HALDIMAND COUNTY

Report CS-FI-14-2018 Audited Financial Statements for 2017

For Consideration by Council in Committee on August 28, 2018

OBJECTIVE:

To present the audited 2017 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, 2017.

RECOMMENDATIONS:

1. THAT Report CS-FI-14-2018 Audited Financial Statements for 2017 be received;
2. AND THAT the consolidated financial statements, including the Trust Fund Statements, for Haldimand County for 2017, 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:

Highlights from the 2017 audited financial statements (presented under separate cover) are as follows:

- **Increased Investment Portfolio:** As outlined in the annual investment report to Council in June 2018, the carrying book value of the County's investment portfolio has grown to approximately $166.7 million as at December 31, 2017 – this represents an increase of $25.8 million over the previous year end. This increased portfolio, coupled with strong annual returns has led to increased liquidity, revenue and financial flexibility.
- **Substantial Investment in Infrastructure:** For the second consecutive year, the County has invested over $36 million in infrastructure (replacement and new). At the end of 2017, the historical cost of the County's infrastructure was estimated at approximately $855 million.
- **Increased Reserves/Reserve Funds:** The County has established numerous reserves/reserve funds to ensure sufficient funds are available for future expenditures/needs (including the Hydro Legacy Reserve Fund). Total reserves/reserve funds, at December 31, 2017, were $148.9 million – an increase of $8.9 million over the previous year.
- **Limited Increase in Net Long Term Debt:** Despite significant investment in infrastructure and increased reserves/reserve funds, the County's net long term debt increased moderately by $8.1 million in 2017 to a year end balance of $47.7 million.
- **Strong Credit Rating**: The above noted items were several of the factors noted during the County's annual credit rating review in 2018. The County's credit rating was affirmed at "AA/Stable" by the independent bond rating agency of Standards & Poor's Rating Services; primarily based on exceptional liquidity, strong budgetary performance and minimal debt burden.

The audited 2017 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 for the three main functional areas is transferred to/from the appropriate reserve in accordance with previously approved Council resolutions.

Audited 2017 Operating Net Surplus/(Deficit)		
Tax Supported Operations		**$2,275,462**
Water Operations		$754,337
Wastewater Operations		866,991
Rate Supported Operations		**$1,621,328**
Total Operating Surplus		**$3,896,790**

The presentation of the 2017 audited financial statements, albeit a part of transparent and accountable fiscal management, fulfills the Corporation's statutory obligations to present annual audited financial statements to Council and the public. These statements, as well as the attached Building Division and Parkland Dedication Reserve Fund Statement of 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 independent 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 Provincial 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 areas: tax supported operations, 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.

Typically, staff present the operational financial results to Council on three separate occasions during a fiscal 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. tax supported and rate supported water and wastewater), 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 staff report, independent of the auditor's 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 <u>audited</u> 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 2017 Consolidated Financial Statements. The audited statements are provided as Attachment 3 to this report and will be presented by the auditor at the August 28th Council in Committee 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 2017 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 2017.

TABLE 1

Description	**2017 Impact**
Surplus for year per approved Budgets (*)	$0
Add:	
Capital expenditures to be capitalized	$34,730,810
Budgeted transfers to accumulated surplus (i.e. reserves/reserve funds)	$27,463,060
Principal payments on debt	$4,257,680
Less:	
Debt proceeds	($271,000)
Budgeted transfers from accumulated surplus (i.e. reserves/reserve funds)	($34,929,565)
Amortization	($23,700,950)
Revised budgeted surplus as reported on audited Financial Statements	**$7,550,035**

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

As shown above, most of the PSAB related budget 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 2017, 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 years when reviewing actual results compared to budgets).

As outlined during the review of the 2018 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 net operating surplus for the 2017 fiscal year of approximately $3.9 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 2017 audited financial statements is approximately $23.3 million. The following table reconciles the reasons for the differences in how the surplus/deficit has been reported:

TABLE 2

Description	***Impact on 2017 Surplus Increase/(Decrease)***
Revenue Fund – surplus from 2017 tax supported and water/wastewater operations (details analyzed in Table 3)	$3,896,790
***Add Net Capital, Municipal Drains and Reserve Fund Operations*:**	
Capital Fund (work in progress to be funded)	11,419,866
Municipal Drains (timing of net recovery of costs)	(51,207)
Reserves/Reserve Funds (net transfers)	11,806,360
Sub-total per Internal Financial Statements	27,071,809
***Adjustments for PSAB Audited Financial Statements*:**	
Principal debt repayments	4,257,672
Debt Proceeds	(12,332,000)
Business Improvement Areas (net operations-2016 and 2017 results included)	50,065
Decrease/ (Increase) in landfill post-closure liability	95,505
Capital costs capitalized during the year	41,540,081
Capital costs included in work in progress (i.e. not complete as at December 31st)	(5,188,085)
Amortization of capital assets	(23,700,950)
Net costs associated with disposal of capital assets	(1,303,990)
Change in post employment and sick leave liabilities	(83,500)
Change in workers' compensation liabilities	(365,937)
Change in deferred revenues/obligatory reserves	(6,713,432)
2017 Surplus Reported on Audited Financial Statements	**$23,327,238**

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 more significant 2017 operating variances are as follows:

