

MUNICIPALITY OF CENTRAL HURON
FINANCIAL STATEMENTS
DECEMBER 31, 2013

VODDEN, BENDER & SEEBACH LLP
Chartered Accountants

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AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Corporation of the Municipality of Central Huron, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

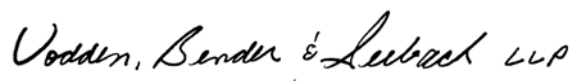
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Municipality of Central Huron as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants
Licensed Public Accountants

Clinton, Ontario
June 27, 2014

MUNICIPALITY OF CENTRAL HURON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2013	2012
FINANCIAL ASSETS		
Cash and short-term investments	4,478,608	4,628,518
Taxes receivable	1,001,715	902,289
Accounts receivable	1,406,215	1,142,012
Long-term receivables	155,728	199,392
Long-term investment (note 5)	901,412	901,412
	<u>7,943,678</u>	<u>7,773,623</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,561,372	1,336,390
Deferred revenue - obligatory reserve funds	44,465	53,984
Landfill closure and post closure liability (note 6)	2,679,485	2,612,488
Municipal debt (note 7)	6,665,809	6,175,899
	<u>10,951,131</u>	<u>10,178,761</u>
NET FINANCIAL ASSETS	(3,007,453)	(2,405,138)
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 9)	<u>72,463,100</u>	<u>71,276,455</u>
ACCUMULATED SURPLUS (note 10)	<u>\$ 69,455,647</u>	<u>\$ 68,871,317</u>

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF CENTRAL HURON
CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31	2013 Budget	2013 Actual	2012 Actual
Revenue			
Taxation for municipal purposes	5,494,018	5,512,601	5,267,295
User fees, licences, permits and donations	3,200,615	3,484,932	3,395,515
Government transfers - Canada and Ontario	2,406,345	2,384,268	2,707,790
Government transfers - other municipalities	46,564	41,461	147,852
Investment income	57,000	71,234	73,009
Penalties and interest on taxes	99,000	117,707	104,376
Gaming Centre and other recoveries	630,000	594,540	665,134
	<u>11,933,542</u>	<u>12,206,743</u>	<u>12,360,971</u>
Expenditure			
General government	1,220,478	1,080,089	1,152,605
Protection to persons and property	2,189,633	2,177,486	2,139,754
Transportation services	3,460,107	3,337,467	3,311,395
Environmental services	2,393,718	2,535,460	2,179,708
Health services	97,242	111,565	93,843
Recreation, parks and culture	1,758,762	1,815,016	1,847,522
Planning and development	541,289	565,330	570,412
	<u>11,661,229</u>	<u>11,622,413</u>	<u>11,295,239</u>
Annual surplus (deficit)	272,313	584,330	1,065,732
Opening balance	<u>68,871,317</u>	<u>68,871,317</u>	<u>67,805,585</u>
Closing balance	<u><u>\$ 69,143,630</u></u>	<u><u>\$ 69,455,647</u></u>	<u><u>\$ 68,871,317</u></u>

The accompanying notes are an integral part of this financial statement

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

For the year ended December 31	2013 Budget	2013 Actual	2012 Actual
Annual surplus (deficit)	272,313	584,330	1,065,732
Amortization of tangible capital assets	2,462,107	2,412,580	2,511,634
Net acquisition of tangible capital assets	<u>(1,773,790)</u>	<u>(3,599,225)</u>	<u>(2,361,530)</u>
Increase (decrease) in net financial assets	960,630	(602,315)	1,215,836
Opening balance	<u>(2,405,138)</u>	<u>(2,405,138)</u>	<u>(3,620,974)</u>
Closing balance	<u><u>(\$ 1,444,508)</u></u>	<u><u>(\$ 3,007,453)</u></u>	<u><u>(\$ 2,405,138)</u></u>

