

**MUNICIPALITY OF CENTRAL HURON
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

VODDEN, BENDER & SEEBACH LLP
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Corporation of the Municipality of Central Huron, which comprise the consolidated statement of financial position as at December 31, 2017, 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

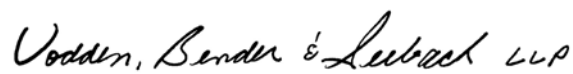
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 Central Huron as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
June 8, 2018

MUNICIPALITY OF CENTRAL HURON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2017	2016
FINANCIAL ASSETS		
Cash and short-term investments	7,491,732	8,093,023
Taxes receivable	1,188,691	1,161,526
Accounts receivable	2,994,278	2,332,729
Long-term receivables (note 4)	31,589	44,260
	<u>11,706,290</u>	<u>11,631,538</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,363,702	1,954,286
Deferred revenue - obligatory reserve funds	217,637	238,777
Landfill closure and post closure liability (note 6)	2,962,172	2,956,201
Municipal debt (note 7)	5,884,765	5,185,752
	<u>10,428,276</u>	<u>10,335,016</u>
NET FINANCIAL ASSETS	1,278,014	1,296,522
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 9)	<u>75,522,244</u>	<u>73,815,279</u>
ACCUMULATED SURPLUS (note 11)	<u>\$ 76,800,258</u>	<u>\$ 75,111,801</u>

**MUNICIPALITY OF CENTRAL HURON
CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Taxation for municipal purposes	6,515,584	6,543,369	6,384,210
User fees, licences, permits and donations	4,262,951	4,673,433	4,681,982
Government transfers - Canada and Ontario	2,360,109	2,306,827	2,000,528
Government transfers - other municipalities	32,263	33,445	34,834
Investment income	72,356	113,630	104,835
Penalties and interest on taxes	130,000	136,572	130,264
Gaming Centre and other recoveries	621,500	639,263	614,052
	<u>13,994,763</u>	<u>14,446,539</u>	<u>13,950,705</u>
Expenditure			
General government	1,074,510	1,093,187	1,070,550
Protection to persons and property	2,654,947	2,769,154	2,583,091
Transportation services	3,826,021	3,725,867	3,650,405
Environmental services	2,568,157	2,565,216	2,693,138
Health services	96,181	75,888	83,350
Recreation, parks and culture	2,058,441	2,043,589	2,058,320
Planning and development	638,243	485,181	550,561
	<u>12,916,500</u>	<u>12,758,082</u>	<u>12,689,415</u>
Annual surplus (deficit)	1,078,263	1,688,457	1,261,290
Opening balance	<u>75,111,801</u>	<u>75,111,801</u>	<u>73,850,511</u>
Closing balance	<u>\$ 76,190,064</u>	<u>\$ 76,800,258</u>	<u>\$ 75,111,801</u>

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF CENTRAL HURON
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

For the year ended December 31	2017 Budget	2017 Actual	2016 Actual
Annual surplus (deficit)	1,078,263	1,688,457	1,261,290
Amortization of tangible capital assets	2,716,874	2,760,496	2,673,253
Net acquisition of tangible capital assets	<u>(2,857,561)</u>	<u>(4,467,461)</u>	<u>(2,910,686)</u>
Increase (decrease) in net financial assets	937,576	(18,508)	1,023,857
Opening balance	<u>1,296,522</u>	<u>1,296,522</u>	<u>272,665</u>
Closing balance	<u><u>\$ 2,234,098</u></u>	<u><u>\$ 1,278,014</u></u>	<u><u>\$ 1,296,522</u></u>

