
HALDIMAND COUNTY

Report FIN-16-2019 Audited Financial Statements for 2018

For Consideration by Council on November 4, 2019



OBJECTIVE:

To present the audited 2018 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, 2018.

RECOMMENDATIONS:

1. THAT Report FIN-16-2019 Audited Financial Statements for 2018 be received;
2. AND THAT the consolidated financial statements, including the Trust Fund Statements, for Haldimand County for 2018, as audited by Millard, Rouse and Rosebrugh LLP, be received and approved.

Prepared by: Angela Cifani, Supervisor Budgets & Financial Planning

Reviewed by: Charmaine Corlis, Treasurer

Respectfully submitted: Mark Merritt, CPA, CA, General Manager of Financial & Data Services

Approved: Craig Manley, MCIP, RPP, Chief Administrative Officer

EXECUTIVE SUMMARY:

Highlights from the 2018 audited financial statements (presented under separate cover) are as follows:

- **Investment Portfolio:** As outlined in the annual investment report to Council in June 2019, the carrying book value of the County's investment portfolio was approximately \$152.0 million compared to a book value of \$166.7 million at December 31, 2017. This decrease is mainly due to unfinanced capital projects for which the issuance of debt occurred in 2019 (approximately \$32.7 million in debt was issued in 2019 for active projects). The 2018 year end book value is comprised of approximately \$60.0 million in fixed income investments, while the 2018 growth/equity year end book value remain equivalent to 2017 year end of \$92.0 million. This portfolio, coupled with strong annual returns has led to increased liquidity, revenue and financial flexibility.
- **Substantial Investment in Infrastructure:** The County invested over \$40 million in infrastructure (replacement and new). This significant investment is outpacing the use of current assets, and is a result of needed facility replacements, some growth, and acceleration and enhancement to roads. Prior years have ranged anywhere from \$25 million to \$37 million. At the end of 2018, the historical cost of the County's infrastructure was estimated at approximately \$884 million.
- **Reserves/Reserve Funds:** The County has established numerous reserves/reserve funds to ensure sufficient funds are available for future expenditures. Total Operating and Capital Reserves/Reserve Funds, at December 31, 2018, were \$81.7 million which represents a decrease of approximately \$480,388 over the previous year. This excludes both our Hydro

legacy fund of \$79.9 million, which increased \$2.4 million over 2017, as well as our Community vibrancy fund which has a negative balance of almost \$11 million.

- **Reduction in Net Long Term Debt:** Despite significant investment in infrastructure, the County’s net long term debt decreased by \$5.2 million in 2018 to a year end balance of \$42.5 million. However, the County has almost \$14 million of unfinanced capital costs at the end of 2018 – an increase of \$12 million over the previous year. These costs are primarily due to the Dunnville Wastewater Treatment Plant, Haldimand County Administration Building and Cayuga Library projects that were funded through the 2019 debt issuance.
- **Strong Credit Rating:** The above noted items were several of the factors noted during the County’s annual credit rating review in 2019. 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 and flexible budgetary performance and minimal debt burden. These estimates were based on assumptions that capital expenditures would remain close to \$35 million.

The audited 2018 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 2018 Operating Net Surplus/(Deficit)		
Tax Supported Operations		\$1,613,910
Rate Supported Operations		
Water Operations	\$864,209	
Wastewater Operations	\$581,407	\$1,445,616
Total Operating Surplus		<u>\$3,059,526</u>

The presentation of the 2018 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 audited surplus or deficit for the year (for internal reporting purposes, operational surpluses or deficits are transferred to/from specifically identified reserves).

ANALYSIS:

The County's auditor, Millard, Rouse & Rosebrugh LLP, has recently completed their audit of the 2018 Consolidated Financial Statements. The audited statements are provided as Attachment 3 to this report and will be presented by the auditor at the November 4th Council meeting. These statements also include the annual results of the County administered Trust Funds (i.e. cemetery perpetual care funds, Grandview Lodge bequest funds and Grandview Lodge Comfort Trust fund).

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

Reconciliation of Budget and 2018 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, do not appear 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 2018.

TABLE 1

<u>Description</u>	<u>2018 Impact</u>
Surplus for year per approved Budgets (*)	\$0
Add:	
Capital expenditures to be capitalized	\$35,224,210
Budgeted transfers to accumulated surplus (i.e. contributions to reserves/reserve funds)	\$29,161,420
Principal payments on debt	\$5,187,760
Less:	
Budgeted transfers from accumulated surplus (i.e. use of reserves/reserve funds)	(\$41,215,225)
Amortization	<u>(\$24,121,621)</u>
Revised budgeted surplus as reported on audited Financial Statements	<u>\$4,236,544</u>

(*) – 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 2018, 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 2018 fiscal year of approximately \$3 million. This reflects the financial results for tax and rate supported operations – which excludes capital and reserve/reserve fund operations. In comparison, the PSAB compliant reported surplus on the 2018 audited financial statements is approximately \$7.3 million. The following table reconciles the reasons for the differences in how the surplus/deficit has been reported:

TABLE 2

<u>Description</u>	<i>Impact on 2018 Surplus Increase/(Decrease)</i>
Revenue Fund – surplus from 2018 tax supported and water/wastewater operations (details analyzed in Table 3)	\$3,059,526
<i>Add Net Capital and Reserve Fund Operations:</i>	
Capital Fund (work in progress to be funded – primarily from debt)	(11,880,904)
Reserves/Reserve Funds (net transfers)	<u>(3,086,618)</u>
Sub-total per Internal Financial Statements	(11,907,996)
<i>Adjustments for PSAB Audited Financial Statements:</i>	
Principal debt repayments	5,187,727
Debt Proceeds	-
Business Improvement Areas (2018 net operations)	(40,687)
Decrease/ (Increase) in landfill post-closure liability	(95,476)
Capital costs capitalized (i.e. not expensed) during the year	27,349,455
Capital costs included in work in progress (i.e. not complete as at December 31 st)	12,792,353
Amortization of capital assets	(24,121,621)
Net costs associated with disposal of capital assets	(1,118,355)
Change in post employment and sick leave liabilities	(88,700)
Change in workers' compensation liabilities	(3,380,312)
Change in deferred revenues/obligatory reserves	<u>2,740,100</u>
2018 Surplus Reported on Audited Financial Statements	<u>\$7,316,488</u>

