

**TOWNSHIP OF HURON-KINLOSS
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

SEEBACH & COMPANY
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Corporation of the Township of Huron-Kinloss ("the Entity"), which are comprised of the consolidated statement of financial position as at December 31, 2018 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, 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 Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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
August 7, 2019

**TOWNSHIP OF HURON-KINLOSS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31		2018	2017
Financial assets			
Cash and cash equivalents	Note 2	9,398,437	8,199,871
Taxes receivable		1,041,774	1,047,798
Accounts receivable		1,887,830	2,215,426
Long-term receivables	Note 3	778,520	550,014
Long-term investments	Note 4	770,285	770,285
		13,876,846	12,783,394
Liabilities			
Accounts payable and accrued liabilities		3,089,291	1,390,147
Deferred revenue	Schedule 2	997,601	1,106,158
Municipal debt	Note 6	318,251	322,693
Landfill closure and post closure liability	Note 7	991,502	991,632
Post-employment benefits liability	Note 8	201,679	227,800
		5,598,324	4,038,430
Net financial assets		8,278,522	8,744,964
Non-financial assets			
Tangible capital assets	Note 9	59,127,001	55,526,815
Prepaid expenses		90,779	91,868
Inventory for resale		10,852	11,265
Accumulated surplus	Note 10	\$ 67,507,154	\$ 64,374,912

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF HURON-KINLOSS
CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Taxation for municipal purposes	7,730,256	7,784,522	7,363,467
User fees	5,029,589	5,933,090	4,769,311
Government transfers	Note 11 1,708,986	2,084,829	1,798,043
Other	Note 12 421,769	1,112,606	121,436
	14,890,600	16,915,047	14,052,257
Expenditure			
General government	1,193,036	1,531,836	1,235,189
Protection services	2,452,583	2,604,179	2,590,779
Roadways	2,214,270	3,685,621	3,238,598
Environmental services	3,073,657	2,803,211	2,951,602
Health services	49,940	47,663	53,464
Social and family services	-	-	-
Recreation and culture	1,260,293	1,833,753	1,500,071
Planning and development	293,794	1,276,542	1,178,859
	10,537,573	13,782,805	12,748,562
Annual surplus	4,353,027	3,132,242	1,303,695
Accumulated surplus beginning of year	\$ 63,071,217	\$ 64,374,912	\$ 63,071,217
Accumulated surplus end of year	\$ 67,424,244	\$ 67,507,154	\$ 64,374,912

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF HURON-KINLOSS
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31	2018 Actual	2017 Actual
Annual surplus	3,132,242	1,303,695
Amortization of tangible capital assets	2,327,857	2,261,266
Acquisition of tangible capital assets	(6,359,693)	(3,617,924)
Proceeds from sale of tangible capital assets	76,487	
(Gain) loss on disposition of tangible capital assets	355,163	520,019
Decrease (increase) in prepaid expenses and inventory for resale	1,502	(51,464)
Increase (decrease) in net financial assets	(466,442)	415,592
Net financial assets beginning of year	\$ 8,744,964	\$ 8,329,372
Net financial assets end of year	\$ 8,278,522	\$ 8,744,964

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF HURON-KINLOSS
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31	2018	2017
Operating activities		
Annual surplus	3,132,242	1,303,695
Decrease (increase) in taxes receivable	6,024	(1,164)
Decrease (increase) in accounts receivable	327,596	(255,984)
Decrease (increase) in non-financial assets	1,502	(51,464)
Increase (decrease) in accounts payable	1,699,144	318,554
Increase (decrease) in deferred revenue	(108,557)	224,325
Increase (decrease) in landfill closure liability	(130)	236,685
Increase (decrease) in post-employment benefits liability	(26,121)	(2,049)
	1,899,458	468,903
Non-cash charges to operations		
Amortization	2,327,857	2,261,266
Loss (gain) on disposal of capital assets	353,237	474,207
Working capital from operations	2,681,094	2,735,473
	7,712,794	4,508,071
Capital		
Acquisition of tangible capital assets	(6,359,693)	(3,617,924)
Proceeds from sale of tangible capital assets	78,413	45,813
Net investment in tangible capital assets	(6,281,280)	(3,572,111)
Investing activities		
Issuance of loans receivable	(165,265)	(165,265)
Repayments of loans receivable	(63,241)	46,167
Cash provided by (used for) investing activities	(228,506)	(119,098)
Financing activities		
Loan proceeds	46,400	41,310
Payments on long-term debt	(50,842)	(101,808)
Cash provided by (used for) financing activities	(4,442)	(60,498)
Increase (decrease) in cash position	1,198,566	756,364
Cash beginning of year	8,199,871	7,443,507
Cash end of year	\$ 9,398,437	\$ 8,199,871

