

**THE CORPORATION OF THE  
MUNICIPALITY OF HURON EAST  
FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**SEEBACH & COMPANY**  
*Chartered Professional Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

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

### *Opinion*

We have audited the accompanying financial statements of the Corporation of the Municipality of Huron East ("the Municipality"), which are comprised of the consolidated statement of financial position as at December 31, 2018 and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAB, 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.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT (continued)**

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Seebach & Company*

Chartered Professional Accountants  
Licensed Public Accountants

Clinton, Ontario  
May 17, 2019

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

<b>As at December 31</b>	<b>2018</b>	<b>2017</b>
<b>FINANCIAL ASSETS</b>		
Cash	407,878	307,576
Taxes receivable	1,036,128	1,234,869
Accounts receivable	1,527,212	1,627,132
Investments (note 4)	8,574,202	7,386,600
Long-term receivables (note 5)	213,462	234,675
	<u>11,758,882</u>	<u>10,790,852</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,043,925	1,280,575
Deferred revenue	80,315	13,944
Deferred revenue - obligatory reserve funds	1,292,070	1,102,111
Municipal debt (note 7)	228,217	296,406
	<u>2,644,527</u>	<u>2,693,036</u>
<b>NET FINANCIAL ASSETS</b>	<b>\$ 9,114,355</b>	<b>\$ 8,097,816</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets, net (note 9)	70,289,242	69,905,752
Inventory and prepaid expenses	24,956	116,247
	<u>70,314,198</u>	<u>70,022,000</u>
<b>ACCUMULATED SURPLUS (note 11)</b>	<b>\$ 79,428,553</b>	<b>\$ 78,119,815</b>

The accompanying notes are an integral part of this financial statement

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

<b>For the year ended December 31</b>	<b>2018 Budget</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Revenue</b>			
Taxation for municipal purposes	6,573,076	<b>6,553,348</b>	6,195,745
Government transfers - Canada	301,067	<b>140,422</b>	307,009
Government transfers - Ontario	2,002,444	<b>1,990,217</b>	3,015,645
Government transfers - other municipalities	472,263	<b>497,774</b>	718,747
User fees and service charges	4,615,078	<b>4,817,354</b>	5,304,218
Licences, permits, rents, donations, etc.	183,473	<b>172,014</b>	193,576
Investment income	208,875	<b>349,083</b>	182,586
Penalties and interest on taxes	200,000	<b>157,464</b>	204,222
	<u>14,556,276</u>	<u><b>14,677,676</b></u>	<u>16,121,748</u>
<b>Expenditure</b>			
General government	1,262,129	<b>1,182,324</b>	1,157,267
Protection to persons and property	3,005,989	<b>2,959,035</b>	2,896,842
Transportation services	4,263,572	<b>4,257,238</b>	4,214,066
Environmental services	2,429,538	<b>2,473,557</b>	2,244,712
Health services	241,414	<b>230,241</b>	253,890
Social and family services	537,613	<b>581,986</b>	519,945
Recreation and cultural services	1,640,315	<b>1,487,554</b>	1,524,259
Planning and development	352,785	<b>197,003</b>	599,822
	<u>13,733,355</u>	<u><b>13,368,938</b></u>	<u>13,410,803</u>
<b>Annual surplus (deficit)</b>	822,921	<b>1,308,738</b>	2,710,945
<b>Accumulated surplus, beginning of year</b>	<u>78,119,815</u>	<u><b>78,119,815</b></u>	<u>75,408,870</u>
<b>Accumulated surplus, end of year</b>	<u><u>\$ 78,942,736</u></u>	<u><u><b>\$ 79,428,553</b></u></u>	<u><u>\$ 78,119,815</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**

