

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

VODDEN, BENDER & SEEBACH LLP
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Corporation of the Municipality of South Huron, which comprise the 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

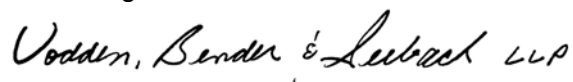
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 South 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
April 6, 2018

MUNICIPALITY OF SOUTH HURON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2017	2016
FINANCIAL ASSETS		
Cash	14,406,273	8,840,203
Taxes receivable	1,136,669	1,339,534
Accounts receivable	1,858,900	2,279,987
Other current assets	50,896	57,510
Investments	4,811,179	4,864,669
Long-term receivables	365,975	454,650
	<u>22,629,892</u>	<u>17,836,553</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,115,501	2,657,027
Deferred revenue	729,492	530,936
Landfill closure and post closure liability (note 5)	5,622,300	5,457,700
Municipal debt (note 6)	22,675,411	21,102,134
	<u>32,142,704</u>	<u>29,747,797</u>
NET FINANCIAL ASSETS	(\$ 9,512,812)	(\$ 11,911,244)
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 8)	<u>97,338,810</u>	<u>96,661,020</u>
ACCUMULATED SURPLUS (note 10)	<u>\$ 87,825,998</u>	<u>\$ 84,749,776</u>

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF SOUTH HURON
CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31	2017 Budget	2017 Actual	2016 Actual
Revenue			
Taxation for municipal purposes	8,568,507	8,639,878	8,216,961
User fees	8,238,707	8,791,111	8,610,110
Government transfers - Canada and Ontario	3,737,444	1,968,400	2,392,861
Government transfers - other municipalities	99,643	128,577	126,022
Investment income	70,000	132,993	121,615
Penalties and interest	185,100	184,049	206,206
Donations	42,026	73,156	75,945
	20,941,427	19,918,164	19,749,720
Expenditure			
General government	1,521,456	1,483,083	1,408,532
Protection to persons and property	3,401,109	3,233,821	3,254,250
Transportation services	3,552,516	3,308,798	3,453,216
Environmental services	5,703,378	6,291,206	5,117,186
Health services	143,880	124,628	129,443
Recreation and cultural services	2,148,903	2,164,270	2,133,465
Planning and development	141,875	236,136	490,457
	16,613,117	16,841,942	15,986,549
Annual surplus (deficit)	4,328,310	3,076,222	3,763,171
Accumulated surplus, beginning of year	84,749,776	84,749,776	80,986,605
Accumulated surplus, end of year	\$ 89,078,086	\$ 87,825,998	\$ 84,749,776

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF SOUTH HURON
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31	2017 Budget	2017 Actual	2016 Actual
Annual surplus (deficit)	4,328,310	3,076,222	3,763,171
Amortization of tangible capital assets	2,804,338	2,797,523	2,811,152
Net acquisition of tangible capital assets	<u>(11,445,152)</u>	<u>(3,475,313)</u>	<u>(3,339,039)</u>
	(4,312,504)	2,398,432	3,235,284
Net financial assets, beginning of year		<u>(11,911,244)</u>	<u>(15,146,528)</u>
Net financial assets, end of year		<u>(\$ 9,512,812)</u>	<u>(\$ 11,911,244)</u>

The accompanying notes are an integral part of this financial statement

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

For the year ended December 31	2017	2016
Operating activities		
Annual surplus (deficit)	3,076,222	3,763,171
Amortization expense not requiring cash outlay	2,797,523	2,811,152
Decrease (increase) in taxes receivable	202,865	216,879
Decrease (increase) in accounts receivable	421,087	(329,549)
Decrease (increase) in other current assets	6,614	1,340
Increase (decrease) in accounts payable and accrued liabilities	458,474	161,730
Increase (decrease) in deferred revenue	198,556	26,603
Increase (decrease) in landfill closure & post-closure liability	164,600	(760,700)
Cash provided by (used for) operating activities	<u>7,325,941</u>	<u>5,890,626</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	<u>(3,475,313)</u>	<u>(3,339,039)</u>
Cash provided by (used for) capital activities	<u>(3,475,313)</u>	<u>(3,339,039)</u>
Investing activities		
Decrease (increase) in long-term receivables	88,675	(132,465)
Decrease (increase) in investments	53,490	69,400
Cash provided by (used for) investing activities	<u>142,165</u>	<u>(63,065)</u>
Financing activities		
Proceeds from long-term debt issued	2,451,402	200,000
Principal repayments on long-term debt	<u>(878,125)</u>	<u>(825,885)</u>
Cash provided by (used for) financing activities	<u>1,573,277</u>	<u>(625,885)</u>
Increase (decrease) in cash position	5,566,070	1,862,637
Cash (overdraft) beginning of year	<u>8,840,203</u>	<u>6,977,566</u>
Cash (overdraft) end of year	<u>\$ 14,406,273</u>	<u>\$ 8,840,203</u>