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF HURON-KINLOSS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. Accounting policies

Management responsibility

The consolidated financial statements of the Corporation of the Township of Huron-Kinloss are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Significant accounting policies adopted by the township are as follows:

a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, operating revenue and expenditures, reserves and reserve funds and changes in investment in tangible capital assets of the reporting entity. The reporting entity is comprised of all organizations, committees and boards which are owned and controlled by the township. In addition to general government tax-supported operations, they include any water systems operated by the township and the township's proportionate share of joint local boards.

These consolidated financial statements include the proportional share of the financial position and operating activities of the following joint local boards:

- Bruce Area Solid Waste Recycling - 12.49%
- Mid-Huron Landfill Site Board - 4.9%
- Saugeen Mobility and Regional Transit - 6.7 % (2017- 5.1%)
- Lucknow and District Fire Department Joint Board of Management - 50%
- Lucknow Community Health Centre Board - 50%
- Lucknow and District Joint Recreation Board - 50%

Inter-departmental and inter-organizational transactions and balances are eliminated.

The statements do not include trust funds that are administered for the benefit of external parties. The financial activity and position of the trust funds are reported separately.

b) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. Revenues are recognized as they are earned 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.

c) Cash and cash equivalents

Cash and cash equivalents are represented by cash on hand, cash on deposit in chartered banks and short term investments.

d) Long-term investments

Investments are recorded at cost plus accrued interest less amounts written off to reflect a permanent decline in value.

e) 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	20 years	5,000
Buildings	30 years	5,000
Vehicles and equipment	5 - 20 years	5,000
Transportation roads infrastructure		
Road base and earthwork	100 years	25,000
Road surfaces	8 - 20 years	25,000
Bridges and culverts	40 - 80 years	25,000
Sidewalks	40 years	5,000
Water and sewer underground networks	75 years	25,000
Water and sewer plants and facilities	20 - 90 years	25,000

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

The township has a capitalization 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 average cost and net realizable value.

f) Pension and employee benefits

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 principals 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.

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. These amounts will be recognized as revenues in the period in which related expenditure are incurred.

h) 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 dates of the financial statements, the reported amounts of revenue and expenditures during the period and the accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

i) Reserves for future expenditures

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital expenditures. Transfers to or from reserves are reflected as adjustments to the respective appropriated equity.

j) Landfill site closure and post-closure liability

The estimated costs to close and maintain landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

k) 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.

l) Revenue recognition

- Tax levies

Taxation is based on assessment rolls issued by the Municipal Property Assessment Corporation and tax rates established by council, are recognized as revenue when the tax billings are issued.

- Government transfers

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria are met, and reasonable estimates can be made

- User fees and service charges

Revenues are recognized when the services are performed or goods are delivered and there is a reasonable assurance of collection

- Investment income

Revenue earned on operating surplus funds and reserves and reserve funds are recorded as revenue in the period earned.

m) Financial instruments

Financial instruments consist of cash and cash equivalents, investments, taxes receivable, accounts receivable, long-term receivables, accounts payable and accrued liabilities and municipal debt. The township classifies all of its financial instruments as measured at amortized cost. Financial assets measured at cost are recognized initially at fair value plus any directly attributable transaction costs. The carrying amount is subsequently written down to net realizable value when an impairment loss is known and there is no reasonable prospect of recovery.

n) County of Bruce and school board transactions

The township collects taxation revenue on behalf of the County of Bruce and the school boards. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements.

2. Cash

	2018	2017
Unrestricted	7,857,778	6,501,620
Restricted	997,601	1,106,158
Cash held by others	<u>543,058</u>	<u>592,093</u>
	\$ <u>9,398,437</u>	\$ <u>8,199,871</u>

3. Long-term receivables

The balance of the long-term receivables reported on the consolidated statement of financial position consists of the following:

	2018	2017
Property owners for capital costs, 4-5% interest, due 2019 through 2028	541,234	319,200
Tile drain loans receivable 6% - 8%, principal and interest payments, due 2019 through 2028	<u>237,286</u>	<u>230,814</u>
	\$ <u>778,520</u>	\$ <u>550,014</u>

Principal payments due in the next five years are as follows:

2019	109,125
2020	107,807
2021	113,260
2022	100,162
2023	91,781
Thereafter	<u>256,385</u>
	\$ <u>778,520</u>

4. Long-term investments

	2018	2017
Note receivable, Westario Power Inc.	370,285	370,285
Common shares, Westario Power Holdings Inc.	<u>400,000</u>	<u>400,000</u>
	\$ <u>770,285</u>	\$ <u>770,285</u>

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 3.18% 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.