<b>For the year ended December 31</b>	<b>2018 Budget</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
Annual surplus (deficit)	822,921	<b>1,308,738</b>	2,710,945
Amortization of tangible capital assets	2,193,420	<b>2,257,719</b>	2,129,121
Net acquisition of tangible capital assets	(3,251,451)	<b>(2,641,209)</b>	(3,873,526)
Decrease (increase) in inventory and prepaid expenses	-	<b>91,291</b>	(52,510)
	<u>(235,110)</u>	<u><b>1,016,539</b></u>	<u>914,030</u>
<b>Net financial assets, beginning of year</b>	<u>8,097,816</u>	<u><b>8,097,816</b></u>	<u>7,183,786</u>
<b>Net financial assets, end of year</b>	<u><u>\$ 7,862,706</u></u>	<u><u><b>\$ 9,114,355</b></u></u>	<u><u>\$ 8,097,816</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	2018	2017
<b>Operating activities</b>		
Annual surplus (deficit)	1,308,738	2,710,945
Amortization expense not requiring cash outlay	2,257,719	2,129,121
Decrease (increase) in taxes receivable	198,741	284,015
Decrease (increase) in accounts receivable	99,920	52,598
Increase (decrease) in accounts payable and accrued liabilities	(236,650)	(31,689)
Increase (decrease) in deferred revenue	66,371	(34,744)
Increase (decrease) in deferred revenue - obligatory reserve funds	189,959	81,425
Decrease (increase) in inventory and prepaid expenses	91,291	(52,510)
Cash provided by (used for) operating activities	<u>3,976,089</u>	<u>5,139,161</u>
<b>Capital activities</b>		
Net disposals (purchases) of tangible capital assets	<u>(2,641,209)</u>	<u>(3,873,526)</u>
Cash provided by (used for) capital activities	<u>(2,641,209)</u>	<u>(3,873,526)</u>
<b>Investing activities</b>		
Decrease (increase) in investments	(1,187,602)	(696,408)
Decrease (increase) in long-term receivables	21,213	38,871
Cash provided by (used for) investing activities	<u>(1,166,389)</u>	<u>(657,537)</u>
<b>Financing activities</b>		
Principal repayments on long-term debt	<u>(68,189)</u>	<u>(81,440)</u>
Cash provided by (used for) financing activities	<u>(68,189)</u>	<u>(81,440)</u>
<b>Increase (decrease) in cash position</b>	<b>100,302</b>	<b>526,658</b>
<b>Cash (overdraft) beginning of year</b>	<u><b>307,576</b></u>	<u><b>(219,082)</b></u>
<b>Cash (overdraft) end of year</b>	<u><u><b>\$ 407,878</b></u></u>	<u><u><b>\$ 307,576</b></u></u>

The accompanying notes are an integral part of this financial statement

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

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**For the year ended December 31, 2018**

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**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:

	<b>2018</b>	<b>2017</b>
County of Huron	\$ 5,767,489	\$ 5,345,052
School Boards	2,646,091	2,464,620

**3. Trust funds**

Trust funds administered by the municipality amounting to \$2,993,425 (2017 : \$2,906,226) 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**

	<b>2018</b>	<b>2017</b>
Money market fund	1,570,899	1,185,539
Bond fund	<u>7,003,303</u>	<u>6,201,061</u>
	<u>\$ 8,574,202</u>	<u>\$ 7,386,600</u>

The investments have a market value of \$8,235,406 (2017 : \$7,093,547) at the end of the year.

**5. Long-term receivables**

	<b>2018</b>	<b>2017</b>
Due from residents and landowners	203,040	208,846
Tile loans, 6% - 8%, principal and interest receivable annually, due 2019 through 2028	<u>10,422</u>	<u>25,829</u>
	<u>\$ 213,462</u>	<u>\$ 234,675</u>

Amounts due in the next five years are as follows:

2019: \$14,200	2020: \$7,100	2021: \$7,500	2022: \$7,900	2023: \$7,400
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**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 2018 was \$216,785 (2017 : \$206,254) 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:

	<b>2018</b>	<b>2017</b>
Health services debenture payable to Huron East/Seaforth Community Development Trust, 5% interest, due December 2038	203,040	208,846
Streetlight debenture payable to Brussels Cemetery Trust, 3% interest, due on demand	7,180	49,359
Streetlight debenture payable to Mount Pleasant Cemetery Trust, 3% interest, due on demand	2,575	4,872
Streetlight debenture payable to Huron East/Seaforth Community Development Trust, 3% interest, due on demand	5,000	7,500
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals	<u>10,422</u>	<u>25,829</u>
	<u>\$ 228,217</u>	<u>\$ 296,406</u>

Principal payments for the next five years are as follows:

2019: \$27,600	2020: \$8,500	2021: \$7,500	2022: \$7,900	2023: \$7,400
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## 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 2018 as incurred. Further expenditures will be expensed as incurred in 2019, 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. 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.