Consistent with the adjustments for the approved budget as outlined in Table 1, the above differences between the revenue fund operating surplus and the audited financial statements relate primarily to capital transactions that are not expensed for PSAB reporting purposes or capital revenue sources not budgeted for on an annual basis. In addition adjustments for accrual of post employment benefits and WSIB liability are 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 2018 operating variances are as follows:

- Operating Revenues: The total variance between actual revenues compared to budgeted revenues is approximately \$10.1million favourable variance. The main contributing factors to the reported variance is related to:
 - Developer Contributed Assets: during 2018 several subdivisions were developed to the point that the County assumed significant infrastructure totaling approximately \$3.8 million. 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.
 - 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 2018, revenues of \$3.7 million were recognized, related to the matching 2018 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 \$2.9 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, \$3.8 million was utilized and recognized in 2018 versus the budgeted amount of the \$2.9, resulting in a favourable variance of \$939,000.
- Provincial Government Transfers: Provincial infrastructure funding is related to the Ontario Community Infrastructure Fund. Although \$1.7 million was budgeted in 2018, 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. For 2018, \$2.5 million was utilized, resulting in a favourable variance of \$814,000.
- Operating Expenditures: The total variance between actual expenditures compared to budget is approximately \$7 million unfavourable. 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 \$7.8 million net costs were expensed in 2018 with no corresponding budget identified (the full budgeted value of the capital expenditures was removed and assumed to meet PSAB reporting requirements to be capitalized and recorded on the balance sheet). The major area impacted is Transportation Services which had \$7.8 million expensed related to projects that did not meet the criteria to be capitalized. As an example, the surface treatment program is not capitalized of which the Cheapside Road project alone was \$1.2 million.

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 11 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 2018 surplus of \$7.3 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 2018 Net Operating Surplus/(Deficit)

The table below provides a breakdown of the audited 2018 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 2018 Operating Surplus/(Deficit)		
(a)	Tax Supported Operations – General	\$1,106,217
	Public Health (included as part of transfer to Contingency Reserve)	\$227,438
	Social Assistance/Child Care	\$148,426
	Social Housing	\$235,467
	Library	\$98,919
	Investment Income (net of stabilization transfer)	(\$202,557)
	Sub-Total – Tax Supported Operations	\$1,613,910
(b)	Water Operations	\$864,209
	Wastewater Operations	\$581,407
	Sub-Total – Rate Supported Operations	\$1,445,616
	Total Operating Surplus/(Deficit)	\$3,059,526

The total 2018 operating expenditures (combined tax supported and rate supported) were budgeted at approximately \$130.2 million. The above noted net operating surplus of \$3,059,526 represents a 2.3% positive variance in relation to Council's approved budgeted expenditures. As these operations/funds have significantly different revenue sources and expenditure drivers, details of the significant variances in the individual areas/functions are provided below.

(a) Tax Supported Operations

Overall, the Tax Supported Operations reflect a 2018 surplus of approximately \$1,600,000. This net surplus represents a **1.5%** favourable variance on approximately \$109.2 million of budgeted 2018 tax supported operating expenditures. This surplus is not significant in relation to total budgeted expenditures or acceptable municipal financial standards. The annual tax supported operational surplus has traditionally been approximately 1.0% and has been positive and negative over the past five years.

Based on previous Council approval, 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 \$1,106,217 was transferred to the Contingency Reserve, which has a balance of approximately \$12.2 Million at the end of 2018 (including of the above noted surplus). Although there are no set guidelines, a typical rule of thumb is 10% of tax supported operating costs. This would require, at a minimum, a balance of \$11 million. 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.

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

2018 Operating Variance Analysis for Tax Supported Operations	
<u>Revenues</u>	<u>Surplus/(Deficit)</u>
Provincial Transitional Mitigation Grant (to offset lost property taxation from two long term care facilities change in tax status to exempt in 2016)	183,327
Engineering/Inspection Fees & Planning Fees based on timing of development activity	(156,769)
One time recoveries - HST recovery from review of solid waste transfer operations	123,688
Arena revenues	(50,190)
Penalty & Interest - Taxes	(114,518)
POA Fines Revenue	41,472
Supplementary Taxes - mainly due to residential development	1,127,003
Payment in Lieu of Taxes due to increased assessment	48,473
Grandview Lodge revenues	57,952
Interest on Investments	(100,000)
Subtotal Revenues	<u>1,160,439</u>
<u>Expenditures</u>	
Salaries/Wages & Benefits - Including Meeting, Travel and Professional Development - Mainly due to gapping, i.e. unfilled vacancies - County wide (2.6% of total salaries & wages budget)	1,030,352
General Operating Supplies - Corporate wide (individually under \$40,000)	72,138
Fleet operations fuel, supplies and services	(175,588)
Property tax adjustments (tax appeals and vacancy rebates)	(223,203)
Solid Waste Deficit - due to higher than anticipated leachate volumes partially offset by cost sharing with Norfolk County; Haldimand share of deficit partially offset by additional tipping fee revenues and higher than budgeted blue box commodity revenues	(46,302)
Snow Removal for Corporate facilities	(70,015)
Roads Maintenance supplies and services due to additional work, and additional streetlight maintenance	(180,521)
Winter Control Supplies and Contracted Services	(568,771)
Hydro - Savings primarily in Streetlights (\$42K); Savings in Grandview (\$64K) mainly due to lighting retrofit; Deficit in Arenas mainly due to timing of retrofit project (\$18K)	205,810
Miscellaneous net items (individually under \$40,000)	(98,122)
Public Health	227,438
Social Assistance/Child Care	148,426
Social Housing	235,467
Library Operations	98,919
Investment Income Stabilization Reserve Funding	(202,557)
Subtotal Expenditures	<u>453,471</u>
Net Tax Supported Operations Surplus	<u>\$1,613,910</u>

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:

Supplementary Taxes

Although there was a surplus in supplementary taxes (new construction) in both 2018 and 2017, in previous years, the supplementary taxes budget was challenging to meet. As growth within the County is expected to continue for several years, the 2019 tax supported operating budget was increased by \$300,000 to \$900,000. Further review is recommended to monitor this increased assessment related to development throughout Haldimand County.