5. Temporary borrowings

The township has an authorized line of credit at Royal Bank. The outstanding amount as of December 31, 2018 was \$ Nil (2017- \$ Nil). The facility is secured by general borrowing by-laws.

6. Municipal debt

The balance of the long-term liabilities reported on the consolidated statement of financial position consists of the following:

	2018	2017
Trust fund loans, 4-5% interest, maturing in 2019 through 2028	80,963	91,879
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals, 6% - 8%, due 2019 through 2028	<u>237,288</u>	<u>230,814</u>
	<u>\$ 318,251</u>	<u>\$ 322,693</u>

Principal payments due on debt in the next five years are as follows:

2019	52,739
2020	48,788
2021	51,478
2022	44,742
2023	39,196
Thereafter	<u>81,308</u>
	<u>\$ 318,251</u>

7. Landfill closure and post closure liability

A liability for the costs of solid waste landfill closure and post closure care requirements accrues as the capacity of sites is used. Care requirements include final covering, landscaping, removal of ground water and leachates and ongoing monitoring and maintenance.

The estimated liability is the present value of the total estimated costs and is based on a discount rate of 0.5%. The recorded liability is \$991,502 (2017: \$991,632). The liability is recorded based on the capacity of the landfill used to date.

The Huron site, for which the reported liability is \$385,680, has an estimated remaining capacity of 97,186 cubic metres and a remaining life of 14 years. The Kinloss site, for which the reported liability is \$62,550, has an estimated remaining capacity of 137,000 cubic metres and has a remaining life of 29 years. Post closure care of the sites is expected to continue for 20 years.

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 future liability is expected to be funded through budget allocations and reserves.

The township's proportionate liability for the Mid-Huron landfill site is \$543,272. The Mid-Huron Landfill Site Board has set aside a reserve funds for perpetual care of which the townships proportionate share is \$259,510.

8. Post employment benefits liability

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the township's employment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to \$201,679 as at the year end (2017: \$227,800).

9. Tangible capital assets

Schedule 3 provides 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.

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 of \$1 because of the difficulty of determining a tenable valuation.

10. Schedule of accumulated surplus

The accumulated surplus consists of individual fund surplus/(deficit) amounts and reserve and reserve funds as follows:

	2018	2017
Invested in tangible capital assets		
Net tangible capital assets	59,127,001	55,526,815
Unexpended capital financing (Unfunded capital assets)	-	(1,011,843)
Capital assets financed by long-term debt	<u>-</u>	<u>-</u>
	59,127,001	54,514,972
Unfunded		
Solid waste landfill closure and post closure liability	(991,502)	(991,632)
Post-employment benefits liability	(201,679)	(227,800)
Other surplus	<u>440,854</u>	<u>402,909</u>
	58,374,674	53,698,449
Reserves	<u>9,132,480</u>	<u>10,679,463</u>
Accumulated surplus	<u>\$ 67,507,154</u>	<u>\$ 64,374,912</u>

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

11. Government transfers

	2018	2017
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	1,027,900	869,700
Conditional - Other	<u>234,961</u>	<u>133,928</u>
	1,262,861	1,003,628
Government of Canada		
Conditional - Other	-	-
Capital		
Province of Ontario		
Conditional - Water, sewer and other	305,496	483,428
Government of Canada		
Conditional - Water, sewer and other	516,472	310,987
Other Municipalities		
Conditional - Water, sewer and other	<u>-</u>	<u>-</u>
Total government transfers	<u>\$ 2,084,829</u>	<u>\$ 1,798,043</u>

12. Other revenue

	2018	2017
Penalties and interest on taxation	158,645	133,590
Investment income	168,128	117,804
Ontario Power Generation	179,695	-
Nuclear Waste Management	959,375	379,249
Gain (loss) on disposal of capital assets	<u>(353,237)</u>	<u>(474,207)</u>
	\$ 1,112,606	\$ 121,436

13. 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:

	2018	2017
County of Bruce	\$ 5,020,440	\$ 4,830,478
School Boards	2,497,634	2,534,858

14. Trust funds

Trust funds administered by the township amounting to \$111,962 (2017: \$108,412) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities.

