

**MUNICIPALITY OF SOUTH HURON
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 South Huron

Opinion

We have audited the accompanying financial statements of Corporation of the Municipality of South Huron ("the Municipality"), which are comprised of the statement of financial position as at December 31, 2019 and the consolidated statements of operations, change 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
June 19, 2020

MUNICIPALITY OF SOUTH HURON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2019	2018
FINANCIAL ASSETS		
Cash	11,587,913	9,925,035
Taxes receivable	1,104,018	1,063,263
Accounts receivable	3,608,271	2,252,761
Other current assets	19,926	15,057
Investments	9,027,117	8,834,969
Long-term receivables	355,703	364,546
	<u>25,702,948</u>	<u>22,455,631</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,594,576	4,075,538
Deferred revenue	1,572,209	868,789
Landfill closure and post closure liability (note 5)	5,730,100	5,677,400
Municipal debt (note 6)	21,697,996	21,808,732
	<u>32,594,881</u>	<u>32,430,459</u>
NET FINANCIAL ASSETS	(\$ 6,891,933)	(\$ 9,974,828)
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 7)	<u>101,530,653</u>	<u>101,011,897</u>
ACCUMULATED SURPLUS (note 9)	<u>\$ 94,638,720</u>	<u>\$ 91,037,069</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	2019 Budget	2019 Actual	2018 Actual
Revenue			
Taxation for municipal purposes	9,348,327	9,364,049	9,243,949
User fees	8,421,568	8,521,819	9,308,720
Government transfers - Canada and Ontario	3,739,827	3,778,663	2,529,537
Government transfers - other municipalities	361,007	282,178	68,844
Investment income	107,400	470,222	229,631
Penalties and interest	206,100	76,099	164,230
Donations	68,590	101,600	71,126
	<u>22,252,819</u>	<u>22,594,630</u>	<u>21,616,037</u>
Expenditure			
General government	1,927,637	1,841,125	1,669,769
Protection to persons and property	3,633,358	3,611,210	3,329,362
Transportation services	3,749,106	3,765,736	3,610,849
Environmental services	6,069,997	6,780,651	6,520,022
Health services	161,797	161,936	129,833
Recreation and cultural services	2,301,582	2,697,054	2,161,077
Planning and development	62,670	135,267	984,054
	<u>17,906,147</u>	<u>18,992,979</u>	<u>18,404,966</u>
Annual surplus (deficit)	4,346,672	3,601,651	3,211,071
Accumulated surplus, beginning of year	<u>91,037,069</u>	<u>91,037,069</u>	<u>87,825,998</u>
Accumulated surplus, end of year	<u><u>\$ 95,383,741</u></u>	<u><u>\$ 94,638,720</u></u>	<u><u>\$ 91,037,069</u></u>

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	2019 Budget	2019 Actual	2018 Actual
Annual surplus (deficit)	4,346,672	3,601,651	3,211,071
Amortization of tangible capital assets	2,904,477	2,940,080	2,868,874
Net acquisition of tangible capital assets	<u>(9,030,460)</u>	<u>(3,458,836)</u>	<u>(6,541,961)</u>
	(1,779,311)	3,082,895	(462,016)
Net financial assets, beginning of year		<u>(9,974,828)</u>	<u>(9,512,812)</u>
Net financial assets, end of year		<u><u>(\$ 6,891,933)</u></u>	<u><u>(\$ 9,974,828)</u></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	2019	2018
Operating activities		
Annual surplus (deficit)	3,601,651	3,211,071
Amortization expense not requiring cash outlay	2,940,080	2,868,874
Decrease (increase) in taxes receivable	(40,755)	73,406
Decrease (increase) in accounts receivable	(1,355,510)	(393,861)
Decrease (increase) in other current assets	(4,869)	35,839
Increase (decrease) in accounts payable and accrued liabilities	(480,962)	960,037
Increase (decrease) in deferred revenue	703,420	139,297
Increase (decrease) in landfill closure & post-closure liability	52,700	55,100
Cash provided by (used for) operating activities	<u>5,415,755</u>	<u>6,949,763</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	(3,458,836)	(6,541,961)
Cash provided by (used for) capital activities	<u>(3,458,836)</u>	<u>(6,541,961)</u>
Investing activities		
Decrease (increase) in long-term receivables	8,843	1,429
Decrease (increase) in investments	(192,148)	(4,023,790)
Cash provided by (used for) investing activities	<u>(183,305)</u>	<u>(4,022,361)</u>
Financing activities		
Proceeds from long-term debt issued	849,419	47,600
Principal repayments on long-term debt	(960,155)	(914,279)
Cash provided by (used for) financing activities	<u>(110,736)</u>	<u>(866,679)</u>
Increase (decrease) in cash position	1,662,878	(4,481,238)
Cash (overdraft) beginning of year	<u>9,925,035</u>	<u>14,406,273</u>
Cash (overdraft) end of year	<u>\$ 11,587,913</u>	<u>\$ 9,925,035</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, 2019