Interest on Investments

As identified in the annual investment report (FIN-10-2019) presented to Council in June of 2019, the overall investment income reported within the Financial Statements is approximately \$2.7 million representing a 3.79% realized gain. Noted in the report, due to the allocation mix, where much of the investment income is allocated to various reserve funds, there is a deficit related to the tax supported operations. According to the investment policy, \$202,557 was funded from the Investment Income Stabilization Reserve, and \$100,000 deficit was applied to general operations. It is anticipated that the funds utilized from the Investment Income Stabilization Reserve will be recovered from future realized gains as currently held investments mature or are liquidated.

Salaries/Benefits and related costs (net surplus of \$1,030,352) – Net surplus is approximately 2.6% of the total annual salary and benefit budget (which includes salaries, benefits, overtime, professional association dues, staff meetings, travel and professional development) of approximately \$39.2 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. These savings also incorporate unbudgeted costs associated with post employment benefits for retirees.

Winter Control costs, including supplies, services and snow removal (net deficit of \$566,707): 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). Council was advised late fall 2018 of the deficit and again during budget deliberations for 2019. The final net deficit for 2018 is a result of salt/sand purchases being over budget by \$149,486 and contracted snow plowing and snow removal over budget by \$419,285. As experienced with the varying winter conditions of past years, winter control costs can fluctuate significantly from year to year. The 2019 Tax Supported Operating Budget included a \$120,000 increase related to winter control supplies and services. 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.

Shared Services with Norfolk County (net surplus of \$611,331): 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 year 2018 a total surplus of \$611,331 was recognized as follows: Public Health \$227,438 (mainly due to gapping), Social Services/Child Care \$148,426 and Social

Housing \$235,467. Staff have been working closely with Norfolk staff over the past years to expedite the reconciliation process, as well as clean up several outstanding amounts due to/from the two municipalities. As a result, this reconciliation reflects the 2018 year only, as previous years were reconciled with the 2017 financial statements.

Building Division Operations (net deficit of \$299,971) offset by transfer from Building Permit Stabilization Reserve Fund: Building Division net operating results are required, by legislation that has been in place since 2005, to be transferred to/from the County's Building Permit Stabilization Reserve Fund. As noted in March during the Community and Development Services 2018 Annual Report, building permit revenue was down significantly from 2017. This has resulted in a deficit of \$299,971 funded from the reserve fund. This reserve fund has a balance of approximately \$5.1 million as at December 31, 2018. As a result, the net impact on the 2018 tax supported operations is \$0 in keeping with the legislative requirements (the budget is also approved at a net \$0). The overall fee structure was reviewed and amended during 2018, and as a result, the current surplus within the reserve fund was taken into account, in order to mitigate excessive surplus funds, and ensure fluctuations within annual costs could be accommodated. 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.

(c) Water and Wastewater Operations

The combined 2018 Water and Wastewater Operations net surplus is approximately \$1,446,000 on total budgeted operating expenditures of \$21 million. This represents a positive variance of 6.9%. 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 2018 water operations reflected a \$864,209 surplus on budgeted expenditures of approximately \$12.3 million (7.0%), and wastewater operations had a surplus of \$581,407 on budgeted expenditures of approximately \$8.7 million (6.7%). A further breakdown of the significant variances is provided as follows (Table 5 for Water and Table 6 for Wastewater.)

TABLE 5

2018 Operating Variance Analysis for Rate Supported Operations - WATER	
Revenues:	Surplus/ (Deficit)
Residential User Rates Revenue - Basic and Consumption	179,761
Commercial/Industrial User Rates - Basic and Consumption (large industrial users)	231,264
Recoveries from New Credit (residential and bulk water increased consumption)	93,011
Bulk Water Sales (mainly due to Jarvis and Hagersville)	86,696
Water Meter Installations (projections amended in 2019 budget)	(45,846)
Nanticoke Industrial Pumping Station - Stelco and Imperial Oil recoveries (offset by expenditures below)	(9,066)
Port Maitland Raw Water (offset by expenditures below)	(245,247)
Miscellaneous Fees & Recoveries (individually under \$25,000)	11,359
Sub-total Revenues	301,933
Expenditures:	
Salaries & Wages (shift in distributed wages based on additional hours allocated to wastewater operations; partially offset by gapping - total surplus of \$37,600)	71,789
Hamilton Water Supply - Wholesale Water Purchases	233,877
Billing and Collecting Costs	32,976
Hydro (County share)	63,439
Nanticoke Industrial Pumping Station - Stelco and Imperial Oil share of expenditures - mainly hydro savings (offset by recoveries above)	9,066
Port Maitland Raw Water - mainly due to less reserve fund requirements (offset by recoveries above)	245,247
Interdepartmental Charges such as fleet charges - 2018 rates estimated prior to preparation of final rates in the 2018 Tax Supported Operating Budget	(29,575)
Miscellaneous Net Items (Individually under \$25,000)	(64,543)
Sub-total Expenditures	562,276
Total Water Operating Surplus	\$864,209

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 measures, 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 \$231,000 (10.9%) - this was due to a surplus in large industrial consumption of approximately \$288,900, which was partially offset by a deficit in commercial basic charges and consumption of approximately \$57,600. The New Credit water recoveries had increased usage both for residential and at the depot. As well, Jarvis and Hagersville water depots had large surpluses, with Dunnville water depot experiencing a minor surplus. Continued monitoring of

consumption patterns will assist in predicting future demand and budget implications. Net water operating surpluses are transferred to the Water Rate Stabilization Reserve, to a maximum reserve balance of 25% of applicable rate revenue, with amounts exceeding 25% for four years in a row be contributed to the applicable Capital Replacement Reserve Fund (CRRF). As a result, \$4.4 million was transferred to CRRF-Water. The Water Rate Stabilization Reserve has a balance of approximately \$1.5 million as at December 31, 2018.