	2018	2017
Cemetery Care and Maintenance	\$ 109,962	\$ 106,412
MacKenzie Scholarship Trust Fund	2,000	2,000

15. 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 the year was \$185,607 (2017 \$170,897) for current services and is included as an expenditure on the consolidated statement of financial activities.

The contributions to OMERS 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 township does not recognize any share of the OMERS pension surplus or deficit.

16. Contractual obligation

The township has contracted with Veolia Water Canada Inc for the operation of certain water and sewage systems until December 2021 at an annual fee for 2017 of \$511,600 plus annual increases equal to the CPI up to a maximum of 2%.

The township has contracted with Bruce Area Solid Waste Recycling for garbage collection until March 2020 at an annual fee of \$133,820.

17. Contingent liability

In the ordinary course of business, various claims and lawsuits are brought against the township. Because settlement amounts, if any, cannot be determined or because claims are expected to be within the township's insurance coverage, no provision has been made for the contingency in the financial statements.

18. 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.

19. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of change in net financial assets and operations for comparative purposes. The 2018 budget amounts for the Corporation of the Township of Huron-Kinloss 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. As a result, the budget figures presented in the statements of operations and changes in net financial assets represent the budget approved by council with the following adjustments:

Approved budget annual surplus (deficit)	-
Add: Acquisition of tangible capital assets	9,428,917
Net transfers to reserves	(5,075,890)
Debt principal repayments	-
Budgeted surplus reported on statement of operations	<u>\$ 4,353,027</u>

Budget amounts were not available for certain boards consolidated by the township.

20. Segmented information

The township is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of segments and the activities they encompass are as follows:

General government

General government is comprised of township council, administrative and clerk departments.

Protection services

Protection services department is comprised of police services, fire protection and protective inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs and education. Protective inspection provides services related to the enforcement of building and construction codes.

Transportation services

Transportation services department is responsible for the delivery of public works services related to maintenance of roadway systems, winter control and street lighting.

Environmental services

Environmental services department consists of water, wastewater and solid waste disposal utilities. The department provides drinking water, collecting and treating wastewater, and providing collection disposal and waste minimization programs and facilities.

Health services

Health services department is responsible for maintaining the township's cemeteries and medical centre.

Social and family services

Social and family services department provides for child care services.

Recreation and cultural services

Recreation and cultural services department is responsible for the delivery and upkeep of all recreation programs and facilities including parks and library.

Planning and development

Planning and development services department provides planning, economic development and maintenance of the township's drains.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of the actual cost of services provided. Taxation and grants attributable to a number of segments have been allocated to those segments based on the budgeted net operating revenue for the year.

21. Government partnerships

The following summarizes the financial position and results of operations of the government partnerships. The Township of Huron-Kinloss's pro-rata share of these amounts has been reported in these financial statements using the proportionate consolidation method.

	Mid-Huron Landfill Site Board	Saugeen Mobility and Regional Transit	Bruce Area Solid Waste Recycling Association
Financial assets	5,475,902	253,623	2,883,665
Financial liabilities	<u>11,191,989</u>	<u>300,623</u>	<u>162,306</u>
Net financial asset (debt)	(5,716,087)	(47,000)	2,721,359
Non-financial assets	<u>179,796</u>	<u>540,385</u>	<u>1,554,408</u>
Accumulated surplus	<u>(5,536,291)</u>	<u>493,385</u>	<u>4,275,767</u>
Revenues	575,219	1,929,610	3,057,540
Expenses	<u>1,077,679</u>	<u>1,942,578</u>	<u>3,090,461</u>
Annual surplus (deficit)	\$ <u>(502,460)</u>	\$ <u>(12,968)</u>	\$ <u>(32,921)</u>

Mid-Huron Landfill Site Board is a partnership between the Town of Goderich, Township of Huron-Kinloss, Municipality of Central Huron, Municipality of Bluewater, Municipality of Huron East, Township of Ashfield-Colborne- Wawanosh and the Township of Huron-Kinloss to provide garbage services.

Saugeen Mobility and Regional Transit (SMART) is a partnership between the Town of Hanover, The Town of Saugeen Shores, Municipality of Brockton, Municipality of West Grey, Municipality of Arran-Elderslie, Township of Southgate, Municipality of Kincardine and the Township of Huron-Kinloss to provide transportation services to the physically disabled. During the year, the township made payments to SMART of \$43,042 (2017: \$31,458) for transportation services.

