

**TOWNSHIP OF NORTH HURON  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**VODDEN, BENDER & SEEBACH LLP**  
***Chartered Professional Accountants***

Vodden, Bender & Seebach LLP  
Chartered Professional Accountants

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Council, Inhabitants and Ratepayers  
of the Corporation of the Township of North Huron

We have audited the accompanying financial statements of the Corporation of the Township of North 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 Township of North 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.

*Vodden, Bender & Seebach LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Clinton, Ontario  
April 20, 2018

**TOWNSHIP OF NORTH HURON**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>As at December 31</b>	<b>2017</b>	<b>2016</b>
<b>FINANCIAL ASSETS</b>		
Cash	10,414,344	10,121,359
Taxes receivable	660,427	618,086
Accounts receivable	1,576,014	2,931,775
Long-term receivables (note 4)	35,467	41,355
Long-term investments (note 5)	1,620,038	1,620,038
	<u>14,306,290</u>	<u>15,332,613</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,099,219	2,024,748
Landfill closure and post-closure liability (note 7)	336,200	329,600
Deferred revenue - obligatory reserve funds	285,256	471,276
Municipal debt (note 8)	1,925,334	2,103,094
	<u>3,646,009</u>	<u>4,928,718</u>
<b>NET FINANCIAL ASSETS</b>	<b>\$ 10,660,281</b>	<b>\$ 10,403,895</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets, net (note 10)	<u>52,205,127</u>	<u>49,906,983</u>
<b>ACCUMULATED SURPLUS (note 12)</b>	<b><u>\$ 62,865,408</u></b>	<b><u>\$ 60,310,878</u></b>

The accompanying notes are an integral part of this financial statement

**TOWNSHIP OF NORTH HURON**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31	2017 Budget	2017 Actual	2016 Actual
<b>Revenue</b>			
Taxation for municipal purposes	4,949,640	4,993,840	4,774,264
User fees, licences, permits, and donations	6,167,208	6,297,887	5,255,376
Government transfers - Canada and Ontario	2,728,004	2,669,079	2,401,728
Government transfers - other municipalities	1,044,552	1,176,974	1,297,781
Investment income	60,850	181,556	179,847
Penalties and interest on taxes	70,000	84,999	79,286
Gain (loss) on disposition of tangible capital assets	-	23,381	(25,816)
	<u>15,020,254</u>	<u>15,427,716</u>	<u>13,962,466</u>
<b>Expenditure</b>			
General government	1,114,375	1,071,570	1,126,759
Protection to persons and property	2,857,217	2,745,794	2,719,564
Transportation services	2,201,464	2,407,858	2,392,850
Environmental services	2,703,517	2,428,851	2,014,966
Health services	114,749	80,835	67,247
Social and family services	1,127,695	1,206,029	1,117,113
Recreation and cultural services	3,029,310	2,890,179	2,942,425
Planning and development	36,800	42,070	20,414
	<u>13,185,127</u>	<u>12,873,186</u>	<u>12,401,338</u>
<b>Annual surplus (deficit)</b>	1,835,127	2,554,530	1,561,128
<b>Accumulated surplus, beginning of year</b>	<u>60,310,878</u>	<u>60,310,878</u>	<u>58,749,750</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 62,146,005</u>	<u>\$ 62,865,408</u>	<u>\$ 60,310,878</u>

The accompanying notes are an integral part of this financial statement

**TOWNSHIP OF NORTH HURON**

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

<b>For the year ended December 31</b>	<b>2017 Budget</b>	<b>2017 Actual</b>	<b>2016 Actual</b>
Annual surplus (deficit)	1,835,127	<b>2,554,530</b>	1,561,128
Amortization of tangible capital assets	1,856,971	<b>2,068,074</b>	2,087,178
Net acquisition of tangible capital assets	(5,820,987)	<b>(4,342,837)</b>	(3,103,941)
Loss (gain) on sale of tangible capital assets	-	<b>(23,381)</b>	25,816
	<u>(2,128,889)</u>	<u><b>256,386</b></u>	<u>570,181</u>
<b>Net financial assets, beginning of year</b>	<u>10,403,895</u>	<u><b>10,403,895</b></u>	<u>9,833,714</u>
<b>Net financial assets, end of year</b>	<u><u>\$ 8,275,006</u></u>	<u><u><b>\$ 10,660,281</b></u></u>	<u><u><b>\$ 10,403,895</b></u></u>