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF SOUTH 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 South Huron are the representation of management prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

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, sewer and waste management 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 proportionately consolidated:

Exeter Business Improvement Association
Kirkton-Woodham Swimming Pool

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	25 - 84 years	10,000
Buildings	15 - 95 years	10,000
Environmental facilities	15 - 60 years	10,000
Equipment	5 - 30 years	5,000
Vehicles and heavy equipment	5 - 30 years	5,000
Transportation infrastructure	0 - 100 years	25,000
Watermains infrastructure	20 - 100 years	25,000
Sewermains infrastructure	50 - 100 years	25,000
Stormsewer infrastructure	75 years	25,000

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

Active landfills are amortized annually on the basis on tonnage tipped during the year, as a percentage of the estimated total capacity of the facility. The estimated costs to close and maintain currently active landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites capacity is used.

The municipality has a capitalized threshold of \$0 - \$25,000 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.

1. Accounting policies (continued)

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.

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	\$ 6,386,616	\$ 6,086,127
School Boards	3,663,359	3,594,558

3. Trust funds

Trust funds administered by the municipality amounting to \$842,3667 (2016 : \$832,548) have not been included in the statement of financial position nor have their operations been included in the consolidated statement of financial activities.

4. 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 \$257,873 (2016 : \$249,801) 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.

5. Landfill closure and post closure cost liability

Closure and post-closure care requirements are defined in accordance with industry standards and include final covering and landscaping of the landfill site, removal of ground water and leechates, and ongoing environmental monitoring, site inspections and maintenance. These costs will be incurred when the landfill site stops accepting waste, with the post-closure care expected to continue for an additional 25 - 175 years.

The municipality operates three landfill sites: South Huron, Stephen and Usborne. At December 31, 2016, the municipality has recognized a liability of \$5,622,300 (2016 : \$5,457,700). This represents the present value of the total estimated costs, and is based on a discount rate of 2%. The liability is recorded based on the capacity of the landfill used to date.

The reported liability is based on estimates and assumptions with respect to events extending over a long-term period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity and liability. Any changes in these estimates would be recognized in the year the change is identified.

The closure and post-closure care costs are expected to be funded in the year incurred.

6. 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 Municipal Economic Infrastructure Financing Authority (OMEIFA) loan payable, 2.83% interest, \$26,329 blended payment payable semi-annually, due June 2024 (for Exeter water and sewer purposes)	310,639	353,591
Pacific Western Capital Inc loan payable, 6.52% interest, \$4,854 blended payment payable monthly, due January 2018 (for Exeter water purposes)	4,828	60,764
Lake Huron Water Supply System / City of London loan payable, due on demand (for water purposes)	264,556	295,179
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 4.87% interest, \$197,862 blended payment payable semi-annually, due December 2046 (for Huron Park water and sewer purposes)	6,112,686	6,207,254
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 5.32% interest, \$20,157 blended payment payable semi-annually, due July 2047 (for sewer purposes)	600,934	608,956
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 5.09% interest, \$185,842 blended payment payable semi-annually, due August 2028 (for Crediton/Centralia sewer purposes)	3,101,393	3,307,323
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 5.02% interest, \$383,668 blended payment payable semi-annually, due December 2034 (for Hensall-Exeter water purposes)	8,705,518	9,023,805
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 4.04% interest, \$32,371 blended payment payable semi-annually, due December 2033 (for recreation purposes)	757,480	790,612
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 3.18% interest, \$83,296 blended payment payable semi-annually, due December 2037 (for Grand Bend sewer purposes)	<u>2,451,402</u>	<u>-</u>
	22,309,436	20,647,484
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	<u>365,975</u>	<u>454,650</u>
	<u>\$ 22,675,411</u>	<u>\$ 21,102,134</u>

Principal payments due on tile drainage loans and recoverable from landowners in the next five years are as follows:

2018: \$48,900 2019: \$51,800 2020: \$49,700 2021: \$52,700 2022: \$47,700

Principal payments recoverable from property owners in the next

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

2018: \$831,500 2019: \$865,700 2020: \$906,700 2021: \$949,600 2022: \$994,600

7. 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	\$ 365,975	\$ 454,650

8. 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.

9. Segmented information

The Municipality of South 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

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

Environmental Services

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

Health Services

This service area includes cemeteries and other health 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.

10. 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	\$ 72,795,866	\$ 71,144,687
Sanitary sewer systems	(287,521)	(121,119)
Waterworks systems	-	3,504,008
Landfill closure and post-closure liability	(5,622,300)	(5,457,700)
Kirkton-Woodham Swimming Pool	2,054	(2,895)
Exeter BIA	15,596	21,003
Reserves and reserve funds	<u>20,922,303</u>	<u>15,661,792</u>
	<u>\$ 87,825,998</u>	<u>\$ 84,749,776</u>

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

11. 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.

12. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of financial activities for comparative purposes. The 2017 budget amounts for the Corporation of the Municipality of South 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 activities. Budget amounts were not available for certain boards consolidated by the municipality. The budget figures have not been audited.

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

	General				Infrastructure		Assets Under Construction	TOTAL Net Book Value 2017	TOTAL Net Book Value 2016
	Land	Buildings	Vehicles	Other	Roads and Land Improvements	Underground and other Networks			
Cost									
Balance, beginning of year	1,882,882	6,943,541	6,674,483	800,116	55,408,148	76,929,981	1,883,148	150,522,299	147,619,657
Add: Additions during the year		323,801	777,583	119,967	1,532,903	1,623,902	(373,931)	4,004,225	3,405,973
Less: Disposals during the year		(25,366)	(442,498)	(204,464)	(430,869)	(834,611)		(1,937,808)	(503,331)
Balance, end of year	<u>1,882,882</u>	<u>7,241,976</u>	<u>7,009,568</u>	<u>715,619</u>	<u>56,510,182</u>	<u>77,719,272</u>	<u>1,509,217</u>	<u>152,588,716</u>	<u>150,522,299</u>
Accumulated Amortization									
Balance, beginning of year		3,455,642	4,110,136	405,514	22,624,489	23,265,498		53,861,279	51,486,524
Add: Amortization during the year		202,003	286,984	48,031	1,055,211	1,205,294		2,797,523	2,811,152
Less: Accumulated amortization on disposals		(11,537)	(442,498)	(137,548)	(288,245)	(529,068)		(1,408,896)	(436,397)
Balance, end of year	<u>-</u>	<u>3,646,108</u>	<u>3,954,622</u>	<u>315,997</u>	<u>23,391,455</u>	<u>23,941,724</u>	<u>-</u>	<u>55,249,906</u>	<u>53,861,279</u>
Net Book Value of									
Tangible Capital Assets	<u>1,882,882</u>	<u>3,595,868</u>	<u>3,054,946</u>	<u>399,622</u>	<u>33,118,727</u>	<u>53,777,548</u>	<u>1,509,217</u>	<u>\$ 97,338,810</u>	<u>\$ 96,661,020</u>

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

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Work in Process	TOTAL Net Book Value 2017	TOTAL Net Book Value 2016
Cost									
Balance, beginning of year	1,486,467	3,977,748	65,314,400	71,396,738	175,633	6,288,165	1,883,148	150,522,299	147,619,657
Add: Additions during the year		25,036	2,574,209	1,569,463		209,448	(373,931)	4,004,225	3,405,973
Less: Disposals during the year		(360,603)	(583,696)	(910,894)		(82,615)		(1,937,808)	(503,331)
Interdepartmental transfers	(70,172)		(29,121)			99,293		-	-
Balance, end of year	<u>1,416,295</u>	<u>3,642,181</u>	<u>67,275,792</u>	<u>72,055,307</u>	<u>175,633</u>	<u>6,514,291</u>	<u>1,509,217</u>	152,588,716	<u>150,522,299</u>
Accumulated Amortization									
Balance, beginning of year	627,131	1,986,500	24,269,706	24,379,392	48,876	2,549,674		53,861,279	51,486,524
Add: Amortization during the year	65,301	133,841	1,141,586	1,240,089	6,444	210,262		2,797,523	2,811,152
Less: Accumulated amortization on disposals		(294,266)	(516,732)	(591,525)		(6,373)		(1,408,896)	(436,397)
Interdepartmental transfers	(25,172)		(29,121)			54,293		-	-
Balance, end of year	<u>667,260</u>	<u>1,826,075</u>	<u>24,865,439</u>	<u>25,027,956</u>	<u>55,320</u>	<u>2,807,856</u>	<u>-</u>	55,249,906	<u>53,861,279</u>
Net Book Value of									
Tangible Capital Assets	<u>749,035</u>	<u>1,816,106</u>	<u>42,410,353</u>	<u>47,027,351</u>	<u>120,313</u>	<u>3,706,435</u>	<u>1,509,217</u>	\$ 97,338,810	<u>\$ 96,661,020</u>