Bruce Area Solid Waste Recycling Association (BASWRA) is a partnership between the Municipality of South Bruce Peninsula, the Municipality of Arran-Elderslie, the Town of Saugeen Shores, the Municipality of Kincardine, the Township of Huron-Kinloss and others to provide garbage, recycling and cardboard collection services. During the year, the township made payments to BASWRA of \$110,355 (2017: \$106,189) for garbage, recycling and cardboard collection services.

TOWNSHIP OF HURON-KINLOSS

CONSOLIDATED SCHEDULE OF CONTINUITY OF RESERVES AND RESERVE FUNDS

Schedule 1

For the Year Ended December 31, 2018

	Balance, beginning of year	Revenues and contributions			Total	Transfers			Balance, end of year
		Interest	From Operations	Other		To Operations	To Capital Acquisitions	Total	
Reserves									
for general government	588,488		197,943	324	198,267	106,713		106,713	680,042
for protection services	120,340		152,252		152,252	2,500		2,500	270,092
for transportation services	778,510		128,647		128,647		163,002	163,002	744,155
for water and sewer	4,326,800	54,293	1,006,270	22,653	1,083,216		2,206,474	2,206,474	3,203,542
for landfill sites and recycling	456,915		17,652	3,487	21,139			-	478,054
for health services	-				-			-	-
for social and family services	-				-			-	-
for recreation and cultural services	216,456		6,145		6,145	67,623	28,000	95,623	126,978
for planning and development	5,846		3,600		3,600	1,347	-	1,347	8,099
for capital projects	1,780,329		524,837		524,837	48,480	911,541	960,021	1,345,145
	8,273,684	54,293	2,037,346	26,464	2,118,103	226,663	3,309,017	3,535,680	6,856,107
Reserve funds									
for general government	1,018,539	30,579	300,000		330,579	123,535	32,494	156,029	1,193,089
for environmental services	1,085,566	22,793	85,051		107,844	131,021	238,615	369,636	823,774
MidHuron landfill	298,674				-	39,164		39,164	259,510
	2,402,779	53,372	385,051	-	438,423	293,720	271,109	564,829	2,276,373
	10,676,463	107,665	2,422,397	26,464	2,556,526	520,383	3,580,126	4,100,509	9,132,480

CONSOLIDATED SCHEDULE OF DEFERRED REVENUE

Schedule 2

For the Year Ended December 31, 2018

	Balance, beginning of year	Revenues and contributions			Total	Transfers			Balance, end of year
		Interest	From Operations	Other		To Operations	To Capital Acquisitions	Total	
Federal Gas Tax Funds	1,022,671	17,147		216,268	233,415		348,166	348,166	907,920
Parklands and Development	83,487	2,703		21,614	24,317	18,123		18,123	89,681
	1,106,158	19,850	-	237,882	257,732	18,123	348,166	366,289	997,601

Township of Huron-Kinloss
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2018

Schedule 3A

	General				Infrastructure					Total Net Book Value 2018	Total Net Book Value 2017
	Land and land improvements	Buildings	Machinery & Equipment	Vehicles	Roads, Sidewalks Street lights	Bridges and Culverts	Storm Sewers	Water and sewer Plants and Facilities	Underground Networks		
Cost											
Balance, beginning of year	2,018,159	6,029,505	2,225,564	5,946,514	24,107,548	6,524,173	6,318,630	7,724,685	32,476,534	93,371,312	91,190,225
Additions during the year	530,324	277,934	144,747	503,462	1,863,796	348,167	194,177	53,880	2,443,206	6,359,693	3,617,924
Disposals and adjustments	-	-	(14,743)	(228,737)	(291,005)	(138,104)	(61,884)	-	(204,075)	(938,548)	(1,436,837)
Balance, end of year	<u>2,548,483</u>	<u>6,307,439</u>	<u>2,355,568</u>	<u>6,221,239</u>	<u>25,680,339</u>	<u>6,734,236</u>	<u>6,450,923</u>	<u>7,778,565</u>	<u>34,715,665</u>	<u>98,792,457</u>	<u>93,371,312</u>
Accumulated amortization											
Balance, beginning of year	412,330	2,875,227	1,340,535	3,058,313	11,744,863	3,487,929	1,450,243	4,860,446	8,614,611	37,844,497	36,500,049
Amortization during the year	56,299	189,541	145,047	320,388	860,067	109,035	85,489	160,837	401,154	2,327,857	2,261,266
Adjustments and accumulated amortization on disposals	-	-	(13,482)	(62,692)	(211,143)	(114,702)	(27,986)	-	(76,893)	(506,898)	(916,818)
Balance, end of year	<u>468,629</u>	<u>3,064,768</u>	<u>1,472,100</u>	<u>3,316,009</u>	<u>12,393,787</u>	<u>3,482,262</u>	<u>1,507,746</u>	<u>5,021,283</u>	<u>8,938,872</u>	<u>39,665,456</u>	<u>37,844,497</u>
Net Book Value	<u>2,079,854</u>	<u>3,242,671</u>	<u>883,468</u>	<u>2,905,230</u>	<u>13,286,552</u>	<u>3,251,974</u>	<u>4,943,177</u>	<u>2,757,282</u>	<u>25,776,793</u>	<u>\$ 59,127,001</u>	<u>\$ 55,526,815</u>