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF CENTRAL HURON
CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31	2013	2012
Operating activities		
Annual surplus (deficit)	584,330	1,065,732
Amortization expense not requiring cash outlay	2,412,580	2,511,634
Decrease (increase) in taxes receivable	(99,426)	26,847
Decrease (increase) in accounts receivable	(264,203)	547,894
Increase (decrease) in accounts payable	224,982	49,902
Increase (decrease) in deferred revenue	(9,519)	(200,349)
Increase (decrease) in landfill closure and post closure liability	66,997	(428,064)
Cash provided by (used for) operating activities	<u>2,915,741</u>	<u>3,573,596</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	<u>(3,599,225)</u>	<u>(2,361,530)</u>
Cash provided by (used for) capital activities	<u>(3,599,225)</u>	<u>(2,361,530)</u>
Investing activities		
Decrease (increase) in long-term receivables	<u>43,664</u>	<u>71,716</u>
Cash provided by (used for) investing activities	<u>43,664</u>	<u>71,716</u>
Financing activities		
Proceeds from long-term debt issued	990,869	-
Principal repayments on long-term debt	<u>(500,959)</u>	<u>(571,721)</u>
Cash provided by (used for) financing activities	<u>489,910</u>	<u>(571,721)</u>
Increase (decrease) in cash position	(149,910)	712,061
Cash (overdraft) beginning of year	<u>4,628,518</u>	<u>3,916,457</u>
Cash (overdraft) end of year	<u><u>\$ 4,478,608</u></u>	<u><u>\$ 4,628,518</u></u>

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF CENTRAL HURON
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2013

1. Accounting policies

The consolidated financial statements of the Corporation of the Municipality of Central Huron are the representation of management prepared in accordance with generally accepted accounting principles for local governments 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.

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

a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, operating revenues and expenditures, Reserves, Reserve Funds, and changes in investment in tangible capital assets of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include any water and sewer systems operated by the municipality and the municipality'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 boards:

Mid-Huron Landfill Site Board

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

The statements exclude trust funds that are administered for the benefit of external parties.

b) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable, and recognizes expenditures as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

c) Long-term investments

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

1. Accounting policies (continued)

d) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

- Tangible capital assets

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

Category	Amortization Period	Capitalization Threshold
Land	not applicable	\$ 0
Land improvements	15 years	25,000
Buildings	7 - 40 years	5,000 - 25,000
Machinery and equipment	5 - 15 years	5,000 - 25,000
Furniture and fixtures	5 years	3,000
Information technology	3 - 7 years	3,000 - 5,000
Transportation infrastructure	15 - 75 years	5,000 - 100,000
Watermains infrastructure	15 - 80 years	15,000 - 100,000
Sewermain infrastructure	15 - 60 years	15,000 - 75,000

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

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

The municipality has a capitalized threshold of \$0 - \$100,000 dependent on the category, so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are computer systems, equipment, furniture and fixtures.

- Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

- Leases

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

- Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value.

e) Reserves for future expenditures

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

1. Accounting policies (continued)

f) Government transfers

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

g) Deferred revenue

Amounts received and required by legislation, regulation or agreement to be set aside for specific, restricted purposes are reported in the statement of financial position as deferred revenue until the obligation is discharged.

h) Landfill Site Closure and Post-Closure Care

Landfill site closure and post-closure care costs are recognized over the operating life of the landfill site, based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the municipality.

i) Amounts to be recovered in future years

Future years recoveries represent the requirement of the municipality to raise funds in subsequent periods to finance unfunded liabilities. A portion of the amounts to be recovered in future years will be recovered from deferred revenues earned.

j) Pensions

The municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for past employee service.

k) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenditures during the period, and the accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Operations of school boards and county

Taxation levied for school board and county purposes are not reflected in the financial statements. The amounts transferred were:

	2013	2012
County of Huron	\$ 4,450,578	\$ 4,370,867
School Boards	2,276,293	2,268,498

3. Trust funds

Trust funds administered by the municipality amounting to \$261,551 (2012 : \$277,837) have not been included in the statement of financial position nor have their operations been included in the consolidated statement of operations.

4. Pension agreements

The municipality makes contributions to a multi-employer pension plan on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed for 2013 was \$185,383 (2012 : \$151,434) for current services and is included as an expenditure on the consolidated statement of financial activities.

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit pension plan, are expensed when contributions are due. Any pension surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit.