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF CENTRAL HURON
CONSOLIDATED STATEMENT OF CASH FLOW**

For the year ended December 31	2017	2016
Operating activities		
Annual surplus (deficit)	1,688,457	1,261,290
Amortization expense not requiring cash outlay	2,760,496	2,673,253
Decrease (increase) in taxes receivable	(27,165)	(19,866)
Decrease (increase) in accounts receivable	(661,549)	(109,696)
Increase (decrease) in accounts payable	(590,584)	355,622
Increase (decrease) in deferred revenue	(21,140)	181,043
Increase (decrease) in landfill closure and post closure liability	5,971	82,761
Cash provided by (used for) operating activities	<u>3,154,486</u>	<u>4,424,407</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	<u>(4,467,461)</u>	<u>(2,910,686)</u>
Cash provided by (used for) capital activities	<u>(4,467,461)</u>	<u>(2,910,686)</u>
Investing activities		
Decrease (increase) in long-term receivables	<u>12,671</u>	<u>50,724</u>
Cash provided by (used for) investing activities	<u>12,671</u>	<u>50,724</u>
Financing activities		
Proceeds from long-term debt issued	1,331,200	-
Principal repayments on long-term debt	<u>(632,187)</u>	<u>(868,328)</u>
Cash provided by (used for) financing activities	<u>699,013</u>	<u>(868,328)</u>
Increase (decrease) in cash position	(601,291)	696,117
Cash (overdraft) beginning of year	<u>8,093,023</u>	<u>7,396,906</u>
Cash (overdraft) end of year	<u>\$ 7,491,732</u>	<u>\$ 8,093,023</u>

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF CENTRAL HURON
NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2017

1. Accounting policies

The consolidated financial statements of the Corporation of the Municipality of Central Huron 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.

These consolidated financial statements include the proportional share of the financial position and operating activities of the following joint boards:

Mid-Huron Landfill Site Board

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
Sewer mains 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 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:

	2017	2016
County of Huron	\$ 4,824,704	\$ 4,731,926
School Boards	2,348,014	2,398,555

3. Trust funds

Trust funds administered by the municipality amounting to \$285,852 (2016 : \$275,427) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

4. Long-term receivables

	2017	2016
Tile loans, 6% - 8%, principal and interest receivable annually, due 2018 through 2027	<u>\$ 31,589</u>	<u>\$ 44,260</u>

Amounts due in the next five years are as follows:

2018: \$13,400 2019: \$5,700 2020: \$6,000 2021: \$6,489 2022: \$ nil

5. 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 2017 was \$357,084 (2016 : \$176,395) for current services and is included as an expenditure on the consolidated statement of financial activities.

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.

6. Landfill closure and post-closure cost liability

PSAB Handbook Section 3270: Solid Waste Landfill Closure and Post-Closure Liability, sets out the standard for anticipated closure and post-closure costs for existing and closed landfill sites. This liability is the estimated cost to date, based on a volumetric basis, of the expenses relating to those activities required when the site or phase stops accepting waste.

The landfill closure costs include final cover and vegetation, completing facilities for drainage control features, leachate monitoring, water quality monitoring, and monitoring and recovery of gas. Post-closure care activities include all activities related to monitoring the site once it can no longer accept waste, including acquisition of any additional land for buffer zones, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems, and final cover.

The estimated liability for the care of landfill sites is the present value of future cash flows associated with closure and post-closure costs.

Key assumptions in determining the liability at December 31, 2017 for the landfills are as follows:

Remaining site life	1 - 50 years
Discount rate	1.9% - 2%
Estimated time required for post-closure care	25 - 50 years

6. Landfill closure and post-closure cost liability (continued)

A reserve has been established to partially provide for this landfill site closure and post-closure liability. The reserve balance at December 31, 2017 is \$94,729 (2016 : \$94,729). The balance of the future liability is expected to be funded through budget allocations to the landfill reserve.

The municipality's proportionate liability for the Mid-Huron landfill site is \$2,892,572 (2016 : \$2,887,901). The Mid-Huron Landfill Site Board has set aside reserves and reserve funds of which the municipality's proportionate share is \$1,561,104 (2016 : \$1,530,669). The site has a estimated remaining life of 1 year.

