

**THE CORPORATION OF THE
MUNICIPALITY OF HURON EAST
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

SEEBACH & COMPANY
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

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, 2019 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, 2019, 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 15, 2020

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

As at December 31	2019	2018
FINANCIAL ASSETS		
Cash	1,343,245	407,878
Taxes receivable	982,705	1,036,128
Accounts receivable	1,444,561	1,527,212
Investments (note 4)	9,236,169	8,574,202
Long-term receivables (note 5)	199,264	213,462
	13,205,944	11,758,882
LIABILITIES		
Accounts payable and accrued liabilities	1,959,219	1,043,925
Deferred revenue	835,490	80,315
Deferred revenue - obligatory reserve funds	1,211,185	1,292,070
Municipal debt (note 7)	201,764	228,217
	4,207,658	2,644,527
NET FINANCIAL ASSETS	\$ 8,998,286	\$ 9,114,355
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 9)	72,054,241	70,289,242
Inventory and prepaid expenses	2,356	24,956
	72,056,597	70,314,198
ACCUMULATED SURPLUS (note 11)	\$ 81,054,883	\$ 79,428,553

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	2019 Budget	2019 Actual	2018 Actual
Revenue			
Taxation for municipal purposes	7,147,381	7,075,430	6,553,348
Government transfers - Canada	573,980	726,460	140,422
Government transfers - Ontario	2,525,451	2,615,118	1,990,217
Government transfers - other municipalities	649,245	601,177	497,774
User fees and service charges	4,957,940	4,649,286	4,817,354
Licences, permits, rents, donations, etc.	216,550	265,763	172,014
Investment income	245,762	248,439	349,083
Penalties and interest on taxes	157,000	144,336	157,464
	<u>16,473,309</u>	<u>16,326,009</u>	<u>14,677,676</u>
Expenditure			
General government	1,267,803	1,285,155	1,182,324
Protection to persons and property	3,159,923	3,126,800	2,959,035
Transportation services	4,556,130	4,570,894	4,257,238
Environmental services	2,830,758	2,812,133	2,473,557
Health services	261,140	247,509	230,241
Social and family services	626,262	563,714	581,986
Recreation and cultural services	1,674,941	1,566,884	1,487,554
Planning and development	320,098	526,590	197,003
	<u>14,697,055</u>	<u>14,699,679</u>	<u>13,368,938</u>
Annual surplus (deficit)	1,776,254	1,626,330	1,308,738
Accumulated surplus, beginning of year	<u>79,428,553</u>	<u>79,428,553</u>	<u>78,119,815</u>
Accumulated surplus, end of year	<u>\$ 81,204,807</u>	<u>\$ 81,054,883</u>	<u>\$ 79,428,553</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	2019 Budget	2019 Actual	2018 Actual
Annual surplus (deficit)	1,776,254	1,626,330	1,308,738
Amortization of tangible capital assets	2,291,714	2,325,709	2,257,719
Net acquisition of tangible capital assets	(7,299,010)	(4,090,708)	(2,641,209)
Decrease (increase) in inventory and prepaid expenses	-	22,600	91,291
	<u>(3,231,042)</u>	<u>(116,069)</u>	<u>1,016,539</u>
Net financial assets, beginning of year	<u>9,114,355</u>	<u>9,114,355</u>	<u>8,097,816</u>
Net financial assets, end of year	<u><u>\$ 5,883,313</u></u>	<u><u>\$ 8,998,286</u></u>	<u><u>\$ 9,114,355</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	2019	2018
Operating activities		
Annual surplus (deficit)	1,626,330	1,308,738
Amortization expense not requiring cash outlay	2,325,709	2,257,719
Decrease (increase) in taxes receivable	53,423	198,741
Decrease (increase) in accounts receivable	82,651	99,920
Increase (decrease) in accounts payable and accrued liabilities	915,294	(236,650)
Increase (decrease) in deferred revenue	755,175	66,371
Increase (decrease) in deferred revenue - obligatory reserve funds	(80,885)	189,959
Decrease (increase) in inventory and prepaid expenses	22,600	91,291
Cash provided by (used for) operating activities	<u>5,700,297</u>	<u>3,976,089</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	<u>(4,090,708)</u>	<u>(2,641,209)</u>
Cash provided by (used for) capital activities	<u>(4,090,708)</u>	<u>(2,641,209)</u>
Investing activities		
Decrease (increase) in investments	(661,967)	(1,187,602)
Decrease (increase) in long-term receivables	14,198	21,213
Cash provided by (used for) investing activities	<u>(647,769)</u>	<u>(1,166,389)</u>
Financing activities		
Principal repayments on long-term debt	(26,453)	(68,189)
Cash provided by (used for) financing activities	<u>(26,453)</u>	<u>(68,189)</u>
Increase (decrease) in cash position	935,367	100,302
Cash (overdraft) beginning of year	<u>407,878</u>	<u>307,576</u>
Cash (overdraft) end of year	<u>\$ 1,343,245</u>	<u>\$ 407,878</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, 2019