5. Long-term investments

	2013	2012
782,007 Class B shares, EARTH Corporation	\$ 901,412	\$ 901,412

During 2009, the municipality completed the sale of 100% of the common shares in Clinton Power Corporation to EARTH Corporation. At December 31, 2013, the municipality owned 782,007 Class B shares in EARTH Corporation and 100% of the outstanding common shares of Clinton Hydro Electric Retail Affiliate Inc., private companies incorporated under the laws of the Province of Ontario. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. The fair value of these shares is not practicable to determine in the absence of published market quotations.

6. Landfill closure and post closure cost 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 future cash flows related to capacity used to date discounted at the rate of 1%-4%. The recorded liability is \$2,679,485 (2012 : \$2,612,488) based on a total estimated undiscounted future outflow of \$4,541,500 leaving a balance to be recognized in the future of \$1,862,015.

The Blyth-Hullett site, for which the reported liability is \$24,200 (2012 : \$23,300), has a remaining capacity of 35,900 cubic metres and a remaining life of 50 years. Post closure care of the sites is expected to continue for 25 years. Reserves of \$94,729 (2012 : \$94,729) have been designated for landfill sites. The balance of the future liability is expected to be funded through budget allocations to the landfill reserve.

The municipality's proportionate liability for the Mid-Huron landfill site is \$2,655,285 (2012 : \$2,589,188). The Mid-Huron Landfill Site Board has set aside reserves and reserve funds of which the municipality's proportionate share is \$1,427,865 (2012 : \$1,411,185). The site has a estimated remaining life of 4 years.

7. Municipal debt

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

	2013	2012
Bank of Montreal, loan payable, prime + 0% interest, \$4,117 monthly principle payment plus interest, due November 2013	-	41,170
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 3.25% interest, \$35,475 semi-annual blended payments, due May 2015	103,057	169,045
Bank of Montreal, loan payable, prime + 0% interest, \$3,366 monthly principle payment plus interest, due March 2016	87,516	127,908
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 4.44% interest, \$125,921 semi-annual blended payments, due August 2036	3,560,438	3,651,165
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 2.69% interest, \$29,288 semi-annual blended payments, due August 2016	140,711	194,415
Ontario Infrastructure Projects Corporation (OIPC) construction loan payable, variable interest, due on demand	247,000	332,000
Ontario Infrastructure and Lands Corporation (OILC) construction loan payable, variable interest, due on demand	255,869	-
Ontario Infrastructure and Lands Corporation (OILC) construction loan payable, variable interest, due on demand	735,000	-
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 3.25% interest, \$63,571 semi-annual blended payments, due March 2027	1,380,490	1,460,804
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals, 6% - 8%, due 2014 through 2023	<u>155,728</u>	<u>199,392</u>
	<u>\$6,665,809</u>	<u>\$6,175,899</u>

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

2014: \$31,700 2015: \$33,600 2016: \$25,400 2017: \$20,800 2018: \$21,300

Principal payments recoverable from property owners in the next

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

2014: \$1,577,200 2015: \$318,800 2016: \$227,600 2017: \$199,500 2018: \$207,400

8. Contingency for long-term liabilities

The municipality is contingently liable for long-term liabilities with respect to tile drainage loans, and for those for which the responsibility for payment of principal and interest has been assumed by other municipalities, school boards, and unconsolidated entities. At December 31 the principal amounts outstanding are as follows:

	2013	2012
Tile drainage loans assumed by individuals	\$155,728	\$199,392

9. Tangible capital assets

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

- i) Contributed tangible capital assets
The municipality records all tangible capital assets contributed by external parties at fair value.
- ii) Tangible capital assets recognized at nominal value
Certain assets have been assigned a nominal value because of the difficulty of determining a tenable valuation.

For additional information, see the Consolidated Schedule of Tangible Capital Assets information on the tangible capital assets of the municipality by major class and by business segment, as well as for accumulated amortization of the assets controlled.

