

CORPORATION OF THE COUNTY OF ELGIN

**Consolidated Financial Statements
Year Ended December 31, 2010
and Independent Auditor's Report to the Members of Council,
Inhabitants and Ratepayers**

CORPORATION OF THE COUNTY OF ELGIN

INDEX OF THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3
Consolidated Statement of Change in Net Financial Assets	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6-11
Consolidated Schedule of Tangible Capital Assets	12
Consolidated Schedule of Segment Disclosure	13

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the County of Elgin, which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statement of operations, consolidated statement of change in net financial assets, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the County of Elgin as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.



Chartered Accountants
Licensed Public Accountants

July 8, 2011
St. Thomas, Ontario

CORPORATION OF THE COUNTY OF ELGIN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
FINANCIAL ASSETS		
Cash	\$ 7,783,471	\$ 3,844,313
Investments	4,361,632	5,354,756
Accounts receivable	1,566,865	1,754,233
Other assets	<u>125,993</u>	<u>92,000</u>
	<u>13,837,961</u>	<u>11,045,302</u>
 LIABILITIES		
Accounts payable and accrued liabilities	5,648,953	6,420,783
Post employment benefits (Note 2)	<u>1,876,836</u>	<u>1,903,189</u>
	<u>7,525,789</u>	<u>8,323,972</u>
 NET FINANCIAL ASSETS	<u>6,312,172</u>	<u>2,721,330</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	184,391,974	185,505,820
Prepaid expenses	<u>382,572</u>	<u>434,177</u>
	<u>184,774,546</u>	<u>185,939,997</u>
 ACCUMULATED SURPLUS (Note 4)	<u>\$191,086,718</u>	<u>\$188,661,327</u>

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

CORPORATION OF THE COUNTY OF ELGIN

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2010

	<u>Budget 2010</u>	<u>Actual 2010</u>	<u>Actual 2009</u>
REVENUES			
Requisition of local municipalities	\$ 24,214,714	\$ 24,502,031	\$ 23,327,199
User charges	6,609,745	6,444,309	6,783,293
Transfer payments	28,165,835	27,177,550	26,925,689
Investment income	77,697	38,167	69,401
Other contributions	<u>1,701,945</u>	<u>2,426,294</u>	<u>1,542,419</u>
Total revenues	<u>60,769,936</u>	<u>60,588,351</u>	<u>58,648,001</u>
EXPENSES			
General government	4,749,333	4,034,189	3,591,450
Property assessment and support	688,092	688,091	678,012
Emergency measures	29,780	20,238	13,596
Provincial offences	1,419,939	1,953,618	1,347,832
Transportation services	3,937,458	3,846,037	3,166,155
Public health services	3,494,773	3,475,503	3,519,857
Ambulance services	7,667,537	7,670,360	7,455,415
Social and family services	2,528,917	2,404,871	2,790,868
Assistance to aged persons	18,363,907	19,217,603	19,004,422
Social housing	1,740,779	1,800,734	1,467,021
Libraries	2,332,211	2,226,192	2,061,846
Cultural services	437,097	423,004	426,950
Planning and development	368,768	238,935	81,718
Economic development	1,359,504	1,190,723	703,419
Agriculture and reforestation	<u>59,309</u>	<u>59,385</u>	<u>57,748</u>
Total expenses	<u>49,177,404</u>	<u>49,249,483</u>	<u>46,366,309</u>
ANNUAL SURPLUS BEFORE AMORTIZATION	11,592,532	11,338,868	12,281,692
AMORTIZATION	<u>9,048,900</u>	<u>8,913,477</u>	<u>8,488,347</u>
ANNUAL SURPLUS	2,543,632	2,425,391	3,793,345
ACCUMULATED SURPLUS, BEGINNING OF YEAR (Note 4)	<u>188,661,327</u>	<u>188,661,327</u>	<u>184,867,982</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$191,204,959</u>	<u>\$191,086,718</u>	<u>\$188,661,327</u>

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

CORPORATION OF THE COUNTY OF ELGIN

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
Annual surplus	\$ 2,425,391	\$ 3,793,345
Adjustments for:		
Acquisition of tangible capital assets	(7,799,631)	(15,547,715)
Amortization of tangible capital assets	8,913,477	8,488,347
Change in prepaid expenses	<u>51,605</u>	<u>(73,860)</u>
CHANGE IN NET FINANCIAL ASSETS	3,590,842	(3,339,883)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,721,330</u>	<u>6,061,213</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 6,312,172</u>	<u>\$ 2,721,330</u>

