

MUNICIPALITY OF WEST ELGIN
CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

**MUNICIPALITY OF WEST ELGIN
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying consolidated financial statements of Municipality of West Elgin, which comprise the Consolidated Statement of Financial Position as at December 31, 2015 and the Consolidated Statements of Operations and Accumulated Surplus, Cash Flows, and Change in Net Financial Assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian 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.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality of West Elgin as at December 31, 2015 and its consolidated financial performance and its consolidated changes in cash flows and net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

June 23, 2016
London, Canada

Scrimgeour & Company
LICENSED PUBLIC ACCOUNTANT

**MUNICIPALITY OF WEST ELGIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015**

	2015	2014
FINANCIAL ASSETS		
Cash and short-term investments	\$ 7,825,642	\$ 6,656,485
Taxes receivable	1,217,949	1,242,537
Accounts receivable	805,249	937,608
	9,848,840	8,836,630
LIABILITIES		
Accounts payable and accrued liabilities	700,821	342,149
Deferred revenue (note 6)	437,457	349,800
Net long-term liabilities (note 7a)	230,035	280,713
	1,368,313	972,662
NET FINANCIAL ASSETS	8,480,527	7,863,968
NON-FINANCIAL ASSETS		
Tangible capital assets (note 1e) (Schedule 1)	44,250,973	44,781,375
Capital work in progress	198,130	20,658
Inventories	38,062	29,026
	44,487,165	44,831,059
ACCUMULATED SURPLUS (page 3)	\$52,967,692	\$52,695,027

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

**MUNICIPALITY OF WEST ELGIN
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget 2015	Actual 2015	Actual 2014
REVENUE			
Property taxation	\$ 3,428,270	\$ 3,357,934	\$ 3,320,519
User charges	3,334,419	3,548,277	3,466,707
Government grants	2,547,663	2,371,458	2,429,263
Investment income	80,800	134,217	98,893
Penalty and interest on taxes	130,000	139,272	137,517
Other revenue	1,500	11,343	49,455
	9,522,652	9,562,501	9,502,354
EXPENDITURES			
General government	948,280	914,200	793,943
Protection to persons and property	1,522,718	1,492,307	1,448,571
Transportation services	2,043,383	2,266,007	2,159,028
Environmental services	2,551,461	3,397,555	3,476,995
Health services	2,000	1,388	1,080
Recreation and cultural development	872,391	1,216,172	1,179,711
Planning and development	167,716	165,160	247,671
	8,107,949	9,452,789	9,306,999
Excess of operating revenue over expenditures (expenditures over revenue)	1,414,703	109,712	195,355
OTHER REVENUE (EXPENDITURES)			
Government transfers related to capital	-	61,932	-
Donations and other revenue related to capital	35,189	94,393	56,344
Net gain (loss) on disposal of tangible capital assets	-	6,628	(11,214)
	35,189	162,953	45,130
Excess of revenue over expenditures for the year	1,449,892	272,665	240,485
ACCUMULATED SURPLUS, BEGINNING OF YEAR	52,695,027	52,695,027	52,454,542
ACCUMULATED SURPLUS, END OF YEAR (note 8)	\$54,144,919	\$52,967,692	\$52,695,027

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

**MUNICIPALITY OF WEST ELGIN
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenditures (page 3)	\$ 272,665	\$ 240,485
Non-cash changes to operations		
Amortization	1,726,800	1,660,825
Net change in non-cash operating balances (A)	603,276	30,257
Net change in cash from operating activities	2,602,741	1,931,567
CAPITAL		
Acquisition of tangible capital assets	(1,292,575)	(1,531,025)
Net loss on disposal of capital assets	96,177	102,641
Decrease (increase) in work in progress	(177,472)	533,254
Net change in inventories	(9,036)	9,846
Net change in cash from capital activities	(1,382,906)	(885,284)
FINANCING		
Net change in long-term debt	(50,678)	(71,627)
Net change in cash and cash equivalents during the year	1,169,157	974,656
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,656,485	5,681,829
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,825,642	\$ 6,656,485
COMPRISED OF:		
Cash	\$ 7,825,642	\$ 6,656,485
	\$ 7,825,642	\$ 6,656,485

(A) Non-cash operating balances includes taxes and accounts receivable, accounts payable and accrued liabilities and deferred revenue.

