>\$ 8,038,491</u>	<u>\$ 267,391</u>	<u>\$ (5,470,979)</u>	<u>\$ 9,235,778</u>

9. Solid waste landfill closure and post-closure liability

Tom Howe landfill site is jointly owned by Norfolk County and Haldimand County and as anticipated has reached its capacity of 2,300,000 cubic meters in October 2015.

Canborough landfill site is also jointly owned by Norfolk County and Haldimand County. The Canborough landfill site was temporarily closed to be re-opened and used once Tom Howe landfill site reached its capacity. In July 2014, it was decided by both counties that the Canborough landfill site would not be re-opened and would be permanently closed.

The costs of closing and maintaining the landfill sites are shared by both Norfolk County and Haldimand County. It is estimated that Haldimand County's share of the total costs to close and maintain the sites are approximately \$14,053,543. The estimated costs are calculated at net present value. Haldimand County has not designated any specific assets to assist with the cost of closing the sites. However, Haldimand County's share of the capital costs to close the sites have been included in the 10-year Capital Forecast and have been funded from capital reserves. Post-closure activities will continue for approximately 50 years for both landfill sites.

Key assumptions in determining the liability at December 31, 2016 for the sites are as follows:

Inflation rate	2.0%	
Discount rate	4.0%	
Estimated time for post-closure site rehabilitation and monitoring	50 years	
	2016	2015
Capital costs upon closure	\$ 622,348	\$ 715,827
Closed landfill site rehabilitation and monitoring	<u>13,431,195</u>	<u>13,600,714</u>
	<u>\$ 14,053,543</u>	<u>\$ 14,316,541</u>



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

10. Long term liabilities

a) Long term liabilities reported on the Consolidated Statement of Financial Position is comprised of the following:	2016	2015
	\$	\$
Total long term liabilities issued or assumed by the municipality and outstanding at the end of the year amounts to:	39,680,885	35,872,031
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges for Tile Drainage Loans has been assumed by individuals. At the end of the year, the outstanding principal amount is:	<u>(39,295)</u>	<u>(60,911)</u>
	<u>39,641,590</u>	<u>35,811,120</u>

b) Of the long term liabilities reported above, principal payments are recoverable from general municipal revenues and are repayable as follows:

	\$
2017	4,257,672
2018	4,036,728
2019	4,057,873
2020	4,079,626
2021	3,299,948
Thereafter	<u>19,909,743</u>
	<u>39,641,590</u>

The above long term liabilities have maturity dates ranging from 2017 to 2033 with interest rates varying between 2.07% to 5.55%.

c) The municipality is contingently liable for long term liabilities with respect to those for which the responsibility for the payment of principal and interest has been assumed by individuals for Tile Drainage Loans. The total amount outstanding as at December 31, 2016 is \$39,295 (2015 - \$60,911) and is not recorded on the Consolidated Statement of Financial Position.

d) The long term liabilities in part (a) have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayments and limits prescribed by the Ministry of Municipal Affairs and Housing.



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

11. Tangible capital assets

	Land \$	Land Improvements \$	Buildings and Structures \$	Infrastructure \$	Vehicles, Machinery and Equipment \$	Assets Under Construction \$	2016 \$
Cost, beginning of year	8,799,948	64,653,445	144,853,583	498,433,330	73,127,511	11,893,854	801,761,671
Additions	750,082	1,210,549	3,658,071	23,491,711	5,719,322	13,801,973	48,631,708
Disposals	(113,851)	(159,024)	(1,242,199)	(9,285,283)	(2,431,468)	(2,755)	(13,234,580)
Transfer to capital assets	-	-	-	-	-	(11,638,837)	(11,638,837)
Cost, end of year	<u>9,436,179</u>	<u>65,704,970</u>	<u>147,269,455</u>	<u>512,639,758</u>	<u>76,415,365</u>	<u>14,054,235</u>	<u>825,519,962</u>
Accumulated amortization, beginning of year	-	28,105,252	41,844,944	265,420,236	35,617,518	-	370,987,950
Amortization	-	1,746,803	2,944,730	14,565,378	4,146,408	-	23,403,319
Disposals	-	(137,835)	(926,084)	(6,920,988)	(2,321,920)	-	(10,306,827)
Accumulated amortization, end of year	<u>-</u>	<u>29,714,220</u>	<u>43,863,590</u>	<u>273,064,626</u>	<u>37,442,006</u>	<u>-</u>	<u>384,084,442</u>
Net carrying amount, end of year	<u>9,436,179</u>	<u>35,990,750</u>	<u>103,405,865</u>	<u>239,575,132</u>	<u>38,973,359</u>	<u>14,054,235</u>	<u>441,435,520</u>