## 10. 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.

### **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.

**10. Segmented information (continued)**

**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.

**11. Accumulated surplus**

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

	<b>2018</b>	<b>2017</b>
General revenue accumulated surplus and invested in tangible capital assets	\$ 69,089,021	\$ 68,425,120
Reserves and reserve funds	<u>10,339,532</u>	<u>9,694,695</u>
	<u>\$ 79,428,553</u>	<u>\$ 78,119,815</u>

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

**12. 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.

**13. Budget amounts**

Under Canadian public sector accounting standards, budgets amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2018 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	3,251,451
Amortization of tangible capital assets	(2,257,719)
Debt proceeds / repayments	-
Net reserve, reserve fund, and surplus transfers	<u>(170,811)</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 822,921</u>

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST**  
**Consolidated Schedule of Tangible Capital Assets**  
For the Year Ended December 31, 2018

	Land	Buildings	Machinery & Equipment	Vehicles	Plants and Facilities	Roads	Underground and other Networks	Bridges and other Structures	Assets Under Construction	<b>TOTAL Net Book Value 2018</b>	TOTAL Net Book Value 2017
<b>Cost</b>											
Balance, beginning of year	1,232,093	10,681,502	3,796,493	3,352,490	11,494,994	53,156,213	13,369,369	9,989,970	1,063,590	<b>108,136,714</b>	104,838,279
Add: Additions during the year		146,276	376,168	455,132	172,788	901,117	74,329	138,577	729,927	<b>2,994,314</b>	4,050,958
Less: Disposals during the year			(195,780)	(54,631)	(73,920)	(521,518)	(5,327)		(15,082)	<b>(866,258)</b>	(752,523)
Balance, end of year	<u>1,232,093</u>	<u>10,827,778</u>	<u>3,976,881</u>	<u>3,752,991</u>	<u>11,593,862</u>	<u>53,535,812</u>	<u>13,438,371</u>	<u>10,128,547</u>	<u>1,778,435</u>	<b><u>110,264,770</u></b>	<u>108,136,714</u>
<b>Accumulated Amortization</b>											
Balance, beginning of year		3,763,134	1,753,865	1,505,661	3,648,128	18,504,289	5,257,839	3,798,046		<b>38,230,962</b>	36,676,932
Add: Amortization during the year		213,864	213,736	155,256	187,912	1,114,823	194,921	177,207		<b>2,257,719</b>	2,129,121
Less: Accumulated amortization on disposals			(143,889)	(52,131)	(73,920)	(238,249)	(4,964)			<b>(513,153)</b>	(575,091)
Balance, end of year	<u>-</u>	<u>3,976,998</u>	<u>1,823,712</u>	<u>1,608,786</u>	<u>3,762,120</u>	<u>19,380,863</u>	<u>5,447,796</u>	<u>3,975,253</u>	<u>-</u>	<b><u>39,975,528</u></b>	<u>38,230,962</u>
<b>Net Book Value</b>											
<b>of Tangible Capital Assets</b>	<u>1,232,093</u>	<u>6,850,780</u>	<u>2,153,169</u>	<u>2,144,205</u>	<u>7,831,742</u>	<u>34,154,949</u>	<u>7,990,575</u>	<u>6,153,294</u>	<u>1,778,435</u>	<b><u>\$ 70,289,242</u></b>	<u>\$ 69,905,752</u>

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST**  
**Consolidated Schedule of Tangible Capital Assets**  
For the Year Ended December 31, 2018