- Operating Revenues: The total variance between actual revenues compared to budgeted revenues is approximately $18.4 million favourable variance. The main contributing factors to the reported variance is related to:
    - Developer Contributed Assets: during 2017 several subdivisions were developed to the point that the County assumed significant infrastructure totaling approximately <u>$9.7 million</u>. The value of these contributed assets, although built and paid for by the development, is recorded as revenue upon assumption by the County. As the timing and value of these assumed assets can vary significantly, year over year, these revenues are not typically budgeted by municipalities and as such are reported as a variance.
    - Transfer of Excess Assessment Appeals Allowance: Since the early 2000's, the County has made provisions/allowances to cover the potential cost of major assessment appeals initiated by property owners. As noted during Council's review of the 2018 Tax Supported Capital Budget, due to recent favourable assessment appeal decisions (primarily related to Ontario Power Generation and Stelco), there were excess funds accumulated over many years related to these particular appeals. As such, Council passed a resolution to move these excess funds, totaling $6.5 million to the Capital Replacement Roads Infrastructure Reserve to fund the acceleration of the Granular Road Conversion Program. This transfer resulted in unbudgeted revenue of $6.5 million in 2017 included under "Other Income".
    - Development Charges Recognized: Since development charges collected on an annual basis are used directly for specifically identified growth related capital projects, these revenues can only be recognized/reported as income in the years the related project is constructed. Due to the timing and magnitude of the projects, the development charge revenue recognized on an annual basis can fluctuate considerably. As these revenues are recorded in the County's books as reserve funds, there is no annual budget established. In 2017, revenues of $2.4 million were recognized, related to the matching 2017 growth related capital project expenditure, resulting in a favourable variance.
    - Federal Government Transfers: The majority of the Federal Government grants relate to infrastructure funding, the largest portion being the annual Federal Gas tax allocation. The County receives approximately $2.7 million annually, however for PSAB reporting purposes, only the funds used on specifically identified capital projects can be recognized in the same fiscal period. As a result, depending on the projects selected and the timing of the costs associated with these projects, the amounts recognized in any given year can fluctuate. As such, only $931,500 of the $2.7 million was recognized in 2017 resulting in an unfavourable variance of $1.7 million.
- Operating Expenditures: The total variance between actual expenditures compared to budget is approximately $2.7 million unfavourable. Although this a relatively minor variance on a total operating expenditure budget in excess of $116 million, one of the main contributing factors to the reported variance is due to non-capitalized capital expenditures which do not meet the thresholds/established parameters to be recorded on the balance sheet as tangible capital assets. A total of $4.9 million net costs were expensed in 2017 with no corresponding budget identified (the full capital budget was removed to meet PSAB reporting requirements). The major areas were Transportation and Recreation Services that had $3.6 million and $2.9 million expensed respectively (some departments had negative expenses applied since cumulative capitalized costs exceeded total annual costs).

It should also be noted that, since under PSAB's technical reporting guidelines there are no "reserves/reserve funds", the balance in these reserves/reserve funds forms 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 net 2017 surplus of $23.3 million 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 simpler methods of reconciling the differences and reporting to the public need to be developed to foster a better understanding of the municipality's 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 2017 Net Operating Surplus/(Deficit)

The table below provides a breakdown of the audited 2017 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 2017 Operating Surplus/(Deficit)		
(a)	Tax Supported Operations - General	$1,172,362
	Public Health (included as part of transfer to Contingency Reserve)	$181,009
	Social Assistance/Child Care	$478,138
	Social Housing	$413,123
	Library	$84,968
	Investment Income (net of stabilization transfer)	($54,138)
	Sub-Total – Tax Supported Operations	**$2,275,462**
(b)	Water Operations	$754,337
	Wastewater Operations	$866,991
	Sub-Total – Rate Supported Operations	**$1,621,328**
	Total Operating Surplus/(Deficit)	**$3,896,790**

The total 2017 operating expenditures (combined tax supported and rate supported) were budgeted at approximately $124.2 million. The above noted net operating surplus of $3,896,790 represents a 3.1% positive variance in relation to Council's approved budgeted expenditures. Details of the significant variances in the individual functions are provided below.

(a) Tax Supported Operations

Overall, the Tax Supported Operations reflect a 2017 surplus of approximately $2,275,500. This net surplus represents a 2.2% favourable variance on approximately $103.3 million of budgeted 2017 tax supported operating expenditures. The surplus is the net 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

2017 Operating Variance Analysis for Tax Supported Operations	
Revenue	**Surplus/ (Deficit)**
Provincial Transitional Mitigation Grant (offset lost property taxation from two long term care facilities' change in tax status to exempt)	$183,327
Transfer to Taxes Fee & Ownership Changes – first year of implementation	75,889
Engineering/Inspection Fees - Mainly due to Avalon development	78,724
Planning Fees - Mainly due to Avalon development	137,812
Fire Subrogation recoveries	(64,383)
Penalty and Interest on property taxes - Mainly Stelco (one-time due to credit protection – subsequently paid in 2017)	259,510
POA Fines Revenue - Lower overall amount of fines collected in 2017	(161,920)
Investment Income - $54,000 funded from Stabilization Reserve, as per Policy	(154,138)
Supplementary Taxes - Mainly one-time industrial solar farm (approx. $700,000)	1,018,558
Payments in Lieu of Taxes – Mainly due to reduced assessments	(43,662)
Subtotal Revenues	**$1,329,717**
Expenditures	
Salaries & Wages - Including Meeting, Travel, and Professional Development - mainly due to gapping, i.e. unfilled vacancies - County wide	$781,851
General Operating Supplies - corporate wide (individually under $25,000)	35,809
Roads Maintenance - Aggregate	(50,289)
Fuel – lower consumption than anticipated	31,932
Allowance for Uncollectible Accounts Receivable	(142,475)
Property tax adjustments (tax appeals and vacancy rebates)	(132,250)
Corporate Legal Costs	66,856
POA Legal Costs	63,842
Consulting Services County-wide (under $25K individually)	51,735
Winter Control Supplies and Contracted Services	(260,141)
Processing Fees – mainly ActiveNet ($20K) re: online programming registrations	(25,648)
Contracted Services – Streetlight Maintenance (due to partial year of conversion)	(95,560)
Hydro – deficit in streetlights ($222k) due to partial year of conversion; savings in Grandview Lodge ($62k) mainly due to insulation; deficit in arenas ($73k)	(211,969)
Public Health (2016 and 2017 reconciliation)	181,009
Social Assistance/Child Care (2016 and 2017 reconciliation)	478,138
Social Housing (2016 and 2017 reconciliation)	413,123
Library operations	84,968
Solid Waste Deficit - Mainly due to higher than anticipated leachate volumes	(39,148)
Miscellaneous net items (individually under $25,000)	(286,038)
Subtotal Expenditures	**$945,745**
Net Tax Supported Operations	**$2,275,462**

Note: Above table excludes items that net to $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:

<u>Salaries/Benefits and related costs (net surplus of $781,851)</u> – Net surplus is reflective of gapping of approximately $832,000 (including overtime) on a total annual salary and benefit budget of approximately $36.9 million. 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 accounts experienced surpluses mainly driven by the same position gapping. The gapping savings throughout the Corporation in 2017 were sufficient to offset the unbudgeted costs associated with post employment benefits for retirees.

