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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Corporation of the County of Essex, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the County of Essex as at December 31, 2017, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Approval date
Windsor, Canada

CORPORATION OF THE COUNTY OF ESSEX

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017, WITH COMPARATIVE INFORMATION FOR 2016

	2017	2016
	\$	\$
Financial Assets		
Cash	72,951,419	67,137,192
Accounts receivable	11,528,398	16,520,662
Investments	80,166,837	68,378,272
Total Financial Assets	164,646,654	152,036,126
Liabilities		
Accounts payable and accrued liabilities	18,704,175	13,537,266
Regional landfill post closure costs (Note 5)	3,607,943	2,441,018
Employee benefits payable (Note 6)	6,370,111	7,254,887
Long-term debt (Note 7)	32,281,780	32,938,050
Total Liabilities	60,964,009	56,171,221
Net Financial Assets	103,682,645	95,864,905
Non-Financial Assets		
Tangible capital assets (Note 8)	177,166,523	159,399,921
Inventory of supplies	768,678	1,022,730
Prepaid expenses	1,105,990	1,001,290
Total Non-Financial Assets	179,041,191	161,423,941
Commitments and contingency (Notes 2, 11 and 14)		
Accumulated Surplus (Note 9)	282,723,836	257,288,846

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

CORPORATION OF THE COUNTY OF ESSEX

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE INFORMATION FOR 2016

	2017 \$	Budget \$	2016 \$
Revenue			
Requisition on local municipalities	91,495,553	89,699,480	86,735,482
Fees, service charges and donations	30,738,292	24,382,785	30,064,851
Government transfers	35,815,734	37,735,000	34,757,014
Investment earnings	2,870,258	2,829,100	2,488,042
Other	3,024,957	2,082,085	4,154,065
Gain on disposal of tangible capital assets	177,516	-	173,444
Total Revenue	164,122,310	156,728,450	158,372,898
Expenses			
General government	5,164,982	4,045,780	4,327,871
Protection to persons and property	203,980	213,323	179,279
Transportation services	27,150,496	30,131,247	25,277,908
Environmental services	14,940,261	13,476,028	13,412,723
Health services	41,327,447	41,692,951	39,318,332
Social and family services	33,834,804	34,421,247	34,067,311
Social housing	9,318,382	9,424,830	8,529,668
Recreational and cultural services	5,511,882	5,716,263	5,100,366
Planning and development	2,580,651	2,469,308	3,239,906
Total Expenses	140,032,885	141,590,977	133,453,364
Annual Surplus	24,089,425	15,137,473	24,919,534
Accumulated Surplus, beginning of year	257,288,846	257,288,846	232,369,312
Acquisition of Civic Centre Operations (Note 15)	1,345,565	-	-
	258,634,411	257,288,846	232,369,312
Accumulated Surplus, end of year	282,723,836	272,426,319	257,288,846

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

CORPORATION OF THE COUNTY OF ESSEX

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE INFORMATION FOR 2016**

	2017	BUDGET	2016
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Annual Surplus	24,089,425	15,137,473	24,919,534
Net acquisition of tangible capital assets	(34,512,022)	(29,542,406)	(21,460,703)
Amortization of tangible capital assets	16,307,212	16,194,939	14,755,103
Loss (gain) on disposal of tangible capital assets	(12,135)	-	32,652
Proceeds on sale of tangible capital assets	450,343	-	568,245
	<u>6,322,823</u>	<u>(13,347,467)</u>	<u>18,814,831</u>
Net acquisition and consumption of supplies inventories	254,052	-	(195,229)
Net acquisition and consumption of prepaid expenses	(104,700)	-	(185,098)
Change in Net Financial Assets	6,472,175	(13,347,467)	18,434,504
Net Financial Assets, beginning of year	95,864,905	95,864,905	77,430,401
Acquisition of Civic Centre Operations (Note 15)	<u>1,345,565</u>	<u>-</u>	<u>-</u>
Net Financial Assets, end of year	<u><u>103,682,645</u></u>	<u><u>82,517,438</u></u>	<u><u>95,864,905</u></u>

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

CORPORATION OF THE COUNTY OF ESSEX

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017, WITH COMPARATIVE INFORMATION FOR 2016