Township of Huron-Kinloss

Segmented Information

Schedule 4

For the Year Ended December 31, 2018

	General Government	Police Protection	Fire Protection	Inspections and controls	Other Protection	Roads and Sreet lights	Water and sewer	Waste Disposal	Health and social	Recreation and Culture	Zoning and Development	Total 2018	Total 2017
Revenue													
Taxation	7,784,522											7,784,522	7,363,467
User fees	94,103		17,052	159,643	246,353	194,713	3,233,537	719,711	25,104	654,239	588,635	5,933,090	4,769,311
Government transfers	1,173,110	7,575				370,842	46,930	74,260		296,649	115,463	2,084,829	1,798,043
Other	1,112,606											1,112,606	121,436
	<u>10,164,341</u>	<u>7,575</u>	<u>17,052</u>	<u>159,643</u>	<u>246,353</u>	<u>565,555</u>	<u>3,280,467</u>	<u>793,971</u>	<u>25,104</u>	<u>950,888</u>	<u>704,098</u>	<u>16,915,047</u>	<u>14,052,257</u>
Operating expenditure													
Wages, salaries and benefits	844,952	-	288,762	152,670	6,015	919,098	32,899	332,055	17,421	693,493	201,415	3,488,780	3,137,765
Contract services	204,449	1,285,257	51,822	48,585	447,344	709,612	878,938	284,863	5,522	95,835	669,417	4,681,644	4,811,309
Materials	445,647	12,348	101,347	56,354	7,958	751,157	362,334	300,945	19,371	822,268	404,795	3,284,524	2,538,222
Amortization	36,788	-	140,321	-	5,396	1,305,754	575,742	35,435	5,349	222,157	915	2,327,857	2,261,266
	<u>1,531,836</u>	<u>1,297,605</u>	<u>582,252</u>	<u>257,609</u>	<u>466,713</u>	<u>3,685,621</u>	<u>1,849,913</u>	<u>953,298</u>	<u>47,663</u>	<u>1,833,753</u>	<u>1,276,542</u>	<u>13,782,805</u>	<u>12,748,562</u>
Net revenue (expense)	<u>8,632,505</u>	<u>(1,290,030)</u>	<u>(565,200)</u>	<u>(97,966)</u>	<u>(220,360)</u>	<u>(3,120,066)</u>	<u>1,430,554</u>	<u>(159,327)</u>	<u>(22,559)</u>	<u>(882,865)</u>	<u>(572,444)</u>	<u>3,132,242</u>	<u>1,303,695</u>

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Trust Funds of the Corporation of the Township of Huron-Kinloss ("the Entity"), which are comprised of the statement of financial position as at December 31, 2018 and the statement of continuity 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 Entity as at December 31, 2018, and the continuity of funds 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 Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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
August 7, 2019

**TOWNSHIP OF HURON-KINLOSS
TRUST FUNDS**

STATEMENT OF CONTINUITY

For the Year Ended December 31	Total		Cemetery Perpetual Care		MacKenzie Scholarship Trust Fund	
	2018	2017	2018	2017	2018	2017
Balance beginning of year	108,412	106,062	106,412	104,062	2,000	2,000
Receipts						
Perpetual care	3,550	2,350	3,550	2,350	-	-
Interest earned	4,093	4,352	3,993	4,252	100	100
	7,643	6,702	7,543	6,602	100	100
Expenditure						
Transfers to cemetery	3,993	4,252	3,993	4,252	-	-
Scholarship	100	100	-	-	100	100
	4,093	4,352	3,993	4,252	100	100
Balance end of year	\$ 111,962	108,412	\$ 109,962	106,412	\$ 2,000	2,000

