

**THE CORPORATION OF THE
MUNICIPALITY OF HURON EAST
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

VODDEN, BENDER & SEEBACH LLP
Chartered Professional Accountants

Vodden, Bender & Seebach LLP
Chartered Professional Accountants

P.O. Box 758
41 Ontario Street
CLINTON, ONTARIO N0M 1L0
Tel:(519) 482-7979
Fax:(519) 482-5761
vbs@vbsca.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Huron East

We have audited the accompanying financial statements of the Corporation of the Municipality of Huron East, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, change in net financial assets and 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 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

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 financial statements present fairly, in all material respects, the financial position of the Corporation of the Municipality of Huron East as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vodden, Bender & Seebach LLP

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
April 7, 2017

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31	2016	2015
FINANCIAL ASSETS		
Cash	(219,082)	581,100
Taxes receivable	1,518,884	1,413,730
Accounts receivable	1,679,730	1,292,370
Investments (note 4)	6,690,192	5,008,627
Long-term receivables (note 5)	273,546	323,909
	<u>9,943,270</u>	<u>8,619,736</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,312,264	1,803,561
Deferred revenue	48,688	84,468
Deferred revenue - obligatory reserve funds	1,020,686	784,433
Municipal debt (note 7)	377,846	323,909
	<u>2,759,484</u>	<u>2,996,371</u>
NET FINANCIAL ASSETS	\$ 7,183,786	\$ 5,623,365
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 10)	68,161,347	68,443,919
Inventory and prepaid expenses	63,737	110,785
	<u>68,225,084</u>	<u>68,554,704</u>
ACCUMULATED SURPLUS (note 12)	\$ 75,408,870	\$ 74,178,069

The accompanying notes are an integral part of this financial statement

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31	2016 Budget	2016 Actual	2015 Actual
Revenue			
Taxation for municipal purposes	5,993,971	5,973,531	4,980,514
Government transfers - Canada	285,149	97,457	337,593
Government transfers - Ontario	2,204,333	2,232,716	2,810,715
Government transfers - other municipalities	443,966	447,310	427,142
User fees and service charges	4,494,347	4,797,673	4,526,161
Licences, permits, rents, donations, etc.	181,382	311,570	309,988
Investment income	196,533	144,862	198,106
Penalties and interest on taxes	190,000	198,783	195,177
	<u>13,989,681</u>	<u>14,203,902</u>	<u>13,785,396</u>
Expenditure			
General government	1,175,055	1,071,263	1,402,278
Protection to persons and property	2,824,830	2,761,092	2,618,326
Transportation services	3,959,901	4,158,033	4,319,339
Environmental services	2,322,124	2,387,030	2,272,128
Health services	260,253	214,289	387,047
Social and family services	488,265	493,853	485,276
Recreation and cultural services	1,564,132	1,445,444	1,419,434
Planning and development	371,846	442,097	479,179
	<u>12,966,406</u>	<u>12,973,101</u>	<u>13,383,007</u>
Annual surplus (deficit)	1,023,275	1,230,801	402,389
Accumulated surplus, beginning of year	<u>74,178,069</u>	<u>74,178,069</u>	<u>73,775,680</u>
Accumulated surplus, end of year	<u><u>\$ 75,201,344</u></u>	<u><u>\$ 75,408,870</u></u>	<u><u>\$ 74,178,069</u></u>

The accompanying notes are an integral part of this financial statement

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

For the year ended December 31	2016 Budget	2016 Actual	2015 Actual
Annual surplus (deficit)	1,023,275	1,230,801	402,389
Amortization of tangible capital assets	2,091,393	2,091,393	2,015,856
Net acquisition of tangible capital assets	(3,353,648)	(1,808,821)	(2,520,785)
Decrease (increase) in inventory and prepaid expenses	-	47,048	(98,672)
	<u>(238,980)</u>	<u>1,560,421</u>	<u>(201,212)</u>
Net financial assets, beginning of year	<u>5,623,365</u>	<u>5,623,365</u>	<u>5,824,577</u>
Net financial assets, end of year	<u><u>\$ 5,384,385</u></u>	<u><u>\$ 7,183,786</u></u>	<u><u>\$ 5,623,365</u></u>