	2017	2016
	\$	\$
Cash provided by (used in):		
Operating Activities:		
Annual surplus	24,089,425	24,919,534
Items not involving cash:		
Amortization of tangible capital assets	16,307,212	14,755,103
Loss (gain) on disposal of tangible capital assets	(12,135)	32,652
Change in employee benefits payable	(884,776)	33,053
Change in regional landfill post closure costs	1,166,925	79,107
Change in non-cash assets and liabilities:		
Accounts receivable	4,992,264	2,250,606
Accounts payable and accrued liabilities	5,166,909	(6,976,759)
Deferred revenue	-	(26,962)
Inventory of supplies	254,052	(195,229)
Prepaid expenses	(104,700)	(185,098)
Net change in cash from operating activities	50,975,176	34,686,007
Capital Activities		
Proceeds on sale of tangible capital assets	450,342	568,245
Acquisition of Civic Centre	1,345,565	-
Cash used to acquire tangible capital assets	(34,512,022)	(21,460,703)
Net change in cash from capital activities	(32,716,115)	(20,892,458)
Investing Activities:		
Investments	(11,788,565)	(33,501,431)
Net change in cash from investing activities	(11,788,565)	(33,501,431)
Financing Activities:		
Long-term debt repaid	(656,270)	(503,315)
Net change in cash from financing activities	(656,270)	(503,315)
Net change in cash	5,814,226	(20,211,197)
Cash, beginning of year	67,137,192	87,348,389
Cash, end of year	72,951,418	67,137,192

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

**CORPORATION OF THE COUNTY OF ESSEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the County of Essex (the "Corporation") are prepared in accordance with the Canadian public sector accounting standards by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the Corporation are as follows:

(a) Basis of consolidation

(i) Consolidated entities

The consolidated financial statements of the Corporation reflect the assets, liabilities, sources of financing and expenses of the reporting entity.

The consolidated financial statements reflect the activities of the following entities:

Essex County Library Board
Essex-Windsor Solid Waste Authority

All inter-fund assets, liabilities, sources of financing and expenses have been eliminated.

(ii) Essex-Windsor Solid Waste Authority

The Essex-Windsor Solid Waste Authority (the "Authority") is jointly controlled by the Corporation and the City of Windsor.

By agreement between the Corporation and the City of Windsor, the Authority is authorized to conduct studies, to develop alternative waste management methods, and to establish and operate waste management facilities.

In accordance with the PSAB recommendations governing consolidation, the financial assets, liabilities, revenues and expenses of the Authority are proportionately consolidated within the Corporation's accounts to the extent of the Corporation's 50% pro rata interest in the Authority.

(iii) Non-consolidated entities

The operations of the following entity is not consolidated in these financial statements:

Windsor-Essex County Health Unit

(iv) Trust fund

The Sun Parlor Home Residents' Trust Fund is administered by the Corporation but is not consolidated in these financial statements.

The operations of the Fund are reported separately on the Trust Fund Statement of Financial Position and Statement of Continuity.

(b) Basis of accounting

The Corporation follows the accrual method of accounting for revenues and expenses. The accrual basis of accounting recognizes revenue as it becomes available and is measurable. Expenses are recognized as they are incurred and are measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

**CORPORATION OF THE COUNTY OF ESSEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Non-financial assets

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

(i) Tangible Capital Assets

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

Asset	Useful Life - Years
Land	Infinite
Land improvements	15-30
Buildings and building improvements	10-50
Vehicles	5-8
Machinery and equipment	5-20
Road and bridge infrastructure	12-80
Computer systems	3
Furniture and fixtures	15
Ortho-photography	2

(ii) Amortization

Tangible capital assets are recorded at historical cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Where historical cost is not available, the Corporation uses deflated replacement values. The cost of the tangible capital assets are amortized on a straight-line basis over the above noted useful lives. The only exception, per the above, is for Land and Landfill, (Land is considered to have an infinite life, and the Regional Landfill has an estimated service capacity of 8,000,000 tonnes and is being amortized using the units of production method based on capacity used during the year). One half of the annual amortization shall be charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use. Gains and/or losses on the disposal of an asset shall be recorded on the consolidated statement of operations and accumulated surplus as "Gain/Loss on disposal of tangible capital assets."

(iii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are also recorded as revenue.

iv) Leased assets

Leases are classified as either operating or capital leases. Lease agreements which substantially transfer all the risks and rewards of ownership to the Corporation are accounted for as a capital lease and will be capitalized. All other leases are considered operating leases and the related payments are charged to operating expense as incurred.

**CORPORATION OF THE COUNTY OF ESSEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Works of Art and Historical Treasures

The Corporation owns both works of art and historical treasures at various Corporate-owned facilities. These assets are deemed worthy of preservation because of the social rather than financial benefits provided to the community. Although the existence of the assets are recorded, the historical cost of the art and treasures are neither determinable nor relevant in significance; hence, a valuation is neither assigned to these assets nor disclosed in the consolidated financial statements.