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

**MUNICIPALITY OF WEST ELGIN
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
Excess of revenue over expenditures (page 3)	\$ 272,665	\$ 240,485
Amortization of tangible capital assets	1,726,800	1,660,825
Acquisition of tangible capital assets	(1,292,575)	(1,531,025)
(Gain) loss on sale of tangible capital assets	96,177	102,641
Decrease (increase) in work in progress	(177,472)	533,254
Acquisition of (disposal of) inventories	(9,036)	9,846
Increase (decrease) in net financial assets	616,559	1,016,026
NET FINANCIAL ASSETS, BEGINNING OF YEAR	7,863,968	6,847,942
NET FINANCIAL ASSETS, END OF YEAR	\$ 8,480,527	\$ 7,863,968

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

**MUNICIPALITY OF WEST ELGIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The Municipality of West Elgin (the Municipality) 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 Municipality are prepared by management in accordance with Canadian public sector accounting standards.

The focus of these financial statements is on the consolidated financial position of the Municipality and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Net financial assets represent the financial position of the Municipality and is the difference between financial assets and liabilities. This information presents the Municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

The following outlines the significant accounting policies:

a. Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenue, expenditures and accumulated surpluses and changes in investment in non financial assets of the Municipality. 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
West Elgin Primary Water Supply System

There are no non-consolidated entities.

b. Accounting for County and School Board transactions

The taxation, other revenue, expenditures, assets and liabilities with respect to the operations of the School Boards, and the County of Elgin are not reflected in the operations in these consolidated financial statements.

c. 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 Financial Position and Statement of Operations.

**MUNICIPALITY OF WEST ELGIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. Significant accounting policies continued

d. Accrual accounting

The accrual basis of accounting recognizes revenue 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.

e. Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenue over expense, provides the Change in Net Financial Assets for the year.

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	25-50 years
Buildings and structures	30-70 years
Leasehold improvements	term of lease
Vehicles	3-20 years
Information technology	3-10 years
Equipment	5-40 years
Roads	20-50 years
Bridges and other structures	40-50 years

The Municipality has a capitalization threshold of \$10,000, so that individual assets of lesser value are expensed unless they are pooled because collectively they have a significant value.

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expense as incurred.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The fair value is also recorded as contributed revenue.

**MUNICIPALITY OF WEST ELGIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. Significant accounting policies continued

f. Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

g. Revenue recognition

Government grants and transfers are recognized in the consolidated financial statements as revenue 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.

h. Deferred revenue

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred, services performed, or the tangible capital assets are acquired.

i. Financial Instruments

Financial instruments of the Municipality consist mainly of cash, investments, accounts and taxes receivable. The carrying values of these financial assets approximate their fair values unless otherwise disclosed.

j. Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 revenue and expenditures during the period. Actual results could differ from these estimates.

k. Budgets

The Municipality's Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2015 is reflected on the Consolidated Statement of Operations. For capital spending, budgets are set for individual projects and funding for these activities is determined annually and made by transfers from the accumulated surplus and by the application of applicable grants or other funds available to apply to capital projects.

**MUNICIPALITY OF WEST ELGIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

2. Tax revenue

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal 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 2015 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 \$1,088 (2014 - \$1,075) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

4. Operations of School Boards and the County of Elgin

Further to note 2, the taxation revenue of the School Boards and County of Elgin are comprised of the following:

	School Boards	County
Taxation and user charges	\$ 1,250,301	\$ 2,967,500
Requisitions	\$ 1,250,301	\$ 2,967,500

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 service and rates of pay.

The amount contributed to OMERS for 2015 was \$111,457 (2014 - \$108,571) for current service and is included as an expenditure on the Consolidated Statement of Operations.

**MUNICIPALITY OF WEST ELGIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

6. Deferred revenue

A requirement of the Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Municipality are summarized as follows:

	2015	2014
Federal gas tax	\$ 341,496	\$ 190,506
Federal gas tax - transit	95,961	159,294
	\$ 437,457	\$ 349,800

7. Net long-term liabilities

	2015	2014
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 of the year amount to	\$ 331,927	\$ 406,664
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	(101,892)	(125,951)
Net long-term liabilities at the end of the year	\$ 230,035	\$ 280,713

b. Of the long-term liabilities reported in a. of this note, \$230,035 in principal payments are payable from 2016 to 2020 and are recoverable from user rates.

**MUNICIPALITY OF WEST ELGIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

7. Net long-term liabilities continued

- c. Approval of the Ontario Municipal Board has been obtained for those pending issues of long-term liabilities and commitments to be financed by revenue 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 boards and unconsolidated local boards, municipal enterprises, and utilities. The total amount outstanding as at December 31, 2015 is \$101,892 (2014 - \$125,951) and is not recorded on the Consolidated Statement of Financial Position.
- e. The Municipality paid interest on long-term liabilities of \$12,701 (2014 - \$15,955).

