

**MUNICIPALITY OF CENTRAL HURON**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

## INDEPENDENT AUDITOR'S REPORT

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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, 2014, 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*

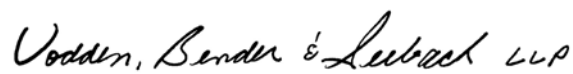
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants  
Licensed Public Accountants

Clinton, Ontario  
June 26, 2015

**MUNICIPALITY OF CENTRAL HURON**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments	6,950,294	4,478,608
Taxes receivable	1,284,933	1,001,715
Accounts receivable	1,336,440	1,406,215
Long-term receivables (note 4)	126,240	155,728
Long-term investment (note 5)	-	901,412
	<b>9,697,907</b>	<b>7,943,678</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	875,083	1,561,372
Deferred revenue - obligatory reserve funds	47,495	44,465
Landfill closure and post closure liability (note 7)	2,792,792	2,679,485
Municipal debt (note 8)	6,751,007	6,665,809
	<b>10,466,377</b>	<b>10,951,131</b>
<b>NET FINANCIAL ASSETS</b>	<b>(768,470)</b>	<b>(3,007,453)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets, net (note 10)	71,891,078	72,463,100
<b>ACCUMULATED SURPLUS (note 12)</b>	<b>\$ 71,122,608</b>	<b>\$ 69,455,647</b>

The accompanying notes are an integral part of this financial statement

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

<b>For the year ended December 31</b>	<b>2014 Budget</b>	<b>2014 Actual</b>	<b>2013 Actual</b>
<b>Revenue</b>			
Taxation for municipal purposes	5,672,251	<b>5,580,268</b>	5,512,601
User fees, licences, permits and donations	3,709,681	<b>3,932,873</b>	3,484,932
Government transfers - Canada and Ontario	3,694,761	<b>3,059,539</b>	2,384,268
Government transfers - other municipalities	49,564	<b>31,806</b>	41,461
Investment income	56,948	<b>79,570</b>	71,234
Penalties and interest on taxes	117,000	<b>118,770</b>	117,707
Gaming Centre and other recoveries	650,000	<b>604,293</b>	594,540
	<u>13,950,205</u>	<u><b>13,407,119</b></u>	<u>12,206,743</u>
<b>Expenditure</b>			
General government	1,274,531	<b>1,143,903</b>	1,080,089
Protection to persons and property	2,261,856	<b>2,185,358</b>	2,177,486
Transportation services	3,510,481	<b>3,347,757</b>	3,337,467
Environmental services	2,776,040	<b>2,522,465</b>	2,535,460
Health services	101,723	<b>96,738</b>	111,565
Recreation, parks and culture	1,896,782	<b>1,860,081</b>	1,815,016
Planning and development	607,234	<b>583,856</b>	565,330
	<u>12,428,647</u>	<u><b>11,740,158</b></u>	<u>11,622,413</u>
<b>Annual surplus (deficit)</b>	1,521,558	<b>1,666,961</b>	584,330
<b>Opening balance</b>	<u>69,455,647</u>	<u><b>69,455,647</b></u>	<u>68,871,317</u>
<b>Closing balance</b>	<u><b>\$ 70,977,205</b></u>	<u><b>\$ 71,122,608</b></u>	<u><b>\$ 69,455,647</b></u>

The accompanying notes are an integral part of this financial statement

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

<b>For the year ended December 31</b>	<b>2014 Budget</b>	<b>2014 Actual</b>	<b>2013 Actual</b>
Annual surplus (deficit)	1,521,558	<b>1,666,961</b>	584,330
Amortization of tangible capital assets	2,462,107	<b>2,523,440</b>	2,412,580
Net acquisition of tangible capital assets	<u>(578,539)</u>	<u><b>(1,951,418)</b></u>	<u>(3,599,225)</u>
<b>Increase (decrease) in net financial assets</b>	3,405,126	<b>2,238,983</b>	(602,315)
<b>Opening balance</b>	<u>(3,007,453)</u>	<u><b>(3,007,453)</b></u>	<u>(2,405,138)</u>
<b>Closing balance</b>	<u><u>\$ 397,673</u></u>	<u><u><b>(\$ 768,470)</b></u></u>	<u><u>(\$ 3,007,453)</u></u>