(d) Employee future benefit obligations

The Corporation has adopted the accrued method of accounting for employee future benefits. The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions of mortality and termination rates, retirement age and expected inflation rate.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The accumulated actuarial gain (loss) of the accrued benefit obligation is amortized over the average remaining service period of active employees, which is 13 years.

Gains and losses determined upon a plan settlement or curtailment are accounted for in the period of the settlement or curtailment.

(e) Use of estimates

The preparation of the consolidated financial statements 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 dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, the valuation of employee future benefits, the carrying value of tangible capital assets and the carrying value of Regional Landfill post-closure costs.

(f) Contaminated Sites

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

(g) Future accounting changes

Effective fiscal periods beginning on or after April 1, 2019 all governments will be required to adopt PSAB Section 3460, Financial Instruments and Section 2601, Foreign Currency Translation. Section 3460 provides guidance on how to account for financial instruments including derivatives. Section 2601 provides guidance on how to account for and report transactions that are denominated in foreign currency in government financial statements.

**CORPORATION OF THE COUNTY OF ESSEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. CONTRIBUTIONS TO NON-CONSOLIDATED ENTITIES

The Corporation made contributions to the following non-consolidated entity:

	<u>2017</u>	<u>2016</u>
Windsor-Essex County Health Unit	\$2,218,526	\$1,887,177

The Corporation is contingently liable for its share of the accumulated surplus (deficits), which may exist at the end of the year for this non-consolidated entity. The Corporation's share of the accumulated surplus (deficit) of this non-consolidated entity is as follows:

	<u>2017</u>	<u>2016</u>
Windsor-Essex County Health Unit	\$609,247	\$352,405

3. TRUST FUND

The Sun Parlor Home Residents' Trust Fund administered by the Corporation amounting to \$81,683 (2016 - \$93,741) is not reported on the consolidated statement of financial position, and the nature and extent of its activity is not reported on the consolidated statement of operations and accumulated surplus.

4. PENSION AGREEMENTS

The Corporation contributes to the Ontario Municipal Employees Retirement System (OMERS) on behalf of 705 (2016 - 701) employees. OMERS is a multi-employer, defined benefit plan which specifies the amount of the retirement benefit to be received by employees based on their length of service and earnings.

The amount contributed to OMERS for 2017 was \$4,245,675 (2016 - \$3,687,862) for current service. Contributions in the current year have been included as an expense within the consolidated statement of operations and accumulated surplus.

At December 31, 2017, the OMERS plan is in a deficit position, which will be addressed through benefit adjustments, contribution rate changes and a long-term investment approach.

5. REGIONAL LANDFILL POST CLOSURE COSTS

The consolidated statement of financial position reflects a balance of \$3,607,943 (2016 - \$2,441,018) for regional landfill closure and post closure costs. This amount represents an estimate of costs that would be incurred should the Regional Landfill have ceased receiving waste on December 31, 2017. This liability for perpetual care is to be recognized over the term of the Regional Landfill operation, the balance of which is currently estimated to be 31 years, based on past and projected waste levels. The site has an approximate capacity of 12.2 million cubic metres, of which 5.4 million has been consumed to December 31, 2017. The nature of closure and post closure costs will relate to final cover and vegetation; monitoring, hauling and treating leachate; monitoring ground and surface water; monitoring gas and maintenance of drainage system and final cover.

**CORPORATION OF THE COUNTY OF ESSEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

6. EMPLOYEE BENEFITS AND OTHER LIABILITIES

The employee benefit and other liabilities, reported on the consolidated statement of financial position, are made up of the following:

	2017	2016
Accumulated sick leave	24,300	97,972
Accrued vacation	1,588,040	1,488,814
Post-employment benefits	281,150	487,268
Post-retirement benefits	4,270,082	4,994,282
WSIB future benefits	206,539	186,551
Total	\$ 6,370,111	\$ 7,254,887

Information about the Corporation's future obligations with respect to post-employment, post-retirement and WSIB future benefits is as follows:

	2017	2016
Accrued benefit liability:		
Balance, beginning of the year	\$ 5,668,101	\$ 5,571,429
Essex County Civic and Education Centre addition	39,667	-
Decrease due to plan amendment	(1,109,088)	-
Current service cost	256,975	241,939
Interests	260,465	235,781
Amortization of actuarial loss (gain)	32,770	(102,632)
Expected benefit payments	(391,119)	(278,416)
Balance, end of the year	4,757,771	5,668,101
Unamortized loss (gain)	1,483,011	(467,517)
Obligation for benefits	\$ 6,240,782	\$ 5,200,584

Accumulated sick leave

Under the Corporation's sick leave benefit plan, the unused sick leave of eligible employees will accumulate and these employees may become entitled to a cash payment upon termination of employment with the Corporation.