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
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 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:

	2019	2018
County of Huron	\$ 6,038,861	\$ 5,767,489
School Boards	2,668,256	2,646,091

3. Trust funds

Trust funds administered by the municipality amounting to \$3,012,890 (2018 : \$2,993,425) 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

	2019	2018
Money market fund	1,467,610	1,570,899
Bond fund	<u>7,768,559</u>	<u>7,003,303</u>
	<u>\$ 9,236,169</u>	<u>\$ 8,574,202</u>

The investments have a market value of \$8,921,019 (2018 : \$8,235,406) at the end of the year.

5. Long-term receivables

	2019	2018
Due from residents and landowners	196,940	203,040
Tile loans, 6% - 8%, principal and interest receivable annually, due 2019 through 2028	<u>2,324</u>	<u>10,422</u>
	<u>\$ 199,264</u>	<u>\$ 213,462</u>

Amounts due in the next five years are as follows:

2020: \$7,100	2021: \$7,500	2022: \$7,900	2023: \$7,400	2024: \$7,800
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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 2019 was \$236,436 (2018 : \$216,785) 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:

	2019	2018
Health services debenture payable to Huron East/Seaforth Community Development Trust, 5% interest, due December 2038	196,940	203,040
Streetlight debenture payable to Brussels Cemetery Trust, 3% interest, due on demand	-	7,180
Streetlight debenture payable to Mount Pleasant Cemetery Trust, 3% interest, due on demand	-	2,575
Streetlight debenture payable to Huron East/Seaforth Community Development Trust, 3% interest, due on demand	2,500	5,000
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals	<u>2,324</u>	<u>10,422</u>
	<u>\$ 201,764</u>	<u>\$ 228,217</u>

Principal payments for the next five years are as follows:

2020: \$9,600	2021: \$7,500	2022: \$7,900	2023: \$7,400	2024: \$7,800
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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 2019 as incurred. Further expenditures will be expensed as incurred in 2020, 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:

	2019	2018
General revenue accumulated surplus and invested in tangible capital assets	\$ 70,778,239	\$ 69,089,021
Reserves and reserve funds	<u>10,276,644</u>	<u>10,339,532</u>
	<u>\$ 81,054,883</u>	<u>\$ 79,428,553</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 2019 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	7,299,010
Amortization of tangible capital assets	(2,325,709)
Debt proceeds / repayments	-
Net reserve, reserve fund, and surplus transfers	<u>(3,197,047)</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 1,776,254</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2019

