

**MUNICIPALITY OF WEST ELGIN**  
**CONSOLIDATED FINANCIAL REPORT**  
**DECEMBER 31, 2007**

AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers  
of the Municipality of West Elgin

I have audited the consolidated statement of financial position of the Corporation of the Municipality of West Elgin as at December 31, 2007 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Municipality's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2007 and the results of its operation and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

London, Canada  
June 18, 2008

*Scrimgeour Company*  
LICENSED PUBLIC ACCOUNTANT

**MUNICIPALITY OF WEST ELGIN**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2007**

(with comparative balances as at December 31, 2006)

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments	\$ 1,044,056	\$ 4,628,426
Taxes receivable	873,140	893,664
Accounts receivable	5,489,746	776,689
Other current assets	<u>67,583</u>	<u>86,448</u>
<b>Total assets</b>	<b><u>\$ 7,474,525</u></b>	<b><u>\$ 6,385,227</u></b>
<b>LIABILITIES AND MUNICIPAL POSITION</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,582,679	\$ 684,560
Net long-term liabilities (note 6)	<u>717,687</u>	<u>821,797</u>
<b>Total liabilities</b>	<b><u>2,300,366</u></b>	<b><u>1,506,357</u></b>
<b>MUNICIPAL POSITION</b>		
<b>Amounts to be recovered (note 6)</b>		
From future revenues	<u>(717,687)</u>	<u>(821,797)</u>
	<b><u>(717,687)</u></b>	<b><u>(821,797)</u></b>
<b>Fund balances (note 7)</b>		
Current fund	798,428	1,145,053
Capital fund	(488,709)	(772,889)
Reserves	1,776,795	2,050,923
Reserve funds	<u>3,805,332</u>	<u>3,277,580</u>
	<b><u>5,891,846</u></b>	<b><u>5,700,667</u></b>
<b>Total liabilities and municipal position</b>	<b><u>\$ 7,474,525</u></b>	<b><u>\$ 6,385,227</u></b>

The accompanying notes are an integral part of this financial statement.

*Juanne Hoch*

**MUNICIPALITY OF WEST ELGIN**  
**CONSOLIDATED STATEMENT OF MUNICIPAL ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

(with comparative balances for the year ended December 31, 2006)

	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b><u>2007</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>REVENUES</b>			
Property taxation	\$ 2,643,833	\$ 2,597,770	\$ 2,402,931
User charges	3,784,876	3,607,721	3,404,070
Government grants	5,899,107	6,629,614	2,227,392
Investment income	101,000	279,407	224,062
Penalty and interest on taxes	90,000	93,340	94,614
Other revenue (note 1)	<u>1,500</u>	<u>37,286</u>	<u>178,253</u>
<b>Total revenues</b>	<b><u>12,520,316</u></b>	<b><u>13,245,138</u></b>	<b><u>8,531,322</u></b>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	731,720	758,483	677,622
Protection to persons and property	1,233,421	1,052,712	895,916
Transportation services	1,565,150	1,637,700	1,435,889
Environmental services	2,217,843	2,010,041	1,905,166
Health services	2,500	1,225	1,190
Recreation and cultural development	870,370	801,464	714,697
Planning and development	<u>174,072</u>	<u>131,817</u>	<u>108,212</u>
	<b><u>6,795,076</u></b>	<b><u>6,393,442</u></b>	<b><u>5,738,692</u></b>
<b>Capital</b>			
General government	652,646	485,813	39,939
Protection to persons and property	60,000	35,818	254,001
Transportation services	790,091	506,638	732,062
Environmental services	5,104,368	4,752,557	1,182,266
Recreation and cultural service	549,430	535,112	274,477
Municipal drains	<u>212,833</u>	<u>240,469</u>	<u>86,023</u>
	<b><u>7,369,368</u></b>	<b><u>6,556,407</u></b>	<b><u>2,568,768</u></b>
<b>Total expenditures</b>	<b><u>14,164,444</u></b>	<b><u>12,949,849</u></b>	<b><u>8,307,460</u></b>
<b>Net revenue</b>	<b>(1,644,128)</b>	<b>295,289</b>	<b>223,862</b>
Add: new debt issued	45,378	45,378	136,544
Deduct: debt principal repayments	<u>(149,488)</u>	<u>(149,488)</u>	<u>(159,327)</u>
Increase (decrease) in amounts to be recovered	<u>(104,110)</u>	<u>(104,110)</u>	<u>(22,783)</u>
<b>Change in Fund Balances</b>	<b><u>\$ (1,748,238)</u></b>	<b><u>\$ 191,179</u></b>	<b><u>\$ 201,079</u></b>

The accompanying notes are an integral part of this financial statement.

