

Consolidated Financial Statements of

**THE CORPORATION OF THE  
MUNICIPALITY OF HURON SHORES**

Year ended December 31, 2018

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

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Year ended December 31, 2018

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## **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of The Corporation of the Municipality of Huron Shores (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by Management.

Council meets with Management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

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Clerk/Administrator

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Treasurer



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Sault Ste. Marie ON P6A 6L6  
Canada  
Telephone (705) 949-5811  
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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Huron Shores (the "Municipality"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018, and its consolidated results of operations and accumulated surplus, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***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 *Auditors' 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 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 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.

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.

## ***Auditors' Responsibility 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 auditors' 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 the financial statements.

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 auditors' 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

June 12, 2019

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial assets</b>		
Cash	\$ 283,071	\$ 201,567
Investments (note 3)	2,668,959	2,703,432
Taxes receivable	783,278	792,519
Accounts receivable (note 4)	302,921	556,352
	<u>4,038,229</u>	<u>4,253,870</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	365,135	304,264
Deferred revenue - general (note 6)	32,281	32,721
Deferred revenue - obligatory reserve funds (note 7)	235,121	413,600
Long-term liabilities (note 12)	204,406	313,875
Landfill closure and post-closure care liability (note 9)	694,899	702,717
Employee benefits and other liabilities (note 8)	21,825	23,681
	<u>1,553,667</u>	<u>1,790,858</u>
Net financial assets	2,484,562	2,463,012
<b>Non-financial assets</b>		
Tangible capital assets (note 11)	13,858,937	13,328,537
Prepaid expenses	156,554	127,862
	<u>14,015,491</u>	<u>13,456,399</u>
Accumulated surplus (note 15)	<u>\$ 16,500,053</u>	<u>\$ 15,919,411</u>

The accompanying notes are an integral part of this consolidated financial statement.

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 18)	2018	2017
<b>Revenues:</b>			
Taxation (note 2)	\$ 3,021,744	\$ 3,027,370	\$ 2,912,110
User charges	111,717	119,603	173,409
Government transfers (note 16)	3,427,941	1,788,975	1,761,278
<b>Other:</b>			
Investment income	45,900	64,034	44,192
Penalties and interest on taxes	155,000	157,369	150,803
Donations and other	31,450	2,387	16,214
<b>Total revenues</b>	<b>6,793,752</b>	<b>5,159,738</b>	<b>5,058,006</b>
<b>Expenses:</b>			
<b>Current operations:</b>			
General government	977,524	1,016,882	987,709
Protection to persons and property	816,889	786,386	783,744
Transportation services	2,343,958	1,427,422	1,494,490
Environmental services	237,291	188,898	216,054
Health services	446,953	457,282	429,305
Social and family services and housing	428,152	428,152	446,273
Recreational and cultural services	196,764	176,484	183,287
Library services	52,990	50,328	48,774
Planning and development	135,712	47,262	24,853
<b>Total expenses</b>	<b>5,636,233</b>	<b>4,579,096</b>	<b>4,614,489</b>
<b>Annual surplus</b>	<b>1,157,519</b>	<b>580,642</b>	<b>443,517</b>
Accumulated surplus, beginning of year	15,919,411	15,919,411	15,475,894
<b>Accumulated surplus, end of year</b>	<b>\$ 17,076,930</b>	<b>\$ 16,500,053</b>	<b>\$ 15,919,411</b>

The accompanying notes are an integral part of this consolidated financial statement.

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

## Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 18)	2018	2017
Annual surplus	\$ 1,157,519	\$ 580,642	\$ 443,517
Acquisition of tangible capital assets	(2,609,420)	(1,093,857)	(1,074,545)
Amortization of tangible capital assets	582,782	582,782	530,556
Loss on disposal of tangible capital assets	-	(19,325)	-
	(869,119)	50,242	(100,472)
Change in prepaid expenses	-	(28,692)	(97,467)
Change in net financial assets	(869,119)	21,550	(197,939)
Net financial assets, beginning of year	2,463,012	2,463,012	2,660,951
Net financial assets, end of year	\$ 1,593,893	\$ 2,484,562	\$ 2,463,012

The accompanying notes are an integral part of this consolidated financial statement.