<u>Winter Control costs, including supplies, services and snow removal (net deficit of $260,000):</u> 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). In 2017, although salt/sand purchases were under budget by $64,000, contracted snow plowing and snow removal was over budget by $324,000. As experienced with the varying winter conditions of past years, winter control costs can fluctuate significantly from year to year. Continued refinement of winter control budgeting will be required to assess the appropriate annual funding necessary to meet the legislated and Council approved winter control service levels. Staff also continue to look at 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.

<u>Shared Services with Norfolk County (net surplus of $1,072,270)</u>: Norfolk County is the Consolidated Municipal Service Manager (CMSM) for legislated social services, as well as the Board of Health and provider of legislated public health 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 2016 and 2017 (the years 2001 to 2015 had been previously reconciled), a total surplus of $1,072,270 was recognized as follows: Public Health $181,009, Social Services/Child Care $478,138 and Social Housing $413,123. Staff have been working closely with Norfolk staff over the past year to expedite the reconciliation processs, as well as clean up several outstanding amounts due to/from the two municipalities. Significant progress has been made in this regard with few outstanding items remaining.

<u>Building Division Operations (net surplus of $1,250,538) offset by transfer to Building Permit Stabilization Reserve Fund</u>: Building Division net operating results are required, by legislation that has been in place since 2005, to be transferred to the County’s Building Permit Stabilization Reserve Fund. Due primarily to the building permits associated with recent development, a net surplus of $1.2 million was transferred to this reserve fund in 2017. This reserve fund has a balance of approximately $5.3 million as at December 31, 2017. As a result, the net impact on the 2017 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 2017 tax supported net operating surplus of $2,275,462 is not significant in relation to total budgeted expenditures (approximately $104 million) 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 but have no direct impact on the following year’s tax levy. With respect to the general tax supported operations, a net surplus of $1,172,362 will be transferred the Contingency Reserve, which has a balance of $11.7 Million at the end of 2017, after inclusion of the above noted surplus. This reserve will be available for future years as a source of financing for unexpected events/liabilities. Any excess funds can be reallocated by a future Council for another one-time municipal purpose if so warranted.

(c) Water and Wastewater Operations

The combined 2017 Water and Wastewater Operations net surplus is approximately $1,621,000 on total budgeted operating expenditures of $20.9 million. This represents a positive variance of 7.7%. 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 2017 water operations reflected a $754,337 surplus on budgeted expenditures of approximately $12.3 million (6.1%), and wastewater operations had a surplus of $866,991 on budgeted expenditures of approximately $8.6 million (10.1%). A further breakdown of the significant variances is provided as follows (Table 5 for Water and Table 6 for Wastewater.)

TABLE 5

2017 Operating Variance Analysis for Rate Supported Operations - Water	
Revenues:	**Surplus/ (Deficit)**
Residential User Rates Revenue - Basic and Consumption	$193,759
Commercial/Industrial User Rates - Basic and Consumption (deficit in regular commercial revenues offset by surplus in large industrial users)	154,696
New Credit Water - Mainly surplus in depot	65,053
Bulk Water Sales (deficit in Hagersville and Dunnville)	(121,190)
Water Meter Installations and Connection Permits (increased development)	104,358
Industrial Pumping Station (offset by expenditures below)	(60,958)
Microstrainer Reserve Fund (offset by expenditures below)	(321,281)
Miscellaneous Fees & Recoveries (individually under $25,000)	16,535
Sub-total Revenues	**$30,972**
Expenditures:	
Salaries & Wages (shift in distributed wages based on additional hours allocated to water operations as well as gapping - total surplus of $150,000)	$156,165
Hamilton Water Supply - Wholesale Water Purchases	44,587
Hydro (County share)	77,672
Maintenance and Repair Services - less main break excavations and service leaks	84,672
Veolia Water Contract (Haldimand share)	(25,790)
Industrial Pumping Station (offset by recoveries above)	60,958
Microstrainer Reserve Fund (offset by revenue above)	321,281
Miscellaneous Net Items (Individually under $25,000)	31,206
Sub-total Expenditures	**$723,365**
Total Water Operations	**$754,337**

Water operational revenues are significantly impacted by consumption patterns. Extreme wet or dry conditions can dramatically impact consumption, particularly for residential users. Although there has been a downward trend in average residential consumption in recent years, as a result of water conservation measurers, an increase in the number of users has offset this reduction and the County is starting to experience increases in annual consumption. Staff will continue to monitor this trend and incorporate it into future budget analysis as required. Commercial and Industrial revenues resulted in a favourable variance of approximately $154,700 (7.1%) - this was due to a surplus in large industrial consumption of approximately $251,000, which was partially offset by a deficit in commercial basic charges and consumption of approximately $96,300. The New Credit water depot had increased use while Hagersville and Dunnville water depots had more than offsetting decreased use. Continued monitoring of consumption patterns will assist in predicting future demand and budget implications. Net water surpluses are transferred to the Water Rate Stabilization Reserve which has a balance of approximately $5.0 million as at December 31, 2017.

TABLE 6

2017 Operating Variance Analysis for Rate Supported Operations - Wastewater	
	Surplus/ (Deficit)
Revenue	
Residential User Rates Revenue - Basic and Consumption	$268,464
Commercial/Industrial User Rates - Basic and Consumption	(80,543)
Septic/Holding Charges	39,605
Bulk Processing Leachate - Higher treatment levels at both sites	425,210
Recoveries from Norfolk (Sludge Storage)	(31,051)
Overstrength discharge recoveries - due to higher volumes (offset)	78,227
Water Meter Installations and Connection Permits (Wastewater Portion) (due to increased development)	96,751
Miscellaneous net items (individually under $25,000)	36,142
Subtotal Revenues	**$832,804**
Expenditures	
Property taxes (mainlyTownsend Lagoon)	$35,271
Transfer to Wastewater Rate Stabilization Reserve due to increased overstrength charges (offset)	(78,227)
Insurance Charges - Savings in contract renewal	36,390
Miscellaneous net items (individually under $25,000)	40,753
Subtotal Expenditures	**$34,187**
Total Wastewater Operating Surplus	**$866,991**

The wastewater surplus is mainly due to increased residential consumption. 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. Increased residential wastewater basic and consumption charges resulted in a favourable variance of approximately $268,500 (6.0%) due to increased number of users and an overall increase in consumption. Commercial and industrial basic and consumption charges are under budget by approximately $80,500 (4.4%). The bulk processing revenues were over budget in leachate by approximately $425,000 due to increased volumes. The net wastewater surplus is transferred to the Wastewater Rate Stabilization Reserve, which has a balance of approximately $2.1 million as at December 31, 2017.