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

CORPORATION OF THE COUNTY OF ELGIN
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 2,425,391	\$ 3,793,345
Items not involving cash:		
Amortization	<u>8,913,477</u>	<u>8,488,347</u>
	11,338,868	12,281,692
Net change in non-cash assets and liabilities	<u>(593,203)</u>	<u>1,571,827</u>
Cash provided by operating activities	<u>10,745,665</u>	<u>13,853,519</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	<u>(7,799,631)</u>	<u>(15,547,715)</u>
Cash (used in) capital activities	<u>(7,799,631)</u>	<u>(15,547,715)</u>
INVESTING ACTIVITIES		
Net decrease (increase) in investments	<u>993,124</u>	<u>(5,354,756)</u>
Cash provided by (used in) investing activities	<u>993,124</u>	<u>(5,354,756)</u>
NET CASH INFLOW (OUTFLOW)	3,939,158	(7,048,952)
CASH POSITION, BEGINNING OF YEAR	<u>3,844,313</u>	<u>10,893,265</u>
CASH POSITION, END OF YEAR	<u>\$ 7,783,471</u>	<u>\$ 3,844,313</u>

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

CORPORATION OF THE COUNTY OF ELGIN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

The County of Elgin is an upper-tier municipality, comprised of seven local municipalities, in the Province of Ontario. 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 County of Elgin are the representation of management, prepared in accordance with Canadian 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 County are as follows:

a) Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the County of Elgin and include all organizations and local boards that are accountable to the County for the administration of their financial affairs and resources and are owned or controlled by the County.

i) Consolidated entities

There are no organizations or local boards that are consolidated in these financial statements.

ii) Proportionate consolidation

The Elgin St. Thomas Public Health has been consolidated on a proportionate basis, based upon the percentage of grant money provided by the County of Elgin in comparison to the City of St. Thomas.

iii) Trust funds

Trust funds administered by the County, for the homes for senior citizen residents amounting to \$22,865 (2009 - \$28,988) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

b) Basis of accounting

i) Accrual accounting

Revenues and expenses are reported on the accrual basis of accounting. Revenues are recognized as they are earned 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.

ii) Investments

Investments consisting of guaranteed investment certificates and money market funds are carried at cost. Investment income is recognized when received or receivable.

iii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

CORPORATION OF THE COUNTY OF ELGIN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

iv) Tangible capital assets

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

	<u>Useful Life - Years</u>
Land improvements	20
Buildings	20-40
Furniture, fixtures and equipment	8-16
Computer hardware and software	2-4
Vehicles	4
Transportation infrastructure	40-80
Bridges	20-60
Library books	8

Amortization begins the first month of the year following the year the asset is placed in service and to the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Works of art, artifacts, cultural or historic assets are not recorded as assets in the financial statements.

v) Budget figures

Budget figures presented in these consolidated financial statements are based upon the 2010 operating and capital budgets approved by Council. The capital budget is based on a project oriented basis, the cost of which may be carried out over one or more years.

vi) 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 revenue and expenditures during the period. Actual results could differ from those estimates.

c) Government transfers

Government transfers are recognized in the period in which events giving rise to the transfers occur, providing the transfers are authorized, eligibility criteria are met, and reasonable estimates of the amounts can be made.

CORPORATION OF THE COUNTY OF ELGIN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d) Pension agreements

The County of Elgin makes contributions to the Ontario Municipal Employees Retirement System (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.

Contributions were made in 2010 calendar year at rates ranging from 6.5% to 9.5% depending on the member's designated retirement age and level of earnings. The amount contributed to OMERS in 2010 on behalf of current services was \$878,796 (2009 - \$829,363) and is included as an expense in the Consolidated Statement of Operations.

e) Financial instruments

The County of Elgin's financial instruments consist of cash, investments, accounts receivable, other assets, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the County is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

2. EMPLOYEE BENEFITS PAYABLE

Employee future benefits are liabilities of the County to its employees for benefits earned but not taken as at December 31, 2010. Details are as follows:

	<u>2010</u>	<u>2009</u>
Vacation credits	\$ 554,955	\$ 552,100
Workplace Safety and Insurance premiums - Schedule 2 Employer	<u>1,321,881</u>	<u>1,351,089</u>
	<u>\$1,876,836</u>	<u>\$1,903,189</u>

The provision of certain employee vacation plans allow for the accumulation of vacation credits for use in future periods. The approximate value of these credits at December 31, 2010 is \$554,955 (2009 - \$552,100).

As a Schedule 2 Employer, the County provides certain benefits to employees qualifying for Workplace Safety and Insurance payments. The Workplace Safety and Insurance Board has evaluated the liability estimates for future benefit costs at December 31, 2010 as \$1,321,881 (2009 - \$1,351,089).