BALANCE SHEET

As at December 31	Total		Cemetery Perpetual Care		MacKenzie Scholarship Trust Fund	
	2018	2017	2018	2017	2018	2017
Assets						
Cash	32,191	17,482	32,191	17,482	-	-
Investments, cost	80,964	91,878	80,964	91,878	-	-
Due from municipality	2,800	3,304	800	1,304	2,000	2,000
Liabilities						
Due to cemetery	(3,993)	(4,252)	(3,993)	(4,252)	-	-
Net assets	111,962	108,412	109,962	106,412	2,000	2,000
Trust fund balances	\$ 111,962	108,412	\$ 109,962	106,412	\$ 2,000	2,000

**TOWNSHIP OF HURON-KINLOSS
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS**

For the Year Ended December 31, 2018

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 Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

b) Basis of consolidation

These trust funds have not been consolidated with the financial statements of the Township of Huron-Kinloss.

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 and have a market value approximately equal to cost.

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of the Lucknow and District Fire Department Joint Board of Management, Members of Council, Inhabitants and Ratepayers of the participating municipalities

Opinion

We have audited the accompanying statement of operations of the Lucknow and District Fire Department Joint Board of Management ("the Entity") for the year ended December 31, 2018 and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial operations of the Entity as at December 31, 2018 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 Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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 18, 2019

**LUCKNOW AND DISTRICT FIRE DEPARTMENT JOINT BOARD OF MANAGEMENT
STATEMENT OF OPERATIONS**

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Contributions from participating municipalities			
Township of Ashfield-Colborne-Wawanosh	134,695	117,556	112,911
Township of Huron-Kinloss	134,695	117,556	112,911
Fire calls	-	22,500	22,400
County of Bruce Modified First Response grant	5,000	5,000	5,000
Other revenue	-	1,471	7,500
Transfer from reserve	-	-	-
	<u>274,390</u>	<u>264,083</u>	<u>260,722</u>
Expenditure			
Salaries	139,000	151,791	143,688
Vehicle operation	6,550	5,520	10,329
Equipment	40,000	22,038	39,239
Hydrant repairs	3,500	3,410	3,410
Building maintenance	11,000	14,905	4,153
Dispatch service	15,000	8,524	13,947
Training	26,700	28,256	16,525
Telephone	2,500	2,109	2,160
Utilities	12,050	11,624	11,627
Insurance	7,000	7,125	6,837
Licences, fees, administration	11,090	8,781	8,807
	<u>274,390</u>	<u>264,083</u>	<u>260,722</u>
Annual surplus	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

LUCKNOW AND DISTRICT FIRE DEPARTMENT JOINT BOARD OF MANAGEMENT

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. Accounting policies

The statement of operations of the Lucknow and District Fire Department Joint Board of Management is the representation of management 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.

Significant aspects of accounting policies adopted by the board are as follows:

a) Basis of accounting

i) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. Revenues are recognized as they are earned 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.

ii) 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 reported in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Participating municipalities

Participating municipalities are the Township of Ashfield-Colborne-Wawanosh and the Township of Huron-Kinloss. The board conducts its operations using tangible capital assets owned by the participating municipalities.

3. Related party transactions

Board administration cost of \$2,500 (2017: \$2,500) was paid to the Township of Ashfield-Colborne-Wawanosh.

INDEPENDENT AUDITOR'S REPORT

To the Members of the Lucknow Community Health Centre Board , Members of Council, Inhabitants and Ratepayers of the participating municipalities

Opinion

We have audited the accompanying statement of operations of the Lucknow Community Health Centre Board ("the Entity") for the year ended December 31, 2018 and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial operations of the Entity as at December 31, 2018 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 Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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 18, 2019

LUCKNOW COMMUNITY HEALTH CENTRE BOARD
STATEMENT OF OPERATIONS

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Rentals	18,100	14,997	17,947
Other revenue	-	2,000	85
Contributions from participating municipalities			
Township of Ashfield-Colborne-Wawanosh	5,075	3,522	5,348
Township of Huron-Kinloss	5,075	3,522	5,348
	<u>28,250</u>	<u>24,040</u>	<u>28,728</u>
Expenditure			
Maintenance	10,600	9,279	14,262
Utilities	9,150	6,771	7,390
Property taxes	5,800	5,275	5,366
Insurance	1,600	980	1,210
Administration	1,100	1,735	500
	<u>28,250</u>	<u>24,040</u>	<u>28,728</u>
Annual surplus	\$ 0	\$ 0	\$ 0

LUCKNOW COMMUNITY HEALTH CENTRE BOARD
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. Accounting policies

The statement of operations of the Lucknow Community Health Centre Board is the representation of management 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.