7. Municipal debt

The balance of the long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2017	2016
Ontario Infrastructure Projects Corporation (OIPC) loan payable, construction loan payable, variable interest, due on demand	1,331,200	-
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 4.44% interest, \$125,921 semi-annual blended payments, due August 2036	3,154,929	3,263,078
Ontario Infrastructure and Lands Corporation (OILC) construction loan payable, variable interest, due on demand	335,000	755,000
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 3.25% interest, \$63,571 semi-annual blended payments, due March 2027	1,032,047	1,123,414
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals, 6% - 8%, due 2018 through 2027	31,589	44,260
	<u>\$5,884,765</u>	<u>\$5,185,752</u>

Principal payments recoverable from property owners in the next

five years to finance the bank demand and term loans and municipal debentures are:

2018: \$1,873,600 2019: \$215,500 2020: \$224,000 2021: \$232,900 2022: \$242,100

8. Contingency for long-term liabilities

The municipality is contingently liable for long-term liabilities with respect to tile drainage 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 the principal amounts outstanding are as follows:

	2017	2016
Tile drainage loans assumed by individuals	\$31,589	\$44,260

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 Central Huron 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.

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:

	2017	2016
General revenue accumulated surplus		
and invested in tangible capital assets	\$ 72,503,058	\$ 70,208,101
Share of Mid-Huron Landfill Site Board general surplus	57,909	66,417
Unfinanced solid waste landfill closure and post-closure liabilities	(2,962,172)	(2,956,201)
Reserves and reserve funds	<u>7,201,463</u>	<u>7,793,484</u>
	<u>\$ 76,800,258</u>	<u>\$ 75,111,801</u>

For additional information, see the Consolidated Schedule of Continuity of Reserves, Reserve Funds, and Obligatory 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. Contingent liability

The municipality has been notified of liability claims. Because the claims are within the municipality's insurance coverage, no provision has been made for the contingency in the financial statements.

14. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2017 budget amounts for the Corporation of the Municipality of Central Huron 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	2,857,561
Debt issue proceeds	(1,533,920)
Debt principal repayments	619,518
Net reserve, reserve fund, and surplus transfers	(874,713)
Mid-Huron Landfill Site Board net budget deficit	<u>9,817</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 1,078,263</u>

MUNICIPALITY OF CENTRAL HURON
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2017

	Land	Land Improvements	Buildings	Machinery and Equipment	Other	Linear Road Systems	Linear Water Systems	Linear Sewer Systems	Assets Under Construction	TOTAL Net Book Value 2017	TOTAL Net Book Value 2016
Cost											
Balance, beginning of year	1,426,981	1,082,331	20,661,232	13,868,078	342,011	70,631,979	6,756,580	5,861,123	210,174	120,840,489	119,814,326
Add: Additions during the year		246,428	401,382	499,643	5,341	2,837,455	556,975	356,349	34,265	4,937,838	5,263,569
Less: Disposals during the year	(92,314)		(946)			(436,372)	(61,125)	(88,518)	(210,174)	(889,449)	(4,237,406)
Other: donations and transfers						279				279	-
Balance, end of year	<u>1,334,667</u>	<u>1,328,759</u>	<u>21,061,668</u>	<u>14,367,721</u>	<u>347,352</u>	<u>73,033,341</u>	<u>7,252,430</u>	<u>6,128,954</u>	<u>34,265</u>	<u>124,889,157</u>	120,840,489
Accumulated Amortization											
Balance, beginning of year	-	475,835	5,816,322	6,607,782	246,012	28,743,458	2,456,312	2,679,489	-	47,025,210	46,236,480
Add: Amortization during the year		54,535	515,765	573,314	33,010	1,393,925	104,924	85,023		2,760,496	2,673,253
Less: Accumulated amortization on disposals						(394,227)	(51,059)	(47,573)		(492,859)	(1,884,523)
Other: donations and transfers						74,066				74,066	-
Balance, end of year	-	<u>530,370</u>	<u>6,332,087</u>	<u>7,181,096</u>	<u>279,022</u>	<u>29,817,222</u>	<u>2,510,177</u>	<u>2,716,939</u>	-	<u>49,366,913</u>	47,025,210
Net Book Value of Tangible Capital Assets	<u>1,334,667</u>	<u>798,389</u>	<u>14,729,581</u>	<u>7,186,625</u>	<u>68,330</u>	<u>43,216,119</u>	<u>4,742,253</u>	<u>3,412,015</u>	<u>34,265</u>	<u>\$ 75,522,244</u>	<u>\$ 73,815,279</u>

MUNICIPALITY OF CENTRAL HURON
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2017