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:

	2019	2018
County of Huron	\$ 6,807,544	\$ 6,734,169
School Boards	3,904,945	3,850,548

3. Trust funds

Trust funds administered by the municipality amounting to \$876,883 (2017 : \$858,752) 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 2019 was \$314,959 (2018 : \$265,217) 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 - 160 years.

The municipality operates three landfill sites: South Huron, Stephen and Usborne. At December 31, 2019, the municipality has recognized a liability of \$5,730,100 (2018 : \$5,677,400). 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:

	2019	2018
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)	221,027	266,462
Lake Huron Water Supply System / City of London loan payable, due on demand (for water purposes)	195,254	230,829
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)	5,909,335	6,013,456
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 5.32% interest, \$20,157 blended payment payable semi-annually, due July 2047 (for sewer purposes)	583,568	592,479
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)	2,657,141	2,884,848
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)	8,019,588	8,371,054
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 4.04% interest, \$32,371 blended payment payable semi-annually, due December 2033 (for recreation purposes)	687,106	722,997
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)	2,269,855	2,362,061
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 2.26% interest, \$84,994 blended payment payable semi-annually, due November 2024 (for Exeter Pool recreation purposes)	799,419	-
	<u>21,342,293</u>	<u>21,444,186</u>
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals, 6% - 8%, due 2020 through 2029	355,703	364,546
	<u>\$ 21,697,996</u>	<u>\$ 21,808,732</u>

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

2020: \$57,600 2021: \$61,000 2022: \$56,600 2023: \$46,400 2024: \$38,100

Principal payments recoverable from property owners in the next

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

2020: \$1,059,400 2021: \$1,105,800 2022: \$1,154,400 2023: \$1,205,200 2024: \$1,232,100

7. 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.

8. 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.

9. 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	\$ 77,982,293	\$ 76,144,458
Landfill closure and post-closure liability	(5,730,100)	(5,677,400)
Kirkton-Woodham Swimming Pool	9,882	4,566
Exeter BIA	27,486	17,225
Reserves and reserve funds	<u>22,349,159</u>	<u>20,548,220</u>
	<u>\$ 94,638,720</u>	<u>\$ 91,037,069</u>

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

10. 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.

11. 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 2019 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, 2019

	General				Infrastructure			TOTAL Net Book Value 2019	TOTAL Net Book Value 2018
	Land	Buildings	Vehicles	Other	Roads and Land Improvements	Underground and other Networks	Assets Under Construction		
Cost									
Balance, beginning of year	1,882,882	9,084,068	7,228,561	731,044	57,277,535	77,813,891	4,090,119	158,108,100	152,588,716
Add: Additions during the year		195,474	182,703	75,717	2,123,373	3,569,074	(1,976,890)	4,169,451	7,123,269
Less: Disposals during the year			(188,094)	(56,697)	(177,422)	(1,472,250)	(23,035)	(1,917,498)	(1,603,885)
Balance, end of year	<u>1,882,882</u>	<u>9,279,542</u>	<u>7,223,170</u>	<u>750,064</u>	<u>59,223,486</u>	<u>79,910,715</u>	<u>2,090,194</u>	<u>160,360,053</u>	<u>158,108,100</u>
Accumulated Amortization									
Balance, beginning of year		3,759,272	4,196,691	347,256	24,191,610	24,601,374		57,096,203	55,249,906
Add: Amortization during the year		217,989	353,317	51,375	1,106,248	1,211,151		2,940,080	2,868,874
Less: Accumulated amortization on disposals			(141,075)	(50,928)	(165,770)	(849,110)		(1,206,883)	(1,022,577)
Balance, end of year	<u>-</u>	<u>3,977,261</u>	<u>4,408,933</u>	<u>347,703</u>	<u>25,132,088</u>	<u>24,963,415</u>	<u>-</u>	<u>58,829,400</u>	<u>57,096,203</u>
Net Book Value of									
Tangible Capital Assets	<u>1,882,882</u>	<u>5,302,281</u>	<u>2,814,237</u>	<u>402,361</u>	<u>34,091,398</u>	<u>54,947,300</u>	<u>2,090,194</u>	<u>\$ 101,530,653</u>	<u>\$ 101,011,897</u>