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2015

11. Tangible capital assets (continued)

	Land \$	Land Improvements \$	Buildings and Structures \$	Infrastructure \$	Vehicles, Machinery and Equipment \$	Assets Under Construction \$	2015 \$
Cost, beginning of year	8,552,534	57,866,624	134,916,683	490,292,832	70,269,163	14,316,226	776,214,062
Additions	318,817	6,896,524	10,401,475	10,545,166	3,912,259	19,958,027	52,032,268
Disposals	(71,403)	(109,703)	(395,375)	(2,404,668)	(1,123,111)	-	(4,104,260)
Transfer to capital assets	-	-	-	-	-	(22,380,399)	(22,380,399)
Cost, end of year	<u>8,799,948</u>	<u>64,653,445</u>	<u>144,922,783</u>	<u>498,433,330</u>	<u>73,058,311</u>	<u>11,893,854</u>	<u>801,761,671</u>
Accumulated amortization, beginning of year	-	26,807,209	39,163,046	252,801,884	32,472,243	-	351,244,382
Amortization	-	1,392,961	2,996,709	14,679,907	4,037,941	-	23,107,518
Disposals	-	(94,918)	(293,989)	(2,061,555)	(913,488)	-	(3,363,950)
Accumulated amortization, end of year	<u>-</u>	<u>28,105,252</u>	<u>41,865,766</u>	<u>265,420,236</u>	<u>35,596,696</u>	<u>-</u>	<u>370,987,950</u>
Net carrying amount, end of year	<u><u>8,799,948</u></u>	<u><u>36,548,193</u></u>	<u><u>103,057,017</u></u>	<u><u>233,013,094</u></u>	<u><u>37,461,615</u></u>	<u><u>11,893,854</u></u>	<u><u>430,773,721</u></u>



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

12. Accumulated surplus

The Corporation of Haldimand County segregates its accumulated surplus into the following categories:

	<u>2016</u>	<u>2015</u>
Investment in tangible capital assets	\$ 441,435,520	\$ 430,773,721
Long term liabilities	(39,641,590)	(35,811,120)
Unfinanced capital	<u>(13,467,722)</u>	<u>(15,907,057)</u>
Net investment in tangible capital assets	388,326,208	379,055,544
BIA surpluses	85,819	85,819
Reserves		
Contingencies	10,458,170	9,676,839
Capital purposes	32,682,017	31,010,291
Other	<u>12,566,068</u>	<u>10,618,836</u>
	55,706,255	51,305,966
Reserve funds		
Capital replacement - sewer	10,078,245	9,369,424
Capital replacement - water	6,015,008	5,436,769
Waste management	785,598	982,599
Hydro Divestiture	74,561,517	72,633,566
Community vibrancy	(9,140,201)	(7,963,904)
Other	<u>1,964,416</u>	<u>1,256,892</u>
	84,264,583	81,715,346
Reserve funds held jointly with Norfolk County (gross amounts)	472,393	717,469
Unfunded liabilities		
Solid waste landfill closure and post-closure liability	(14,053,543)	(14,316,541)
Post employment and post retirement benefits liability	(2,137,777)	(2,236,120)
Vested and non-vested sick leave liability	(525,705)	(472,266)
WSIB	<u>(758,224)</u>	<u>(388,381)</u>
	<u>(17,475,249)</u>	<u>(17,413,308)</u>
	\$ 511,380,009	\$ 495,466,836