At December 31, 2017, the accumulated sick leave benefit liability, to the extent that it has been vested and could be received in cash by an eligible employee upon termination of employment with the Corporation amounts to \$24,300 (2016 - \$97,972). This liability is currently 100% funded at \$24,300 (2016 - \$97,972). The vested balance is reported on the consolidated statement of financial position as a component of employee benefits payable and is summarized as follows:

	2017		2016	
	Vested	Funded	Vested	Funded
General	-	-	27,908	27,908
Library	24,300	24,300	70,064	70,064
	\$ 24,300	\$ 24,300	\$ 97,972	\$ 97,972

The net decrease in the current year totalled \$73,672 (2016 decrease - \$7,320) and this amount is reported within the consolidated statement of operations and accumulated surplus.

**CORPORATION OF THE COUNTY OF ESSEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

6. EMPLOYEE BENEFITS AND OTHER LIABILITIES (continued)

Retiree and post-employment benefits

The Corporation pays certain extended health and dental benefits for early retirees to age 65. The Corporation recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was performed as at December 31, 2016. The accrued benefit liability and the expense for the 12 months ended December 31, 2017, were determined by extrapolation of the December 31, 2016 actuarial valuation based on the following significant actuarial assumptions:

	2017	2016
Discount rate	4.25%	4.75%
Medical costs		
Initial	5.70%	5.70%
Ultimate	4.00%	4.00%
Year of ultimate level	2020	2020
Dental	4.00%	4.00%

7. LONG-TERM DEBT

- (a) The balance of the net long-term liabilities reported on the consolidated statement of financial position is comprised of the following:

	2017	2016
Corporation's share of long-term liabilities incurred by EWSWA (50%)	\$32,281,780	\$32,938,050

- (b) The Essex-Windsor Solid Waste Authority (the "Authority") is a Joint Board of Management created by The Corporation of the County of Essex (the "County") and The Corporation of the City of Windsor (the "City") pursuant to an Agreement dated May 18, 1994 (the "EWSWA Agreement") to establish, operate and manage, among other things, the Regional Landfill (the "Landfill"). The County holds title to the Landfill in accordance with the provisions of the EWSWA Agreement.

In July 2005, the County, City and Authority (the "Plaintiffs") settled a legal action commenced in the Ontario Superior Court of Justice against MFP Financial Services, Leasing-Infrastructure Financing Trust 1 ("LIFT") and others in which the Plaintiffs had alleged that certain of the defendants had fraudulently and negligently misrepresented the rate of interest payable by the Plaintiffs in respect of a head lease and sublease intended to be a loan to finance certain costs incurred by the Authority to develop the Regional Landfill and pay the costs of future landfill expansions.

Under the terms of the mediated and Court approved settlement, LIFT assigned its rights under the original head lease which the Court ruled was a loan from LIFT to the County and City, to Sun Life Assurance Company Limited ("Sun Life"). Sun Life restructured the loan, in favour of a debenture in the amount of \$62,808,332 (County obligation \$31,404,166), bearing interest at 6.427% per annum, issued by the County, on behalf of the County and the City. The County and the City are jointly liable for the debenture, which provides for principal and interest payments on January 15 and July 15 of each year, commencing January 15, 2006 and maturing on July 31, 2031. Total interest over the term of the debenture will aggregate \$88,454,959 (County obligation \$44,227,480).

**CORPORATION OF THE COUNTY OF ESSEX
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017**

7. LONG-TERM DEBT (continued)

Other significant terms and conditions of the settlement are as follows:

- I. Cash proceeds of \$5,728,000 held by LIFT on account of a payment previously owing under the head lease were distributed to the County and City and used to retire certain indebtedness incurred in prior years by the Authority with respect to Regional Landfill expenses.
- II. Investments held by another defendant with a book value of \$10,195,743 at the date of settlement were distributed to the County and the City. At their respective maturity dates, these investments will be considered as further advances by LIFT as provided under the original head lease agreement.
- III. Payment of \$7,146,880 by LIFT to the County and City, which was used, along with interest earned thereon, towards payments otherwise due with respect to the Sun Life debenture during the period commencing January 15, 2006 and ended on January 15, 2008. Those proceeds were intended to effectively reduce the original cost of borrowing included in the head lease and sub-lease during this period. As part of the agreement, no other payments with respect to the debenture are payable during this timeframe.
- IV. Payment of \$2,400,000 by MFP Financial Services Limited on account of costs of the legal action incurred by the Plaintiffs.