The accompanying notes are an integral part of this financial statement

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
CONSOLIDATED STATEMENT OF CASH FLOW**

For the year ended December 31	2016	2015
Operating activities		
Annual surplus (deficit)	1,230,801	402,389
Amortization expense not requiring cash outlay	2,091,393	2,015,856
Decrease (increase) in taxes receivable	(105,154)	4,086
Decrease (increase) in accounts receivable	(387,360)	43,965
Increase (decrease) in accounts payable and accrued liabilities	(491,297)	(211,949)
Increase (decrease) in deferred revenue	(35,780)	56,265
Increase (decrease) in deferred revenue - obligatory reserve funds	236,253	(49,111)
Decrease (increase) in inventory and prepaid expenses	47,048	(98,672)
Cash provided by (used for) operating activities	<u>2,585,904</u>	<u>2,162,829</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	(1,808,821)	(2,520,785)
Cash provided by (used for) capital activities	<u>(1,808,821)</u>	<u>(2,520,785)</u>
Investing activities		
Decrease (increase) in investments	(1,681,565)	170,219
Decrease (increase) in long-term receivables	50,363	29,021
Cash provided by (used for) investing activities	<u>(1,631,202)</u>	<u>199,240</u>
Financing activities		
Proceeds from long-term debt issued	104,300	-
Principal repayments on long-term debt	(50,363)	(29,021)
Cash provided by (used for) financing activities	<u>53,937</u>	<u>(29,021)</u>
Increase (decrease) in cash position	(800,182)	(187,737)
Cash (overdraft) beginning of year	<u>581,100</u>	<u>768,837</u>
Cash (overdraft) end of year	<u>(\$ 219,082)</u>	<u>\$ 581,100</u>

The accompanying notes are an integral part of this financial statement

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. Accounting policies

The consolidated financial statements of the Corporation of the Municipality of Huron East are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

Significant aspects of accounting policies adopted by the municipality are as follows:

a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds, and changes in investment in tangible capital assets of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the municipality. In addition to general government tax-supported operations, they include any water and sewer systems operated by the municipality and the municipality's proportionate share of joint local boards.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Seaforth Business Improvement Area

Inter-departmental and inter-organizational transactions and balances are eliminated.

The statements exclude trust funds that are administered for the benefit of external parties.

b) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable, and recognizes expenditures as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

c) Long-term investments

Investments are recorded at cost less amounts written off to reflect a permanent decline in value.

1. Accounting policies (continued)

d) 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 revenues over expenses, provides the change in net financial assets for the year.

- 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 the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Category	Amortization Period	Capitalization Threshold
Land	not applicable	\$ 0
Land improvements	15 years	25,000
Buildings	7 - 40 years	5,000 - 25,000
Machinery and equipment	5 - 15 years	5,000 - 25,000
Furniture and fixtures	5 years	3,000
Information technology	3 - 7 years	3,000 - 5,000
Transportation infrastructure	15 - 75 years	5,000 - 100,000
Watermains infrastructure	15 - 80 years	15,000 - 100,000
Sewermains infrastructure	15 - 60 years	15,000 - 75,000

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The municipality has a capitalized threshold of \$0 - \$100,000 dependent on the category, so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are computer systems, equipment, furniture and fixtures.

- Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

- Leases

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 expenses as incurred.

- Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value.

e) Reserves for future expenditures

Certain amounts, as approved by Council, are set aside in reserves for future operating and capital expenditure. Transfers to or from reserves are reflected as adjustments to the respective appropriated equity.

f) 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 can be made.