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Work in Process	TOTAL Net Book Value 2017	TOTAL Net Book Value 2016
Cost										
Balance, beginning of year	1,650,911	2,604,589	75,996,017	22,607,574	66,407	15,716,363	1,988,454	210,174	120,840,489	119,814,326
Add: Additions during the year	5,341	158,766	3,110,431	965,048		663,987		34,265	4,937,838	5,263,569
Less: Disposals during the year	(92,314)		(436,371)	(149,643)		(947)		(210,174)	(889,449)	(4,237,406)
Other: donations and transfers			279	(45,103)		45,103			279	-
Balance, end of year	<u>1,563,938</u>	<u>2,763,355</u>	<u>78,670,356</u>	<u>23,377,876</u>	<u>66,407</u>	<u>16,424,506</u>	<u>1,988,454</u>	<u>34,265</u>	<u>124,889,157</u>	<u>120,840,489</u>
Accumulated Amortization										
Balance, beginning of year	174,180	982,917	32,307,473	9,353,029	24,294	3,892,243	291,074		47,025,210	46,236,480
Add: Amortization during the year	19,286	79,718	1,635,444	488,012	2,154	430,339	105,543		2,760,496	2,673,253
Less: Accumulated amortization on disposals			(394,227)	(98,632)					(492,859)	(1,884,523)
Other: donations and transfers			74,066	(45,099)		45,099			74,066	-
Balance, end of year	<u>193,466</u>	<u>1,062,635</u>	<u>33,622,756</u>	<u>9,697,310</u>	<u>26,448</u>	<u>4,367,681</u>	<u>396,617</u>	<u>-</u>	<u>49,366,913</u>	<u>47,025,210</u>
Net Book Value										
of Tangible Capital Assets	<u>1,370,472</u>	<u>1,700,720</u>	<u>45,047,600</u>	<u>13,680,566</u>	<u>39,959</u>	<u>12,056,825</u>	<u>1,591,837</u>	<u>34,265</u>	<u>\$ 75,522,244</u>	<u>\$ 73,815,279</u>

MUNICIPALITY OF CENTRAL HURON
Consolidated Schedule of Continuity of Reserves, Reserve Funds and Deferred Revenue
For the Year Ended December 31, 2017

	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	2,462,417		471,036		(362,519)	2,570,934
for protection services	134,455		77,215		(137,799)	73,871
for transportation services	350,718		61,470		(30,417)	381,771
for environmental services	1,625,398		30,435		-	1,655,833
for recreation and cultural services	643,083		-		(39,533)	603,550
for planning and development	16,001		33,075		-	49,076
	<u>5,232,072</u>	<u>-</u>	<u>673,231</u>	<u>-</u>	<u>(570,268)</u>	<u>5,335,035</u>
Reserve funds						
Rural Water System Upgrades	1,113,767	11,602	438,359		(662,016)	901,712
Wastewater System	(87,785)	1,822	329,655		(584,409)	(340,717)
Ball's Bridge	177,328	2,977				180,305
Recreation	7,013	117				7,130
Blyth Landfill	160,123	2,599	10,000			172,722
Kinburn Hall	4,700	47				4,747
School on Wheels	6,477	64				6,541
ERTH Corporation put option	634,123	11,061	9,000		(300,191)	353,993
Building Department	152,477	1,385	77,632		(25,333)	206,161
Physician recruitment	30,427	344	10,000			40,771
NWMO Community Well-Being	362,762	3,414			(33,113)	333,063
	<u>2,561,412</u>	<u>35,432</u>	<u>874,646</u>	<u>-</u>	<u>(1,605,062)</u>	<u>1,866,428</u>
Total reserves and reserve funds	<u>7,793,484</u>	<u>35,432</u>	<u>1,547,877</u>	<u>-</u>	<u>(2,175,330)</u>	<u>7,201,463</u>
Deferred revenue						
Ward 1 Parkland	41,678	659	1,500			43,837
Ward 2 Pit Rehabilitation	12,871	118				12,989
Community Parks Project	-	1,014	243,571		(178,563)	66,022
Federal Gas Tax Funds	122,214	1,142		234,876	(263,443)	94,789
	<u>176,763</u>	<u>2,933</u>	<u>245,071</u>	<u>234,876</u>	<u>(442,006)</u>	<u>217,637</u>
Total	<u>\$ 7,970,247</u>	<u>38,365</u>	<u>1,792,948</u>	<u>234,876</u>	<u>(2,617,336)</u>	<u>\$ 7,419,100</u>