TABLE 6

2018 Operating Variance Analysis for Rate Supported Operations - Wastewater	
Revenues:	Surplus(Deficit)
Residential User Rates Revenue - Basic and Consumption	251,024
Commercial/Industrial User Rates - Basic and Consumption	(59,937)
Recoveries from Norfolk (Sludge Storage)	(13,703)
Septic/Holding Charges	62,444
Bulk Processing Leachate - Higher treatment levels at both sites	219,114
Over strength discharge recoveries (due to higher volumes than budget)(offset by contribution to reserve below)	94,340
Water Meter Installations and Connection Permits (Wastewater Portion- projections amended in 2019 budget)	(34,519)
Rodding Service Charges	10,377
Miscellaneous net items (individually under \$25,000)	11,408
Subtotal Revenues	<u>540,547</u>
Expenditures:	
Salaries & Wages (shift in distributed wages based on additional hours allocated to wastewater operations; partially offset by gapping - total surplus of \$37,600)	(34,188)
Billing and Collecting Costs	32,976
Hydro	79,381
Taxes & Local Improvements	12,844
Interdepartmental Charges such as fleet charges - 2018 rates estimated prior to preparation of final rates in the 2018 Tax Supported Operating Budget	(21,705)
Transfer to Wastewater Rate Stabilization Reserve (due to increased overstrength charges) (offset)	(94,340)
Miscellaneous net items (individually under \$25,000)	65,891
Subtotal Expenditures	<u>40,860</u>
Total Wastewater Operating Surplus	<u>\$581,407</u>

The wastewater surplus is partially 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 \$251,000 (5.6%) due to increased number of users and an overall increase in consumption. However, the commercial and industrial basic and consumption charges are slightly under budget by approximately \$60,000 on a budget of approximately \$1.8 million. The bulk processing

revenues were over budget in leachate by approximately \$219,000 due to increased volumes. The net wastewater surplus is transferred to the Wastewater Rate Stabilization Reserve, which has a balance of approximately \$2.9 million as at December 31, 2018.

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 2018 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 2018 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 2009-2018
2. Parkland Dedication Reserve Fund Statement of Activities 2018
3. Auditors Report from Millard, Rouse & Rosebrugh, dated October 21, 2019, accompanied by a copy of Haldimand County's 2018 Audited Financial Statements



Corporation of Haldimand County
Building Division
Statement of Activities 2009 - 2018

January 1st to December 31st	<u>2009</u> (\$)	<u>2010</u> (\$)	<u>2011</u> (\$)	<u>2012</u> (\$)	<u>2013</u> (\$)	<u>2014</u> (\$)	<u>2015</u> (\$)	<u>2016</u> (\$)	<u>2017</u> (\$)	<u>2018</u> (\$)
Revenues:										
Building Permits	568,637	915,497	725,620	1,502,558	1,527,622	1,565,168	1,333,386	1,661,880	2,290,725	1,106,725
Plumbing Permits									-	57,631
Septic Inspections	7,050	14,059	12,987	15,537	15,235	15,572	14,858	16,787	20,980	18,946
Provincial Student Grant		753	312						-	-
Total Revenues	575,687	930,309	738,918	1,518,095	1,542,857	1,580,740	1,348,244	1,678,667	2,311,705	1,183,302
Less Expenses:										
Direct Costs	(620,076)	(587,426)	(600,028)	(577,159)	(653,354)	(599,915)	(620,022)	(670,871)	(861,709)	(1,264,861)
Indirect Costs	(162,560)	(169,530)	(176,220)	(180,870)	(176,210)	(172,220)	(178,660)	(194,710)	(205,510)	(218,411)
Total Expenses	(782,636)	(756,956)	(776,248)	(758,029)	(829,564)	(772,135)	(798,682)	(865,581)	(1,067,219)	(1,483,273)
Contribution to/(from) Building Permit Cost Stabilization Reserve Fund	(206,949)	173,352	(37,330)	760,067	713,293	808,605	549,562	813,087	1,244,486	(299,971)
Continuity of Building Permit Cost Stabilization Reserve Fund										
Opening Balance - January 1st	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
Transfer to/(from) Reserve	(206,949)	173,352	(37,330)	760,067	713,293	808,605	549,562	813,087	1,244,486	(299,971)
Interest	4,611	(1,366)	4,189	4,651	19,072	43,901	50,053	120,441	58,959	85,456
Closing Balance - December 31st	(46,474)	125,512	92,371	857,089	1,589,453	2,441,959	3,041,573	3,975,100	5,278,545	5,064,031

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.

		<p>Corporation of Haldimand County Parkland Dedication Reserve Fund Statement of Activities 2018</p>
<p>Haldimand County</p>		
<p><u>January 1st to December 31st</u></p>		<p><u>2018</u> <u>(\$)</u></p>
<p>Continuity of Parkland Reserve Fund</p>		
<p>Opening Balance - January 1st</p>		<p>753,375</p>
<p>Sources of Funds:</p>		
<p>Park Dedication Payments</p>		<p>27,000</p>
<p>Interest Earned</p>		<p>12,501</p>
<p>Total Source of Funds</p>		<p>39,501</p>
<p>Use of Funds*</p>		
<p>Amounts Transferred to Capital (or Other) Funds (1)</p>		<p>(88,225)</p>
<p>Total Use of Funds</p>		<p>(88,225)</p>
<p>Closing Balance - December 31st</p>		<p>704,651</p>
<p>(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").</p>		

**PARKLAND RESERVE FUND STATEMENT
THE CORPORATION OF HALDIMAND COUNTY
FOR THE YEAR 2018**

Capital Project	Parkland Reserve Fund Draw	Development Charges - Leisure Services	Other Reserves Fund Draw	Grants, Subsidies, Other Contributions	Total 2018 Funding
Chippewa Trail Phase 2	5,962	113,677		14,705	134,345
Caledonia to York Trail	82,263	207,546	156,057		445,866
Totals	\$ 88,225	\$ 321,223	\$ 156,057	\$ 14,705	\$ 580,210

The Corporation of Haldimand County
Consolidated Financial Statements
December 31, 2018



The Corporation of Haldimand County FIN-16-2019, Attachment 3
Index to Consolidated Financial Statements
December 31, 2018

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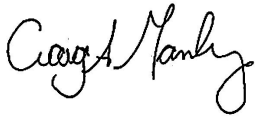
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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.

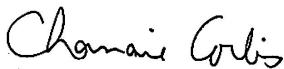
The consolidated financial statements have been audited on behalf of the members of council, inhabitants and ratepayers of The Corporation of Haldimand County by Millard, Rouse & Rosebrugh LLP , in accordance with Canadian generally accepted auditing standards.