1. Accounting policies (continued)

- g) **Deferred revenue**
 Amounts received and required by legislation, regulation or agreement to be set aside for specific, restricted purposes are reported in the consolidated statement of financial position as deferred revenue until the obligation is discharged.
- h) **Landfill site closure and post-closure care**
 Landfill site closure and post-closure care costs are recognized over the operating life of the landfill site, based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the municipality.
- i) **Amounts to be recovered in future years**
 Future years recoveries represent the requirement of the municipality to raise funds in subsequent periods to finance unfunded liabilities. A portion of the amounts to be recovered in future years will be recovered from deferred revenues earned.
- j) **Pensions**
 The municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for past employee service.
- k) **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, the reported amounts of revenues and expenditures during the period, and the accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Operations of school boards and county

Taxation levied for school board and county purposes are not reflected in the financial statements. The amounts transferred were:

	2016	2015
County of Huron	\$ 4,966,830	\$ 4,786,585
School Boards	2,407,134	2,318,054

3. Trust funds

Trust funds administered by the municipality amounting to \$2,870,779 (2015 : \$2,899,731) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

4. Investments

	2016	2015
Money market fund	851,560	50,345
Bond fund	<u>5,838,632</u>	<u>4,958,283</u>
	<u>\$ 6,690,192</u>	<u>\$ 5,008,628</u>

The investments have a market value of \$6,533,502 (2015 : \$4,904,118) at the end of the year.

5. Long-term receivables

	2016	2015
Due from residents and landowners	214,372	219,633
Tile loans, 6% - 8%, principal and interest receivable annually, due 2017 through 2026	<u>59,174</u>	<u>104,276</u>
	<u>\$ 273,546</u>	<u>\$ 323,909</u>

Amounts due in the next five years are as follows:

2017: \$22,300 2018: \$23,600 2019: \$16,700 2020: \$9,800 2021: \$10,300

6. Pension agreements

The municipality makes contributions to a multi-employer pension 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 for 2016 was \$195,916 (2015 : \$198,765) for current services and is included as an expenditure on the consolidated statement of operations.

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit pension plan, are expensed when contributions are due. Any pension surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit.

7. Municipal debt

The balance of the municipal debt reported on the consolidated statement of financial position is made up of the following:

	2016	2015
Health services debenture payable to Huron East/Seaforth Community Development Trust, 5% interest, due December 2038	214,372	219,633
Streetlight debenture payable to Brussels Cemetery Trust, 3% interest, due on demand	85,000	-
Streetlight debenture payable to Cranbrook Cemetery Trust, 3% interest, due on demand	3,300	-
Streetlight debenture payable to Mount Pleasant Cemetery Trust, 3% interest, due on demand	6,000	-
Streetlight debenture payable to Huron East/Seaforth Community Development Trust, 3% interest, due on demand	10,000	-
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals	<u>59,174</u>	<u>104,276</u>
	<u>\$ 377,846</u>	<u>\$ 323,909</u>

Principal payments for the next five years are as follows:

2017: \$119,600 2018: \$26,600 2019: \$19,700 2020: \$12,800 2021: \$10,800

8. Landfill closure and post-closure cost liability

The municipality will be required under provincial legislation to incur closure and post closure costs when landfill sites reach their capacity. The Seaforth landfill site has now been closed with the expenses of closure reported in 1995 to 2016 as incurred. Further expenditures will be expensed as incurred in 2016, and those amounts have not been accrued since they are not anticipated to be significant. No studies have been conducted on the Walton Landfill sites to determine estimates of closure and post closure costs. It is management's opinion that due to the significant capacity remaining at this site that the present value of any required expenditures would not be significant to these financial statements and therefore no accrual of these future costs has been included in these financial statements.

9. Contingency for long-term liabilities

The municipality is contingently liable for long-term liabilities with respect to tile drainage and shoreline property assistance loans, and for those for which the responsibility for payment of principal and interest has been assumed by other municipalities, school boards, and unconsolidated entities. At December 31, 2016 the principal amounts outstanding are as follows:

	2016	2015
Tile drainage loans assumed by individuals	\$ 59,174	\$ 104,276

10. Tangible capital assets

The municipality's policy on accounting for tangible capital assets follows:

- i) Contributed tangible capital assets
 The municipality records all tangible capital assets contributed by external parties at fair value.
- ii) Tangible capital assets recognized at nominal value
 Certain assets have been assigned a nominal value because of the difficulty of determining a tenable valuation.