The accompanying notes are an integral part of this financial statement

**TOWNSHIP OF NORTH HURON**  
**CONSOLIDATED STATEMENT OF CASH FLOW**

For the year ended December 31	2017	2016
<b>Operating activities</b>		
Annual surplus (deficit)	2,554,530	1,561,128
Amortization expense not requiring cash outlay	2,068,074	2,087,178
Loss (gain) on disposition of tangible capital assets	(23,381)	25,816
Decrease (increase) in taxes receivable	(42,341)	(14,647)
Decrease (increase) in accounts receivable	1,355,761	(1,875,326)
Increase (decrease) in accounts payable and accrued liabilities	(925,529)	1,217,367
Increase (decrease) in landfill closure & post-closure liability	6,600	6,600
Increase (decrease) in deferred revenue	(186,020)	65,169
Cash provided by (used for) operating activities	<u>4,807,694</u>	<u>3,073,285</u>
<b>Capital activities</b>		
Net disposals (purchases) of tangible capital assets	(4,342,837)	(3,103,941)
Cash provided by (used for) capital activities	<u>(4,342,837)</u>	<u>(3,103,941)</u>
<b>Investing activities</b>		
Decrease (increase) in long-term receivables	5,888	5,555
Cash provided by (used for) investing activities	<u>5,888</u>	<u>5,555</u>
<b>Financing activities</b>		
Proceeds from long-term debt issued	-	-
Principal repayments on long-term debt	(177,760)	(171,045)
Cash provided by (used for) financing activities	<u>(177,760)</u>	<u>(171,045)</u>
<b>Increase (decrease) in cash position</b>	<b>292,985</b>	<b>(196,146)</b>
<b>Cash (overdraft) beginning of year</b>	<b>10,121,359</b>	<b>10,317,505</b>
<b>Cash (overdraft) end of year</b>	<b><u>\$ 10,414,344</u></b>	<b><u>\$ 10,121,359</u></b>

The accompanying notes are an integral part of this financial statement

**TOWNSHIP OF NORTH HURON**  
**NOTES TO FINANCIAL STATEMENTS**

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**For the year ended December 31, 2017**

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**1. Accounting policies**

The consolidated financial statements of the Corporation of the Township of North Huron (the "Township") 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 Township 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 Township and which are owned or controlled by the Township. In addition to general government tax-supported operations, they include any water and sewer systems operated by the Township and the Township's proportionate share of joint local boards.

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 - 75 years	25,000
Buildings	15 - 90 years	50,000
Machinery and equipment	10 - 20 years	5,000 - 15,000
Vehicles	5 - 15 years	5,000
Information technology	5 - 10 years	5,000
Transportation infrastructure	20 - 100 years	5,000
Watermains infrastructure	75 years	5,000
Sewermain infrastructure	75 years	5,000
Stormsewer infrastructure	50 - 75 years	5,000

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

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 Township has a capitalized threshold of \$0 - \$50,000 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 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 Township.

i) Amounts to be recovered in future years

Future years recoveries represent the requirement of the Township 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 Township is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Township has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The Township 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	\$ 2,159,030	\$ 2,107,074
School Boards	1,190,709	1,203,445

### 3. Trust funds

Trust funds administered by the Township amounting to \$488,992 (2016 : \$478,086) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities.

### 4. Long-term receivables

	2017	2016
Tile loans, 6% - 8%, principal and interest receivable annually, due 2018 through 2027	<u>\$ 35,467</u>	<u>\$ 41,355</u>
Amounts due in the next five years are as follows:		
2018: \$6,300      2019: \$6,700      2020: \$7,100      2021: \$7,500      2022: \$7,867		

### 5. Long-term investments

	2017	2016
Note receivable, Westario Power Inc.	399,682	399,682
Common shares, Westario Power Holdings Inc.	<u>1,220,356</u>	<u>1,220,356</u>
	<u>\$ 1,620,038</u>	<u>\$ 1,620,038</u>

Effective November 1, 2000, the Township transferred its electrical utilities to Westario Power Inc. The above note receivable and common shares were received in consideration for the transfer.

The note from Westario Power Inc. is receivable on demand, but, since it is not the intention to demand payment within the next fiscal year, it is shown as long-term.

The Township owns 7.715% of the outstanding common shares of Westario Power Holdings Inc., a private company incorporated under the laws of the Province of Ontario. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. The fair value of these shares is not practicable to determine in the absence of published market quotations.