Craig Manley, Chief Administrative Officer



Mark Merritt, General Manager of Financial and Data Services -
Chief Financial Officer



Charmaine Corlis, Treasurer

Cayuga, Ontario
October 21, 2019

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of The Corporation of Haldimand County (the Organization), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, and the results of its operations and its cash flow for the year then ended, in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

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

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

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

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

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

(continues)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Millard, Roule & Rosebrugh LLP

October 21, 2019
Simcoe, Ontario

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of Haldimand County
Consolidated Statement of Financial Position
As at December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash	\$ 8,502,126	\$ 4,310,337
Investments (Note 3)	152,022,079	166,693,855
Taxes receivable	7,741,250	7,957,740
Accounts receivable	10,103,334	10,781,143
Loan receivable (Note 4)	2,121,502	2,320,189
	180,490,291	192,063,264
LIABILITIES		
Accounts payable	19,945,572	19,865,114
Due to trust funds	121,601	109,752
Employee benefits liability (Note 5)	14,219,348	10,750,336
Allowance for assessment adjustments (Note 6)	2,914,209	2,450,066
Deferred revenue (Note 7)	13,755,716	16,608,751
Solid waste landfill closure and post-closure liability (Note 8)	14,053,514	13,958,038
Long term liabilities (Note 9)	42,528,191	47,715,918
	107,538,151	111,457,975
NET FINANCIAL ASSETS	72,952,140	80,605,289
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	467,684,408	452,782,576
Prepaid expenses	728,949	802,227
Inventory	658,238	517,155
	469,071,595	454,101,958
ACCUMULATED SURPLUS (Note 11)	\$542,023,735	\$534,707,247

See accompanying notes

The Corporation of Haldimand County
Consolidated Statement of Operations and Accumulated Surplus
Year Ended December 31, 2018

	Budget 2018	2018	2017
	(Note 19)		
REVENUES			
Taxation	\$ 67,289,540	\$ 68,465,018	\$ 65,726,908
Government transfers - Federal (Note 12)	2,882,810	3,926,158	2,146,560
Government transfers - Provincial (Note 13)	15,901,500	17,416,439	16,968,383
Recoveries from other municipalities	2,340,350	2,605,113	2,630,187
User charges	27,916,960	26,450,283	26,814,681
Other income (Note 14)	8,208,620	15,800,716	27,668,989
	124,539,780	134,663,727	141,955,708
Expenses			
General government	8,879,334	7,960,649	7,635,889
Protection services	18,288,954	17,530,049	14,543,222
Transportation services	28,849,160	37,276,352	32,252,583
Environmental services	28,992,043	29,289,899	28,012,896
Health services	8,361,205	8,534,224	7,518,718
Social and family services	12,567,841	12,845,063	12,442,798
Social housing	1,052,600	817,133	719,277
Recreation and cultural services	10,438,840	10,045,024	12,910,788
Planning and development	2,873,259	3,048,846	2,592,299
	120,303,236	127,347,239	118,628,470
ANNUAL SURPLUS	\$ 4,236,544	7,316,488	23,327,238
Accumulated surplus - beginning of year	534,707,247	534,707,247	511,380,009
ACCUMULATED SURPLUS - END OF YEAR	\$ 538,943,791	\$ 542,023,735	\$ 534,707,247

See accompanying notes

The Corporation of Haldimand County
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2018

	Budget 2018	2018	2017
	(Note 19)		
ANNUAL SURPLUS	\$ 4,236,544	\$ 7,316,488	\$ 23,327,238
Amortization of tangible capital assets	24,121,621	24,121,621	23,700,950
Purchase of tangible capital assets	(35,224,210)	(40,141,808)	(36,351,996)
Proceeds on disposal of tangible capital assets	-	367,130	871,732
Loss on disposal of assets	-	751,225	432,258
Decrease (increase) in prepaid expenses	-	73,278	(520,336)
Decrease (increase) in inventory	-	(141,083)	121,339
	(11,102,589)	(14,969,637)	(11,746,053)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(6,866,045)	(7,653,149)	11,581,185
Net financial assets - beginning of year	80,605,289	80,605,289	69,024,104
NET FINANCIAL ASSETS - END OF YEAR	\$ 73,739,244	\$ 72,952,140	\$ 80,605,289

See accompanying notes

The Corporation of Haldimand County

Consolidated Statement of Cash Flow

Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual surplus	\$ 7,316,488	\$ 23,327,238
Items not affecting cash:		
Amortization of tangible capital assets	24,121,621	23,700,950
Loss on disposal of tangible capital assets	751,225	432,258
	32,189,334	47,460,446
Changes in non-cash working capital:		
Taxes receivable	216,490	4,839,670
Accounts receivable	677,809	(1,743,613)
Loan receivable	198,687	(429,494)
Accounts payable	80,458	772,444
Due to trust funds	11,849	(44,618)
Employee benefits liability	3,469,012	449,437
Allowance for assessment adjustments	464,143	(7,911,154)
Deferred revenue	(2,853,035)	7,372,973
Solid waste landfill closure and post-closure liability	95,476	(95,505)
Prepaid expenses	73,278	(520,336)
Inventory	(141,083)	121,339
	2,293,084	2,811,143
Cash flow from operating activities	34,482,418	50,271,589
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(40,141,808)	(36,351,996)
Proceeds from sale of tangible capital assets	367,130	871,732
Cash flow used by capital activities	(39,774,678)	(35,480,264)
FINANCING ACTIVITIES		
Long term debt issued	-	12,332,000
Repayment of long term debt	(5,187,727)	(4,257,672)
Cash flow from (used by) financing activities	(5,187,727)	8,074,328
INCREASE (DECREASE) IN CASH FLOW	(10,479,987)	22,865,653
Cash - beginning of year	171,004,192	148,138,539
CASH - END OF YEAR	160,524,205	171,004,192
CASH CONSISTS OF:		
Cash	\$ 8,502,126	\$ 4,310,337
Investments	152,022,079	166,693,855
	\$ 160,524,205	\$ 171,004,192

See accompanying notes

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

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)

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

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 \$15,211,493 (2017 - \$14,906,562).