Under the terms of the debenture agreement, principal repayments commenced in July 2013.

- (c) The principal amounts to be paid from general municipal revenues for the retirement of the net long-term liabilities, which are the responsibility of the Corporation, are as follows:

2018	\$	797,803
2019		971,087
2020		1,158,036
2021		1,359,589
2022		1,576,748
2023 and thereafter		<u>26,418,517</u>
	\$	<u>32,281,780</u>

- (d) Total charges in the year for the retirement of the net long-term liabilities are as follows:

	2017	2016
	\$	\$
Principal	<u>656,271</u>	<u>503,314</u>
Interest	<u>2,046,530</u>	<u>2,080,278</u>
	<u>2,702,801</u>	<u>2,583,592</u>

**CORPORATION OF THE COUNTY OF ESSEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. TANGIBLE CAPITAL ASSETS

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$ 5,727,121	\$ 742,845	\$ -	\$ 6,469,966
Landfill and land improvements	22,040,282	1,418,593	(85,368)	23,373,507
Buildings and building improvements	39,934,866	9,629,488	(137,438)	49,426,916
Machinery and equipment	22,040,851	1,374,508	(1,805,311)	21,610,048
Vehicles	12,917,763	1,963,622	(1,412,538)	13,468,887
Water and wastewater infrastructure	2,929,546	-	-	2,929,546
Road and bridge infrastructure	200,209,537	19,650,035	(189,132)	219,670,440
Assets under construction	3,889,690	(267,109)	-	3,622,581
Total	\$309,689,656	\$ 34,512,022	\$ (3,629,787)	\$ 340,571,891

Accumulated amortization	Balance at December 31, 2016	Disposals	Amortization expense	Balance at December 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Landfill and land improvements	12,036,308	(85,368)	1,154,685	13,105,625
Buildings and building improvements	21,868,557	(8,246)	1,420,578	23,280,889
Machinery and equipment	14,812,216	(1,722,929)	1,976,180	15,065,467
Vehicles	6,893,543	(1,214,274)	1,802,831	7,482,100
Water and wastewater infrastructure	513,253	-	73,239	586,492
Road and bridge infrastructure	94,165,858	(160,762)	9,879,699	103,884,795
Total	\$150,289,735	\$ (3,191,579)	\$ 16,307,212	\$ 163,405,368

	Net book value December 31, 2016	Net book value December 31, 2017
Land	\$ 5,727,121	\$ 6,469,966
Landfill and land improvements	10,003,974	10,267,882
Buildings and building improvements	18,066,309	26,146,027
Machinery and equipment	7,228,635	6,544,581
Vehicles	6,024,220	5,986,787
Water and wastewater infrastructure	2,416,293	2,343,054
Road and bridge infrastructure	106,043,679	115,785,645
Assets under construction	3,889,690	3,622,581
Total	\$159,399,921	\$ 177,166,523

**CORPORATION OF THE COUNTY OF ESSEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. TANGIBLE CAPITAL ASSETS (continued)

Cost	Balance at December 31, 2015	Additions	Disposals	Balance at December 31, 2016
Land	\$ 5,785,263	\$ 10,939	\$ (69,081)	\$ 5,727,121
Landfill and land improvements	18,574,637	3,465,645	-	22,040,282
Buildings and building improvements	39,959,063	3,189,194	(3,213,391)	39,934,866
Machinery and equipment	21,998,733	1,757,873	(1,715,755)	22,040,851
Vehicles	12,082,231	2,296,972	(1,461,440)	12,917,763
Water and wastewater infrastructure	2,929,546	-	-	2,929,546
Road and bridge infrastructure	187,650,128	13,017,509	(458,100)	200,209,537
Assets under construction	6,167,119	(2,277,429)	-	3,889,690
Total	\$295,146,720	\$21,460,703	\$ (6,917,767)	\$ 309,689,656

Accumulated amortization	Balance at December 31, 2015	Disposals	Amortization expense	Balance at December 31, 2016
Land	\$ -	\$ -	\$ -	\$ -
Landfill and land improvements	11,017,063	-	1,019,245	12,036,308
Buildings and building improvements	23,581,190	(2,878,749)	1,166,116	21,868,557
Machinery and equipment	14,417,437	(1,679,475)	2,074,254	14,812,216
Vehicles	6,796,344	(1,461,440)	1,558,639	6,893,543
Water and wastewater infrastructure	440,014	-	73,239	513,253
Road and bridge infrastructure	85,599,454	(297,206)	8,863,610	94,165,858
Total	\$141,851,502	\$ (6,316,870)	\$ 14,755,103	\$ 150,289,735