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

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Work in Process	TOTAL Net Book Value 2019	TOTAL Net Book Value 2018
Cost									
Balance, beginning of year	1,412,747	3,863,546	68,085,291	72,149,924	175,633	8,330,840	4,090,119	158,108,100	152,588,716
Add: Additions during the year	31,131	58,704	(9,132,914)	15,025,075		164,345	(1,976,890)	4,169,451	7,123,269
Less: Disposals during the year		(237,288)	(177,422)	(1,472,250)		(7,503)	(23,035)	(1,917,498)	(1,603,885)
Balance, end of year	<u>1,443,878</u>	<u>3,684,962</u>	<u>58,774,955</u>	<u>85,702,749</u>	<u>175,633</u>	<u>8,487,682</u>	<u>2,090,194</u>	<u>160,360,053</u>	<u>158,108,100</u>
Accumulated Amortization									
Balance, beginning of year	712,755	1,956,327	22,985,134	28,475,473	61,764	2,904,750		57,096,203	55,249,906
Add: Amortization during the year	54,716	140,383	1,102,429	1,409,907	6,444	226,201		2,940,080	2,868,874
Less: Accumulated amortization on disposals		(185,500)	(165,770)	(849,111)		(6,502)		(1,206,883)	(1,022,577)
Balance, end of year	<u>767,471</u>	<u>1,911,210</u>	<u>23,921,793</u>	<u>29,036,269</u>	<u>68,208</u>	<u>3,124,449</u>	<u>-</u>	<u>58,829,400</u>	<u>57,096,203</u>
Net Book Value of									
Tangible Capital Assets	<u>676,407</u>	<u>1,773,752</u>	<u>34,853,162</u>	<u>56,666,480</u>	<u>107,425</u>	<u>5,363,233</u>	<u>2,090,194</u>	<u>\$ 101,530,653</u>	<u>\$ 101,011,897</u>

MUNICIPALITY OF SOUTH HURON

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	3,412,508		628,840		(411,819)	3,629,529
for protection services	1,257,231		190,769		-	1,448,000
for transportation services	2,917,899		1,293,687		(107,090)	4,104,496
for environmental services	9,661,732		1,315,324		(1,803,884)	9,173,172
for health services	105,535		6,679		-	112,214
for recreation and cultural services	532,721		279,132		(55,264)	756,589
	<u>17,887,626</u>	<u>-</u>	<u>3,714,431</u>	<u>-</u>	<u>(2,378,057)</u>	<u>19,224,000</u>
Reserve funds						
Amenity fee community funding	416,456	11,219	350,004		(84,500)	693,179
Modernization funding	-	-	625,482		(32,570)	592,912
Webber gravel pit	34,125	898				35,023
Building code	1,173,553	30,849			(137,504)	1,066,898
Exeter community development	389,866				(389,866)	-
Dashwood community development	81,492	2,142				83,634
Exeter cemetery expansion	492	847				1,339
Exeter cemetery columbarium	32,383	17	7,267			39,667
Landfill perpetual care	504,672	13,267	66,289			584,228
South Huron recreation centre	27,555	724				28,279
	<u>2,660,594</u>	<u>59,963</u>	<u>1,049,042</u>	<u>-</u>	<u>(644,440)</u>	<u>3,125,159</u>
Total reserves and reserve funds	<u>20,548,220</u>	<u>59,963</u>	<u>4,763,473</u>	<u>-</u>	<u>(3,022,497)</u>	<u>22,349,159</u>
Deferred revenue						
Parkland	78,187	2,055		3,500		83,742
Federal Gas Tax Funds	10,181	268	628,932		(210,444)	428,937
OCIF formula-based component	77,781	2,045	673,392		(406,414)	346,804
Mainstreet Revitalization	46,577	1,224				47,801
Ontario Cannabis Legalization Func	-		18,450			18,450
Development charges	656,063	17,246		42,282	(69,116)	646,475
	<u>868,789</u>	<u>22,838</u>	<u>1,320,774</u>	<u>45,782</u>	<u>(685,974)</u>	<u>1,572,209</u>
Total	<u>\$ 21,417,009</u>	<u>82,801</u>	<u>6,084,247</u>	<u>45,782</u>	<u>(3,708,471)</u>	<u>\$ 23,921,368</u>