Significant aspects of accounting policies adopted by the board are as follows:

a) Basis of accounting

i) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. Revenues are recognized as they are earned 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.

ii) 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 reported in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Participating municipalities

Participating municipalities are the Township of Ashfield-Colborne-Wawanosh and the Township of Huron-Kinloss. The board conducts its operations using tangible capital assets owned by the participating municipalities.

3. Related party transactions

During the year, the board paid property taxes of \$5,274 (2017: \$5,366) and water and sewer charges of \$1,900 (2017: \$1,800) to the Township of Huron-Kinloss.

INDEPENDENT AUDITOR'S REPORT

To the Members of the Lucknow and District Joint Recreation Board , Members of Council, Inhabitants and Ratepayers of the participating municipalities

Opinion

We have audited the accompanying statement of operations of the Lucknow and District Joint Recreation Board ("the Entity") for the year ended December 31, 2018 and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial operations of the Entity as at December 31, 2018 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 Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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 18, 2019

LUCKNOW AND DISTRICT JOINT RECREATION BOARD

STATEMENT OF OPERATIONS

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Arena			
Ice rentals	42,000	79,498	44,357
Arena rentals	10,500	9,059	12,715
Hockey and figure skating ice time	84,000	35,490	81,445
Bar sales	87,050	80,028	97,039
Public skating	3,250	5,940	4,095
Advertising boards	11,500	11,985	11,688
Donations and other revenue	8,974	20,750	9,495
	247,274	242,750	260,834
Recreation receipts			
Hockey admissions	20,000	7,766	19,477
Hockey program	45,000	2,458	58,268
Skating program	6,000	7,220	7,295
Swimming pool	14,000	24,459	19,691
Baseball	14,500	16,459	15,470
Soccer	9,825	7,895	9,395
Daycamp	10,000	8,968	-
	119,325	75,225	129,596
Total rentals and program revenue	366,599	317,975	390,430
Contributions from participating municipalities			
Township of Huron-Kinloss	253,023	232,870	141,923
Township of Ashfield-Colborne-Wawanosh	253,023	232,870	141,923
	506,046	465,740	283,846
Total revenue	872,645	783,715	674,276
Expenses			
Administration and general			
Salaries	142,000	139,164	134,266
Maintenance	29,975	40,366	31,973
Utilities	78,370	74,755	76,089
Insurance	11,000	8,907	10,734
Administration and training	19,500	20,456	19,532
	280,845	283,648	272,594
Arena and auditorium			
Salaries	103,800	85,531	93,068
Maintenance	179,875	169,708	7,407
Utilities	15,000	17,245	18,226
Bar purchases and profit share	62,400	59,737	72,739
	361,075	332,221	191,440
Recreation programs			
Hockey insurance	7,000	-	7,101
Referee fees	14,750	6,116	13,514
Other hockey expenses	11,075	24,315	14,078
Hockey ice time	84,000	35,490	81,445
Skating program	2,000	2,228	2,027
Ball and soccer program	8,900	6,730	8,231
Daycamp program	14,700	8,696	-
Pool salaries	34,200	34,690	32,380
Pool expenses	23,100	18,392	20,055
Parks	31,000	31,189	31,411
	230,725	167,846	210,242
Total expenses	872,645	783,715	674,276
Annual surplus	\$ 0	\$ 0	\$ 0

LUCKNOW AND DISTRICT JOINT RECREATION BOARD

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. Accounting policies

The statement of operations of the Lucknow and District Joint Recreation Board is the representation of management prepared in accordance Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Significant aspects of accounting policies adopted by the board are as follows:

a) Basis of accounting

i) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. Revenues are recognized as they are earned 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.

ii) 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 reported in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Participating municipalities

Participating municipalities are the Township of Ashfield-Colborne-Wawanosh and the Township of Huron-Kinloss. The board conducts its operations using tangible capital assets owned by the participating municipalities.

3. Related party transactions

Board administration cost of \$5,000 (2017: \$5,000) was paid to the Township of Ashfield-Colborne-Wawanosh. Water and sewer fees of \$4,416 (2017: \$2,464) were paid to the Township of Huron-Kinloss.