10. Accumulated surplus

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

	2013	2012
General revenue accumulated surplus		
and invested in tangible capital assets	\$ 65,708,368	\$ 65,526,794
Invested in government business enterprises	901,412	901,412
Share of Mid-Huron Landfill Site Board general surplus	91,231	100,830
Unfinanced solid waste landfill closure and post-closure liabilities	(2,603,288)	(2,612,488)
Reserves and reserve funds	5,357,924	4,954,769
	<u>\$ 69,455,647</u>	<u>\$ 68,871,317</u>

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

11. Financial instrument risk management

Credit risk

The Municipality is exposed to credit risk through its cash, trade and other receivables, loans receivable, and long-term investments. There is the possibility of non-collection of its trade and other receivables. The majority of the Municipality's receivables are from ratepayers and government entities. For trade and other receivables, the Municipality measures impairment based on how long the amounts have been outstanding. For amounts outstanding considered doubtful or uncollectible, an impairment allowance is setup.

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality has a planning and a budgeting process in place to help determine the funds required to support the Municipality's normal operating requirements on an ongoing basis. The Municipality ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain an available line of credit balance as approved by the appropriate borrowing bylaw to meet, at a minimum, expected requirements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investments.

11. Financial instrument risk management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and long-term liabilities and the value of fixed rate long-term liabilities.

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

12. Contingent liability

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

13. Subsequent events

The Council of the municipality accepted an offer to redeem the investment in EARTH Corporation in January 2014 for cash proceeds of \$904,008.

14. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2013 budget amounts for the Corporation of the Municipality of Central Huron approved by Council are unaudited and have been restated to conform to the basis of presentation of the revenues and expenditures on the consolidated statement of activities. Budget amounts were not available for certain boards consolidated by the municipality.

MUNICIPALITY OF CENTRAL HURON
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2013

	Land	Land Improvements	Buildings	Machinery and Equipment	Other	Linear Road Systems	Linear Water Systems	Linear Sewer Systems	Assets Under Construction	TOTAL Net Book Value 2013	TOTAL Net Book Value 2012
Cost											
Balance, beginning of year	1,224,827	1,004,027	17,572,908	4,859,539	197,173	66,936,590	10,224,701	9,779,446	110,846	111,910,057	109,958,876
Add: Additions during the year	1		43,569	211,836	107,266	1,435,847	269,658	258,744	3,475,914	5,802,835	4,585,734
Less: Disposals during the year						(119,313)	(49,267)	(24,131)	(2,146,986)	(2,339,697)	(2,634,553)
Balance, end of year	<u>1,224,828</u>	<u>1,004,027</u>	<u>17,616,477</u>	<u>5,071,375</u>	<u>304,439</u>	<u>68,253,124</u>	<u>10,445,092</u>	<u>10,014,059</u>	<u>1,439,774</u>	115,373,195	<u>111,910,057</u>
Accumulated Amortization											
Balance, beginning of year		295,243	2,927,161	2,731,981	94,206	25,745,593	3,937,637	4,901,781		40,633,602	38,532,317
Add: Amortization during the year		44,372	436,707	318,729	27,780	1,267,517	170,990	146,485		2,412,580	2,511,634
Less: Accumulated amortization on disposals						(62,689)	(49,267)	(24,131)		(136,087)	(410,349)
Balance, end of year	<u>-</u>	<u>339,615</u>	<u>3,363,868</u>	<u>3,050,710</u>	<u>121,986</u>	<u>26,950,421</u>	<u>4,059,360</u>	<u>5,024,135</u>	<u>-</u>	42,910,095	<u>40,633,602</u>
Net Book Value											
of Tangible Capital Assets	<u>1,224,828</u>	<u>664,412</u>	<u>14,252,609</u>	<u>2,020,665</u>	<u>182,453</u>	<u>41,302,703</u>	<u>6,385,732</u>	<u>4,989,924</u>	<u>1,439,774</u>	\$ 72,463,100	<u>\$ 71,276,455</u>

MUNICIPALITY OF CENTRAL HURON
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2013