(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 \$7,634,577 (2017 - \$7,774,381) 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)

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

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)

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

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)

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

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:

	<u>2018</u>		<u>2017</u>	
	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>
<u>Fixed Income</u>				
Government bonds and GICs	\$ 14,277,512	\$ 14,438,176	\$ 13,315,289	\$ 13,500,867
Money market instruments	171,486	171,486	286,897	286,897
High interest savings	412,417	412,417	15,906,091	15,906,091
Principal protected notes	43,702,395	45,000,000	46,792,085	45,000,000
	58,563,810	60,022,079	76,300,362	74,693,855
<u>Growth/Equity Investments</u>				
Principal protected notes	93,764,925	92,000,000	101,622,930	92,000,000
	\$ 152,328,735	\$ 152,022,079	\$ 177,923,292	\$ 166,693,855

Maturity dates on the investments in the portfolio range from 2019 to 2024.

4. LOAN RECEIVABLE

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

Council has approved one loan agreement to date, the maximum approved loan is \$2,367,096. The term of the loan is for 10 years commencing on October 5, 2017 and bears interest at 4.04%. As at December 31, 2018, the principal amount outstanding is \$2,121,502.

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

5. EMPLOYEE BENEFITS LIABILITY

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

	2018	2017
Vested and non-vested sick leave	\$ 966,400	\$ 913,100
Post employment and post retirement benefits	2,754,600	2,719,200
Workers' compensation	10,498,348	7,118,036
	\$14,219,348	\$ 10,750,336

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, 2018 is estimated at \$341,661 (2017 - \$302,849) 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 \$7,616 (2017 - \$8,643).

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)

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

5. EMPLOYEE BENEFITS LIABILITY (continued)

The estimate of future benefit costs for WSIB claims based on the WSIB board calculations are \$10,498,348 (2017 - \$7,118,036). 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 \$3,658,423 (2017 - \$1,020,211). This unfunded liability is presented in the Consolidated Statement of Financial Position in accumulated surplus (Note 11).

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 \$421,510 (2017 - \$446,014).

6. 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. The final outcome of these outstanding amounts cannot be determined at this time. However, management believes the ultimate disposition of these appeals will not materially exceed the allowance recorded in these financial statements.

7. 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	\$ 753,375	\$ 27,000	\$ 12,501	\$ (88,225)	\$ 704,651
Development charges	2,902,241	1,999,384	10,192	(3,591,492)	1,320,325
Building permits	5,278,545	-	85,456	(299,970)	5,064,031
Federal gas tax	5,773,309	2,858,687	97,783	(3,797,660)	4,932,119
Provincial OCIF	345,748	1,709,877	13,294	(1,776,924)	291,995
Deferred provincial grants	755,781	-	-	-	755,781
Other	799,752	686,814	-	(799,752)	686,814
	\$16,608,751	\$ 7,281,762	\$ 219,226	\$(10,354,023)	\$13,755,716

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

8. 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 \$14,053,514. 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, 2018 for the sites are as follows:

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

	2018	2017
Capital costs upon closure	\$ 329,090	\$ 490,836
Closed landfill site rehabilitation and monitoring	13,724,424	13,467,202
	\$ 14,053,514	\$ 13,958,038

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

9. LONG TERM LIABILITIES

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

	2018	2017
Total long term liabilities issued or assumed by the municipality and outstanding at the end of the year amounts to:	\$ 42,535,881	\$47,735,030
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:	(7,690)	(19,112)
	\$ 42,528,191	\$47,715,918

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

2019	\$ 5,222,873
2020	5,259,626
2021	4,495,948
2022	4,513,948
2023	4,534,948
Thereafter	<u>18,500,848</u>
	<u>\$ 42,528,191</u>

The above long term liabilities have maturity dates ranging from 2019 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, 2018 is \$7,690 (2017 - \$19,112) and is not recorded on the Consolidated Statement of Financial Position.

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

The Corporation of Haldimand County
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

10. TANGIBLE CAPITAL ASSETS

	Land	Land Improvements	Buildings and Structures	Infrastructure	Vehicles, Machinery and Equipment	Assets Under Construction	2018
Cost, beginning of year	\$ 9,528,618	\$67,716,199	\$153,086,111	\$527,919,539	\$ 87,533,056	\$ 8,866,150	\$854,649,673
Additions	2,928,142	638,915	1,471,504	13,271,330	9,039,564	25,180,665	52,530,120
Disposals	(234,731)		(130,372)	(8,066,814)	(2,302,074)	4,346	(10,729,645)
Transfer to capital assets	-	-	-	-	-	(12,392,658)	(12,392,658)
Cost, end of year	12,222,029	68,355,114	154,427,243	533,124,055	94,270,546	21,658,503	884,057,490
Accumulated amortization, beginning of year	-	31,057,055	45,496,687	284,658,824	40,654,531	-	401,867,097
Amortization	-	1,474,574	3,064,855	14,824,590	4,757,602	-	24,121,621
Disposals	-		(127,457)	(7,213,504)	(2,274,675)	-	(9,615,636)
Accumulated amortization, end of year	-	32,531,629	48,434,085	292,269,910	43,137,458	-	416,373,082
Net carrying amount, end of year	\$12,222,029	\$35,823,485	\$105,993,158	\$240,854,145	\$ 51,133,088	\$21,658,503	\$467,684,408

(continues)

The Corporation of Haldimand County
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

10. TANGIBLE CAPITAL ASSETS (continued)

	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

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

11. ACCUMULATED SURPLUS

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

	2018	2017
Investment in tangible capital assets	\$ 467,684,408	\$ 452,782,576
Long term liabilities	(42,528,191)	(47,715,918)
Unfinanced capital	(13,979,967)	(2,099,063)
Net investment in tangible capital assets	411,176,250	402,967,595
BIA surpluses	95,197	135,884
Reserves and reserve funds - Operating		
Contingencies	12,211,419	11,741,120
Land sales	2,208,935	1,809,925
Employee benefits insurance	2,127,077	1,922,488
Insurance	1,652,600	1,214,051
Water rate stabilization	1,533,186	5,003,433
Wastewater rate stabilization	2,909,113	2,114,577
Other	2,008,113	3,495,160
	24,650,443	27,300,754
Reserves and reserve funds - Capital		
Roads infrastructure	15,372,511	15,595,849
Wastewater	12,169,793	11,325,961
Water	10,516,844	6,102,820
General	6,624,045	8,943,028
Storm sewer	2,343,292	3,150,410
Fire fleet	2,182,903	2,195,530
Other fleet	2,051,000	1,977,919
Other	5,761,106	5,560,054
	57,021,494	54,851,571
Subtotal - Reserves and reserve funds	81,671,937	82,152,325
Hydro legacy fund	79,864,327	77,497,487
Community vibrancy fund	(10,982,965)	(10,800,308)
WSIB reserve fund held jointly with Norfolk County (gross amounts)	421,510	446,014
Unfunded liabilities		
Solid waste landfill closure and post-closure liability	(14,053,514)	(13,958,038)
Post employment and post retirement benefits liability	(1,874,969)	(2,133,345)
Vested and non-vested sick leave liability	(635,615)	(580,156)
WSIB	(3,658,423)	(1,020,211)
	(20,222,521)	(17,691,750)
	\$ 542,023,735	\$ 534,707,247