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

13. Government transfers - Federal

	<u>Budget</u> (note 20)	<u>2016</u>	<u>2015</u>
Operating			
Conditional	\$ 36,420	\$ 73,606	\$ 27,580
Capital			
Federal gas tax revenue	<u>2,728,750</u>	<u>3,103,837</u>	<u>1,820,761</u>
	<u>\$ 2,765,170</u>	<u>\$ 3,177,443</u>	<u>\$ 1,848,341</u>

14. Government transfers - Provincial

	<u>Budget</u> (note 20)	<u>2016</u>	<u>2015</u>
Operating			
Ontario municipal partnership fund	\$ 3,545,800	\$ 3,545,800	\$ 3,454,100
Conditional	9,665,790	10,362,020	10,147,430
Capital			
Infrastructure funding	<u>680,300</u>	<u>2,006,370</u>	<u>797,299</u>
	<u>\$ 13,891,890</u>	<u>\$ 15,914,190</u>	<u>\$ 14,398,829</u>

15. Other income

	<u>Budget</u> (note 20)	<u>2016</u>	<u>2015</u>
Licenses, permits, rents, and concessions	\$ 1,364,550	\$ 1,442,242	\$ 2,047,910
Provincial offences and other fines	605,980	542,331	532,125
Penalties and interest on taxes	1,155,000	1,363,926	1,176,322
Investment income	1,629,680	5,767,474	2,899,075
Development charges earned	-	1,805,856	1,155,936
Developer contributed assets	-	9,021,721	778,948
Proceeds from sale of land and other assets	460,990	87,608	218,192
Loss on disposal of tangible capital assets	-	(2,179,058)	(232,271)
Donations	446,170	2,381,990	626,906
Other	<u>564,930</u>	<u>1,041,137</u>	<u>371,997</u>
	<u>\$ 6,227,300</u>	<u>\$ 21,275,227</u>	<u>\$ 9,575,140</u>

16. Contractual obligations

a) *Veolia Water Canada (U.S. Filter) (PSG)*

Haldimand County has entered into an agreement with Veolia Water Canada for the operation and maintenance of regional wastewater treatment facilities and pumping stations. This contract expires June 30, 2024 and the annual cost of this contract for 2016 was \$2,327,051 (2015 - \$2,325,855).

As well, Haldimand County negotiated an operating and maintenance agreement Veolia Water Canada for the Central Water System in Nanticoke and the water systems in Dunnville. This contract expires June 30, 2018. The annual cost of this contract for 2016 was \$2,047,951 (2015 - \$1,931,651).



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

16. Contractual obligations (continued)

b) *Ontario Provincial Police contract*

Haldimand County has entered into a three-year agreement with the Solicitor General of Ontario for the provision of police services. The three-year term expires in December 31 2017. The annual cost of this contract for 2016 was \$7,567,057 (2015 - \$7,811,232).

c) *Hamilton Water contract*

Haldimand County has entered into a twenty-year contract with the City of Hamilton to purchase water for the supply to Caledonia and Cayuga, this contract expires July 31, 2034. In 2016 Haldimand County paid \$2,161,489 (2015 - \$2,256,643) for water under this contract.

d) *Halton Cheshire Homes Inc. mortgage guarantee*

Haldimand County has entered into a twenty-five year agreement as the guarantee for the mortgage between Halton Cheshire Homes Inc. as mortgagor and Infrastructure Ontario as mortgagee in the amount of \$999,165. This agreement expires August 31, 2036.

e) *Landfill sites*

Under the terms of an interim agreement between Haldimand County and Norfolk County, Haldimand County is responsible for the two landfill sites within the geographic boundaries of Haldimand County, which are available for the use of both Counties. Ownership of all facilities is vested jointly through Provincial legislation and/or asset allocation through the Arbitrator's Report following restructuring.

17. 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 benefits to be received by the employees based on length of service and rate of pay.

The amount contributed to OMERS for current service is included as an expenditure on the Consolidated Statement of Operations. The amount contributed to OMERS for 2016 was \$2,387,352 (2015 - \$2,358,184). 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.