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Work in Process	<b>TOTAL Net Book Value 2018</b>	TOTAL Net Book Value 2017
<b>Cost</b>										
Balance, beginning of year	2,088,295	2,676,512	67,725,899	25,263,113	1,907,258	6,977,517	434,530	1,063,590	<b>108,136,714</b>	104,838,279
Add: Additions during the year	20,877	467,871	1,317,133	277,939		180,567		729,927	<b>2,994,314</b>	4,050,958
Less: Disposals during the year	(3,173)	(9,235)	(694,599)	(79,247)		(64,922)		(15,082)	<b>(866,258)</b>	(752,523)
Balance, end of year	<u>2,105,999</u>	<u>3,135,148</u>	<u>68,348,433</u>	<u>25,461,805</u>	<u>1,907,258</u>	<u>7,093,162</u>	<u>434,530</u>	<u>1,778,435</u>	<b><u>110,264,770</u></b>	<u>108,136,714</u>
<b>Accumulated Amortization</b>										
Balance, beginning of year	427,949	1,207,490	24,319,472	8,939,641	324,842	3,011,568	-		<b>38,230,962</b>	36,676,932
Add: Amortization during the year	68,502	93,783	1,500,075	384,501	29,575	181,283			<b>2,257,719</b>	2,129,121
Less: Accumulated amortization on disposals	(2,514)	(8,735)	(368,841)	(78,884)		(54,179)			<b>(513,153)</b>	(575,091)
Balance, end of year	<u>493,937</u>	<u>1,292,538</u>	<u>25,450,706</u>	<u>9,245,258</u>	<u>354,417</u>	<u>3,138,672</u>	<u>-</u>	<u>-</u>	<b><u>39,975,528</u></b>	<u>38,230,962</u>
<b>Net Book Value</b>										
<b>of Tangible Capital Assets</b>	<u>1,612,062</u>	<u>1,842,610</u>	<u>42,897,727</u>	<u>16,216,547</u>	<u>1,552,841</u>	<u>3,954,490</u>	<u>434,530</u>	<u>1,778,435</u>	<b><u>\$ 70,289,242</u></b>	<b><u>\$ 69,905,752</u></b>



**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, 2018

	Balance, beginning of year	Revenues and contributions			Transfers out Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
<b>Reserves and reserve funds</b>						
Reserves						
for general government	1,683,868		575,699		(441,576)	<b>1,817,991</b>
for protection services	288,016		-		(23,591)	<b>264,425</b>
for transportation services	327,767		59,624		(8,714)	<b>378,677</b>
for environmental services	5,984,201		801,043		(112,333)	<b>6,672,911</b>
for health services	83,191		23,428		-	<b>106,619</b>
for recreation and cultural services	1,327,652		22,760		(251,503)	<b>1,098,909</b>
	<u>9,694,695</u>	<u>-</u>	<u>1,482,554</u>	<u>-</u>	<u>(837,717)</u>	<u><b>10,339,532</b></u>
<b>Deferred revenue</b>						
Parkland	26,224	381	10,000		(7,208)	<b>29,397</b>
Brussels Landfill (Morris)	17,422	4,381				<b>21,803</b>
Walton Landfill	220,384	9,275				<b>229,659</b>
Federal Gas Tax Funds	838,081	16,806		295,067	(138,743)	<b>1,011,211</b>
	<u>1,102,111</u>	<u>30,843</u>	<u>10,000</u>	<u>295,067</u>	<u>(145,951)</u>	<u><b>1,292,070</b></u>
<b>Total</b>	<u>\$ 10,796,806</u>	<u>30,843</u>	<u>1,492,554</u>	<u>295,067</u>	<u>(983,668)</u>	<u><b>\$ 11,631,602</b></u>