### 6. Pension agreements

The Township 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 \$342,482 (2016 : \$332,461) for current services and is included as an expenditure on the consolidated statement of financial activities.

OMERS is a multi-employer plan, therefore any pension surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit.

### 7. 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.

## 7. Landfill closure and post-closure cost liability (continued)

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

Remaining site life	50 - 119 years
Discount rate	2%
Estimated time required for post-closure care	25 - 116 years

A reserve has been established to partially provide for this sanitary landfill site closure and post-closure liability. The reserve balance At December 31, 2017 is \$189,887 (2016 : \$166,259). The balance of the future liability is expected to be funded through budget allocations to the landfill reserve.

## 8. 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
OIPC loan payable, 4.24% interest, \$49,021 blended payment payable semi-annually, due March 2026	693,628	760,138
OIPC loan payable, 3.76% interest, \$17,712 blended payment payable semi-annually, due March 2021	115,163	145,402
OILC loan payable, 3.71% interest, \$42,759 blended payment payable semi-annually, due April 2032	952,388	1,001,210
OILC loan payable, 3.04% interest, \$15,407 blended payment payable semi-annually, due April 2022	128,688	154,989
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	35,467	41,355
	<u>\$ 1,925,334</u>	<u>\$ 2,103,094</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: \$171,900    2019: \$178,500    2020: \$185,400    2021: \$192,600    2022: \$182,300

## 9. Contingency for long-term liabilities

The Township 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	\$ 35,467	\$ 41,355

#### 10. Tangible capital assets

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

i) Contributed tangible capital assets

The Township 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 Township by major class and by business segment, as well as for accumulated amortization of the assets controlled.

#### 11. Segmented information

The Township of North 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 Township 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.

## 12. 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	\$ 677,802	\$ 684,402
Invested in tangible capital assets	50,315,260	47,845,244
Long-term investment in Westario Power	1,620,038	1,620,038
Reserves and reserve funds	<u>10,252,308</u>	<u>10,161,194</u>
	<u>\$ 62,865,408</u>	<u>\$ 60,310,878</u>

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

## 13. Financial instrument risk management

### Credit risk

The Township 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 Township's receivables are from ratepayers and government entities. For trade and other receivables, the Township 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 Township will not be able to meet its financial obligations as they fall due. The Township has a planning and a budgeting process in place to help determine the funds required to support the Township's normal operating requirements on an ongoing basis. The Township 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 Township'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 Township is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and long-term liabilities and the value of fixed rate long-term liabilities.

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

## 14. Contingent liability

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

**15. 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 Township of North 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 Township. The budget figures have not been audited.

Approved budget annual surplus (deficit)	\$ -
Acquisition of tangible capital assets	5,820,987
Amortization of tangible capital assets	(2,068,074)
Proceeds from debt issue	(810,000)
Debt principal repayments	192,950
Net reserve, reserve fund, and surplus transfers	<u>(1,300,736)</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 1,835,127</u>

**TOWNSHIP OF NORTH HURON**  
**Consolidated Schedule of Tangible Capital Assets**  
For the Year Ended December 31, 2017

	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Information Technology	Roads and Land Improvements	Underground and other Networks	Bridges and other Structures	Assets Under Construction	TOTAL Net Book Value 2017	TOTAL Net Book Value 2016
<b>Cost</b>											
Balance, beginning of year	1,858,185	15,791,540	2,533,024	2,794,596	193,538	15,793,430	41,162,267	2,220,539	2,930,593	85,277,712	82,349,169
Add: Additions during the year		419,226	254,560	280,104		250,879	84,345		3,431,479	4,720,593	3,356,103
Less: Disposals during the year			(68,751)	(53,154)		(25,089)	(18,295)		(335,194)	(498,483)	(427,560)
Transfers and reallocations	874,743		(416,123)	134,147		(874,743)	281,976			-	-
Balance, end of year	<u>2,732,928</u>	<u>16,210,766</u>	<u>2,302,710</u>	<u>3,155,693</u>	<u>193,538</u>	<u>15,144,477</u>	<u>41,512,293</u>	<u>2,220,539</u>	<u>6,026,878</u>	<u>89,499,822</u>	<u>85,277,712</u>
<b>Accumulated Amortization</b>											
Balance, beginning of year	391,870	5,716,588	1,348,665	1,325,188	135,128	10,995,961	14,474,873	982,258	-	35,370,729	33,433,133
Add: Amortization during the year	74,475	849,716	121,843	156,711	14,937	252,834	571,792	25,766		2,068,074	2,087,178
Less: Accumulated amortization on disposals and transfers	183,778		(240,960)	(21,941)		(208,868)	143,883			(144,108)	(149,582)
Balance, end of year	<u>650,123</u>	<u>6,566,304</u>	<u>1,229,748</u>	<u>1,459,958</u>	<u>150,065</u>	<u>11,039,927</u>	<u>15,190,548</u>	<u>1,008,024</u>	<u>-</u>	<u>37,294,695</u>	<u>35,370,729</u>
<b>Net Book Value of</b>											
<b>Tangible Capital Assets</b>	<u>2,082,805</u>	<u>9,644,462</u>	<u>1,072,962</u>	<u>1,695,737</u>	<u>43,473</u>	<u>4,104,550</u>	<u>26,321,745</u>	<u>1,212,515</u>	<u>6,026,878</u>	<u>\$ 52,205,127</u>	<u>\$ 49,906,983</u>