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

## Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 580,642	\$ 443,517
Items not involving cash:		
Amortization of tangible capital assets	582,782	530,556
Increase in landfill closure and post-closure care liability	(7,818)	33,336
Loss on disposal of tangible capital assets	(19,325)	-
Decrease in employee benefits and other liabilities	(1,856)	(2,128)
	1,134,425	1,005,281
Change in non-cash assets and liabilities:		
Decrease in taxes receivable	9,241	25,930
Decrease in accounts receivable	253,431	71,512
Increase in prepaid expenses	(28,692)	(97,467)
Increase (decrease) in accounts payable and accrued liabilities	60,871	(67,597)
Decrease in deferred revenue - general	(440)	(478)
Decrease in deferred revenue - obligatory reserve fund	(178,479)	(57,477)
Net change in cash from operating activities	1,250,357	879,704
Financing activities:		
Principal repayments on net long-term liabilities	(109,469)	(109,313)
Investing activities:		
Increase in investments	(2,668,963)	(2,203,432)
Proceeds from disposition of investments	2,703,436	2,671,020
Net change in cash from investing activities	34,473	467,588
Capital activities:		
Acquisition of tangible capital assets	(1,093,857)	(1,074,545)
Net change in cash	81,504	163,434
Cash, beginning of year	201,567	38,133
Cash, end of year	\$ 283,071	\$ 201,567

The accompanying notes are an integral part of this consolidated financial statement.

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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The Corporation of the Municipality of Huron Shores (the "Municipality") is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act and other related legislation.

## 1. Significant accounting policies:

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended of the Public Sector Accounting Board and the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

### (a) Reporting entity:

- (i) These consolidated financial statements reflect the assets, liabilities, revenues and expenses and include the activities of all committees of Council and the following boards which are under the control of Council:

Huron Shores Cemetery Board

Huron Shores Public Library

All interfund and inter-organizational transactions and balances between these organizations are eliminated.

- (ii) The Municipality collects taxation revenue on behalf of the school boards.

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances on these consolidated financial statements.

- (iii) Trust funds and their related operations administered by the Municipality are not included in these consolidated financial statements but are reported on separately on the Trust Funds Financial Statements (note 14).

### (b) Basis of accounting:

The Municipality follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

### (c) Revenue Recognition:

The Municipality prepared tax billings based on assessment rolls issued by the Municipal Property Assessment Corporation, in accordance with rates established and approved annually by Council and the Province of Ontario. Taxation revenue is recognized in the period in which the taxes are levied.

Government transfers are recognized in the consolidated 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 of the amounts can be made.

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 1. Significant accounting policies (continued):

### (c) Revenue Recognition (continued):

User fees and other revenues are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.

### (d) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, design, construction, development, improvement or betterment of the tangible capital asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	25
Buildings	80
Fixtures, machinery and equipment	4 - 25
Vehicles	5 - 25
Library collection	7
Roads infrastructure	10 - 50
Bridges and culverts	20 - 50
Street lighting infrastructure	10

Landfill sites are amortized using the units of production method based upon capacity used during the year.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

### (i) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

### (ii) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

### (iii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

### (iv) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property, are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 1. Significant accounting policies (continued):

### (e) Landfill liability:

The liability for closure of operational sites and post-closure care has been recognized based on estimated future expenses, estimated inflation and the usage of the site's capacity during the year.

### (f) Pensions and employee benefits:

The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a deferred contribution plan. Vacation entitlements are accrued for as entitlements are earned. Retirement benefits are accrued where they are vested and are subject to pay out when an employee leaves the Municipality's employment.

### (g) Use of estimates:

The preparation of consolidated financial statements 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 consolidated financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant estimates include assumptions used in estimating the historical cost and useful lives of tangible capital assets, provisions for accrued liabilities, landfill liability and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

### (h) Deferred revenue:

Deferred revenue represent grants, tax prepayments and other fees which have been collected, but for which the related projects, activities or services have yet to be performed. These amounts will be recognized as revenues in the fiscal year these activities are performed.

### (i) Investments:

Portfolio investments are comprised of guaranteed income certificates and are valued at cost.

## 2. Tax revenues:

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date which was used by the Municipality in computing the property tax bills for 2018. However, the property tax revenue and tax receivables of the Municipality are subject to measurement uncertainty as a number of appeals submitted by ratepayers have yet to be heard.

The Municipality has established a contingency reserve for tax appeals and other items in the amount of \$901,566 (2017 - \$888,855). Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined.

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

### 3. Portfolio investments:

At December 31, 2018, \$2,668,959 (2017 - \$2,703,432) was held in guaranteed investment certificates carrying an effective interest rate between 1.6% and 3.0% with maturity dates ranging from July 2019 to March 2020. Interest is receivable on an annual basis or on maturity. Carrying value approximates market value.