For additional information, see the Consolidated Schedule of Tangible Capital Assets information on the tangible capital assets of the municipality by major class and by business segment, as well as for accumulated amortization of the assets controlled.

11. Segmented information

The Municipality of Huron East is a diversified municipal government institution that provides a wide range of services to its citizens such as recreational and cultural services, planning and development, fire, and transportation services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This segment relates to the general operations of the municipality itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of fire protection, policing, court services, conservation authorities, protective inspection and control, building permit and inspection services, emergency measures and other protection services.

Transportation Services

Transportation services include road maintenance, winter control services, street light maintenance, parking lots, equipment maintenance and other transportation services.

Environmental Services

Environmental services include the sanitary sewer system, storm sewer system, waterworks, waste collection, waste disposal and recycling.

Health Services

This service area includes cemeteries and other health services.

11. Segmented information (continued)

Social and Family Services

This service area includes childcare and other social services.

Recreational and Cultural Services

This service area provides public services that contribute to the provision of recreation and leisure facilities and programs, the maintenance of parks and open spaces, library services, museums and other cultural services.

Planning and Development

This segment includes matters relating to zoning and site plan controls, land acquisition, development initiatives, agriculture and reforestation, municipal drainage and tile drainage.

For additional information, see the schedule of segmented information.

12. Accumulated surplus

The accumulated surplus consists of individual fund surplus/(deficit) amounts and reserve and reserve funds as follows:

	2016	2015
General revenue accumulated surplus		
and invested in tangible capital assets	\$ 66,697,507	\$ 65,585,404
Reserves and reserve funds	<u>8,711,363</u>	<u>8,592,665</u>
	<u>\$ 75,408,870</u>	<u>\$ 74,178,069</u>

For additional information, see the Consolidated Schedule of Continuity of Reserves, Reserve Funds, and Deferred Revenue.

13. Financial instrument risk management

Credit risk

The municipality is exposed to credit risk through its cash, trade and other receivables, loans receivable, and long-term investments. There is the possibility of non-collection of its trade and other receivables. The majority of the municipality's receivables are from ratepayers and government entities. For trade and other receivables, the municipality measures impairment based on how long the amounts have been outstanding. For amounts outstanding considered doubtful or uncollectible, an impairment allowance is setup.

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. The municipality has a planning and a budgeting process in place to help determine the funds required to support the municipality's normal operating requirements on an ongoing basis. The municipality ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain an available line of credit balance as approved by the appropriate borrowing bylaw to meet, at a minimum, expected requirements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The municipality is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and long-term liabilities and the value of fixed rate long-term liabilities.

There has been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.

14. Budget amounts

Under Canadian public sector accounting standards, budgets amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2016 budget amounts for the Corporation of the Municipality of Huron East approved by Council are unaudited and have been restated to conform to the basis of presentation of the revenues and expenditures on the consolidated statement of operations. Budget amounts were not available for certain boards consolidated by the municipality.

Approved budget annual surplus (deficit)	\$ -
Acquisition of tangible capital assets	3,353,648
Amortization of tangible capital assets	(2,091,393)
Debt proceeds / repayments	(3,143)
Net reserve, reserve fund, and surplus transfers	<u>(235,837)</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 1,023,275</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2016