	Net book value December 31, 2015	Net book value December 31, 2016
Land	\$ 5,785,263	\$ 5,727,121
Landfill and land improvements	7,557,574	10,003,974
Buildings and building improvements	16,377,873	18,066,309
Machinery and equipment	7,581,296	7,228,635
Vehicles	5,285,887	6,024,220
Water and wastewater infrastructure	2,489,532	2,416,293
Road and bridge infrastructure	102,050,674	106,043,679
Assets under construction	6,167,119	3,889,690
Total	\$153,295,218	\$ 159,399,921

a) Assets under construction

Assets under construction having a value of \$3,622,581 (2016 - \$3,889,690) have not been amortized. Amortization of these assets will commence when the asset is put into service.

**CORPORATION OF THE COUNTY OF ESSEX
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9. ACCUMULATED SURPLUS

Accumulated surplus consist of individual fund surplus and reserve funds as itemized follows:

	2017	2016
Surplus:		
Invested in tangible capital assets	\$174,272,126	\$155,874,547
Long term debt	(32,281,780)	(32,938,050)
Unfunded		
Employee benefits	(6,029,863)	(6,902,825)
Landfill closure costs	(3,607,943)	(2,441,018)
Total surplus	132,352,540	113,592,654
Reserves set aside by Council:		
Capital asset acquisition or replacement	39,892,670	40,619,008
Working funds	4,500,000	4,500,000
Insurance and health benefit claims	1,490,202	1,658,676
W.S.I.B. claims	2,827,250	2,654,242
Contingencies	9,132,229	10,456,458
Roadway and active transportation expansion	61,274,783	56,349,460
New Windsor-Essex Hospital System (NWEHS)	6,441,000	4,269,000
Land ambulance staff severance	330,153	330,153
Total reserves	125,888,287	120,836,997
Reserve funds set aside for specific purpose by agreement:		
EWSWA reserves	24,483,009	22,859,195
Total reserve funds	150,371,296	143,696,192
	\$282,723,836	\$257,288,846

10. CORPORATION EXPENSES

The consolidated statement of operations and accumulated surplus presents expenses for the Corporation by functions. The following is a summary of expenses by object.

	2017	2016
Salaries, wages and employee benefits	\$ 61,225,586	\$ 58,242,102
Materials, goods, supplies and utilities	16,806,007	14,630,753
Contracted services	33,764,035	33,774,860
Rents and financial expenses	245,030	216,300
Long term debt (interest)	2,046,530	2,080,278
External transfers	5,847,837	6,196,129
Program support	3,790,648	3,557,839
Amortization	16,307,212	14,755,103
	\$140,032,885	\$133,453,364

**CORPORATION OF THE COUNTY OF ESSEX
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FOR THE YEAR ENDED DECEMBER 31, 2017**

11. COMMITMENTS

The Corporation has long term commitments of \$85,600,000 (2016 - \$103,750,000), which can be summarized as follows:

	2018 \$	2019 \$	2020 \$	2021 \$	2022 & Beyond
New Windsor-Essex Hospital System	2,690,000	3,290,000	3,890,000	4,590,000	69,300,000
Windsor Regional Hospital – Corner Stone of Caring	100,000	100,000	-	-	-
Hospice – Erie Shores (Leamington)	200,000	200,000	200,000	200,000	400,000
SouthWestern Integrated Fibre Technology	220,205	220,205	-	-	-
	<u>3,210,205</u>	<u>3,810,205</u>	<u>4,090,000</u>	<u>4,790,000</u>	<u>69,700,000</u>

Included in the commitment estimates is the accumulation of funds related to a future contribution to the proposed New Windsor-Essex Hospital System (NWEHS), estimated at \$90,000,000 to be paid no sooner than 2026, approved by County Council in 2016. Included in reserves at December 31, 2017 for NWEHS is \$6,441,000.

12. SEGMENTED INFORMATION

Segmented information has been identified based upon various operating departments within the County and their activities are reported by functional area in the body of the financial statements.

Certain operating departments along with the services they provide have been separately disclosed in the segmented information are as follows:

- (a) General Government – Warden and Council, Council Services, Administrative Services, Corporate Services/Treasury and Human Resources:

The departments within General Government are responsible for the general management and control of the County, including adoption of bylaws, adopting administrative policy, levying taxes, providing administrative, technical and financial services. They also ensure quality services are provided to the community and that the services provided are aligned with Council approved actions.