### 4. Accounts receivable:

Accounts receivable consist of the following:

	2018	2017
Province of Ontario	\$ -	\$ 100,422
Government of Canada	-	144,459
HST recoverable	253,372	258,145
Trade and miscellaneous	49,549	53,326
	<b>\$ 302,921</b>	<b>\$ 556,352</b>

### 5. Credit facility:

The Municipality has an authorized line of credit available in the amount of \$100,000. The credit facility bears interest prime and is secured by a general security agreement. At December 31, 2018, \$Nil (2017 - \$Nil) was outstanding under the facility.

### 6. Deferred revenue - general:

Deferred revenue, which is reported on the consolidated statement of financial position is further analyzed as follows:

	2018	2017
Tax prepayments	\$ 30,293	\$ 26,739
Deferred revenue other	1,988	5,982
	<b>\$ 32,281</b>	<b>\$ 32,721</b>

Continuity of deferred revenue - general is as follows:

	2018	2017
Balance, beginning of year	\$ 32,721	\$ 33,199
Contributions	3,554	4,671
	36,275	37,870
Contributions used	(3,994)	(5,149)
Balance, end of year	<b>\$ 32,281</b>	<b>\$ 32,721</b>

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 7. Deferred revenue - obligatory reserve funds:

A requirement of the public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory funds of the Municipality are as follows:

	2018	2017
Gas tax funds	\$ 413,600	\$ 413,600

Continuity of deferred revenue – obligatory reserve funds is as follows:

	2018	2017
Balance, beginning of year	\$ 413,600	\$ 471,077
Contributions	109,758	106,624
Interest	7,454	7,062
	530,812	584,763
Contributions used	(295,691)	(171,163)
Balance, end of year	\$ 235,121	\$ 413,600

## 8. Employee benefits and other liabilities:

The Municipality provides certain employee benefits which will require funding in future periods. Employees may become entitled to a cash payment when they leave the Municipality's employment based on total years of service.

	2018	2017
Accumulated retirement allowances	\$ 8,211	\$ 13,233
Vacation pay	13,614	10,448
	\$ 21,825	\$ 23,681

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 9. Landfill closure and post-closure care liability:

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated life of the landfill sites based on usage.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over terms using the best information available to management. Future events may result in significant changes to the estimated total expenditures; capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The liability for site restoration and abandonment of the four waste disposal sites is based on the Municipality's proportionate share of the present value of future cash flows associated with closure costs. The change in liability is recorded based on the capacity of the landfill sites used to date. The recorded liability of \$694,899 (2017 - \$702,717) is based on the total estimated cash outflow in the future, an inflation rate of 3%, 25 years of post closure care for all sites, and the following assumptions:

Site location	Expected closure date	Expected closure and post closure costs	Closure and post closure liability	
			2018	2017
Day & Bright Township	\$ 2046	1,208,695	\$ 341,381	\$ 345,696
Thompson Township	2026	622,749	339,154	343,210
Village of Iron Bridge	2100	289,400	8,141	7,828
Thessalon Township	2106	283,000	6,223	5,983
<b>Total</b>	<b>\$</b>	<b>2,403,844</b>	<b>\$ 694,899</b>	<b>\$ 702,717</b>

## 10. Collections for school boards:

The Municipality collected property taxes on behalf of area school boards as follows:

	2018	2017
English public	\$ 428,511	\$ 432,674
English separate	59,779	60,930
French public	3,368	3,667
French separate	14,884	15,385
	<b>\$ 506,542</b>	<b>\$ 512,656</b>

The Municipality is required to levy and collect taxes on behalf of the school boards. These taxes are remitted to the school boards at the amounts levied. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 11. Tangible capital assets:

		2018											
		Land	Land improvements	Buildings	Fixtures, machinery and equipment	Vehicles	Roads infrastructure	Bridges and culverts infrastructure	Street lighting infrastructure	Assets under construction	Total		
Cost													
Balance, beginning of the year	\$	994,795	90,371	2,059,553	736,621	2,479,985	12,179,034	5,182,316	328,389	552,935	\$	24,603,999	
Additions/Transfers		-	-	43,064	165,436	38,789	482,363	1,154,813	95,853	(552,935)		1,427,383	
Disposals		-	-	-	-	-	(36,855)	-	-	-		(36,855)	
Balance, end of year	\$	994,795	90,371	2,102,617	902,057	2,518,774	12,624,542	6,337,129	424,242	-	\$	25,994,527	
Accumulated Amortization													
Balance, beginning of the year	\$	-	(35,515)	(442,993)	(495,502)	(1,131,415)	(7,137,643)	(1,723,232)	(309,162)	-	\$	(11,275,462)	
Disposals/Transfers		-	-	-	(18,420)	-	36,855	(295,781)	-	-		(277,346)	
Amortization expense		-	(3,934)	(32,663)	(46,981)	(106,107)	(260,488)	(122,793)	(9,816)	-		(582,782)	
Balance, end of year	\$	-	(39,449)	(475,656)	(560,903)	(1,237,522)	(7,361,276)	(2,141,806)	(318,978)	-	\$	(12,135,590)	
Net book value, end of year	\$	994,795	50,922	1,626,961	341,154	1,281,252	5,263,266	4,195,323	105,264	-	\$	13,858,937	
Net book value, beginning of year	\$	994,795	54,856	1,616,560	241,119	1,348,570	5,041,391	3,459,084	19,227	552,935	\$	13,328,537	

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 11. Tangible capital assets (continued):

		2017											
		Land	Land improvements	Buildings	Fixtures, machinery and equipment	Vehicles	Roads infrastructure	Bridges and culverts infrastructure	Street lighting infrastructure	Assets under construction	Total		
Cost													
Balance, beginning of the year	\$	994,795	90,371	1,771,247	728,012	2,472,682	11,819,786	5,113,795	328,389	210,377	\$	23,529,454	
Additions/Transfers		-	-	288,306	8,609	7,303	359,248	68,521	-	342,558		1,074,545	
Disposals		-	-	-	-	-	-	-	-	-		-	
<b>Balance, end of year</b>	<b>\$</b>	<b>994,795</b>	<b>90,371</b>	<b>2,059,553</b>	<b>736,621</b>	<b>2,479,985</b>	<b>12,179,034</b>	<b>5,182,316</b>	<b>328,389</b>	<b>552,935</b>	<b>\$</b>	<b>24,603,999</b>	
Accumulated Amortization													
Balance, beginning of the year	\$	-	(31,581)	(413,105)	(455,074)	(1,029,235)	(6,893,541)	(1,618,865)	(303,505)	-	\$	(10,744,906)	
Disposals/Transfers		-	-	-	-	-	-	-	-	-		-	
Amortization expense		-	(3,934)	(29,888)	(40,428)	(102,180)	(244,102)	(104,367)	(5,657)	-		(530,556)	
<b>Balance, end of year</b>	<b>\$</b>	<b>-</b>	<b>(35,515)</b>	<b>(442,993)</b>	<b>(495,502)</b>	<b>(1,131,415)</b>	<b>(7,137,643)</b>	<b>(1,723,232)</b>	<b>(309,162)</b>	<b>-</b>	<b>\$</b>	<b>(11,275,462)</b>	
<b>Net book value, end of year</b>	<b>\$</b>	<b>994,795</b>	<b>54,856</b>	<b>1,616,560</b>	<b>241,119</b>	<b>1,348,570</b>	<b>5,041,391</b>	<b>3,459,084</b>	<b>19,227</b>	<b>552,935</b>	<b>\$</b>	<b>13,328,537</b>	
<b>Net book value, beginning of year</b>	<b>\$</b>	<b>994,795</b>	<b>58,790</b>	<b>1,358,142</b>	<b>272,938</b>	<b>1,443,447</b>	<b>4,926,245</b>	<b>3,494,930</b>	<b>24,884</b>	<b>210,377</b>	<b>\$</b>	<b>12,784,548</b>	

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 11. Tangible capital assets (continued):

### a) Assets under construction:

Assets under construction having a value of \$ Nil (2017 – \$552,935) have not been amortized. Amortization of these assets will commence when the asset is put into service.

During the year, the Municipality added \$ Nil (2017 – \$342,558) to assets under construction. Transfers of \$552,935 (2017 – \$Nil) were made from assets under construction to tangible capital assets during the year.

### b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. No contributed assets were received during the current year.

### c) Write-down of tangible capital assets:

There were no write-downs of tangible capital assets during the current year.