CORPORATION OF THE COUNTY OF ELGIN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

3. TANGIBLE CAPITAL ASSETS

The net book value of the tangible capital assets is comprised of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 17,936,754	\$ 17,918,310
Land improvements	1,332,686	1,425,589
Buildings	22,378,823	21,307,510
Furniture, fixtures and equipment	1,757,318	1,910,107
Computer hardware and software	382,333	256,212
Vehicles	471,366	246,408
Books	1,673,296	1,845,726
Bridges	20,215,538	19,411,168
Road systems	<u>116,253,173</u>	<u>112,815,584</u>
Assets in service	182,401,287	177,136,614
Assets under construction	<u>1,990,687</u>	<u>8,369,206</u>
	<u>\$184,391,974</u>	<u>\$185,505,820</u>

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

4. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	<u>2010</u>	<u>2009</u>
Surplus:		
Net investment in tangible capital assets	\$184,391,974	\$185,505,820
Committed for completion of assets under construction	2,958,254	3,197,797
Self-financed capital projects	<u>(4,598,457)</u>	<u>(7,813,046)</u>
	182,751,771	180,890,571
Other	-	(167,643)
Share of surplus in Elgin St. Thomas Public Health	<u>191,067</u>	<u>189,932</u>
Total surplus	<u>182,942,838</u>	<u>180,912,860</u>
Reserves set aside by Council:		
Working capital	500,000	500,000
Contingencies	4,181,413	3,597,384
Insurance purposes	66,432	623,221
Roadway purposes	782,436	582,436
Homes for senior citizens	1,602,410	1,379,834
Libraries and cultural services	278,544	531,669
Ambulance and health services	689,877	490,954
Other municipal services	<u>42,768</u>	<u>42,969</u>
Total reserves	<u>8,143,880</u>	<u>7,748,467</u>
Total accumulated surplus	<u>\$191,086,718</u>	<u>\$188,661,327</u>

CORPORATION OF THE COUNTY OF ELGIN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

5. RESTATEMENT OF PRIOR YEAR'S ACCUMULATED SURPLUS, BEGINNING OF YEAR

During the preparation of the consolidated financial statements for the year ended December 31, 2010, the County determined that an incorrect valuation of certain tangible capital assets and classification of specific accounts had been made as at December 31, 2008. The correction of this error has been applied retroactively and the 2009 prior period accumulated surplus, beginning of the year balance has been restated as follows:

	<u>2009</u>
Accumulated surplus	
Balance as previously reported	\$184,699,359
Correction of net book value of tangible capital assets	170,596
Other reclassification of account balances	<u>(1,973)</u>
Accumulated surplus, as restated	<u>\$184,867,982</u>

6. CONTINGENCY

From time to time, the County of Elgin is subject to claims and other lawsuits that arise in the ordinary course of business. These claims may be covered by the County's insurance up to a maximum amount per occurrence. In the opinion of management, any litigation, if successful, would not have a material impact on the financial position of the County of Elgin.

7. PUBLIC SECTOR SALARY DISCLOSURE

The Public Sector Salary Disclosure Act, 1996 (the "Act") requires the disclosure of the salaries and benefits of employees in the public sector who are paid a salary of \$100,000 or more in a year. The County of Elgin complies with the Act by providing the information to the Ontario Ministry of Municipal Affairs and Housing for disclosure on the public website at www.fin.gov.on.ca.

CORPORATION OF THE COUNTY OF ELGIN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

8. SEGMENTED INFORMATION

The County of Elgin provides a diverse range of services to its citizens. The Consolidated Schedule of Segment Disclosure has grouped various services into segments to provide a further breakdown of the revenues and expenses attributed to each segment. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The services included in each segment are as follows:

General government

General government is comprised of County council, corporate management and program support.

Transportation services

Transportation services are comprised of roadways, bridges, and winter control.

Health Services

Health services are comprised of the County's proportional share of the operation of the Elgin St. Thomas Public Health and other public health transfers.

Social and family services

Social and family services consist of the County share of services that sustains and supports individuals, families and community.

Library and cultural services

Library and cultural services are comprised of library, archives, Pioneer Museum and other cultural services.

Planning and development

Planning and development is comprised of planning and zoning, economic development, tourism, and agricultural and reforestation.

9. COMPARATIVE AMOUNTS

Comparative amounts have been reclassified from statements previously presented to conform to the presentation of the 2010 consolidated financial statements.