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST**

**Segmented Information**

For the Year Ended December 31, 2018

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	<b>Total 2018</b>	Total 2017
<b>Revenue</b>										
Taxation	6,553,348	-	-	-	-	-	-	-	<b>6,553,348</b>	6,195,745
User charges	361,210	401,300	97,753	2,682,945	282,287	206,555	784,068	173,250	<b>4,989,368</b>	5,497,794
Government transfers	1,638,342	157,562	362,201	-	-	296,622	96,788	76,898	<b>2,628,413</b>	4,041,401
Interest and penalties	506,547	-	-	-	-	-	-	-	<b>506,547</b>	386,808
	<u>9,059,447</u>	<u>558,862</u>	<u>459,954</u>	<u>2,682,945</u>	<u>282,287</u>	<u>503,177</u>	<u>880,856</u>	<u>250,148</u>	<b><u>14,677,676</u></b>	<u>16,121,748</u>
<b>Operating expenditure</b>										
Wages, salaries and benefits	691,688	595,094	932,375	220,752	64,644	506,775	713,039	92,435	<b>3,816,802</b>	3,581,194
Contracted services	43,455	1,678,512	194,514	1,226,768	13,683	-	42,702	41,835	<b>3,241,469</b>	3,059,743
Supplies, materials and equipment	378,679	591,646	1,630,274	641,536	122,339	75,211	550,530	62,733	<b>4,052,948</b>	4,640,745
Amortization	68,502	93,783	1,500,075	384,501	29,575	-	181,283	-	<b>2,257,719</b>	2,129,121
	<u>1,182,324</u>	<u>2,959,035</u>	<u>4,257,238</u>	<u>2,473,557</u>	<u>230,241</u>	<u>581,986</u>	<u>1,487,554</u>	<u>197,003</u>	<b><u>13,368,938</u></b>	<u>13,410,803</u>
<b>Net revenue (expense)</b>	<u>7,877,123</u>	<u>(2,400,173)</u>	<u>(3,797,284)</u>	<u>209,388</u>	<u>52,046</u>	<u>(78,809)</u>	<u>(606,698)</u>	<u>53,145</u>	<b><u>1,308,738</u></b>	<u>2,710,945</u>

## **INDEPENDENT AUDITORS' REPORT**

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

### *Opinion*

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of Huron East ("the Municipality"), which are comprised of the balance sheet as at December 31, 2018 and the statement of operations of trust funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAB, 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.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT** (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Seebach & Company*

Chartered Professional Accountants  
Licensed Public Accountants

Clinton, Ontario  
May 17, 2019

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

As at December 31, 2018

	Brussels		Grey			Seaforth		McKillop	Egmondville	2018	2017
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial	Heritage	Hydro	Zion Cemetery	Perpetual Care		
<b>Assets</b>											
Cash	80,647	12,064	6,765	8,051		39,125	67,033	1,023	7,034	221,742	187,596
Loans receivable	7,180			2,576						9,756	64,231
Investments	134,500	535,000	7,100	38,772	25,000		1,255,413	7,500	50,520	2,053,805	1,932,737
Prepaid expenses							5,000			5,000	10,000
Tangible capital assets, net							710,117			710,117	720,950
	<u>\$ 222,327</u>	<u>\$ 547,064</u>	<u>\$ 13,865</u>	<u>\$ 49,399</u>	<u>\$ 25,000</u>	<u>\$ 39,125</u>	<u>\$ 2,037,563</u>	<u>\$ 8,523</u>	<u>\$ 57,554</u>	<u>\$ 3,000,420</u>	<u>\$ 2,915,514</u>
<b>Liabilities</b>											
Accounts payable							6,995			6,995	9,288
							6,995			6,995	9,288
<b>Trust fund balance</b>	<u>222,327</u>	<u>547,064</u>	<u>13,865</u>	<u>49,399</u>	<u>25,000</u>	<u>39,125</u>	<u>2,030,568</u>	<u>8,523</u>	<u>57,554</u>	<u>2,993,425</u>	<u>2,906,226</u>
	<u>\$ 222,327</u>	<u>\$ 547,064</u>	<u>\$ 13,865</u>	<u>\$ 49,399</u>	<u>\$ 25,000</u>	<u>\$ 39,125</u>	<u>\$ 2,037,563</u>	<u>\$ 8,523</u>	<u>\$ 57,554</u>	<u>\$ 3,000,420</u>	<u>\$ 2,915,514</u>