18. Public liability insurance

Haldimand County has a program of risk identification, evaluation and control to minimize the risk of injury to its employees and to third parties and to minimize the risk of damage to its property and the property of others. It uses a combination of self-insurance and purchased insurance to protect itself financially against the risk that it cannot reasonably control. The municipality has adequate self-insurance coverage. Purchased insurance coverage is in place for claims in excess of these limits to a maximum of \$50,000,000 with the exception of certain environmental liability claims, should such claims arise.

At December 31, 2016 there are outstanding legal and liability claims against Haldimand County, which were assumed from predecessor municipalities. Any insured amounts have not been provided for in the financial statements, as the outcome of the related claim(s) is not in excess of insurance coverage. For claims not covered by purchased insurance, a reserve has been established by Haldimand County (post restructuring), which has a balance at December 31, 2016 of \$1,182,455 (2015 - \$1,689,708).



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

19. Contaminated sites

A contaminated site is an unproductive site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A liability for remediation of contaminated sites is recognized when the County is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate for the amount can be made. All criteria must be met in order to recognize a liability. As at December 31, 2016 there is no liability recorded in the consolidated financial statements. The County will continue to review contaminated sites on an annual basis and when the criteria for recognition have been met, a liability will be recorded.

20. Budget figures

The budget adopted by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis to be used. The budget figures anticipated using surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the Consolidated Statements of Operations represent the budget adopted by Council with adjustments as follows:

	<u>2016</u>
Budget surplus for the year adopted by Council	\$ -
Add:	
Capital expenditures	45,157,670
Budgeted transfers to accumulated surplus	25,328,030
Principal payments on debt	3,532,650
Less:	
Debt proceeds	(15,070,000)
Budgeted transfers from accumulated surplus	(33,721,580)
Amortization	<u>(23,403,319)</u>
Budget surplus per Consolidated Statement of Operations	<u>\$ 1,823,451</u>

21. Comparative figures

Certain prior year figures have been adjusted to conform with the 2016 financial statement presentation.



The Corporation of Haldimand County

Notes to the Consolidated Financial Statements

Year Ended December 31, 2016

22. Prior period adjustments

For the years 2013 through 2015, the County's accounting policy was to calculate their future workers compensation liability on an actuarial evaluation conducted in 2013. Since then there has been significant changes to WSIB legislation, WSIB board's administration, and as a result claims activity and administrative costs. Due to these significant changes and their impact, the County has changed the accounting policy and calculates the future workers compensation liability based on the WSIB board estimated values and as a result have restated their 2015 workers' compensation liability to reflect this change. This adjustment increased employee benefits liability by approximately \$2,500,000 with the cost being allocated among the different affected departments found below.

In 2014, as policy allows, a POA fine was moved to the property tax roll and therefore recognized as fine revenue and included in taxes receivable. It has come to the attention of the County that due to certain circumstance this POA fine should never have been moved to the property tax roll and therefore should not have been recognized in fine revenue. A prior period adjustment has been made to account for this error decreasing taxes receivable and accumulated surplus by approximately \$240,000.

In 2016 there were significant developer contributed assets valued at approximately \$9,000,000. Due to the magnitude of contributions it is disclosed as a separate revenue source within other income, see note 15. In 2015 developer contributed assets amounted to much less and were netted against non-tangible capital asset project costs and were allocated among the project's related expense department. For comparability purposes, the 2015 developer contributed assets have been reclassified as revenue. This reclassification amounted to approximately \$779,000.

To reflect these prior period adjustments, the comparative financial statement figures have been restated as follows:

	As Previously Reported	As Restated
Consolidated statement of financial position:		
Taxes receivable	\$ 8,837,716	\$ 8,593,961
Employee benefits liability	6,676,245	9,183,919
Accumulated surplus	498,218,265	495,466,836
Consolidated statement of operations:		
Other income	8,796,192	9,575,140
General government expenses	10,425,659	10,416,444
Protection services expenses	15,029,270	17,078,737
Transportation services expenses	29,031,975	29,332,448
Environmental services expenses	26,864,412	27,423,546
Health services expenses	7,757,296	8,089,021
Social and family services expenses	12,946,137	12,928,107
Recreation and cultural services expenses	10,392,727	10,435,053
Planning and development expenses	3,362,624	3,393,365
Annual surplus	29,821,889	27,314,215



The Corporation of Haldimand County

Segmented Information

Year Ended December 31, 2016

The Corporation of Haldimand County is a municipality that provides a wide range of services to its residents. The major services chosen for segmented disclosure are the five departments which consume the greatest amount of the County's total operating expenses. The revenue and expenses reported for each segment includes directly attributable amounts as well as internal charges and recoveries allocated on a reasonable basis.