**TOWNSHIP OF NORTH HURON**  
**Consolidated Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2017**

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Recreation and Cultural	Work in Process	TOTAL Net Book Value 2017	TOTAL Net Book Value 2016
<b>Cost</b>										
Balance, beginning of year	983,660	4,610,455	21,098,441	42,175,652	215,446	282,750	12,982,815	2,930,593	85,277,712	82,349,169
Add: Additions during the year	43,584	51,288	671,608	140,415			382,219	3,431,479	4,720,593	3,356,103
Less: Disposals during the year			(146,993)	(16,296)				(335,194)	(498,483)	(427,560)
Balance, end of year	<u>1,027,144</u>	<u>4,661,743</u>	<u>21,621,056</u>	<u>42,299,771</u>	<u>215,446</u>	<u>282,750</u>	<u>13,365,034</u>	<u>6,026,878</u>	<u>89,499,822</u>	<u>85,277,712</u>
<b>Accumulated Amortization</b>										
Balance, beginning of year	275,020	1,244,926	13,773,243	14,868,154	58,206	201,340	4,949,840	-	35,370,729	33,433,133
Add: Amortization during the year	27,399	240,714	446,888	589,640	3,772	7,937	751,724		2,068,074	2,087,178
Less: Accumulated amortization on disposals and transfer			(133,721)	(10,387)					(144,108)	(149,582)
Balance, end of year	<u>302,419</u>	<u>1,485,640</u>	<u>14,086,410</u>	<u>15,447,407</u>	<u>61,978</u>	<u>209,277</u>	<u>5,701,564</u>	<u>-</u>	<u>37,294,696</u>	<u>35,370,729</u>
<b>Net Book Value of</b>										
<b>Tangible Capital Assets</b>	<u>724,725</u>	<u>3,176,103</u>	<u>7,534,646</u>	<u>26,852,364</u>	<u>153,468</u>	<u>73,473</u>	<u>7,663,470</u>	<u>6,026,878</u>	<u>\$ 52,205,127</u>	<u>\$ 49,906,983</u>

**TOWNSHIP OF NORTH 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		
<b>Reserves and reserve funds</b>						
Reserves						
for general government	3,787,489		781,059		(1,303,403)	3,265,145
for protection services	(672)		169,702		-	169,030
for transportation services	175,366		107,582		(100,000)	182,948
for environmental services	5,865,293		656,245		(215,211)	6,306,327
for health services	34,426		-		-	34,426
for social and family services	120,444		30,000		-	150,444
for recreation and cultural services	168,145		53,241		(88,518)	132,868
for planning and development	278		-		-	278
	<u>10,150,769</u>	<u>-</u>	<u>1,797,829</u>	<u>-</u>	<u>(1,707,132)</u>	<u>10,241,466</u>
Reserve funds						
Museum Artifacts Restoration	5,162	6				5,168
Daycare Equipment	5,263	63	348			5,674
	<u>10,425</u>	<u>69</u>	<u>348</u>	<u>-</u>	<u>-</u>	<u>10,842</u>
Total reserves and reserve funds	<u>10,161,194</u>	<u>69</u>	<u>1,798,177</u>	<u>-</u>	<u>(1,707,132)</u>	<u>10,252,308</u>
<b>Deferred revenue</b>						
Development Charges Act	37,486		7,762			45,248
Building Code Act	16,267					16,267
Federal Gas Tax Funds	417,523	5,100		151,118	(350,000)	223,741
	<u>471,276</u>	<u>5,100</u>	<u>7,762</u>	<u>151,118</u>	<u>(350,000)</u>	<u>285,256</u>
<b>Total</b>	<u>\$ 10,632,470</u>	<u>5,169</u>	<u>1,805,939</u>	<u>151,118</u>	<u>(2,057,132)</u>	<u>\$ 10,537,564</u>