As detailed above, 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 2017 calendar year to offset most of the negative fluctuations through changes to approved expenditure plans. The end result is limited net surpluses and deficits in most controllable operational areas. Some of these fluctuations can be expected as a historical recurrence (for example, salary gapping) or unpredictable (for example, winter control), so variances should be anticipated as a normal result of such diverse operations. Finding significant expenditure savings to mitigate repeated 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. On the other hand, areas of continued surplus also need to be re-examined to ensure the annual operating budget is not too conservative from a tax levy and user rates perspective. 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 2017 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. Building Division Statement of Activities 2005-2017
2. Parkland Dedication Reserve Fund Statement of Activities 2017
3. Auditors Report from Millard, Rouse & Rosebrugh, dated August 15, 2018, accompanied by a copy of Haldimand County's 2017 Audited Financial Statements

Corporation of Haldimand County
Building Division
Statement of Activities 2005 - 2017

January 1st to December 31st	2005 ($)	2006 ($)	2007 ($)	2008 ($)	2009 ($)	2010 ($)	2011 ($)	2012 ($)	2013 ($)	2014 ($)	2015 ($)	2016 ($)	2017 ($)
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	2,290,725
Plumbing Permits													-
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	20,980
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	2,311,705
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)	(861,709)
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)	(205,510)
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)	(1,067,219)
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	1,244,486
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	3,975,100
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	1,244,486
Interest					4,611	(1,366)	4,189	4,651	19,072	43,901	50,053	120,441	58,959
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	5,278,545

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 2017

January 1st to December 31st	2017 ($)
Continuity of Parkland Reserve Fund	
Opening Balance - January 1st	**726,757**
Sources of Funds:	
Park Dedication Payments	24,749
Interest Earned	10,939
Total Source of Funds	**35,688**
Use of Funds*	
Amounts Transferred to Capital (or Other) Funds (1)	(9,070)
Total Use of Funds	**(9,070)**
Closing Balance - December 31st	**753,375**

(1) See Attachment 1 for details

This statement is presented in accordance with Section 37 (5)-(10) and 42 (17)-(20) of the Planning Act (the "Act").

PARKLAND RESERVE FUND STATEMENT
THE CORPORATION OF HALDIMAND COUNTY
FOR THE YEAR 2017

Capital Project	Parkland Reserve Fund Draw	Development Charges - Leisure Services	Other Reserves Fund Draw	Grants, Subsidies, Other Contributions	Total 2017 Funding
Chippewa Trail Phase 2	8,556	17,067		42,125	67,748
Caledonia Kinsmen Park Land Transfer from GRCA	149				149
Caledonia Skatepark/BMX Park	365		653		1,018
Totals	**$ 9,070**	**$ 17,067**	**$ 653**	**$ 42,125**	**$ 68,915**

The Corporation Of Haldimand County

Consolidated Financial Statements

December 31, 2017

The Corporation of Haldimand County

Index to Consolidated Financial Statements

December 31, 2017

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 Canadian generally accepted auditing standards.

Don Boyle, Chief Administrative Officer

Karen General, General Manager of Corporate Services - Chief Financial Officer

Mark Merritt, Treasurer

Cayuga, Ontario
August 15, 2018

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of Haldimand County, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, changes in net financial 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 is 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 from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of Haldimand County as at December 31, 2017 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, Rouse & Rosebrugh LLP

Millard, Rouse & Rosebrugh LLP
Chartered Professional Accountants
Licensed Public Accountants

August 15, 2018
Simcoe, Ontario

The Corporation of Haldimand County

Consolidated Statement of Financial Position

As at December 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash	**$ 4,310,337**	$ 7,217,575
Investments *(Note 3)*	**166,693,855**	140,920,964
Taxes receivable	**7,957,740**	12,797,410
Accounts receivable	**10,781,143**	9,037,530
Loan receivable *(Note 4)*	**2,320,189**	1,890,695
	192,063,264	171,864,174
LIABILITIES		
Accounts payable	**19,492,785**	17,342,881
Due to Norfolk County *(Note 5)*	**372,329**	1,749,789
Due to trust funds	**109,752**	154,370
Employee benefits liability *(Note 6)*	**10,750,336**	10,300,899
Allowance for assessment adjustments *(Note 7)*	**2,450,066**	10,361,220
Deferred revenue *(Note 8)*	**16,608,751**	9,235,778
Solid waste landfill closure and post-closure liability *(Note 9)*	**13,958,038**	14,053,543
Long term liabilities *(Note 10)*	**47,715,918**	39,641,590
	111,457,975	102,840,070
NET FINANCIAL ASSETS	**80,605,289**	69,024,104
NON-FINANCIAL ASSETS		
Tangible capital assets *(Note 11)*	**452,782,576**	441,435,520
Prepaid expenses	**802,227**	281,891
Inventory	**517,155**	638,494
	454,101,958	442,355,905
ACCUMULATED SURPLUS *(Note 12)*	**$534,707,247**	$511,380,009