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

12. GOVERNMENT TRANSFERS - FEDERAL

	Budget (Note 19)	2018	2017
Operating			
Conditional	\$ 24,120	\$ 32,624	\$ 55,550
Capital			
Infrastructure funding		95,874	1,159,486
Federal gas tax revenue	2,858,690	3,797,660	931,524
	\$ 2,882,810	\$ 3,926,158	\$ 2,146,560

13. GOVERNMENT TRANSFERS - PROVINCIAL

	Budget (Note 19)	2018	2017
Operating			
Ontario Municipal Partnership Fund	\$ 3,992,500	\$ 3,992,500	\$ 3,697,200
Conditional	10,199,120	10,899,567	10,680,430
Capital			
Infrastructure funding	1,709,880	2,524,372	2,590,753
	\$ 15,901,500	\$ 17,416,439	\$ 16,968,383

14. OTHER INCOME

	Budget (Note 19)	2018	2017
Licenses, permits, rents and concessions	\$ 4,285,330	\$ 3,791,078	\$ 3,283,114
Provincial offences and other fines	468,810	539,597	482,552
Penalties and interest on taxes	1,155,000	1,040,482	1,414,510
Investment income	1,614,380	2,739,220	2,620,769
Development charges earned	-	3,679,717	2,354,082
Developer contributed assets	-	3,801,912	9,682,117
Proceeds from sale of land and other assets	498,130	347,709	404,719
Loss on disposal of tangible capital assets	-	(751,225)	(432,258)
Donations	182,230	399,192	636,348
Allowance for assessment adjustments - recovery	-	-	6,500,000
Other	4,740	213,034	723,036
	\$ 8,208,620	\$ 15,800,716	\$ 27,668,989

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

15. 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 2018 was \$2,408,891 (2017 - \$2,387,459).

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 2018 was \$2,106,501 (2017 - \$2,211,010).

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 2018 was \$7,377,268 (2017 - \$7,605,335).

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 2018 Haldimand County paid \$2,114,053 (2017 - \$2,301,613) 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, 2018 the balance outstanding was \$726,186. 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.

16. 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 2018 was \$2,529,386 (2017 - \$2,451,374). Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the municipality does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

17. 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, 2018 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, 2018 of \$1,652,600 (2017 - \$1,214,051).

18. 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, 2018 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.

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

19. 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:

	2018
Budget surplus for the year adopted by Council	\$ -
Add:	
Capital expenditures	35,224,210
Budgeted transfers to accumulated surplus	29,161,420
Principal payments on debt	5,187,760
Less:	
Budgeted transfers from accumulated surplus	(41,215,225)
Amortization	(24,121,621)
<hr/>	
Budget surplus per Consolidated Statement of Operations	<hr/> \$ 4,236,544

20. COMPARATIVE FIGURES

Certain prior year figures have been adjusted to conform with the 2018 financial statement presentation.

The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

21. 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.

Other services

Other services includes health services, social housing, recreation and cultural services and planning and development.

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The Corporation of Haldimand County

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

21. SEGMENTED INFORMATION (continued)

	General Government	Protection Services	Transportation Services	Enviromental Services	Social and Family Services	Other Services	Consolidated 2018
Revenue							
Government transfers - Federal	\$ 3,797,660	\$ 5,155	\$ -	\$ 21,460	\$ -	\$ 101,883	\$ 3,926,158
Government transfers - Provincial	5,956,250	169,575	829,036	694,379	6,557,675	3,209,524	17,416,439
User charges	2,125,814	255,580	47,641	19,339,715	2,700,116	1,981,417	26,450,283
Other revenue [1]	9,256,305	2,168,135	3,928,344	2,686,442	26,984	339,619	18,405,829
	21,136,029	2,598,445	4,805,021	22,741,996	9,284,775	5,632,443	66,198,709
Expenses							
Salaries, wages and benefits	7,474,550	6,225,607	4,938,168	3,631,829	8,111,786	13,251,874	43,633,814
Materials	3,081,134	451,718	2,982,087	5,863,223	1,324,052	1,696,327	15,398,541
Contracted services	2,479,599	7,496,801	12,166,151	13,399,438	1,720,372	2,430,779	39,693,140
External transfers	343,819	584,556	-	-	-	1,054,316	1,982,691
Financial expenses	854,896	9,424	20,704	18,940	393	74,253	978,610
Interest on long term liabilities	-	98,618	-	355,596	483,019	601,589	1,538,822
Amortization	467,964	1,110,944	14,612,040	4,992,733	640,701	2,297,239	24,121,621
Interdepartmental charges	(6,741,313)	1,552,381	2,557,202	1,028,140	564,740	1,038,850	-
	7,960,649	17,530,049	37,276,352	29,289,899	12,845,063	22,445,227	127,347,239
Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy							
	\$13,175,380	\$(14,931,604)	\$(32,471,331)	\$(6,547,903)	\$(3,560,288)	\$(16,812,784)	\$(61,148,530)
Taxation revenue							68,465,018
Annual surplus							\$ 7,316,488