**TOWNSHIP OF NORTH HURON**  
**Segmented Information**  
For the Year Ended December 31, 2017

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Total 2017	Total 2016
<b>Revenue</b>										
Taxation	4,993,840								4,993,840	4,774,264
User charges	2,014,977	182,928	143,184	2,350,575	51,905	664,825	855,726	33,767	6,297,887	5,255,376
Government transfers	2,096,032	507,621	185,502	152,106	16,667	604,077	273,920	10,128	3,846,063	3,699,509
Interest and penalties	266,555								266,555	259,133
Other	23,381								23,381	(25,816)
	<u>9,394,785</u>	<u>690,549</u>	<u>328,686</u>	<u>2,502,681</u>	<u>68,572</u>	<u>1,268,902</u>	<u>1,129,646</u>	<u>43,895</u>	<u>15,427,716</u>	<u>13,962,466</u>
<b>Operating expenditure</b>										
Wages, salaries and benefits	683,736	1,478,311	767,361	304,326	58,941	1,058,125	1,188,330	12,941	5,552,071	5,378,454
Contract services	39,498	493,022	191,324	898,082	36	19,780	124,257	18,164	1,784,163	1,349,592
Supplies, materials and equipment	320,937	533,747	1,002,285	636,803	18,086	120,187	825,868	10,965	3,468,878	3,586,114
Amortization	27,399	240,714	446,888	589,640	3,772	7,937	751,724		2,068,074	2,087,178
	<u>1,071,570</u>	<u>2,745,794</u>	<u>2,407,858</u>	<u>2,428,851</u>	<u>80,835</u>	<u>1,206,029</u>	<u>2,890,179</u>	<u>42,070</u>	<u>12,873,186</u>	<u>12,401,338</u>
<b>Net revenue (expense)</b>	<u>8,323,215</u>	<u>(2,055,245)</u>	<u>(2,079,172)</u>	<u>73,830</u>	<u>(12,263)</u>	<u>62,873</u>	<u>(1,760,533)</u>	<u>1,825</u>	<u>2,554,530</u>	<u>1,561,128</u>

Vodden, Bender & Seebach LLP  
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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Council, Inhabitants and Ratepayers  
of the Corporation of the Township of North Huron

We have audited the accompanying financial statements of the trust funds of the Corporation of the Township of North 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 Township of North 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 20, 2018

**TOWNSHIP OF NORTH HURON  
TRUST FUNDS**

**BALANCE SHEET**

As at December 31		Cemetery Perpetual Care	
		2017	2016
<b>Assets</b>			
Cash		488,992	402,786
Investments, cost			75,300
<b>Liabilities</b>			
Due to general fund			
<b>Net trust fund balance</b>		<u>\$ 488,992</u>	<u>\$ 478,086</u>

**STATEMENT OF CONTINUITY**

For the Year Ended December 31		Cemetery Perpetual Care	
		2017	2016
<b>Revenue</b>			
Perpetual care		10,765	11,772
Interest earned		486	1,517
		<u>11,251</u>	<u>13,289</u>
<b>Expenses</b>			
Transfers to cemetery		345	1,825
		<u>345</u>	<u>1,825</u>
<b>Excess of revenue over expenses     for the year</b>		10,906	11,464
<b>Fund balance, beginning of year</b>		<u>478,086</u>	<u>466,622</u>
<b>Fund balance, end of year</b>		<u>\$ 488,992</u>	<u>\$ 478,086</u>

**TOWNSHIP OF NORTH HURON**  
**TRUST FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**

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**For the Year Ended December 31, 2017**

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**1. Accounting Policies**

Significant aspects of accounting policies adopted by the Township 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 accounting policies established by the Public Sector Accounting Board 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 Township of North Huron.

c) Basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized 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 \$ nil (2016 : \$ 75,300).