	Land	Buildings	Machinery & Equipment	Vehicles	Plants and Facilities	Roads	Underground and other Networks	Bridges and other Structures	Assets Under Construction	TOTAL Net Book Value 2019	TOTAL Net Book Value 2018
Cost											
Balance, beginning of year	1,232,093	10,827,778	3,976,881	3,752,991	11,593,862	53,535,812	13,438,371	10,128,547	1,778,435	110,264,770	108,136,714
Add: Additions during the year	397,375	11,194	801,596			1,449,222	1,265,500	737,577	188,930	4,851,394	2,994,314
Less: Disposals during the year	(1)	(18,000)	(94,855)	(28,060)	(191,250)	(355,705)	(92,316)	(226,119)	(264,112)	(1,270,418)	(866,258)
Balance, end of year	<u>1,629,467</u>	<u>10,820,972</u>	<u>4,683,622</u>	<u>3,724,931</u>	<u>11,402,612</u>	<u>54,629,329</u>	<u>14,611,555</u>	<u>10,640,005</u>	<u>1,703,253</u>	<u>113,845,746</u>	<u>110,264,770</u>
Accumulated Amortization											
Balance, beginning of year		3,976,998	1,823,712	1,608,786	3,762,120	19,380,863	5,447,796	3,975,253		39,975,528	38,230,962
Add: Amortization during the year		217,925	247,453	169,269	189,472	1,130,363	196,686	174,541		2,325,709	2,257,719
Less: Accumulated amortization on disposals		(17,540)	(81,619)	(27,060)	(49,270)	(227,086)	(56,825)	(50,332)		(509,732)	(513,153)
Balance, end of year	<u>-</u>	<u>4,177,383</u>	<u>1,989,546</u>	<u>1,750,995</u>	<u>3,902,322</u>	<u>20,284,140</u>	<u>5,587,657</u>	<u>4,099,462</u>	<u>-</u>	<u>41,791,505</u>	<u>39,975,528</u>
Net Book Value of Tangible Capital Assets	<u>1,629,467</u>	<u>6,643,589</u>	<u>2,694,076</u>	<u>1,973,936</u>	<u>7,500,290</u>	<u>34,345,189</u>	<u>9,023,898</u>	<u>6,540,543</u>	<u>1,703,253</u>	<u>\$ 72,054,241</u>	<u>\$ 70,289,242</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2019

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Work in Process	TOTAL Net Book Value 2019	TOTAL Net Book Value 2018
Cost										
Balance, beginning of year	2,105,999	3,135,148	68,348,433	25,461,805	1,907,258	7,093,162	434,530	1,778,435	110,264,770	108,136,714
Add: Additions during the year	81,821	11,194	2,746,631	1,358,048		67,395	397,375	188,930	4,851,394	2,994,314
Less: Disposals during the year	(28,773)		(612,568)	(311,626)	(32,163)	(21,176)		(264,112)	(1,270,418)	(866,258)
Balance, end of year	<u>2,159,047</u>	<u>3,146,342</u>	<u>70,482,496</u>	<u>26,508,227</u>	<u>1,875,095</u>	<u>7,139,381</u>	<u>831,905</u>	<u>1,703,253</u>	<u>113,845,746</u>	<u>110,264,770</u>
Accumulated Amortization										
Balance, beginning of year	493,937	1,292,538	25,450,706	9,245,258	354,417	3,138,672	-		39,975,528	38,230,962
Add: Amortization during the year	75,312	101,595	1,533,700	396,361	29,575	189,166			2,325,709	2,257,719
Less: Accumulated amortization on disposals	(28,313)		(295,925)	(133,155)	(32,163)	(20,176)			(509,732)	(513,153)
Balance, end of year	<u>540,936</u>	<u>1,394,133</u>	<u>26,688,481</u>	<u>9,508,464</u>	<u>351,829</u>	<u>3,307,662</u>	<u>-</u>	<u>-</u>	<u>41,791,505</u>	<u>39,975,528</u>
Net Book Value of Tangible Capital Assets	<u>1,618,111</u>	<u>1,752,209</u>	<u>43,794,015</u>	<u>16,999,763</u>	<u>1,523,266</u>	<u>3,831,719</u>	<u>831,905</u>	<u>1,703,253</u>	<u>\$ 72,054,241</u>	<u>\$ 70,289,242</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, 2019