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Work in Process	TOTAL Net Book Value 2013	TOTAL Net Book Value 2012
Cost										
Balance, beginning of year	1,483,516	2,403,425	71,666,405	20,911,290	42,904	15,291,671	-	110,846	111,910,057	109,958,876
Add: Additions during the year	35,433		1,661,376	518,805		44,546	66,761	3,475,914	5,802,835	4,585,734
Less: Disposals during the year			(119,313)	(73,398)				(2,146,986)	(2,339,697)	(2,634,553)
Balance, end of year	<u>1,518,949</u>	<u>2,403,425</u>	<u>73,208,468</u>	<u>21,356,697</u>	<u>42,904</u>	<u>15,336,217</u>	<u>66,761</u>	<u>1,439,774</u>	<u>115,373,195</u>	<u>111,910,057</u>
Accumulated Amortization										
Balance, beginning of year	192,631	772,179	28,208,213	9,339,359	19,904	2,101,316	-		40,633,602	38,532,317
Add: Amortization during the year	15,275	69,964	1,517,459	353,053	575	450,641	5,613		2,412,580	2,511,634
Less: Accumulated amortization on disposals			(62,689)	(73,398)					(136,087)	(410,349)
Balance, end of year	<u>207,906</u>	<u>842,143</u>	<u>29,662,983</u>	<u>9,619,014</u>	<u>20,479</u>	<u>2,551,957</u>	<u>5,613</u>	<u>-</u>	<u>42,910,095</u>	<u>40,633,602</u>
Net Book Value										
of Tangible Capital Assets	<u>1,311,043</u>	<u>1,561,282</u>	<u>43,545,485</u>	<u>11,737,683</u>	<u>22,425</u>	<u>12,784,260</u>	<u>61,148</u>	<u>1,439,774</u>	<u>\$ 72,463,100</u>	<u>\$ 71,276,455</u>

MUNICIPALITY OF CENTRAL HURON**Consolidated Schedule of Continuity of Reserves, Reserve Funds and Deferred Revenue**

For the Year Ended December 31, 2013

	Balance, beginning of year	Revenues and contributions			Transfers Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
Reserves and reserve funds						
Reserves						
for general government	1,938,857		200,790		(40,052)	2,099,595
for protection services	73,240		69,965			143,205
for transportation services	27,449		14,709		(17,464)	24,694
for environmental services	1,505,914				16,680	1,522,594
for recreation and cultural services	454,888					454,888
	<u>4,000,348</u>	<u>-</u>	<u>285,464</u>	<u>-</u>	<u>(40,836)</u>	<u>4,244,976</u>
Reserve funds						
Rural Water System Upgrades	315,416	3,283	431,257		(273,243)	476,713
Wastewater System	342,276	5,471	308,679		(326,492)	329,934
Ball's Bridge	168,391	2,863				171,254
Recreation	6,633	68				6,701
Blyth Landfill	121,705	2,070				123,775
Kinburn Hall	-	31	4,540			4,571
	<u>954,421</u>	<u>13,786</u>	<u>744,476</u>	<u>-</u>	<u>(599,735)</u>	<u>1,112,948</u>
Total reserves and reserve funds	<u>4,954,769</u>	<u>13,786</u>	<u>1,029,940</u>	<u>-</u>	<u>(640,571)</u>	<u>5,357,924</u>
Deferred revenue						
Ward 1 Parkland	29,651	499				30,150
Ward 2 Pit Rehabilitation	12,298	219				12,517
Central Huron Community Complex	151	193	123,587		(123,000)	931
Auburn Playground	961	5			(753)	213
Federal Gas Tax Funds	10,923	654		234,388	(245,311)	654
	<u>53,984</u>	<u>1,570</u>	<u>123,587</u>	<u>234,388</u>	<u>(369,064)</u>	<u>44,465</u>
Total	<u>\$ 5,008,753</u>	<u>15,356</u>	<u>1,153,527</u>	<u>234,388</u>	<u>(1,009,635)</u>	<u>\$ 5,402,389</u>