## 12. Long-term liabilities:

	2018	2017
Equipment loan due in 2021, repayable \$6,031 monthly including interest at 4%, secured by specific equipment	\$ 198,895	\$ 261,967
Fire truck loan due in 2019, repayable \$2,762 monthly including interest at 4%, secured by specific equipment	5,511	37,733
Equipment loan due in 2018, repayable \$1,602 monthly including interest at 4%, secured by specific equipment	-	14,175
	<b>\$ 204,406</b>	<b>\$ 313,875</b>

Principal payments due on long-term liabilities for the next five fiscal years are as follows:

2019	\$ 71,210
2020	68,353
2021	64,843

Interest paid in the year and included in current expenses is \$10,462 (2017 - \$15,436)

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 13. Pension agreement:

The Municipality makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer plan, on behalf of all permanent, full-time 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 to OMERS for 2018 was \$66,291 (2017 - \$66,104) is included as an expense on the consolidated statement of financial activities.

## 14. Trust Funds:

Trust Funds administered by the Municipality amounting to \$51,119 (2017 - \$50,419) have not been included on the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

## 15. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 13,858,937	\$ 13,328,537
Operating surplus	56,851	34,927
Unfunded:		
Landfill closure costs	(694,899)	(702,717)
Net long-term liabilities	(204,406)	(313,875)
Employee benefits	(21,825)	(23,681)
Total surplus	12,994,658	12,323,191
Reserve funds set aside for specific purpose by Council:		
Capital	3,111,811	3,230,550
Cash flow reserves	393,584	365,670
Total reserve funds	3,505,395	3,596,220
	\$ 16,500,053	\$ 15,919,411

## 16. Government transfers:

The Municipality recognizes the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The transfers reported on the statement of operations are:

	2018	2017
Revenue:		
Provincial grants	\$ 1,437,743	\$ 1,419,500
Federal grants	351,232	332,717
Municipal	-	9,061
Total revenue	\$ 1,788,975	\$ 1,761,278

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 17. Public Sector Salary Disclosure:

During 2018, no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Municipality.

## 18. Budget figures:

The operating budget approved by Council for 2018 was prepared for the purpose of establishing the estimated revenues and expenses for fiscal 2018. The budget established does not include a budget for the amortization of tangible capital assets and includes allocations from reserves.

The budget figures presented in the statement of operations and accumulated surplus and the statement of change in net financial assets (debt) have been restated to be comparable with the Canadian public sector accounting standards. A reconciliation of the Council approved budget and the budget presented in these financial statements is presented below:

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Adopted budget:	
Budget annual surplus for the year	\$       —
Adjustments to adopted budget:	
Provided from reserves	(1,473,628)
Provided for reserves	604,509
Amortization of tangible capital assets	(582,782)
Acquisition of tangible capital assets	2,609,420
Restated budgeted annual deficit	<u>\$ 1,157,519</u>

## 19. Segmented information:

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens, including General Government Services, Protection Services, Transportation Services, Environmental Services, Health Services, Social and Family Services, Recreational and Cultural Services and Planning and Development Services. Service areas were created for the purposes of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations (see Schedule to note).

Municipal Services are provided by departments and their activities are reported in these Service Areas. Departments disclosed in the Segmented Information, along with the services they provide, are as follows:

### General Government Services

The General Government Services oversees the delivery of all government services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of Council.

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## 19. Segmented information (continued):

### Protection Services

Protection to persons and property is comprised of police, fire/emergency, by-law enforcement and building inspections departments. The mandate of the police department is to ensure the safety of the lives and property of citizens, preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce law. The fire/emergency department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection, or extinguishment of fires. The by-law enforcement and building inspection department ensures properties are in compliance with applicable legislation, by-laws, building standards and construction codes.

### Transportation Services

The transportation department is responsible for the delivery of Municipal public works services related to the planning, development, and maintenance of roadway systems, winter control and street lighting.

### Environmental Services

The environmental department is involved only with the disposal of solid waste. The department provides waste minimization programs and facilities for solid waste disposal and diversion.

### Health Services

Through the Algoma Health Unit, the Municipality contributes to public health services and education, and through the Algoma District Services Administration Board, to ambulance services. In addition, this department oversees the care and maintenance of municipal cemeteries.

### Social and Family Services / Social Housing

Through the Algoma District Services Administration Board, the Municipality contributes to the social assistance payments, child care services and social housing. In addition, the Municipality provides alternative residential services for seniors.

### Recreation and Cultural Services

The recreation and cultural department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as parks, rink facilities, fitness and sports programs. It provides public services that contribute to healthy communities through partnerships, promotion, prevention, protection, and enforcement.

### Library Services

The library department provides public services that contribute towards the information needs of the Municipality's citizens through the provision of library services.