	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	1,817,991		494,288		(860,362)	1,451,917
for protection services	264,425		56,392		(7,360)	313,457
for transportation services	378,677		287,311		(69,573)	596,415
for environmental services	6,672,911		904,761		(944,566)	6,633,106
for health services	106,619		36,206		-	142,825
for recreation and cultural services	1,098,909		110,100		(70,085)	1,138,924
	<u>10,339,532</u>	<u>-</u>	<u>1,889,058</u>	<u>-</u>	<u>(1,951,946)</u>	<u>10,276,644</u>
Deferred revenue						
Parkland	29,397	4,136	5,000		(1,000)	37,533
Brussels Landfill (Morris)	21,803	4,216				26,019
Walton Landfill	229,659	5,575				235,234
Federal Gas Tax Funds	1,011,211	18,993		577,775	(695,580)	912,399
	<u>1,292,070</u>	<u>32,920</u>	<u>5,000</u>	<u>577,775</u>	<u>(696,580)</u>	<u>1,211,185</u>
Total	<u>\$ 11,631,602</u>	<u>32,920</u>	<u>1,894,058</u>	<u>577,775</u>	<u>(2,648,526)</u>	<u>\$ 11,487,829</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST

Segmented Information

For the Year Ended December 31, 2019

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Total 2019	Total 2018
Revenue										
Taxation	7,075,430	-	-	-	-	-	-	-	7,075,430	6,553,348
User charges	114,615	480,014	76,218	2,852,145	276,034	198,635	819,953	97,435	4,915,049	4,989,368
Government transfers	2,058,532	107,865	1,317,190	-	31,837	275,420	99,424	52,487	3,942,755	2,628,413
Interest and penalties	392,775	-	-	-	-	-	-	-	392,775	506,547
	<u>9,641,352</u>	<u>587,879</u>	<u>1,393,408</u>	<u>2,852,145</u>	<u>307,871</u>	<u>474,055</u>	<u>919,377</u>	<u>149,922</u>	<u>16,326,009</u>	<u>14,677,676</u>
Operating expenditure										
Wages, salaries and benefits	721,189	576,344	982,004	227,768	64,011	485,648	725,360	89,529	3,871,853	3,816,802
Contracted services	67,113	1,760,422	216,054	1,296,935	8,590	-	65,780	75,065	3,489,959	3,241,469
Supplies, materials and equipment	421,541	688,439	1,839,136	891,069	145,333	78,066	586,578	361,996	5,012,158	4,052,948
Amortization	75,312	101,595	1,533,700	396,361	29,575	-	189,166	-	2,325,709	2,257,719
	<u>1,285,155</u>	<u>3,126,800</u>	<u>4,570,894</u>	<u>2,812,133</u>	<u>247,509</u>	<u>563,714</u>	<u>1,566,884</u>	<u>526,590</u>	<u>14,699,679</u>	<u>13,368,938</u>
Net revenue (expense)	<u>8,356,197</u>	<u>(2,538,921)</u>	<u>(3,177,486)</u>	<u>40,012</u>	<u>60,362</u>	<u>(89,659)</u>	<u>(647,507)</u>	<u>(376,668)</u>	<u>1,626,330</u>	<u>1,308,738</u>

INDEPENDENT AUDITORS' REPORT

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, 2019 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, 2019, 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 15, 2020