MUNICIPALITY OF CENTRAL HURON**Segmented Information**

For the Year Ended December 31, 2017

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Total 2017	Total 2016
Revenue									
Taxation	6,543,369							6,543,369	6,384,210
User charges, licences, donations	1,491,521	291,616	174,489	2,438,154	42,643	187,565	47,445	4,673,433	4,681,982
Government transfers	1,988,595		259,581	16,372		65,467	10,257	2,340,272	2,035,362
Interest and penalties	250,202							250,202	235,099
Other	-						639,263	639,263	614,052
	<u>10,273,687</u>	<u>291,616</u>	<u>434,070</u>	<u>2,454,526</u>	<u>42,643</u>	<u>253,032</u>	<u>696,965</u>	14,446,539	13,950,705
Operating expenditure									
Wages, salaries and benefits	705,723	304,920	729,842	642,285	41,850	476,940	67,956	2,969,516	2,913,488
Contract services	42,503	1,870,942	666,024	802,701	4,951	305,982	71,968	3,765,071	3,831,584
Supplies, materials, equipment and other	325,675	513,574	694,557	632,218	26,933	830,328	239,714	3,262,999	3,271,090
Amortization	19,286	79,718	1,635,444	488,012	2,154	430,339	105,543	2,760,496	2,673,253
	<u>1,093,187</u>	<u>2,769,154</u>	<u>3,725,867</u>	<u>2,565,216</u>	<u>75,888</u>	<u>2,043,589</u>	<u>485,181</u>	12,758,082	12,689,415
Net revenue (expense)	<u>9,180,500</u>	<u>(2,477,538)</u>	<u>(3,291,797)</u>	<u>(110,690)</u>	<u>(33,245)</u>	<u>(1,790,557)</u>	<u>211,784</u>	1,688,457	1,261,290

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of Central Huron, which comprise the balance sheet as at December 31, 2017, and the statement of continuity 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

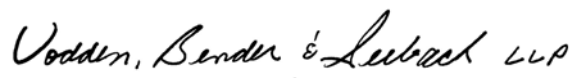
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 financial position of the trust funds of the Corporation of the Municipality of Central Huron as at December 31, 2017 and the continuity 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
June 8, 2018

**MUNICIPALITY OF CENTRAL HURON
TRUST FUNDS
STATEMENT OF CONTINUITY**

For the Year Ended December 31, 2017

	Total		Cemetery Perpetual Care		Radar Trust Fund		Woon Trust Fund	
	2017	2016	2017	2016	2017	2016	2017	2016
Balance beginning of year	275,427	268,703	266,315	259,850	3,520	3,464	5,592	5,389
Receipts								
Perpetual care	6,456	6,465	6,456	6,465				
Interest earned	5,035	4,468	4,755	4,209	60	56	220	203
	11,491	10,933	11,211	10,674	60	56	220	203
Expenditure								
Transfers to cemetery	1,066	4,209	1,066	4,209				
	1,066	4,209	1,066	4,209	-	-	-	-
Balance end of year	\$ 285,852	275,427	\$ 276,460	266,315	\$ 3,580	3,520	\$ 5,812	5,592

BALANCE SHEET

As at December 31, 2017

	Total		Cemetery Perpetual Care		Radar Trust Fund		Woon Trust Fund	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets								
Cash	5,363	14,630	4,321	13,665	230	170	812	795
Investments, cost	280,489	268,000	272,139	252,650	3,350	3,350	5,000	12,000
Liabilities								
Due to general fund	-	(7,203)						(7,203)
Trust fund net assets	\$ 285,852	275,427	\$ 276,460	266,315	\$ 3,580	3,520	\$ 5,812	5,592

MUNICIPALITY OF CENTRAL HURON
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

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 consolidation

These trust funds have not been consolidated with the financial statements of the Municipality of Central Huron.

c) 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.

d) Investments

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

e) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

2. Investments

Trust fund investments have a market value equal to cost of \$280,489 (2016 : \$268,000).