See accompanying notes

The Corporation of Haldimand County

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31, 2017

	Budget 2017	2017	2016
	(Note 20)		
REVENUES			
Taxation	**$ 65,231,370**	**$ 66,218,815**	$ 64,059,582
Government transfers - Federal *(Note 13)*	**4,483,418**	**2,146,560**	3,177,443
Government transfers - Provincial *(Note 14)*	**15,868,127**	**16,968,383**	15,914,190
Recoveries from other municipalities	**2,230,770**	**2,630,187**	2,377,224
User charges	**29,090,540**	**28,056,491**	26,932,912
Other income *(Note 15)*	**7,040,730**	**26,329,021**	21,275,227
	123,944,955	**142,349,457**	133,736,578
Expenses			
General government	**9,529,519**	**10,148,024**	10,396,672
Protection services	**18,000,534**	**14,529,219**	15,402,358
Transportation services	**27,044,051**	**31,070,055**	28,423,275
Environmental services	**27,561,509**	**27,091,041**	28,200,578
Health services	**7,910,525**	**7,518,718**	8,214,313
Social and family services	**12,586,137**	**12,442,798**	12,620,101
Social housing	**1,132,400**	**719,277**	1,095,155
Recreation and cultural services	**10,086,655**	**12,910,788**	11,155,732
Planning and development	**2,543,590**	**2,592,299**	2,315,221
	116,394,920	**119,022,219**	117,823,405
ANNUAL SURPLUS	**$ 7,550,035**	**23,327,238**	15,913,173
Accumulated surplus - beginning of year	**511,380,009**	**511,380,009**	495,466,836
ACCUMULATED SURPLUS - END OF YEAR	**$518,930,044**	**$534,707,247**	$511,380,009

See accompanying notes

The Corporation of Haldimand County

Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31, 2017

	Budget 2017	2017	2016
	(Note 20)		
ANNUAL SURPLUS	**$ 7,550,035**	**$ 23,327,238**	$ 15,913,173
Amortization of tangible capital assets	**23,700,950**	**23,700,950**	23,403,319
Purchase of tangible capital assets	**(34,730,810)**	**(36,351,996)**	(36,992,871)
Proceeds on disposal of tangible capital assets	**-**	**871,732**	748,695
Loss on disposal of assets	**-**	**432,258**	2,179,058
Decrease (increase) in prepaid expenses	**-**	**(520,336)**	53,745
Decrease (increase) in inventory	**-**	**121,339**	(117,799)
	(11,029,860)	**(11,746,053)**	(10,725,853)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	**(3,479,825)**	**11,581,185**	5,187,320
Net financial assets - beginning of year	**69,024,104**	**69,024,104**	63,836,784
NET FINANCIAL ASSETS - END OF YEAR	**$ 65,544,279**	**$ 80,605,289**	$ 69,024,104

See accompanying notes

The Corporation of Haldimand County

Consolidated Statement of Cash Flow

Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Annual surplus	**$ 23,327,238**	$ 15,913,173
Items not affecting cash:		
Amortization of tangible capital assets	**23,700,950**	23,403,319
Loss on disposal of tangible capital assets	**432,258**	2,179,058
	47,460,446	41,495,550
Changes in non-cash working capital:		
Taxes receivable	**4,839,670**	(4,203,449)
Accounts receivable	**(1,743,613)**	(3,026,700)
Loan receivable	**(429,494)**	(1,890,695)
Accounts payable	**2,149,904**	3,463,467
Due to Norfolk County	**(1,377,460)**	885,419
Due to trust funds	**(44,618)**	(50,819)
Employee benefits liability	**449,437**	1,116,980
Allowance for assessment adjustments	**(7,911,154)**	(3,799,986)
Deferred revenue	**7,372,973**	2,834,903
Solid waste landfill closure and post-closure liability	**(95,505)**	(262,998)
Prepaid expenses	**(520,336)**	53,745
Inventory	**121,339**	(117,799)
	2,811,143	(4,997,932)
Cash flow from operating activities	**50,271,589**	36,497,618
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	**(36,351,996)**	(36,992,871)
Proceeds from sale of tangible capital assets	**871,732**	748,695
Cash flow used by capital activities	**(35,480,264)**	(36,244,176)
FINANCING ACTIVITIES		
Long term debt issued	**12,332,000**	7,363,100
Repayment of long term debt	**(4,257,672)**	(3,532,630)
Cash flow from financing activities	**8,074,328**	3,830,470
INCREASE IN CASH FLOW	**22,865,653**	4,083,912
Cash - beginning of year	**148,138,539**	144,054,627
CASH - END OF YEAR	**171,004,192**	148,138,539
CASH CONSISTS OF:		
Cash	**$ 4,310,337**	$ 7,217,575
Investments	**166,693,855**	140,920,964
	$171,004,192	$148,138,539

See accompanying notes

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 and Canborough waste disposal sites. 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:

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 Public Library Board
Police Services Board
Court of Revision
Committee of Adjustment
Accessibility Advisory Board
Haldimand County Business Development and Planning Advisory Committee
Agricultural Advisory Committee
Heritage Haldimand Advisory Committee
Trails Advisory Committee
Museum Advisory Committee
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.

(continues)

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 board:

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 $14,906,562 (2016 - $15,598,391).

(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 $7,774,381 (2016 - $7,474,693) and is not recorded in these consolidated financial statements. Included in this figure is an amount in arrears transferred from the Province in 2001 approximating $1,647,000.

(vi) Haldimand-Norfolk Housing Corporation
Bill 128 (the Social Housing Reform Act, 2000) provided for the formation of local housing corporations to be organized under the provisions of the Ontario Business Corporations Act with a municipal service manager as the sole shareholder. The Haldimand-Norfolk Housing Corporation was incorporated under the Ontario Business Corporations Act on December 14, 2000. The Corporation was deemed upon incorporation to have issued 100 common shares to The Corporation of Norfolk County. On July 12, 2001 40 of those shares were transferred to The Corporation of Haldimand County. Haldimand-Norfolk Housing Corporation financial statements are not consolidated within these financial statements. The Haldimand-Norfolk Housing Corporation have their own audited financial statements reported separately.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 Consolidated Statement of Financial Position.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible capital assets

Tangible capital assets are stated 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

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.

As approved in the Hydro Legacy Fund Policy, starting in 2017 market investment earnings are to be accrued to the Hydro Legacy Fund based on the average yield to maturity. The annual market yield to be accrued is determined annually by the Investment Committee, with advice from the external investment manager. Any accrued investment income to the Hydro Legacy Fund will be offset by the Investment Income Stabilization Reserve and later reconciled as the related growth income matures or is liquidated.

Inventory

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

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.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

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

Significant 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.