	Land	Buildings	Machinery & Equipment	Vehicles	Plants and Facilities	Roads	Underground and other Networks	Bridges and other Structures	Assets Under Construction	TOTAL Net Book Value 2016	TOTAL Net Book Value 2015
Cost											
Balance, beginning of year	1,101,543	10,337,835	3,499,605	3,308,295	10,585,932	51,055,716	12,979,546	9,654,392	940,005	103,462,869	101,574,496
Add: Additions during the year	130,550	89,589	379,656		580,314	988,760	89,055	105,237	80,782	2,443,943	3,970,949
Less: Disposals during the year			(186,967)	(28,222)	(24,697)	(227,601)	(17,730)	(6,771)	(576,545)	(1,068,533)	(2,082,576)
Balance, end of year	<u>1,232,093</u>	<u>10,427,424</u>	<u>3,692,294</u>	<u>3,280,073</u>	<u>11,141,549</u>	<u>51,816,875</u>	<u>13,050,871</u>	<u>9,752,858</u>	<u>444,242</u>	104,838,279	103,462,869
Accumulated Amortization											
Balance, beginning of year		3,378,265	1,544,573	1,502,495	3,337,421	16,874,094	4,907,344	3,474,758		35,018,950	33,635,512
Add: Amortization during the year		211,737	194,118	129,859	177,328	1,022,713	193,728	161,910		2,091,393	2,015,856
Less: Accumulated amortization on disposals			(171,967)	(27,222)	(24,697)	(191,250)	(12,091)	(6,184)		(433,411)	(632,418)
Balance, end of year	-	3,590,002	1,566,724	1,605,132	3,490,052	17,705,557	5,088,981	3,630,484	-	36,676,932	35,018,950
Net Book Value of Tangible Capital Assets	1,232,093	6,837,422	2,125,570	1,674,941	7,651,497	34,111,318	7,961,890	6,122,374	444,242	\$ 68,161,347	\$ 68,443,919

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2016

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Work in Process	TOTAL Net Book Value 2016	TOTAL Net Book Value 2015
Cost										
Balance, beginning of year	1,998,877	2,729,930	65,047,455	23,964,230	1,907,258	6,440,584	434,530	940,005	103,462,869	101,574,496
Add: Additions during the year	168,842		1,406,670	669,367		118,282		80,782	2,443,943	3,970,949
Less: Disposals during the year	(9,485)		(440,076)	(42,427)				(576,545)	(1,068,533)	(2,082,576)
Balance, end of year	<u>2,158,234</u>	<u>2,729,930</u>	<u>66,014,049</u>	<u>24,591,170</u>	<u>1,907,258</u>	<u>6,558,866</u>	<u>434,530</u>	<u>444,242</u>	<u>104,838,279</u>	<u>103,462,869</u>
Accumulated Amortization										
Balance, beginning of year	348,351	1,100,953	22,346,686	8,275,838	265,692	2,681,430	-		35,018,950	33,635,512
Add: Amortization during the year	70,260	84,739	1,372,300	372,356	29,575	162,163			2,091,393	2,015,856
Less: Accumulated amortization on disposals	(9,485)		(387,138)	(36,788)					(433,411)	(632,418)
Balance, end of year	<u>409,126</u>	<u>1,185,692</u>	<u>23,331,848</u>	<u>8,611,406</u>	<u>295,267</u>	<u>2,843,593</u>	<u>-</u>	<u>-</u>	<u>36,676,932</u>	<u>35,018,950</u>
Net Book Value										
of Tangible Capital Assets	<u>1,749,108</u>	<u>1,544,238</u>	<u>42,682,201</u>	<u>15,979,764</u>	<u>1,611,991</u>	<u>3,715,273</u>	<u>434,530</u>	<u>444,242</u>	<u>\$ 68,161,347</u>	<u>\$ 68,443,919</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Continuity of Reserves, Reserve Funds and Deferred Revenue
For the Year Ended December 31, 2016