**MUNICIPALITY OF WEST ELGIN**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

(with comparative balances for the year ended December 31, 2006)

	<u>2007</u>	<u>2006</u>
<b>OPERATIONS</b>		
Net revenues	\$ <u>295,289</u>	\$ <u>223,862</u>
<b>Uses:</b>		
Increase in taxes receivable		(72,324)
Increase in accounts receivable	<u>(4,713,057)</u>	<u>                    </u>
	<u>(4,713,057)</u>	<u>(72,324)</u>
<b>Sources:</b>		
Decrease in taxes receivable	20,524	
Decrease in accounts receivable		12,956
Decrease in other current assets	18,865	38,433
Increase in accounts payable and accrued liabilities	<u>898,119</u>	<u>380,176</u>
	<u>937,508</u>	<u>431,565</u>
<b>Net changes in cash from operations</b>	<u>(3,480,260)</u>	<u>583,103</u>
<b>FINANCING</b>		
Net change in long-term debt	<u>(104,110)</u>	<u>(22,783)</u>
<b>Net change in cash and cash equivalents</b>	<u>(3,584,370)</u>	<u>560,320</u>
<b>Opening net cash and cash equivalents</b>	<u>4,628,426</u>	<u>4,068,106</u>
<b>Closing net cash and cash equivalents</b>	<u>\$ 1,044,056</u>	<u>\$ 4,628,426</u>

The accompanying notes are an integral part of this financial statement.

**MUNICIPALITY OF WEST ELGIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

The Municipality of West Elgin is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant Accounting Policies

The consolidated financial statements of the Corporation of the Municipality of West Elgin are prepared by management in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a)(i) Basis of Consolidation

These consolidated statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. The reporting entity includes the activities of all committees of Council and the following boards, municipal enterprises and utilities which are under the control of Council:

Four Counties Community Transportation Services  
Port Glasgow Yacht Club  
West Elgin Arena

All interfund assets and liabilities and revenues and expenditures have been eliminated

ii) Non-consolidated Entities

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated:

There are no non-consolidated entities.

(iii) Fund Accounting

Funds within the consolidated financial statements consist of current, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate municipal fund balance.

(iv) Accounting for County and School Board Transactions

The taxation, other revenues, expenditure, assets and liabilities with respect to the operations of the school boards, and the County of Elgin are not reflected in the municipal fund balances of these financial statements.

**MUNICIPALITY OF WEST ELGIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

1. Significant Accounting Policies continued

(v) Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statements of Continuity and Financial Position".

(vi) Accrual Accounting

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.

(vii) Capital Assets

Expenditures made on capital assets are reported as capital expenditures on the statement of financial activities in the period incurred.

(viii) Reserves and Reserve Funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(ix) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(xi) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

**MUNICIPALITY OF WEST ELGIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

2. Tax Revenues

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Ontario Property Assessment Corporation. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date which was used by the the Municipality in computing the 2007 property tax bills. Property tax revenue and tax receivables are subject to appeals which may not have been heard yet. Any supplementary billing adjustments made necessary by the determination of such appeals will be recognized in the fiscal year they are determined and the effect shared with the County of Elgin and the appropriate school boards.

3. Trust Funds

Trust funds administered by the municipality amounting to \$ 3,831 (2006 - \$4,059) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Municipal Activities".

4. Operations of School Boards and the County of Elgin

Further to note 1 (a), the taxation revenues of the school boards and County of Elgin are comprised of the following:

	<u>School Boards</u>	<u>County</u>
Taxation and user charges	\$ <u>1,370,671</u>	\$ <u>2,066,621</u>
Requisitions	\$ <u>1,370,671</u>	\$ <u>2,066,621</u>

5. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of services and rates of pay.

The amount contributed to OMERS for 2007 was \$ 65,046 (2006 - \$ 58,584 ) for current service and is included as an expenditure on the "Consolidated Statement of Municipal Activities".



**MUNICIPALITY OF WEST ELGIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

6. Net Long-Term Liabilities

	<u>2007</u>	<u>2006</u>
(a) The balance of long-term liabilities reported on the "Consolidated Statement of Financial Position" is made up of the following:		
Total long-term liabilities incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end the year amount to	\$ 800,034	\$ 912,536
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drain loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	<u>(82,347)</u>	<u>(90,739)</u>
Net long-term liabilities at the end of the year	<u>\$ 717,687</u>	<u>\$ 821,797</u>

(b) Of the net term liabilities reported in (a) of this note, \$ 576,759 in principal payments are payable from 2008 to 2012, and \$ 140,928 from 2013 to 2017.