3. INVESTMENTS

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

	2017		2016	
	Market Value	**Carrying Value**	Market Value	Carrying Value
Fixed Income				
Government bonds and GICs	$ 13,315,289	**$ 13,500,867**	$ 38,434,803	$ 38,434,803
Money market instruments	286,897	**286,897**	486,161	486,161
High interest savings	15,906,091	**15,906,091**	-	-
Principal protected notes	46,792,085	**45,000,000**	35,000,000	35,000,000
	76,300,362	**74,693,855**	73,920,964	73,920,964
Growth/Equity Investments				
Principal protected notes	101,622,930	**92,000,000**	67,000,000	67,000,000
	$177,923,292	**$166,693,855**	$140,920,964	$140,920,964

Maturity dates on the investments in the portfolio range from 2018 to 2022.

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 is for 10 years commencing on October 5, 2017 and bears interest at 4.04%. As at December 31, 2017, the principal amount outstanding is $2,320,189.

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 and Canborough waste disposal sites 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:

	2017	2016
Vested and non-vested sick leave	**$ 913,100**	$ 862,300
Post employment and post retirement benefits	**2,719,200**	2,686,500
Workers' compensation	**7,118,036**	6,752,099
	$10,750,336	$ 10,300,899

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, 2017 is estimated at $302,849 (2016 - $290,156) and is recorded in accounts payable.

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 $8,643 (2016 - $14,734).

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	3.50%
Extended healthcare trend rate	
Initial	5.45%
Ultimate	4.00%
Year ultimate reached	2036
Dental trend rate	4.00%

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

(continues)

6. EMPLOYEE BENEFITS LIABILITY *(continued)*

The estimate of future benefit costs for WSIB claims based on the WSIB board calculations are $7,118,036 (2016 - $6,752,099). 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 $1,020,211 (2016 - $758,224). This unfunded liability is presented in the Consolidated Statement of Financial Position in accumulated surplus (Note 12).

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 $446,014 (2016 - $472,393).

7. ALLOWANCE FOR ASSESSMENT ADJUSTMENTS

Haldimand County has included annual allowances to cover the estimated costs of the disposition of various assessment appeals initiated by property owners. During 2017, several large assessment appeals were finalized and the cost associated with these appeals were funded from the accumulated allowance. A review of the remaining accumulated allowance and management's estimate of the cost of the disposition of the remaining appeals identified an excess allowance of approximately $6,500,000. This excess was transferred to the Capital Replacement Reserve - Roads Infrastructure during 2017, resulting in realized income of $6,500,000 as denoted in Note 15. Management believes the ultimate disposition of the remaining assessment appeals will not materially exceed the allowance recorded in these financial statements.

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	$ 726,758	$ 24,749	$ 10,938	$ (9,071)	**$ 753,374**
Development charges	(227,059)	5,478,101	(3,788)	(2,345,012)	**2,902,242**
Building permits	3,975,100	1,250,538	58,959	(6,052)	**5,278,545**
Federal gas tax	3,864,987	2,777,054	62,792	(931,524)	**5,773,309**
Provincial OCIF	-	1,207,563	11,695	(873,510)	**345,748**
Deferred provincial grants	755,781	-	-	-	**755,781**
Other	140,211	799,752	-	(140,211)	**799,752**
	$9,235,778	$11,537,757	$ 140,596	$(4,305,380)	**$16,608,751**

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, reached its capacity of 2,300,000 cubic metres 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 $13,958,038. 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, 2017 for the sites are as follows:

Inflation rate	2.0%
Discount rate	4.0%
Estimated time for post-closure site rehabiliation and monitoring	50 years

	2017	2016
Capital costs upon closure	**$ 490,836**	$ 622,348
Closed landfill site rehabilitation and monitoring	**13,467,202**	13,431,195
	$13,958,038	$14,053,543

10. LONG TERM LIABILITIES

a) Long term liabilities reported on the Consolidated Statement of Financial Position is comprised of the following:

	2017	2016
Total long term liabilities issued or assumed by the municipality and outstanding at the end of the year amounts to:	**$47,735,030**	$39,680,885
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:	**(19,112)**	(39,295)
	$47,715,918	$39,641,590

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

2018	**$ 5,187,728**
2019	**5,222,873**
2020	**5,259,626**
2021	**4,495,948**
2022	**4,513,948**
Thereafter	**23,035,795**
	$47,715,918

The above long term liabilities have maturity dates ranging from 2018 to 2033 with interest rates varying between 1.20% to 5.27%.

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, 2017 is $19,112 (2016 - $39,295) 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.

11. TANGIBLE CAPITAL ASSETS

	Land	Land Improvements	Buildings and Structures	Infrastructure	Vehicles, Machinery and Equipment	Assets Under Construction	2017
Cost, beginning of year	$9,436,179	$ 65,704,970	$147,269,455	$512,639,758	$ 76,415,365	$14,054,235	**$825,519,962**
Additions	112,163	2,092,618	7,450,198	19,174,008	12,711,094	14,928,450	**56,468,531**
Disposals	(19,724)	(81,389)	(1,633,542)	(3,894,227)	(1,593,403)		**(7,222,285)**
Transfer to capital assets	-	-	-	-	-	(20,116,535)	**(20,116,535)**
Cost, end of year	9,528,618	67,716,199	153,086,111	527,919,539	87,533,056	8,866,150	**854,649,673**
Accumulated amortization, beginning of year	-	29,714,220	43,863,590	273,064,626	37,442,006	-	**384,084,442**
Amortization	-	1,424,094	2,962,724	14,730,937	4,583,195	-	**23,700,950**
Disposals	-	(81,259)	(1,329,627)	(3,136,739)	(1,370,670)	-	**(5,918,295)**
Accumulated amortization, end of year	-	31,057,055	45,496,687	284,658,824	40,654,531	-	**401,867,097**
Net carrying amount, end of year	$9,528,618	$ 36,659,144	$107,589,424	$243,260,715	$ 46,878,525	$ 8,866,150	**$452,782,576**

(continues)

11. TANGIBLE CAPITAL ASSETS *(continued)*

	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	9,436,179	65,704,970	147,269,455	512,639,758	76,415,365	14,054,235	**825,519,962**
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	-	29,714,220	43,863,590	273,064,626	37,442,006	-	**384,084,442**
Net carrying amount, end of year	$9,436,179	$ 35,990,750	$103,405,865	$239,575,132	$ 38,973,359	$14,054,235	**$441,435,520**