MUNICIPALITY OF SOUTH 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	2,049,845		1,042,873		(118,724)	2,973,994
for protection services	989,851		172,916		(53,641)	1,109,126
for transportation services	2,487,686		885,300		(676,298)	2,696,688
for environmental services	7,652,691		4,145,497		(854,180)	10,944,008
for health services	65,831		6,580			72,411
for recreation and cultural services	336,316		155,969		(57,094)	435,191
	<u>13,582,220</u>	<u>-</u>	<u>6,409,135</u>	<u>-</u>	<u>(1,759,937)</u>	<u>18,231,418</u>
Reserve funds						
Amenity fee community funding	293,296	3,129	311,761			608,186
Webber gravel pit	33,087	353				33,440
Building code	1,000,179	10,670	86,484			1,097,333
Exeter community development	316,385	3,375	20,213			339,973
Dashwood community development	79,012	843				79,855
Exeter cemetery expansion	475	6				481
Exeter cemetery columbarium	18,243	194	7,103			25,540
Landfill perpetual care	313,439	3,344	87,347			404,130
South Huron recreation centre	25,456	272				25,728
	<u>2,079,572</u>	<u>22,186</u>	<u>512,908</u>	<u>-</u>	<u>-</u>	<u>2,614,666</u>
Total reserves and reserve funds	<u>15,661,792</u>	<u>22,186</u>	<u>6,922,043</u>	<u>-</u>	<u>(1,759,937)</u>	<u>20,846,084</u>
Deferred revenue						
Parkland	67,962	725		4,500		73,187
Federal Gas Tax Funds	-		307,713		(307,713)	-
OCIF formula-based component	-	1,759	319,794		(245,334)	76,219
Development charges	462,974	4,940		124,065	(11,893)	580,086
	<u>530,936</u>	<u>7,424</u>	<u>627,507</u>	<u>128,565</u>	<u>(564,940)</u>	<u>729,492</u>
Total	<u>\$ 16,192,728</u>	<u>29,610</u>	<u>7,549,550</u>	<u>128,565</u>	<u>(2,324,877)</u>	<u>\$ 21,575,576</u>

MUNICIPALITY OF SOUTH 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	8,639,878							8,639,878	8,216,961
User charges	660,671	60,812	275,353	6,708,726	92,014	732,588	218,022	8,748,186	8,610,110
Government transfers	1,368,392	51,212	592,837			71,382	13,154	2,096,977	2,518,883
Interest and penalties	359,967							359,967	327,821
Other	73,156							73,156	75,945
	<u>11,102,064</u>	<u>112,024</u>	<u>868,190</u>	<u>6,708,726</u>	<u>92,014</u>	<u>803,970</u>	<u>231,176</u>	<u>19,918,164</u>	<u>19,749,720</u>
Operating expenditure									
Wages, salaries and benefits	1,100,223	590,188	824,056	900,272	85,281	944,528	58,831	4,503,379	4,416,811
Contract services	103,971	1,973,688	22,772	670,154	4,623	91,656	4,023	2,870,887	2,895,672
Supplies, materials, equipment and interest	213,588	536,104	1,320,384	3,480,691	28,280	917,824	173,282	6,670,153	5,862,914
Amortization	65,301	133,841	1,141,586	1,240,089	6,444	210,262		2,797,523	2,811,152
	<u>1,483,083</u>	<u>3,233,821</u>	<u>3,308,798</u>	<u>6,291,206</u>	<u>124,628</u>	<u>2,164,270</u>	<u>236,136</u>	<u>16,841,942</u>	<u>15,986,549</u>
Net revenue (expense)	<u>9,618,981</u>	<u>(3,121,797)</u>	<u>(2,440,608)</u>	<u>417,520</u>	<u>(32,614)</u>	<u>(1,360,300)</u>	<u>(4,960)</u>	<u>3,076,222</u>	<u>3,763,171</u>

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of South 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 South 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
April 6, 2018

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

For the Year Ended December 31, 2017

	Perpetual Care Fund	Niche Care Fund	Five-Year Flower Fund	Pre-need Fund	Perpetual Flower Fund	Monuments Marker Fund	2017	2016
Balance beginning of year	343,487	29,634	15,874	96,294	286,964	60,295	832,548	814,240
Receipts								
Perpetual care	8,740					1,300	10,040	14,184
Donations and capital contributions		1,871	4,098	3,026			8,995	17,228
Interest earned	14,360						14,360	16,384
	<u>23,100</u>	<u>1,871</u>	<u>4,098</u>	<u>3,026</u>	<u>-</u>	<u>1,300</u>	33,395	<u>47,796</u>
Expenditure								
Transfers to cemetery	14,360		7,803	1,413			23,576	29,488
	14,360	-	7,803	1,413	-	-	23,576	29,488
Balance end of year	\$ 352,227	\$ 31,505	\$ 12,169	\$ 97,907	\$ 286,964	\$ 61,595	\$ 842,367	\$ 832,548

BALANCE SHEET

As at December 31

	2017	2016
Assets		
Cash	26,919	23,148
Investments, cost	862,566	842,170
Liabilities		
Due to general fund	(47,118)	(32,770)
Trust fund net asset balances	\$ 842,367	\$ 832,548

MUNICIPALITY OF SOUTH 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 and 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 South 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 generally accepted accounting principles 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 \$ 862,566 (2016 : \$ 842,170).