A description of each major service and the activities each provide are as follows:

General government

The general government includes council and corporate management.

Protection services

The protection services includes fire, police, conservation authority, protection inspection and control, emergency measures, and Provincial Offences Act.

Transportation services

The transportation services department is responsible for the safe and efficient movement of people and goods within Haldimand County. Responsibilities include road construction and maintenance, traffic signals and signs, winter control, developing parking and traffic by-laws, and implementation and maintenance of street lighting.

Environmental services

This segment includes sanitary sewer system, storm sewer system, waterworks system, waste collection and disposal, recycling and administration.

Social and family services

Social and family services includes general assistance for Ontario Works, assistance to aged persons for Grandview Lodge, and child care.



The Corporation of Haldimand County

Segmented Information

Year Ended December 31, 2016

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Social and Family Services \$	Other Services [1] \$	Consolidated 2016 \$
Revenue							
Government transfers - Federal	3,103,837	-	-	-	-	73,606	3,177,443
Government transfers - Provincial	4,407,333	87,009	1,452,450	673,910	6,306,321	2,987,167	15,914,190
User charges	2,035,477	260,296	1,854,199	18,187,276	2,692,242	1,903,422	26,932,912
Other revenue [2]	<u>7,243,182</u>	<u>1,631,494</u>	<u>5,749,950</u>	<u>4,870,107</u>	<u>55,390</u>	<u>2,298,959</u>	21,849,082
	<u>16,789,829</u>	<u>1,978,799</u>	<u>9,056,599</u>	<u>23,731,293</u>	<u>9,053,953</u>	<u>7,263,154</u>	67,873,627
Expenses							
Salaries, wages and benefits	5,620,281	3,941,645	5,902,334	3,258,990	7,688,863	11,834,669	38,246,782
Materials	239,685	90,634	3,062,403	2,329,653	774,377	403,297	6,900,049
Contracted services	2,403,232	9,615,701	4,973,058	16,826,078	1,747,479	4,625,977	40,191,525
External transfers	62,500	663,978	-	(1,803,369)	1,198,453	3,128,845	3,250,407
Financial expenses	1,607,146	13,184	65,518	833,288	402	39,638	2,559,176
Interest on long term liabilities	-	23,461	-	241,224	582,765	621,328	1,468,778
Amortization	<u>463,828</u>	<u>1,053,755</u>	<u>14,419,962</u>	<u>4,711,345</u>	<u>627,762</u>	<u>2,126,667</u>	23,403,319
	<u>10,396,672</u>	<u>15,402,358</u>	<u>28,423,275</u>	<u>26,397,209</u>	<u>12,620,101</u>	<u>22,780,421</u>	116,020,036
Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy	<u>6,393,157</u>	<u>(13,423,559)</u>	<u>(19,366,676)</u>	<u>(2,665,916)</u>	<u>(3,566,148)</u>	<u>(15,517,267)</u>	(48,146,409)
Taxation revenue							64,059,582
Annual surplus							15,913,173

[1] Other services - Includes health services, social housing, recreation and cultural services and planning and development.

[2] Other revenue - Includes fines, penalties and interest on taxes, recoveries from other municipalities, investment income, sale of assets, prepaid special charges and donations.