[1] 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

Notes to Consolidated Financial Statements

Year Ended December 31, 2018

21. SEGMENTED INFORMATION (continued)

	General Government	Protection Services	Transportation Services	Enviromental Services	Social and Family Services	Other Services	Consolidated 2017
Revenue							
Government transfers - Federal	\$ 943,532	\$ -	\$ -	\$ 453,337	\$ -	\$ 749,691	\$ 2,146,560
Government transfers - Provincial	4,759,763	154,503	1,619,925	974,877	6,379,216	3,080,099	16,968,383
User charges	1,922,051	157,297	181,325	19,894,142	2,662,287	1,997,579	26,814,681
Other revenue [1]	14,918,626	1,679,626	5,509,118	7,382,491	149,883	659,432	30,299,176
	22,543,972	1,991,426	7,310,368	28,704,847	9,191,386	6,486,801	76,228,800
Expenses							
Salaries, wages and benefits	7,025,809	3,562,150	4,695,726	3,607,217	7,939,083	12,192,833	39,022,818
Materials	3,914,656	404,382	2,966,269	6,451,857	1,360,800	1,676,275	16,774,239
Contracted services	1,885,380	7,277,708	7,512,560	11,991,104	1,463,461	5,246,586	35,376,799
External transfers	64,654	639,179	-	-	-	729,254	1,433,087
Financial expenses	744,314	9,813	18,984	18,502	557	57,441	849,611
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
Interdepartmental charges	(6,518,203)	1,444,082	2,463,983	1,104,378	515,730	990,030	-
	7,635,889	14,543,222	32,252,583	28,012,896	12,442,798	23,741,082	118,628,470
Surplus (deficiency) of revenue over expenses for the year financed by net municipal levy							
	\$ 14,908,083	\$(12,551,796)	\$(24,942,215)	\$ 691,951	\$(3,251,412)	\$(17,254,281)	\$(42,399,670)
Taxation revenue							65,726,908
Annual surplus							\$ 23,327,238

[1] 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, 2018

	Budget 2018	2018	2017
REVENUE			
Government transfers:			
Provincial library operating grant (Ministry of Tourism, Culture and Sport)	\$ 72,400	\$ 72,400	\$ 72,400
Pay equity	6,762	6,762	6,762
Other	7,028	5,830	5,286
Fees and service charges	21,270	22,910	21,519
Fines	28,590	26,476	25,892
Donations	8,240	6,585	7,268
Other revenue	17,040	20,492	18,865
	161,330	161,455	157,992
EXPENSES			
Salaries, wages and benefits	1,227,970	1,173,345	1,145,393
Materials and supplies	83,210	61,355	57,551
Services	177,470	161,862	156,251
Rents and financial expenses	126,240	119,528	24,379
	1,614,890	1,516,090	1,383,574
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE UNDERNOTED ITEMS			
	(1,453,560)	(1,354,635)	(1,225,582)
Transfer from reserves	(96,510)	(96,504)	-
Transfer to reserves	316,680	415,599	316,648
	220,170	319,095	316,648
DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR FINANCED BY NET MUNICIPAL LEVY			
	\$ (1,673,730)	\$ (1,673,730)	\$ (1,542,230)

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

The Corporation of Haldimand County
Museum Division - Schedule of Operations
Year Ended December 31, 2018

	Budget 2018	2018	2017
REVENUE			
Government transfers	\$ 57,590	\$ 53,623	\$ 73,595
Fees and service charges	13,880	11,744	11,626
Donations	16,990	13,189	15,488
	88,460	78,556	100,709
EXPENSES			
Salaries, wages and benefits	317,800	314,017	312,790
Materials and supplies	18,330	15,480	33,155
Services	62,370	43,394	43,613
Rents and financial expenses	910	663	555
	399,410	373,554	390,113
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE UNDERNOTED ITEMS	(310,950)	(294,998)	(289,404)
Transfer from reserves	(1,200)	-	(789)
DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR FINANCED BY NET MUNICIPAL LEVY	\$ (309,750)	\$ (294,998)	\$ (288,615)

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

The Corporation of Haldimand County

Trust Funds - Financial Statements

December 31, 2018



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Trust Funds of The Corporation of Haldimand County (the Corporation), which comprise of the balance sheet as at December 31, 2018, and the statement of continuity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheet of the Corporation as at December 31, 2018, and the statement of continuity for the year then ended, in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the 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.

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

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

(continues)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Millard, Roule & Rosebrugh LLP

October 21, 2019
Simcoe, Ontario

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of Haldimand County

Balance Sheet - Trust Funds Year ended December 31, 2018

	Combined Cemetery Perpetual Care	Grandview Bequest Trust	Grandview Comfort Trust	Total 2018	Total 2017
NET ASSETS					
Cash	\$ -		\$ 129,125	\$ 129,125	\$ 762,050
Investments (Note 2)	1,246,588			1,246,588	604,820
Due from Haldimand County	2,384	111,310	7,907	121,601	109,752
TOTAL NET ASSETS	\$ 1,248,972	\$ 111,310	\$ 137,032	\$1,497,314	\$ 1,476,622
TRUST FUND BALANCE	\$ 1,248,972	\$ 111,310	\$ 137,032	\$1,497,314	\$ 1,476,622

See accompanying notes

The Corporation of Haldimand County
Statement of Continuity - Trust Funds
Year ended December 31, 2018

	Combined Cemetery Perpetual Care	Grandview Bequest Trust	Grandview Comfort Trust	Total 2018	Total 2017
RECEIPTS					
Sale of plots and markers	\$ 28,709			\$ 28,709	\$ 25,576
Investment income	19,047	1,905		20,952	16,489
Resident contributions			179,585	179,585	178,544
Donations		1,000		1,000	100
	47,756	2,905	179,585	230,246	220,709
Disbursements					
Transfer to cemetery operations	19,047			19,047	14,365
Transfer to County (Note 3)		7,596		7,596	44,200
Transfer to residents			182,911	182,911	163,577
	19,047	7,596	182,911	209,554	222,142
NET RECEIPTS (DISBURSEMENTS) FOR THE YEAR					
	28,709	(4,691)	(3,326)	20,692	(1,433)
Trust fund balance - beginning of year					
	1,220,263	116,001	140,358	1,476,622	1,478,055
TRUST FUND BALANCE - END OF YEAR					
	\$ 1,248,972	\$ 111,310	\$ 137,032	\$ 1,497,314	\$ 1,476,622

See accompanying notes

The Corporation of Haldimand County

Notes to the Trust Funds Financial Statements

Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Trust Funds of the Corporation of Norfolk County are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada

Revenue recognition

Sale of plots and markers and resident contributions are recognized as income when earned under the respective contracts, provided the amount is measurable and collection is reasonably assured. Investment income is recognized as it is earned.

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 \$1,246,588 (2017 - \$604,820) reported on the Balance Sheet at cost, have a fair value of \$1,246,588 (2017 - \$604,820) 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 \$7,596 (2017 - \$44,200).

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.