	Balance, beginning of year	Revenues and contributions			Transfers out Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
Reserves and reserve funds						
Reserves						
for general government	801,195		284,379		(199,543)	886,031
for protection services	310,440		-		(7,360)	303,080
for transportation services	900,764		57,845		(130,579)	828,030
for environmental services	5,121,851		598,096		(358,372)	5,361,575
for health services	133,327		-		(67,785)	65,542
for recreation and cultural services	1,325,088		7,624		(65,607)	1,267,105
	<u>8,592,665</u>	<u>-</u>	<u>947,944</u>	<u>-</u>	<u>(829,246)</u>	<u>8,711,363</u>
Deferred revenue						
Parkland	4,622		13,654		(2,667)	15,609
Brussels Landfill (Morris)	10,191	3,003				13,194
Walton Landfill	209,246	5,433				214,679
Federal Gas Tax Funds	560,374	5,785		281,655	(70,610)	777,204
	<u>784,433</u>	<u>14,221</u>	<u>13,654</u>	<u>281,655</u>	<u>(73,277)</u>	<u>1,020,686</u>
Total	\$ 9,377,098	14,221	961,598	281,655	(902,523)	\$ 9,732,049

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST

Segmented Information

For the Year Ended December 31, 2016

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Total 2016	Total 2015
Revenue										
Taxation	5,973,531	-	-	-	-	-	-	-	5,973,531	4,980,514
User charges	794,275	40,844	245,660	2,702,348	228,531	159,634	745,776	192,175	5,109,243	4,836,149
Government transfers	1,965,375	113,411	338,846	-	1,715	263,331	94,805	-	2,777,483	3,575,450
Interest and penalties	343,645	-	-	-	-	-	-	-	343,645	393,283
	<u>9,076,826</u>	<u>154,255</u>	<u>584,506</u>	<u>2,702,348</u>	<u>230,246</u>	<u>422,965</u>	<u>840,581</u>	<u>192,175</u>	<u>14,203,902</u>	<u>13,785,396</u>
Operating expenditure										
Wages, salaries and benefits	645,483	496,167	834,993	207,247	57,573	423,061	644,959	102,361	3,411,844	3,499,303
Contracted services	47,462	1,655,199	215,582	1,045,771	9,484	-	34,324	14,563	3,022,385	2,969,651
Supplies, materials and equipment	308,058	524,987	1,735,158	761,656	117,657	70,792	603,998	325,173	4,447,479	4,898,197
Amortization	70,260	84,739	1,372,300	372,356	29,575	-	162,163	-	2,091,393	2,015,856
	<u>1,071,263</u>	<u>2,761,092</u>	<u>4,158,033</u>	<u>2,387,030</u>	<u>214,289</u>	<u>493,853</u>	<u>1,445,444</u>	<u>442,097</u>	<u>12,973,101</u>	<u>13,383,007</u>
Net revenue (expense)	<u>8,005,563</u>	<u>(2,606,837)</u>	<u>(3,573,527)</u>	<u>315,318</u>	<u>15,957</u>	<u>(70,888)</u>	<u>(604,863)</u>	<u>(249,922)</u>	<u>1,230,801</u>	<u>402,389</u>

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Municipality of Huron East

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of Huron East, which comprise the balance sheet as at December 31, 2016, and the statement of operations of trust funds 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 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

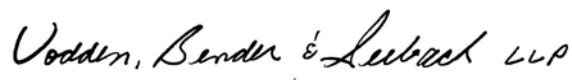
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 financial statements present fairly, in all material respects, the balance sheet of the trust funds of the Corporation of the Municipality of Huron East as at December 31, 2016 and the statement of operations of trust funds for the year then ended in accordance with Canadian public sector accounting standards.



Vodden, Bender & Seebach LLP
Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
April 7, 2017

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
TRUST FUNDS
BALANCE SHEET**