- (b) Protection to Persons and Property – Emergency Management Coordination Services:

This department is responsible for activities undertaken in advance of a large-scale emergency to minimize, through the existence of effective, up-to-date and proven emergency management programs the risk to the life and health of residents and to reduce damage to property. This department also provides coordination of the County Mutual Aid Firefighting System.

- (c) Transportation Services – Planning, Engineering, Construction and Maintenance activities required to manage the County Road Network:

This department is responsible for operations, infrastructure management (roads, bridges, culverts and active transportation segments), traffic control, winter maintenance, street lights and development engineering.

**CORPORATION OF THE COUNTY OF ESSEX
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FOR THE YEAR ENDED DECEMBER 31, 2017**

12. SEGMENTED INFORMATION (continued)

- (d) Environmental Services – Solid Waste Disposal, Waste Diversion and Rural Storm Water Management:

The Essex-Windsor Solid Waste Authority is a jointly controlled Authority between the County and the City of Windsor (see Note 1 (a) (ii)). The Authority is authorized to conduct studies, to develop alternative waste management methods, and to establish and operate waste management facilities. Transportation Services is responsible for rural storm water management.

- (e) Health Services – Emergency Medical Services, Public Health and Physician Recruitment:

The Emergency Medical Services Department is responsible for the operation of the public ambulance services for the County, the City of Windsor and the Township of Pelee. The County is financially responsible for its share of the regional public health Services provide by the Windsor Essex County Health Unit. The County provides support for the attraction and retention of physicians within the greater Windsor-Essex County region.

- (f) Social and Family Services – Social Assistance, Assistance to Aged Persons and Child Care:

Social Assistance and Child Care are provided through the City of Windsor as the designated delivery agent for the Windsor-Essex region. Net cost of services are shared based on an arbitrated formula of 60% weighted assessment and 40% actual cost. The County's Sun Parlor Home provides supportive, resident-focused care that promotes quality of life to its 206 residents.

- (g) Social Housing:

Social Housing is provided through the City of Windsor, as the designated delivery agent for the Windsor-Essex region. Net cost of services are shared based on an arbitrated formula of 60% weighted assessment and 40% actual cost.

- (h) Recreation and Cultural Services – Essex County Library Board:

The Essex County Library Board's Mission is to "welcome you to a world of discovery, creativity and lifelong learning through accessible resources, programs and innovative services".

- (i) Planning and Development- County Planning Services, Economic Development and Tourism:

This department provides planning advisory services to County Council on matters related to County-wide land use planning, economic development, and strategic planning matters. Economic Development and Tourism services are provided regionally through the Windsor Essex Economic Development Corporation and the Tourism Windsor Essex Pelee Island, respectively.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation is allocated to the segments based on the segment's budget net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

**CORPORATION OF THE COUNTY OF ESSEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. SEGMENTED INFORMATION (continued)

2017

	General Government	Protection to Persons	Transportation	Environmental	Health Services	Social & Family Services	Social Housing	Recreational & Culture	Planning & Development	Total
Revenue										
Requisition on local municipalities	8,449,463	190,750	34,758,880	24,000	14,869,670	16,604,510	9,589,830	4,829,590	2,178,860	91,495,553
Fees & service charges	350,278	-	1,359,480	11,577,952	10,492,753	6,886,579	-	71,250	-	30,738,292
Government transfers	8,000	-	6,153,218	-	19,322,604	10,005,791	-	326,121	-	35,815,734
Other	2,595,695	-	59,839	2,591,404	63,381	583,566	-	1,330	-	5,895,215
Gain on disposal of assets	5,500	-	122,021	-	32,942	5,472	-	11,581	-	177,516
Total revenue	11,408,936	190,750	42,453,438	14,193,356	44,781,350	34,085,918	9,589,830	5,239,872	2,178,860	164,122,310
Expenses										
Salaries, wages and benefits	984,596	104,622	4,143,986	1,464,508	30,516,201	20,673,630	-	3,212,900	125,143	61,225,587
Materials, goods and supplies	1,169,138	15,408	5,398,928	2,718,973	3,602,609	2,855,267	-	1,035,216	10,468	16,806,007
Contracted services	2,462,183	59,558	2,917,030	6,596,180	1,332,890	8,497,685	9,318,382	306,765	2,273,362	33,764,035
Rents and financial expenses	6,293	5,376	1,852	28,964	197,169	-	-	-	5,376	245,030
Long term debt (interest)	-	-	-	2,046,530	-	-	-	-	-	2,046,530
External transfers	-	-	3,328,811	-	2,518,526	-	-	500	-	5,847,837
Program support	123,504	19,016	519,055	221,009	1,180,205	1,196,489	-	365,068	166,302	3,790,648
Amortization	419,268	-	10,840,834	1,864,097	1,979,847	611,733	-	591,433	-	16,307,212
Total expenses	5,164,982	203,980	27,150,496	14,940,261	41,327,447	33,834,804	9,318,382	5,511,882	2,580,651	140,032,885
Surplus (deficit)	6,243,954	(13,230)	15,302,942	(746,905)	3,453,903	251,114	271,448	(272,010)	(401,791)	24,089,425