12. ACCUMULATED SURPLUS

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

	2017	2016
Investment in tangible capital assets	**$ 452,782,576**	$ 441,435,520
Long term liabilities	**(47,715,918)**	(39,641,590)
Unfinanced capital	**(2,099,063)**	(13,467,722)
Net investment in tangible capital assets	**402,967,595**	388,326,208
BIA surpluses	**135,884**	85,819
Reserves		
Contingencies	**11,741,120**	10,458,170
Capital purposes	**36,800,703**	32,682,017
Other	**13,637,148**	12,566,068
	62,178,971	55,706,255
Reserve funds		
Capital replacement - sewer	**11,325,961**	10,078,245
Capital replacement - water	**6,102,820**	6,015,008
Waste management	**655,036**	785,598
Hydro legacy fund	**77,497,487**	74,561,517
Community vibrancy	**(10,800,308)**	(9,140,201)
Other	**1,889,537**	1,964,416
	86,670,533	84,264,583
WSIB reserve fund held jointly with Norfolk County (gross amounts)	**446,014**	472,393
Unfunded liabilities		
Solid waste landfill closure and post-closure liability	**(13,958,038)**	(14,053,543)
Post employment and post retirement benefits liability	**(2,133,345)**	(2,137,777)
Vested and non-vested sick leave liability	**(580,156)**	(525,705)
WSIB	**(1,020,211)**	(758,224)
	(17,691,750)	(17,475,249)
	$ 534,707,247	$ 511,380,009

13. GOVERNMENT TRANSFERS - FEDERAL

	Budget (Note 20)	2017	2016
Operating			
Conditional	$ 58,280	$ 55,550	$ 73,606
Capital			
Infrastructure funding	1,696,388	1,159,486	-
Federal gas tax revenue	2,728,750	931,524	3,103,837
	$ 4,483,418	$ 2,146,560	$ 3,177,443

14. GOVERNMENT TRANSFERS - PROVINCIAL

	Budget (Note 20)	2017	2016
Operating			
Ontario Municipal Partnership Fund	$ 3,697,200	$ 3,697,200	$ 3,545,800
Conditional	9,889,850	10,680,430	10,362,020
Capital			
Infrastructure funding	2,281,077	2,590,753	2,006,370
	$ 15,868,127	$ 16,968,383	$ 15,914,190

15. OTHER INCOME

	Budget (Note 20)	2017	2016
Licenses, permits, rents and concessions	$ 1,875,760	$ 1,754,248	$ 1,442,242
Provincial offences and other fines	600,150	455,634	542,331
Penalties and interest on taxes	1,155,000	1,414,510	1,363,926
Investment income	1,914,380	2,620,769	5,767,474
Development charges earned	-	2,354,082	1,805,856
Developer contributed assets	-	9,682,117	9,021,721
Proceeds from sale of land and other assets	487,030	87,262	87,608
Loss on disposal of tangible capital assets	-	(432,258)	(2,179,058)
Donations	315,590	875,819	2,381,990
Allowance for assessment adjustments - recovery	-	6,500,000	-
Other	692,820	1,016,838	1,041,137
	$ 7,040,730	$ 26,329,021	$ 21,275,227

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 2017 was $2,387,459 (2016 - $2,327,051).

As well, Haldimand County negotiated an operating and maintenance agreement with Veolia Water Canada for the Central Water System in Nanticoke and the water systems in Dunnville. This contract expires June 30, 2020. The annual cost of this contract for 2017 was $2,211,010 (2016 - $2,047,951).

b) Ontario Provincial Police contract

Haldimand County has entered into a five-year agreement with the Solicitor General of Ontario for the provision of police services. The five-year term expires December 31, 2022. The annual cost of this contract for 2017 was $7,605,335 (2016 - $7,567,057).

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 2017 Haldimand County paid $2,301,613 (2016 - $2,161,489) 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. As at December 31, 2017 the balance outstanding was $751,868. 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 2017 was $2,451,374 (2016 - $2,387,352). 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, 2017 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, 2017 of $1,214,051 (2016 - $1,182,455).

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, 2017 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:

	2017
Budget surplus for the year adopted by Council	$ -
Add:	
Capital expenditures	34,730,810
Budgeted transfers to accumulated surplus	27,463,060
Principal payments on debt	4,257,680
Less:	
Debt proceeds	(271,000)
Budgeted transfers from accumulated surplus	(34,929,565)
Amortization	(23,700,950)
Budget surplus per Consolidated Statement of Operations	$ 7,550,035

21. COMPARATIVE FIGURES

Certain prior year figures have been adjusted to conform with the 2017 financial statement presentation.

22. SEGMENTED INFORMATION

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.

(continues)

22. SEGMENTED INFORMATION *(continued)*

	General Government	Protection Services	Transportation Services	Enviromental Services	Social and Family Services	Other Services [1]	Consolidated 2017
Revenue							
Government transfers - Federal	$ 943,532	$ -	$ -	$ 453,337	$ -	$ 749,691	**$ 2,146,560**
Government transfers - Provincial	4,757,763	154,502	1,621,925	974,877	6,379,216	3,080,100	**16,968,383**
User charges	3,444,072	207,070	181,325	19,561,069	2,662,288	2,000,667	**28,056,491**
Other revenue [2]	13,334,790	1,629,853	5,509,018	7,650,083	59,640	775,824	**28,959,208**
	22,480,157	1,991,425	7,312,268	28,639,366	9,101,144	6,606,282	**76,130,642**
Expenses							
Salaries, wages and benefits	5,953,732	3,554,488	6,035,594	3,347,088	7,939,083	12,192,833	**39,022,818**
Materials	414,544	91,510	3,288,899	2,552,870	791,533	350,700	**7,490,056**
Contracted services	2,140,158	8,999,058	7,122,021	15,504,960	1,768,432	6,079,710	**41,614,339**
External transfers	64,654	668,042	-	2,023	780,162	2,211,222	**3,726,103**
Financial expenses	1,055,657	10,213	28,480	844,262	421	57,954	**1,996,987**
Interest on long term liabilities	-	110,924	-	193,149	532,110	634,783	**1,470,966**
Amortization	519,279	1,094,984	14,595,061	4,646,689	631,057	2,213,880	**23,700,950**
	10,148,024	14,529,219	31,070,055	27,091,041	12,442,798	23,741,082	**119,022,219**
Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy	$12,332,133	$(12,537,794)	$ (23,757,787)	$ 1,548,325	$(3,341,654)	$(17,134,800)	**$(42,891,577)**
Taxation revenue							**66,218,815**
Annual surplus							**$ 23,327,238**

[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.