MUNICIPALITY OF SOUTH HURON

Segmented Information

For the Year Ended December 31, 2019

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Total 2019	Total 2018
Revenue									
Taxation	9,364,049							9,364,049	9,243,949
User charges	690,371	86,887	101,904	6,769,882	82,029	699,797	56,746	8,487,616	9,308,720
Government transfers	2,542,370	39,888	290,888	920,945		224,648		4,018,739	2,598,381
Interest and penalties	546,321							546,321	393,861
Other	101,600							101,600	71,126
	<u>13,244,711</u>	<u>126,775</u>	<u>392,792</u>	<u>7,690,827</u>	<u>82,029</u>	<u>924,445</u>	<u>56,746</u>	<u>22,518,325</u>	<u>21,616,037</u>
Operating expenditure									
Wages, salaries and benefits	1,353,663	812,089	919,541	962,543	86,729	1,166,615	15,737	5,316,917	4,797,869
Contract services	85,343	2,036,559	295,140	1,597,853	17,691	226,946	16,786	4,276,318	3,328,265
Supplies, materials, equipment and interest	347,403	570,391	1,426,761	2,197,420	51,072	1,053,258	26,439	5,672,744	6,828,649
Loss on disposal of tangible capital assets	-	51,788	21,865	612,928	-	24,034	-	710,615	581,309
Amortization	54,716	140,383	1,102,429	1,409,907	6,444	226,201	-	2,940,080	2,868,874
	<u>1,841,125</u>	<u>3,611,210</u>	<u>3,765,736</u>	<u>6,780,651</u>	<u>161,936</u>	<u>2,697,054</u>	<u>58,962</u>	<u>18,916,674</u>	<u>18,404,966</u>
Net revenue (expense)	<u>11,403,586</u>	<u>(3,484,435)</u>	<u>(3,372,944)</u>	<u>910,176</u>	<u>(79,907)</u>	<u>(1,772,609)</u>	<u>(2,216)</u>	<u>3,601,651</u>	<u>3,211,071</u>

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of South Huron ("the Municipality"), which are comprised of the balance sheet as at December 31, 2019 and the statement of continuity 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
June 19, 2020

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

For the Year Ended December 31, 2019

	Perpetual Care Fund	Niche Care Fund	Five-Year Flower Fund	Pre-need Fund	Perpetual Flower Fund	Monuments Marker Fund	2019	2018
Balance beginning of year	<u>358,393</u>	<u>34,087</u>	<u>15,468</u>	<u>101,095</u>	<u>286,964</u>	<u>62,745</u>	858,752	<u>842,367</u>
Receipts								
Perpetual care	9,064					1,900	10,964	7,316
Donations and capital contributions		2,565	6,830	6,447			15,842	19,534
Interest earned	23,913						23,913	17,378
	<u>32,977</u>	<u>2,565</u>	<u>6,830</u>	<u>6,447</u>	<u>-</u>	<u>1,900</u>	50,719	<u>44,228</u>
Expenditure								
Transfers to cemetery	23,913		6,776	1,899			32,588	27,843
	<u>23,913</u>	<u>-</u>	<u>6,776</u>	<u>1,899</u>	<u>-</u>	<u>-</u>	32,588	<u>27,843</u>
Balance end of year	<u>\$ 367,457</u>	<u>\$ 36,652</u>	<u>\$ 15,522</u>	<u>\$ 105,643</u>	<u>\$ 286,964</u>	<u>\$ 64,645</u>	\$ 876,883	<u>\$ 858,752</u>

BALANCE SHEET

As at December 31	2019	2018
Assets		
Cash	7,809	6,045
Investments, cost	889,566	871,725
Liabilities		
Due to general fund	(20,492)	(19,018)
Trust fund net asset balances	\$ 876,883	<u>\$ 858,752</u>

MUNICIPALITY OF SOUTH HURON
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 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 \$ 889,566 (2018 : \$ 871,725).