2016

	General Government	Protection to Persons	Transportation	Environmental	Health Services	Social & Family Services	Social Housing	Recreational & Culture	Planning & Development	Total
Revenue										
Requisition on local municipalities	9,060,092	194,980	32,526,770	24,000	13,610,610	15,966,320	9,176,100	4,039,590	2,137,020	86,735,482
Fees & service charges	293,393	-	2,143,104	10,893,093	9,878,362	6,742,364	-	114,535	-	30,064,851
Government transfers	2,733	-	5,830,071	-	18,670,021	10,110,482	-	143,707	-	34,757,014
Other	3,771,577	-	18,429	2,492,284	75,200	281,603	-	3,014	-	6,642,107
Gain on disposal of assets	-	-	129,208	-	44,236	-	-	-	-	173,444
Total revenue	13,127,795	194,980	40,647,582	13,409,377	42,278,429	33,100,769	9,176,100	4,300,846	2,137,020	158,372,898
Expenses										
Salaries, wages and benefits	954,422	99,557	4,151,909	1,335,606	29,376,189	19,939,863	-	2,261,702	122,854	58,242,102
Materials, goods and supplies	606,207	5,063	4,203,374	2,514,319	3,311,905	3,019,199	-	964,322	6,364	14,630,753
Contracted services	2,429,476	50,212	3,502,894	5,383,339	1,385,400	9,395,308	8,529,668	904,345	2,194,218	33,774,860
Rents and financial expenses	5,280	5,112	519	37,284	162,993	-	-	-	5,112	216,300
Long term debt (interest)	-	-	-	2,080,278	-	-	-	-	-	2,080,278
External transfers	-	-	3,241,952	-	2,187,177	-	-	500	766,500	6,196,129
Program support	148,866	19,335	469,291	208,909	1,134,334	1,100,507	-	331,739	144,858	3,557,839
Amortization	183,620	-	9,707,969	1,852,988	1,760,334	612,434	-	637,758	-	14,755,103
Total expenses	4,327,871	179,279	25,277,908	13,412,723	39,318,332	34,067,311	8,529,668	5,100,366	3,239,906	133,453,364
Surplus (deficit)	8,799,924	15,701	15,369,674	(3,346)	2,960,097	(966,542)	646,432	(799,520)	(1,102,886)	24,919,534

**CORPORATION OF THE COUNTY OF ESSEX
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FOR THE YEAR ENDED DECEMBER 31, 2017**

13. BUDGET DATA

The budget data presented in these consolidated financial statements is based upon the 2017 Budget approved by Council on February 1, 2017. Amortization was not contemplated on development of the budget and, as such, has been estimated based on 2016 tangible capital asset data and budgeted capital expenses. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget Amount
Revenues:	
Operating budget	\$ 140,808,742
Capital budget	29,542,406
Less:	
Transfers from other funds	(13,622,698)
Total Revenue	156,728,450
Expenses:	
Operating budget	127,442,877
Capital budget	29,542,406
Less:	
Transfers to other funds	14,148,100
Capital expenses	(29,542,406)
Total Expenses	141,590,977
Annual Surplus	\$ 15,137,473

14. CONTINGENCY

During the normal course of operations, the Corporation is subject to various legal actions. The settlement of these actions is not expected to have a material effect on the consolidated financial statements of the Corporation.

15. ACQUISITION OF CIVIC CENTRE OPERATIONS

During 2017, the Corporation negotiated with the Greater Essex District School Board and the Essex Region Conservation Authority to acquire full ownership of the Essex County Civic and Education Centre. The acquisition closed on November 30th, 2017, at which time the Corporation purchased a combined value of 49.16% from the Board and the Authority at a cost of \$1,446,022.

The accumulated net surplus of the Essex County Civic and Education Centre transferred to the Corporation at November 30, 2017 was \$1,345,565.

At December 31, 2017, the Essex County Civic and Education Centre was recorded as a wholly owned asset of the Corporation.