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

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## **19. Segmented information (continued):**

### Planning and Development

The Planning and Development Department provides a diverse bundle of services. It manages development for business, interests, environmental concerns, heritage matters and neighbourhoods through planning and community development activities. It facilitates economic development by providing services for the approval of all land development plans.

For each reported segment, revenues and expenses include both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies.

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2018

## 19. Segmented Information (continued):

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services & Housing	Recreation & Cultural Services	Library Services	Planning and Development	Total 2018
<b>Revenues:</b>										
Taxation	\$ 3,027,370	-	-	-	-	-	-	-	-	\$ 3,027,370
User charges	1,792	41,038	44,055	7,507	1,200	-	18,818	693	4,500	119,603
Government of Canada grants	295,691	-	50,000	-	-	-	-	-	-	345,691
Province of Ontario grants	1,344,531	30	-	28,986	-	-	54,139	12,238	-	1,439,924
Municipal grants	3,360	-	-	-	-	-	-	-	-	3,360
Other	201,232	-	-	-	1,146	-	21,127	285	-	223,790
	4,873,976	41,068	94,055	36,493	2,346	-	94,084	13,216	4,500	5,159,738
<b>Expenses:</b>										
Salaries, wages and benefits	591,581	137,487	355,070	88,001	-	-	37,038	28,520	-	1,237,697
Long-term debt charges	-	922	9,540	-	-	-	-	-	-	10,462
Rents and financial	80,499	-	1,221	-	-	-	-	-	-	81,720
Operating materials and supplies	222,015	136,842	589,744	51,318	4,848	-	64,390	15,062	21,252	1,105,471
Contracted services	111,950	446,178	-	48,926	-	-	-	1,466	26,010	634,530
Transfer to other governments and the public	600	749	21,925	500	452,190	428,152	22,318	-	-	926,434
Amortization of tangible capital assets	10,237	64,208	449,922	153	244	-	52,738	5,280	-	582,782
	1,016,882	786,386	1,427,422	188,898	457,282	428,152	176,484	50,328	47,262	4,579,096
<b>Annual surplus (deficit)</b>	<b>\$ 3,857,094</b>	<b>(745,318)</b>	<b>(1,333,367)</b>	<b>(152,405)</b>	<b>(454,936)</b>	<b>(428,152)</b>	<b>(82,400)</b>	<b>(37,112)</b>	<b>(42,762)</b>	<b>\$ 580,642</b>

# THE CORPORATION OF THE MUNICIPALITY OF HURON SHORES

Notes to Consolidated Financial Statements

Year ended December 31, 2017

## 19. Segmented Information (continued):

	General Government Services	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services & Housing	Recreation & Cultural Services	Library Services	Planning and Development	Total 2017
<b>Revenues:</b>										
Taxation	\$ 2,912,110	-	-	-	-	-	-	-	-	\$ 2,912,110
User charges	2,431	22,041	33,232	90,550	1,450	-	20,869	1,436	1,400	173,409
Government of Canada grants	171,163	-	50,000	-	-	-	-	17,095	-	238,258
Province of Ontario grants	1,341,525	60	-	13,141	-	-	150,312	8,921	-	1,513,959
Municipal grants	9,061	-	-	-	-	-	-	-	-	9,061
Other	195,122	-	-	-	816	-	15,171	100	-	211,209
	4,631,412	22,101	83,232	103,691	2,266	-	186,352	27,552	1,400	5,058,006
<b>Expenses:</b>										
Salaries, wages and benefits	541,303	124,376	373,308	81,601	-	-	31,884	26,203	-	1,178,675
Long-term debt charges	-	2,183	13,252	-	-	-	-	-	-	15,435
Rents and financial	137,929	-	1,221	-	-	-	-	-	-	139,150
Operating materials and supplies	203,533	142,357	674,276	80,177	4,886	-	85,274	16,216	21,256	1,227,975
Contracted services	94,177	452,492	-	47,323	-	-	-	1,433	3,597	599,022
Transfer to other governments and the public	600	749	21,925	6,800	424,175	446,273	23,154	-	-	923,676
Amortization of tangible capital assets	10,167	61,587	410,508	153	244	-	42,975	4,922	-	530,556
	987,709	783,744	1,494,490	216,054	429,305	446,273	183,287	48,774	24,853	4,614,489
Annual surplus (deficit)	\$ 3,643,703	(761,643)	(1,411,258)	(112,363)	(427,039)	(446,273)	3,065	(21,222)	(23,453)	\$ 443,517