The Corporation of Haldimand County

Segmented Information

Year Ended December 31, 2015

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Social and Family Services \$	Other Services [1] \$	Consolidated 2015 \$
Revenue							
Government transfers - Federal	1,820,761	-	-	-	-	27,580	1,848,341
Government transfers - Provincial	4,138,953	112,495	232,180	681,743	6,292,662	2,940,796	14,398,829
User charges	1,459,561	291,092	1,077,131	18,260,796	1,300,915	3,126,423	25,515,918
Other revenue [2]	3,947,585	2,038,001	478,596	974,095	14,334	2,882,426	10,335,037
Haldimand County Utilities Inc.	-	-	-	-	-	33,341,814	33,341,814
	<u>11,366,860</u>	<u>2,441,588</u>	<u>1,787,907</u>	<u>19,916,634</u>	<u>7,607,911</u>	<u>42,319,039</u>	<u>85,439,939</u>
Expenses							
Salaries, wages and benefits	5,876,907	5,162,694	6,530,229	3,381,905	7,712,591	12,643,878	41,308,204
Materials	220,998	87,879	3,155,735	2,448,729	783,658	338,229	7,035,228
Contracted services	949,876	10,180,427	5,148,328	16,887,330	1,686,094	4,566,086	39,418,141
External transfers	104,800	593,485	20,812	(1,193,993)	1,483,500	2,612,543	3,621,147
Financial expenses	2,806,637	11,899	-	1,212,110	402	71,796	4,102,844
Interest on long term liabilities	-	26,414	-	290,036	630,291	662,798	1,609,539
Amortization	457,226	1,015,939	14,477,344	4,397,429	631,571	2,128,009	23,107,518
	<u>10,416,444</u>	<u>17,078,737</u>	<u>29,332,448</u>	<u>27,423,546</u>	<u>12,928,107</u>	<u>23,023,339</u>	<u>120,202,621</u>
Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy	<u>950,416</u>	<u>(14,637,149)</u>	<u>(27,544,541)</u>	<u>(7,506,912)</u>	<u>(5,320,196)</u>	<u>19,295,700</u>	<u>(34,762,682)</u>
Taxation revenue							<u>62,076,897</u>
Annual Surplus							<u>27,314,215</u>

[1] Other services - Includes health services, social housing, recreation and cultural services and planning and development.

[2] Other revenue - Includes fines, penalties and interest on taxes, recoveries from other municipalities, investment income, sale of assets, prepaid special charges and donations.



The Corporation of Haldimand County

Library Division - Schedule of Operations

Year Ended December 31,	2016	2015
Revenue		
Grants		
Provincial library operating grant (Ministry of Tourism, Culture and Sport)	\$ 72,400	\$ 72,400
Pay equity	6,762	6,762
Other	10,287	11,489
Fees and service charges	19,792	19,375
Fines	29,068	29,965
Donations	7,583	3,379
Other revenue	<u>20,034</u>	<u>21,241</u>
	<u>165,926</u>	<u>164,611</u>
Expenses		
Salaries, wages and benefits	1,180,055	1,115,660
Materials and supplies	73,011	49,914
Services	168,340	153,079
Rents and financial expenses	<u>27,760</u>	<u>27,265</u>
	<u>1,449,166</u>	<u>1,345,918</u>
Excess (deficiency) of revenue over expenses before undernoted items	(1,283,240)	(1,181,307)
Transfer from reserves	8,000	-
Transfer to reserves	<u>(373,189)</u>	<u>(328,763)</u>
Excess (deficiency) of revenue over expenses for the year financed by net municipal levy	\$ <u>(1,648,429)</u>	\$ <u>(1,510,070)</u>

The above financial information is included in the consolidated financial statements of Haldimand County



The Corporation of Haldimand County

Museum Division - Schedule of Operations

Year Ended December 31,	2016	2015
Revenue		
Grants	\$ 94,686	\$ 50,385
Fees and service charges	10,983	11,721
Donations	<u>17,666</u>	<u>17,975</u>
	<u>123,335</u>	<u>80,081</u>
Expenses		
Salaries, wages and benefits	296,030	271,726
Materials and supplies	53,490	14,122
Services	58,328	54,154
Rents and financial expenses	<u>794</u>	<u>536</u>
	<u>408,642</u>	<u>340,538</u>
Excess (deficiency) of revenue over expenses for the year financed by net municipal levy	\$ <u>(285,307)</u>	\$ <u>(260,457)</u>

The above financial information is included in the consolidated financial statements of Haldimand County