22. SEGMENTED INFORMATION *(continued)*

	General Government	Protection Services	Transportation Services	Enviromental 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]	7,243,182	1,631,494	5,749,950	6,673,476	55,390	2,298,959	**23,652,451**
	16,789,829	1,978,799	9,056,599	25,534,662	9,053,953	7,263,154	**69,676,996**
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	-	-	1,198,453	3,128,845	**5,053,776**
Financial expenses	1,607,146	13,184	65,518.00	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	463,828	1,053,755	14,419,962	4,711,345	627,762	2,126,667	**23,403,319**
	10,396,672	15,402,358	28,423,275	28,200,578	12,620,101	22,780,421	**117,823,405**
Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy	$ 6,393,157	$(13,423,559)	$ (19,366,676)	$ (2,665,916)	$(3,566,148)	$(15,517,267)	**$(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

Library Division - Schedule of Operations

Year Ended December 31, 2017

	Budget 2017	2017	2016
REVENUE			
Government transfers:			
Provincial library operating grant (Ministry of Tourism, Culture and Sport)	**$ 72,438**	**$ 72,400**	$ 72,400
Pay equity	**6,762**	**6,762**	6,762
Other	**5,710**	**5,286**	10,287
Fees and service charges	**20,340**	**21,519**	19,792
Fines	**30,370**	**25,892**	29,068
Donations	**7,900**	**7,268**	7,583
Other revenue	**20,200**	**18,865**	20,034
	163,720	**157,992**	165,926
EXPENSES			
Salaries, wages and benefits	**1,243,420**	**1,145,393**	1,180,055
Materials and supplies	**84,920**	**57,551**	73,011
Services	**184,070**	**156,251**	168,340
Rents and financial expenses	**29,000**	**24,379**	27,760
	1,541,410	**1,383,574**	1,449,166
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE UNDERNOTED ITEMS	**(1,377,690)**	**(1,225,582)**	(1,283,240)
Transfer from reserves	**(67,140)**	**-**	(8,000)
Transfer to reserves	**231,680**	**316,648**	373,189
	164,540	**316,648**	365,189
DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR FINANCED BY NET MUNICIPAL LEVY	**$ (1,542,230)**	**$ (1,542,230)**	$ (1,648,429)

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

See accompanying notes

The Corporation of Haldimand County

Museum Division - Schedule of Operations

Year Ended December 31, 2017

	Budget 2017	2017	2016
REVENUE			
Government transfers	**$ 84,550**	**$ 73,595**	$ 94,686
Fees and service charges	**13,670**	**11,626**	10,983
Donations	**16,990**	**15,488**	17,666
	115,210	**100,709**	123,335
EXPENSES			
Salaries, wages and benefits	**318,460**	**312,790**	296,030
Materials and supplies	**41,880**	**33,155**	53,490
Services	**51,670**	**43,613**	58,328
Rents and financial expenses	**910**	**555**	794
	412,920	**390,113**	408,642
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE UNDERNOTED ITEMS	**(297,710)**	**(289,404)**	(285,307)
Transfer from reserves	**(1,200)**	**(789)**	-
DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR FINANCED BY NET MUNICIPAL LEVY	**$ (296,510)**	**$ (288,615)**	$ (285,307)

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

See accompanying notes

The Corporation Of Haldimand County

Trust Funds - Financial Statements

December 31, 2017

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 as at December 31, 2017 and the statement of continuity 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, the financial statements present fairly, in all material respects, the financial position of The Corporation of Haldimand County's trust funds as at December 31, 2017 and the results of their operations for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Millard, Rouse & Rosebrugh LLP

Millard, Rouse & Rosebrugh LLP
Chartered Professional Accountants
Licensed Public Accountants

August 15, 2018
Simcoe, Ontario

The Corporation of Haldimand County

Balance Sheet - Trust Funds

Year Ended December 31, 2017

	Combined Cemetery Perpetual Care	Grandview Bequest Trust	Grandview Comfort Trust	Total 2017	Total 2016
NET ASSETS					
Cash	$ 617,003	$ -	$ 145,047	**$ 762,050**	$ 726,632
Investments (Note 2)	604,820	-	-	**604,820**	597,053
Due from Haldimand County	(1,560)	116,001	(4,689)	**109,752**	154,370
TOTAL NET ASSETS	$ 1,220,263	$ 116,001	$ 140,358	**$1,476,622**	$ 1,478,055
TRUST FUND BALANCE	$ 1,220,263	$ 116,001	$ 140,358	**$1,476,622**	$ 1,478,055

See accompanying notes

The Corporation of Haldimand County

Statement of Continuity - Trust Funds

Year Ended December 31, 2017

	Combined Cemetery Perpetual Care	Grandview Bequest Trust	Grandview Comfort Trust	Total 2017	Total 2016
RECEIPTS					
Sale of plots and markers	$ 25,576	$ -	$ -	**$ 25,576**	$ 30,337
Investment income	14,365	2,124	-	**16,489**	13,238
Resident contributions	-	-	178,544	**178,544**	178,493
Donations	-	100	-	**100**	200
	39,941	2,224	178,544	**220,709**	222,268
Disbursements					
Transfer to cemetery operations	14,365	-	-	**14,365**	6,329
Transfer to County (Note 3)	-	44,200	-	**44,200**	38,910
Transfer to residents	-	-	163,577	**163,577**	183,115
	14,365	44,200	163,577	**222,142**	228,354
NET RECEIPTS (DISBURSEMENTS) FOR THE YEAR	25,576	(41,976)	14,967	**(1,433)**	(6,086)
Trust fund balance - beginning of year	1,194,687	157,977	125,391	**1,478,055**	1,484,141
TRUST FUND BALANCE - END OF YEAR	$ 1,220,263	$ 116,001	$ 140,358	**$1,476,622**	$ 1,478,055

See accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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; disbursements 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.

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 amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

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

2. INVESTMENTS

Trust fund investments of $604,820 (2016 - $597,053) reported on the Balance Sheet at cost, have a fair value of $604,820 (2016 - $597,053) 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 $44,200 (2016 - $38,910).

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.