As at December 31, 2016

	Brussels		Grey			Seaforth		McKillop	Egmondville	2016	2015
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial	Heritage	Hydro	Zion Cemetery	Perpetual Care		
Assets											
Cash	11,553	7,522	3,365	8,577		38,239	241,956	1,023	6,165	318,400	272,395
Loans receivable	85,000		3,300	6,000			10,000			104,300	-
Investments	134,500	535,000	7,100	33,772	25,000		938,669	7,500	50,520	1,732,061	1,884,720
Tangible capital assets, net							731,783			731,783	742,616
	<u>\$ 231,053</u>	<u>\$ 542,522</u>	<u>\$ 13,765</u>	<u>\$ 48,349</u>	<u>\$ 25,000</u>	<u>\$ 38,239</u>	<u>\$ 1,922,408</u>	<u>\$ 8,523</u>	<u>\$ 56,685</u>	<u>\$ 2,886,544</u>	<u>\$ 2,899,731</u>
Liabilities											
Accounts payable							3,465			3,465	10,064
Due to general fund	12,300									12,300	-
	<u>12,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,465</u>	<u>-</u>	<u>-</u>	<u>15,765</u>	<u>10,064</u>
Trust fund balance	<u>218,753</u>	<u>542,522</u>	<u>13,765</u>	<u>48,349</u>	<u>25,000</u>	<u>38,239</u>	<u>1,918,943</u>	<u>8,523</u>	<u>56,685</u>	<u>2,870,779</u>	<u>2,889,667</u>
	<u>\$ 231,053</u>	<u>\$ 542,522</u>	<u>\$ 13,765</u>	<u>\$ 48,349</u>	<u>\$ 25,000</u>	<u>\$ 38,239</u>	<u>\$ 1,922,408</u>	<u>\$ 8,523</u>	<u>\$ 56,685</u>	<u>\$ 2,886,544</u>	<u>\$ 2,899,731</u>

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2016

	Brussels		Grey			Seaforth		McKillop	Egmondville	2016	2015
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial	Heritage	Hydro	Zion Cemetery	Perpetual Care		
Revenue											
Sale of plots, vaults, opening charges	1,150		100	1,300					2,300	4,850	8,300
Interest earned	5,699	14,767	308	831	427	260	21,154	263	3,144	46,853	49,405
Rent							178,191			178,191	177,644
Other										-	183,531
	<u>6,849</u>	<u>14,767</u>	<u>408</u>	<u>2,131</u>	<u>427</u>	<u>260</u>	<u>199,345</u>	<u>263</u>	<u>5,444</u>	<u>229,894</u>	<u>418,880</u>
Expenses											
Expenditures		62,668					95,375			158,043	152,633
Administration fee							8,850			8,850	9,775
Transfers to cemetery operating	5,698		307	831	427			263	3,121	10,647	9,157
Community projects							60,409			60,409	35,616
Amortization							10,833			10,833	10,833
	<u>5,698</u>	<u>62,668</u>	<u>307</u>	<u>831</u>	<u>427</u>	<u>-</u>	<u>175,467</u>	<u>263</u>	<u>3,121</u>	<u>248,782</u>	<u>218,014</u>
Excess of revenue over expenses	<u>1,151</u>	<u>(47,901)</u>	<u>101</u>	<u>1,300</u>	<u>-</u>	<u>260</u>	<u>23,878</u>	<u>-</u>	<u>2,323</u>	<u>(18,888)</u>	<u>200,866</u>
Trust fund balance, beginning of year	<u>217,602</u>	<u>590,423</u>	<u>13,664</u>	<u>47,049</u>	<u>25,000</u>	<u>37,979</u>	<u>1,895,065</u>	<u>8,523</u>	<u>54,362</u>	<u>2,889,667</u>	<u>2,688,801</u>
Trust fund balance, end of year	<u>\$ 218,753</u>	<u>\$ 542,522</u>	<u>\$ 13,765</u>	<u>\$ 48,349</u>	<u>\$ 25,000</u>	<u>\$ 38,239</u>	<u>\$ 1,918,943</u>	<u>\$ 8,523</u>	<u>\$ 56,685</u>	<u>\$ 2,870,779</u>	<u>\$ 2,889,667</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS

2

December 31, 2016

5. Tangible Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2016	Net Book Value 2015
Land	57,001	-	57,001	57,001
Buildings	<u>812,500</u>	<u>137,718</u>	<u>674,782</u>	<u>685,615</u>
	<u>\$ 869,501</u>	<u>\$ 137,718</u>	<u>\$ 731,783</u>	<u>\$ 742,616</u>