MUNICIPALITY OF CENTRAL HURON

Segmented Information

For the Year Ended December 31, 2013

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Total 2013	Total 2012
Revenue									
Taxation	5,512,601							5,512,601	5,267,295
User charges, licences, donations	939,294	54,833	37,407	2,292,179	18,140	75,668	67,411	3,484,932	3,395,515
Government transfers	2,105,500		245,311	22,247		43,131	9,540	2,425,729	2,855,642
Interest and penalties	188,941							188,941	177,385
Other	-						594,540	594,540	665,134
	<u>8,746,336</u>	<u>54,833</u>	<u>282,718</u>	<u>2,314,426</u>	<u>18,140</u>	<u>118,799</u>	<u>671,491</u>	12,206,743	<u>12,360,971</u>
Operating expenditure									
Wages, salaries and benefits	741,189	290,290	705,132	661,682	63,775	400,258	48,716	2,911,042	2,914,190
Contract services	45,576	1,383,562	506,014	811,238	9,215	260,997	168,883	3,185,485	3,201,956
Supplies, materials, equipment and other	278,049	433,670	608,862	709,487	38,000	703,120	342,118	3,113,306	2,667,459
Amortization	15,275	69,964	1,517,459	353,053	575	450,641	5,613	2,412,580	2,511,634
	<u>1,080,089</u>	<u>2,177,486</u>	<u>3,337,467</u>	<u>2,535,460</u>	<u>111,565</u>	<u>1,815,016</u>	<u>565,330</u>	11,622,413	<u>11,295,239</u>
Net revenue (expense)	<u>7,666,247</u>	<u>(2,122,653)</u>	<u>(3,054,749)</u>	<u>(221,034)</u>	<u>(93,425)</u>	<u>(1,696,217)</u>	<u>106,161</u>	584,330	<u>1,065,732</u>

Vodden, Bender & Seebach LLP
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vbs@vbsca.ca

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of Central Huron, which comprise the balance sheet as at December 31, 2013, and the statement of continuity of trust funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

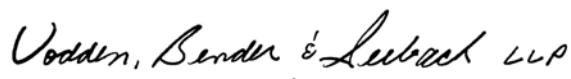
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Municipality of Central Huron as at December 31, 2013 and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.



Vodden, Bender & Seebach LLP
Chartered Accountants
Licensed Public Accountants
Clinton, Ontario
June 27, 2014

MUNICIPALITY OF CENTRAL HURON
TRUST FUNDS
STATEMENT OF CONTINUITY

For the Year Ended December 31, 2013

	Total		Cemetery Perpetual Care		Radar Trust Fund		Woon Trust Fund	
	2013	2012	2013	2012	2013	2012	2013	2012
Balance beginning of year	277,837	<u>280,430</u>	236,823	<u>230,463</u>	3,799	<u>3,760</u>	37,215	<u>46,207</u>
Receipts								
Perpetual care	9,130	6,360	9,130	6,360				
Interest earned	9,781	1,348	9,079	848	64	39	638	461
	18,911	<u>7,708</u>	18,209	<u>7,208</u>	64	<u>39</u>	638	<u>461</u>
Expenditure								
Transfers to cemetery	9,079	848	9,079	848				
Expenditures	26,118	9,453			500		25,618	9,453
	35,197	<u>10,301</u>	9,079	<u>848</u>	500	<u>-</u>	25,618	<u>9,453</u>
Balance end of year	<u>\$ 261,551</u>	<u>277,837</u>	<u>\$ 245,953</u>	<u>236,823</u>	<u>\$ 3,363</u>	<u>3,799</u>	<u>\$ 12,235</u>	<u>37,215</u>

BALANCE SHEET

As at December 31, 2013

	Total		Cemetery Perpetual Care		Radar Trust Fund		Woon Trust Fund	
	2013	2012	2013	2012	2013	2012	2013	2012
Assets								
Cash	18,851	10,040	16,503	8,776	113	49	2,235	1,215
Investments, cost	242,700	267,797	229,450	228,047	3,250	3,750	10,000	36,000
Trust fund net assets	<u>\$ 261,551</u>	<u>277,837</u>	<u>\$ 245,953</u>	<u>236,823</u>	<u>\$ 3,363</u>	<u>3,799</u>	<u>\$ 12,235</u>	<u>37,215</u>

MUNICIPALITY OF CENTRAL HURON
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

1. Accounting Policies

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

a) Management responsibility

The financial statements of the Trust Funds are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada 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 Municipality of Central Huron.

c) Basis of accounting

Capital receipts and income are reported on the cash basis of accounting. Expenditures are reported on the cash basis of accounting with the exception of administration expenses which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

d) Investments

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

e) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

2. Investments

Trust fund investments have a market value equal to cost of \$261,551 (2012 : \$277,837).