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

BALANCE SHEET

As at December 31, 2019

	Brussels		Grey			Seaforth		McKillop	Egmondville	2019	2018
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial	Heritage	Hydro	Zion Cemetery	Perpetual Care		
Assets											
Cash	41,540	7,179	6,765	11,927		39,835	96,401	1,023	11,299	215,969	221,742
Accounts receivable							5,658			5,658	-
Loans receivable										-	9,756
Investments	184,500	535,000	7,100	38,772	25,000		1,259,593	7,500	50,520	2,107,985	2,053,805
Prepaid expenses							2,500			2,500	5,000
Tangible capital assets, net							699,284			699,284	710,117
	<u>\$ 226,040</u>	<u>\$ 542,179</u>	<u>\$ 13,865</u>	<u>\$ 50,699</u>	<u>\$ 25,000</u>	<u>\$ 39,835</u>	<u>\$ 2,063,436</u>	<u>\$ 8,523</u>	<u>\$ 61,819</u>	\$ 3,031,396	<u>\$ 3,000,420</u>
Liabilities											
Accounts payable							18,506			18,506	6,995
							18,506			18,506	6,995
Trust fund balance	<u>226,040</u>	<u>542,179</u>	<u>13,865</u>	<u>50,699</u>	<u>25,000</u>	<u>39,835</u>	<u>2,044,930</u>	<u>8,523</u>	<u>61,819</u>	3,012,890	2,993,425
	<u>\$ 226,040</u>	<u>\$ 542,179</u>	<u>\$ 13,865</u>	<u>\$ 50,699</u>	<u>\$ 25,000</u>	<u>\$ 39,835</u>	<u>\$ 2,063,436</u>	<u>\$ 8,523</u>	<u>\$ 61,819</u>	\$ 3,031,396	<u>\$ 3,000,420</u>

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2019

	Brussels		Grey			Seaforth		McKillop	Egmondville	2019	2018
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial	Heritage	Hydro	Zion Cemetery	Perpetual Care		
Revenue											
Sale of plots, vaults, opening charges	3,520			1,300					4,250	9,070	3,463
Interest earned	3,734	14,607	152	973	688	710	31,179	206	876	53,125	42,909
Rent							185,472			185,472	185,097
Other							5			5	-
	<u>7,254</u>	<u>14,607</u>	<u>152</u>	<u>2,273</u>	<u>688</u>	<u>710</u>	<u>216,656</u>	<u>206</u>	<u>5,126</u>	247,672	231,469
Expenses											
Expenditures		19,492					155,775			175,267	72,532
Administration fee							7,925			7,925	8,474
Transfers to cemetery operating	3,541		152	973	688			206	861	6,421	7,521
Community projects							27,761			27,761	44,910
Amortization							10,833			10,833	10,833
	<u>3,541</u>	<u>19,492</u>	<u>152</u>	<u>973</u>	<u>688</u>	<u>-</u>	<u>202,294</u>	<u>206</u>	<u>861</u>	228,207	144,270
Excess of revenue over expenses	<u>3,713</u>	<u>(4,885)</u>	<u>-</u>	<u>1,300</u>	<u>-</u>	<u>710</u>	<u>14,362</u>	<u>-</u>	<u>4,265</u>	19,465	87,199
Trust fund balance, beginning of year	<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>	2,993,425	2,906,226
Trust fund balance, end of year	<u>\$ 226,040</u>	<u>\$ 542,179</u>	<u>\$ 13,865</u>	<u>\$ 50,699</u>	<u>\$ 25,000</u>	<u>\$ 39,835</u>	<u>\$ 2,044,930</u>	<u>\$ 8,523</u>	<u>\$ 61,819</u>	\$ 3,012,890	<u>\$ 2,993,425</u>

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

For the Year Ended December 31, 2019

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
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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 \$ 2,107,985 (2018 : \$ 2,053,805).

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS

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December 31, 2019

5. Tangible Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2019	Net Book Value 2018
Land	57,001	-	57,001	57,001
Buildings	<u>812,500</u>	<u>170,217</u>	<u>642,283</u>	<u>653,116</u>
	<u>\$ 869,501</u>	<u>\$ 170,217</u>	<u>\$ 699,284</u>	<u>\$ 710,117</u>