(c) Approval of the Ontario Municipal Board has been obtained for those pending issues of long term liabilities and commitments to be financed by revenues beyond the term of Council and approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The principal and interest payments required to service these pending issue and commitments are within the debt repayment limit prescribed by the Ministry of Municipal Affairs.

(d) The Municipality is contingently liable for long term liabilities with respect to tile drainage loans, and for those for which the principal and interest had been assumed by other municipalities, school board and unconsolidated local boards, municipal enterprises, and utilities. The total amount outstanding as at December 31, 2007 is \$ 82,347 (2006 - \$ 90,739) and is not recorded on the "Consolidated Statement of Financial Position".

**MUNICIPALITY OF WEST ELGIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

7. Municipal Fund Balances at the End of the Year

The fund balances on the "Consolidated Statement of Financial Position" at the end of the year are comprised of the following:

	<u>2 0 0 7</u>	<u>2 0 0 6</u>
<b>Current Fund</b>		
- for general reduction of taxation	\$ 537,843	\$ 895,610
- for reduction of user charges	<u>260,585</u>	<u>249,443</u>
<b>Total Current Fund</b>	<b><u>\$ 798,428</u></b>	<b><u>\$ 1,145,053</u></b>
<b>Capital Fund</b>	<b><u>\$ (488,709)</u></b>	<b><u>\$ (772,889)</u></b>
<b>Reserves set aside for specific purpose</b>		
- for acquisition of capital assets	\$ 692,364	\$ 781,492
- working capital	458,017	458,017
- tax rate stabilization	82,100	182,100
- contingencies	456,470	456,470
- waste management	<u>87,844</u>	<u>172,844</u>
<b>Total reserves</b>	<b><u>\$ 1,776,795</u></b>	<b><u>\$ 2,050,923</u></b>
<b>Reserve funds set aside for specific purpose</b>		
- sewer	\$ 878,561	\$ 781,327
- water	2,852,129	2,433,770
- gas tax rebate	<u>74,642</u>	<u>62,483</u>
<b>Total reserve funds</b>	<b><u>\$ 3,805,332</u></b>	<b><u>\$ 3,277,580</u></b>

**MUNICIPALITY OF WEST ELGIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

8 Charges for Net Long Term Liabilities

Interest and principal charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Municipal Activities" are as follows:

	<u>2007</u>	<u>2006</u>
Principal payments	\$ 149,488	\$ 159,327
Interest (included in current operations)	<u>37,695</u>	<u>37,503</u>
	<u>\$ 187,183</u>	<u>\$ 196,830</u>

9. Budget Figures

The Municipality's Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2007 is reflected on the "Consolidated Statement of Financial Activities". For capital spending, budgets are set for individual projects and funding for these activities is determined annually and made by transfers from reserves funds and by the application of applicable grants or other funds available to apply to capital projects.

10. Commitments

The Municipality received notification on April 21, 2006, they would receive \$19,595,970 funding under the Canada-Ontario Municipal Rural Infrastructure Fund for construction of a new water treatment plant and extension of a watermain. This funding will cover 90% of the costs of these projects. It is anticipated these projects will be completed in 2008 at which time the Municipality's share will be financed by reserve funds and debentures. As of December 31, 2007, the cumulative amount spent on these projects is \$ 4,867,070.

The Municipality has committed land, services and assets towards the West Lorne Heritage Homes Not for Profit Corporation in 2007 and 2008. During 2007, \$441,013 was spent on this project and an additional \$278,000 has been committed in 2008.

The Municipality has committed to rebuild the West Lorne Community Complex which includes a library for a total estimated cost of \$1,113,000. As of December 31, 2007, \$351,450 has been spent. This project will be funded by a contribution from the County of Elgin, insurance proceeds from the fire and funding from the 2007 and 2008 capital budget.

**MUNICIPALITY OF WEST ELGIN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

11. Public Sector salary disclosure

There were no employees paid a salary, as defined in the Public Sector Disclosure Act, 1996 of \$100,000 or more.

12. Public Sector Accounting Board

Effective January 1, 2009, the Public Sector Accounting Board requires municipalities to capitalize and amortize their tangible capital assets. The Municipality has adopted a capital asset policy and is in the process of determining historical costs for each classification of assets as prescribed in their policy.

13. Post-Closure Landfill Costs

During the year, the Municipality engaged a consultant to estimate the post-closure costs for the West Elgin Landfill site. It is estimated that it will cost \$ 296,180 in 2007 which will approximate \$568,200 in the year 2022 which is the estimated year of closure.