8. Accumulated surplus

The accumulated surplus on the Consolidated Statement of Financial Position, at the end of the year, are comprised of the following:

	2015	2014
Operating surplus		
-for general reduction of taxation	\$ -	\$ -
-for reduction of user fees	141,488	96,914
Invested in tangible capital assets	44,219,068	44,521,320
Reserves set aside for specific purpose	6,051,497	5,709,980
Reserve funds set aside for specific purpose	2,555,639	2,366,813
Accumulated surplus	\$52,967,692	\$52,695,027

9. Commitment

The Municipality has contracted with OCWA to operate and maintain their water and wastewater systems.

**MUNICIPALITY OF WEST ELGIN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

10. 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.

11. Post-closure landfill costs

During 2007, 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 dollars which will approximate \$568,200 in the year 2022 which is the estimated year of closure. As of December 31, 2015, the Municipality has set aside \$755,763 (2014 - \$755,763) in the waste management reserve to fund these costs.

12. Contaminated sites

The Canadian public sector accounting standard 3510 requires municipalities to evaluate sites owned by the Municipality for potential contamination. This standard requires the Municipality to disclose the liability, if any, related to remediation of such sites. The Municipality is of the opinion there are no such contaminated sites and therefore, no liability is required.

13. Comparative balances

Certain comparative balances have been restated to conform with the current year's financial statement presentation.

14. Segmented information

Segmented information is presented on Schedule 2. The Municipality is a diversified municipality and provides a wide range of services to its citizens including police through contracted services, fire, transportation, environmental services, including water, wastewater and waste disposal and community services, including recreation and planning. The general government segment includes such functions as finance and information services, council and administrative offices.

MUNICIPALITY OF WEST ELGIN
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Land	Land Improvements	Buildings	Automotive	Equipment	Roads and Bridges	Environmental Systems	2015 Total	2014 Total
COST									
Balance, beginning of year	\$ 5,009,876	\$ 1,793,561	\$ 14,778,345	\$ 4,046,491	\$ 14,193,404	\$ 10,180,837	\$ 13,002,993	\$ 63,005,507	\$ 61,590,333
Add:									
Additions during the year	31,997	223,335	60,067	349,068	-	600,499	27,609	1,292,575	1,531,025
Less:									
Disposals during the year	-	-	-	(109,365)	-	-	-	(109,365)	(115,851)
Balance, end of year	5,041,873	2,016,896	14,838,412	4,286,194	14,193,404	10,781,336	13,030,602	64,188,717	63,005,507
ACCUMULATED AMORTIZATION									
Balance, beginning of year	-	777,788	4,934,032	2,433,362	3,194,761	4,387,119	2,497,070	18,224,132	16,576,517
Add:									
Amortization during the year	-	58,821	319,039	164,920	583,370	429,818	170,832	1,726,800	1,660,825
Less:									
Disposals during the year	-	-	-	(13,188)	-	-	-	(13,188)	(13,210)
Balance, end of year	-	836,609	5,253,071	2,585,094	3,778,131	4,816,937	2,667,902	19,937,744	18,224,132
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	\$ 5,041,873	\$ 1,180,287	\$ 9,585,341	\$ 1,701,100	\$ 10,415,273	\$ 5,964,399	\$ 10,362,700	\$ 44,250,973	\$ 44,781,375

This schedule is provided for information purposes only.

MUNICIPALITY OF WEST ELGIN
CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Government	Protective Services	Transportation	Environmental	Health Services	Recreation and Culture	Planning and Development	Total
REVENUE								
Taxation	\$ 3,357,934	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,357,934
User charges	30,938	110,071	199,764	2,540,931	-	595,161	71,412	3,548,277
Government grants	1,789,700	44,605	520,958	-	-	65,482	12,645	2,433,390
Investment income	121,868	-	-	11,549	-	800	-	134,217
Penalties and interest on taxes	139,272	-	-	-	-	-	-	139,272
Other	-	-	101,021	-	-	11,343	-	112,364
	5,439,712	154,676	821,743	2,552,480	-	672,786	84,057	9,725,454
EXPENDITURES								
Salaries and benefits	536,491	209,995	848,298	131,403	-	350,199	109,975	2,186,361
Materials and supplies	367,880	1,223,472	870,424	2,369,175	1,388	652,104	55,185	5,539,628
Amortization	9,829	58,840	547,285	896,977	-	213,869	-	1,726,800
	914,200	1,492,307	2,266,007	3,397,555	1,388	1,216,172	165,160	9,452,789
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)								
	\$ 4,525,512	\$ (1,337,631)	\$ (1,444,264)	\$ (845,075)	\$ (1,388)	\$ (543,386)	\$ (81,103)	\$ 272,665

This schedule is provided for information purposes only.