CORPORATION OF THE COUNTY OF ELGIN

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

DECEMBER 31, 2010

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Vehicles and Equipment</u>	<u>Road Infrastructure</u>	<u>Library Books and Fixtures</u>	<u>Assets under Construction</u>	<u>Total 2010</u>	<u>Total 2009</u>
Cost									
Balance, beginning of year	\$17,918,310	\$2,939,906	\$32,516,492	\$4,714,882	\$235,477,865	\$3,790,288	\$ 8,369,206	\$305,726,949	\$290,179,234
Additions	18,444	22,362	1,652,963	624,657	11,594,570	265,154	(6,378,519)	7,799,631	15,547,715
Disposals	<u>-</u>	<u>-</u>	<u>(48,581)</u>	<u>(206,330)</u>	<u>-</u>	<u>(520,509)</u>	<u>-</u>	<u>(775,420)</u>	<u>-</u>
Balance, end of year	<u>17,936,754</u>	<u>2,962,268</u>	<u>34,120,874</u>	<u>5,133,209</u>	<u>247,072,435</u>	<u>3,534,933</u>	<u>1,990,687</u>	<u>312,751,160</u>	<u>305,726,949</u>
Accumulated amortization									
Balance, beginning of year	-	1,514,317	10,825,589	2,330,911	103,634,504	1,915,808	-	120,221,129	111,732,782
Amortization for year	-	115,265	965,043	397,611	6,969,220	466,338	-	8,913,477	8,488,347
Disposals	<u>-</u>	<u>-</u>	<u>(48,581)</u>	<u>(206,330)</u>	<u>-</u>	<u>(520,509)</u>	<u>-</u>	<u>(775,420)</u>	<u>-</u>
Balance, end of year	<u>-</u>	<u>1,629,582</u>	<u>11,742,051</u>	<u>2,522,192</u>	<u>110,603,724</u>	<u>1,861,637</u>	<u>-</u>	<u>128,359,186</u>	<u>120,221,129</u>
Net book value - municipal assets	<u>\$17,936,754</u>	<u>\$1,332,686</u>	<u>\$22,378,823</u>	<u>\$2,611,017</u>	<u>\$136,468,711</u>	<u>\$1,673,296</u>	<u>\$ 1,990,687</u>	<u>\$184,391,974</u>	<u>\$185,505,820</u>

CORPORATION OF THE COUNTY OF ELGIN

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

DECEMBER 31, 2010

	<u>General Government</u>	<u>Provincial Offences</u>	<u>Transportation Services</u>	<u>Ambulance Services</u>	<u>Health Services</u>	<u>Homes for Seniors</u>	<u>Social and Family Services</u>	<u>Library and Cultural Services</u>	<u>Planning and Development</u>	<u>Total</u>
Revenues										
Municipal requisitions	\$2,603,095	\$ -	\$ 6,130,994	\$2,452,398	\$ 548,493	\$ 4,291,696	\$4,205,605	\$3,065,497	\$1,226,199	\$24,523,977
User charges	786,440	-	-	-	40,130	5,430,108	-	77,894	109,737	6,444,309
Transfer payments	3,532,387	-	4,178,987	5,536,086	2,885,318	10,566,448	-	209,725	268,599	27,177,550
Investment income	35,470	-	-	-	2,697	-	-	-	-	38,167
Other contributions	<u>185,546</u>	<u>2,020,011</u>	<u>196,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,778</u>	<u>203</u>	<u>2,404,348</u>
Total revenues	<u>7,142,938</u>	<u>2,020,011</u>	<u>10,506,791</u>	<u>7,988,484</u>	<u>3,476,638</u>	<u>20,288,252</u>	<u>4,205,605</u>	<u>3,354,894</u>	<u>1,604,738</u>	<u>60,588,351</u>
Expenses										
Salaries and benefits	1,989,819	221,158	323,913	32,279	2,458,181	15,882,225	-	1,870,967	517,384	23,295,926
Operating expenses	2,752,600	749,811	3,522,124	7,638,081	1,017,323	3,335,376	374,065	715,279	948,458	21,053,117
External transfers	100	982,650	-	-	-	-	3,831,540	62,950	23,200	4,900,440
Amortization	<u>352,967</u>	<u>-</u>	<u>7,002,697</u>	<u>146,468</u>	<u>-</u>	<u>945,007</u>	<u>-</u>	<u>466,338</u>	<u>-</u>	<u>8,913,477</u>
Total expenses	<u>5,095,486</u>	<u>1,953,619</u>	<u>10,848,734</u>	<u>7,816,828</u>	<u>3,475,504</u>	<u>20,162,608</u>	<u>4,205,605</u>	<u>3,115,534</u>	<u>1,489,042</u>	<u>58,162,960</u>
Annual surplus (deficit)	<u>\$2,047,452</u>	<u>\$ 66,392</u>	<u>\$ (341,943)</u>	<u>\$ 171,656</u>	<u>\$ 1,134</u>	<u>\$ 125,644</u>	<u>\$ -</u>	<u>\$ 239,360</u>	<u>\$ 115,696</u>	<u>\$ 2,425,391</u>