The Corporation of Haldimand County

Trust Funds

December 31, 2016



Independent Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of Haldimand County

We have audited the accompanying financial statements of the trust funds of The Corporation of Haldimand County, which comprise of the balance sheet of the trust funds as at December 31, 2016 and the statement of continuity of the trust funds 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 financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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, these financial statements present fairly, in all material respects, the financial position of The Corporation of Haldimand County's trust funds as at December 31, 2016 and the results of their operations for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Millard, Rowe & Rosebry Ltd. Chartered Professional Accountants

Simcoe, Ontario
June 22, 2017

Chartered Professional Accountants
Licensed Public Accountants



The Corporation of Haldimand County

Balance Sheet - Trust Funds

As at December 31, 2016

	Combined Cemetery Perpetual Care	Grandview Bequest Trust	Grandview Comfort Trust	2016 Total	2015 Total
Net assets					
Cash	\$ 597,744	-	\$ 128,887	\$ 726,631	\$ 682,465
Investments (note 2)	597,053	-	-	597,053	596,487
Due from Haldimand County	<u>(111)</u>	<u>157,977</u>	<u>(3,496)</u>	<u>154,370</u>	<u>205,189</u>
Total net assets	<u>\$ 1,194,686</u>	<u>\$ 157,977</u>	<u>\$ 125,391</u>	<u>\$ 1,478,054</u>	<u>\$ 1,484,141</u>
Trust fund balance	<u>\$ 1,194,686</u>	<u>\$ 157,977</u>	<u>\$ 125,391</u>	<u>\$ 1,478,054</u>	<u>\$ 1,484,141</u>

See accompanying notes



The Corporation of Haldimand County

Statement of Continuity - Trust Funds

Year Ended December 31, 2016

	Combined Cemetery Perpetual Care	Grandview Bequest Trust	Grandview Comfort Trust	2016 Total	2015 Total
Receipts					
Sale of plots and markers	\$ 30,337	-	-	\$ 30,337	\$ 33,977
Investment income	6,329	6,909	-	13,238	18,812
Resident contributions	-	-	178,493	178,493	177,376
Donations	-	200	-	200	50
	<u>36,666</u>	<u>7,109</u>	<u>178,493</u>	<u>222,268</u>	<u>230,215</u>
Disbursements					
Transfer to cemetery operations	6,329	-	-	6,329	14,742
Transfer to County (note 3)	-	38,910	-	38,910	23,879
Transfer to residents	-	-	183,115	183,115	162,251
	<u>6,329</u>	<u>38,910</u>	<u>183,115</u>	<u>228,354</u>	<u>200,872</u>
Net receipts (disbursements) for the year	30,337	(31,801)	(4,622)	(6,086)	29,343
Trust fund balance - beginning of year	<u>1,164,349</u>	<u>189,778</u>	<u>130,013</u>	<u>1,484,140</u>	<u>1,454,798</u>
Trust fund balance - end of year	<u>\$ 1,194,686</u>	<u>\$ 157,977</u>	<u>\$ 125,391</u>	<u>\$ 1,478,054</u>	<u>\$ 1,484,141</u>

See accompanying notes



The Corporation of Haldimand County

Notes to the Trust Funds Financial Statements

Year Ended December 31, 2016

1. Summary of significant accounting policies

a) *Basis of accounting*

Receipts and disbursements are reported on the accrual basis of accounting. The accrual basis of accounting recognizes receipts as it becomes available and measurable; disbursements are recognized as they are incurred and measurable as a result of receipt of goods and services and the creation of a legal obligation to pay.

b) *Management uncertainty*

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Investments

Trust fund investments of \$597,053 (2015 - \$596,487) reported on the Balance Sheet at cost, have a fair value of \$597,053 (2015 - \$596,487) at the end of the year.

3. Transfer to County

During the year, the Grandview Bequest Trust contributed to Haldimand County capital projects that were for the benefit of Grandview residents in the amount of \$38,910 (2015 - \$23,879).

4. Statement of cash flow

A statement of cash flow has not been provided as the information is readily available in the financial statements provided.