**STATEMENT OF OPERATIONS**

For the Year Ended December 31, 2018

	Brussels		Grey			Seaforth		McKillop	Egmondville	2018	2017
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial	Heritage	Hydro	Zion Cemetery	Perpetual Care		
<b>Revenue</b>											
Sale of plots, vaults, opening charges	3,263			200						3,463	4,150
Interest earned	4,603	13,292	152	1,251	460	565	21,622	143	821	42,909	39,900
Rent							185,097			185,097	173,018
	<u>7,866</u>	<u>13,292</u>	<u>152</u>	<u>1,451</u>	<u>460</u>	<u>565</u>	<u>206,719</u>	<u>143</u>	<u>821</u>	<u>231,469</u>	<u>217,068</u>
<b>Expenses</b>											
Expenditures	1,743	6,937					63,852			72,532	67,187
Administration fee							8,474			8,474	8,325
Transfers to cemetery operating	4,601		152	1,251	460			143	914	7,521	8,944
Community projects							44,910			44,910	86,332
Amortization							10,833			10,833	10,833
	<u>6,344</u>	<u>6,937</u>	<u>152</u>	<u>1,251</u>	<u>460</u>	<u>-</u>	<u>128,069</u>	<u>143</u>	<u>914</u>	<u>144,270</u>	<u>181,621</u>
<b>Excess of revenue over expenses</b>	<u>1,522</u>	<u>6,355</u>	<u>-</u>	<u>200</u>	<u>-</u>	<u>565</u>	<u>78,650</u>	<u>-</u>	<u>(93)</u>	<u>87,199</u>	<u>35,447</u>
<b>Trust fund balance, beginning of year</b>	<u>220,805</u>	<u>540,709</u>	<u>13,865</u>	<u>49,199</u>	<u>25,000</u>	<u>38,560</u>	<u>1,951,918</u>	<u>8,523</u>	<u>57,647</u>	<u>2,906,226</u>	<u>2,870,779</u>
<b>Trust fund balance, end of year</b>	<u>\$ 222,327</u>	<u>\$ 547,064</u>	<u>\$ 13,865</u>	<u>\$ 49,399</u>	<u>\$ 25,000</u>	<u>\$ 39,125</u>	<u>\$ 2,030,568</u>	<u>\$ 8,523</u>	<u>\$ 57,554</u>	<u>\$ 2,993,425</u>	<u>\$ 2,906,226</u>

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST**  
**TRUST FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**

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**For the Year Ended December 31, 2018**

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**1. Accounting Policies**

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

a) Management responsibility

The financial statements of the trust funds are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards 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.

b) Basis of accounting

Capital receipts and income are reported on the cash basis of accounting. Expenditures are reported on the cash basis of accounting with the exception of administration expenses which are reported on the accrual basis of accounting, which 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) Investments

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

e) Capital assets

The following capital assets are owned and administered by the Huron East/Seaforth Community Development Trust - "Hydro", but may have benefit beyond the current financial period:

52 Main Street, Seaforth, Ontario (Post office building)

32 Centennial Drive, Seaforth, Ontario (Community Care Access Centre for Huron)

Capital assets are stated at cost less amounts amortized. The cost is amortized over the estimated useful lives of the assets at the following rates:

Buildings 75 years on the straight line basis

**2. Seaforth Community Heritage Trust Fund**

Seaforth Community Heritage Trust Fund was established by the Province of Ontario in 1985. The purpose of the Trust is to financially assist municipalities in establishing permanent capital funds for the purpose of investing in architectural conservation within the municipality. The Trust follows the Canadian public sector accounting standards issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada for municipalities and their related entities.

**3. The Huron East/Seaforth Community Development Trust - "Hydro"**

The Huron East/Seaforth Community Development Trust was established by a by-law of the Municipality of Huron East on April 2, 2002. The purpose of the Trust is to manage the proceeds of the sale of the former assets of the Seaforth Public Utilities Commission - Hydro. The Trust follows the Canadian public sector accounting standards issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada for municipalities and their related entities.

**4. Investments**

Trust fund investments have a market value equal to cost of \$ 2,053,805 (2017 : \$ 1,932,737).

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST  
TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS

2

December 31, 2018

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5. Tangible Capital Assets

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value 2018</b>	<b>Net Book Value 2017</b>
Land	57,001	-	57,001	57,001
Buildings	<u>812,500</u>	<u>159,384</u>	<u>653,116</u>	<u>663,949</u>
	<u>\$ 869,501</u>	<u>\$ 159,384</u>	<u>\$ 710,117</u>	<u>\$ 720,950</u>