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF CENTRAL HURON  
CONSOLIDATED STATEMENT OF CASH FLOW**

<b>For the year ended December 31</b>	<b>2014</b>	<b>2013</b>
<b>Operating activities</b>		
Annual surplus (deficit)	1,666,961	584,330
Amortization expense not requiring cash outlay	2,523,440	2,412,580
Decrease (increase) in taxes receivable	(283,218)	(99,426)
Decrease (increase) in accounts receivable	69,775	(264,203)
Increase (decrease) in accounts payable	(686,289)	224,982
Increase (decrease) in deferred revenue	3,030	(9,519)
Increase (decrease) in landfill closure and post closure liability	113,307	66,997
Cash provided by (used for) operating activities	<u>3,407,006</u>	<u>2,915,741</u>
<b>Capital activities</b>		
Net disposals (purchases) of tangible capital assets	<u>(1,951,418)</u>	<u>(3,599,225)</u>
Cash provided by (used for) capital activities	<u>(1,951,418)</u>	<u>(3,599,225)</u>
<b>Investing activities</b>		
Decrease (increase) in long-term receivables	29,488	43,664
Decrease (increase) in investment in government business enterprises	901,412	-
Cash provided by (used for) investing activities	<u>930,900</u>	<u>43,664</u>
<b>Financing activities</b>		
Proceeds from long-term debt issued	1,165,000	990,869
Principal repayments on long-term debt	(1,079,802)	(500,959)
Cash provided by (used for) financing activities	<u>85,198</u>	<u>489,910</u>
<b>Increase (decrease) in cash position</b>	<b>2,471,686</b>	<b>(149,910)</b>
<b>Cash (overdraft) beginning of year</b>	<b>4,478,608</b>	<b>4,628,518</b>
<b>Cash (overdraft) end of year</b>	<b><u>\$ 6,950,294</u></b>	<b><u>\$ 4,478,608</u></b>

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF CENTRAL HURON  
NOTES TO FINANCIAL STATEMENTS**

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**For the year ended December 31, 2014**

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**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
Sewer mains 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.

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:

	<b>2014</b>	<b>2013</b>
County of Huron	\$ 4,503,754	\$ 4,450,578
School Boards	2,286,680	2,276,293

**3. Trust funds**

Trust funds administered by the municipality amounting to \$260,170 (2013 : \$261,551) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

**4. Long-term receivables**

	<b>2014</b>	<b>2013</b>
Tile loans, 6% - 8%, principal and interest receivable annually, due 2015 through 2024	<u>\$ 126,240</u>	<u>\$ 155,728</u>

Amounts due in the next five years are as follows:

2015: \$31,300    2016: \$22,900    2017: \$18,100    2018: \$18,500    2019: \$11,100

**5. Long-term investments**

	<b>2014</b>	<b>2013</b>
782,007 Class B shares, ERTH Corporation	\$ -	\$ 901,412

During 2009, the municipality completed the sale of 100% of the common shares in Clinton Power Corporation to ERTH Corporation. At December 31, 2013, the municipality owned 782,007 Class B shares in ERTH 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.

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

**6. 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 2014 was \$182,445 (2013 : \$185,383) 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.

**7. Landfill closure and post-closure cost liability**

PSAB Handbook Section 3270: Solid Waste Landfill Closure and Post-Closure Liability, sets out the standard for anticipated closure and post-closure costs for existing and closed landfill sites. This liability is the estimated cost to date, based on a volumetric basis, of the expenses relating to those activities required when the site or phase stops accepting waste.

The landfill closure costs include final cover and vegetation, completing facilities for drainage control features, leachate monitoring, water quality monitoring, and monitoring and recovery of gas. Post-closure care activities include all activities related to monitoring the site once it can no longer accept waste, including acquisition of any additional land for buffer zones, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems, and final cover.

The estimated liability for the care of landfill sites is the present value of future cash flows associated with closure and post-closure costs.

Key assumptions in determining the liability at December 31, 2014 for the landfills are as follows:

Remaining site life	4 - 50 years
Discount rate	1.8% - 2%
Estimated time required for post-closure care	25 - 50 years

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

A reserve has been established to partially provide for this landfill site closure and post-closure liability. The reserve balance at December 31, 2014 is \$94,729 (2013 : \$94,729). 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 \$2,727,192 (2013 : \$2,655,285). The Mid-Huron Landfill Site Board has set aside reserves and reserve funds of which the municipality's proportionate share is \$1,422,362 (2013 : \$1,427,865). The site has a estimated remaining life of 3 years.

**8. Municipal debt**

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

	<b>2014</b>	<b>2013</b>
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 3.25% interest, \$35,475 semi-annual blended payments, due May 2015	34,907	103,057
Bank of Montreal, loan payable, prime + 0% interest, \$3,366 monthly principle payment plus interest, due March 2016	47,124	87,516
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 4.44% interest, \$125,921 semi-annual blended payments, due August 2036	3,465,638	3,560,438
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 2.69% interest, \$29,288 semi-annual blended payments, due August 2016	85,552	140,711
Ontario Infrastructure Projects Corporation (OIPC) construction loan payable, variable interest, due on demand	139,000	247,000
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	1,555,000	735,000
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 3.25% interest, \$63,571 semi-annual blended payments, due March 2027	1,297,546	1,380,490
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals, 6% - 8%, due 2015 through 2024	126,240	155,728
	<u>\$6,751,007</u>	<u>\$6,665,809</u>

Principal payments recoverable from property owners in the next

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

2015: \$2,041,900    2016: \$250,500    2017: \$217,700    2018: \$225,900    2019: \$226,600

**9. 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:

	<b>2014</b>	<b>2013</b>
Tile drainage loans assumed by individuals	\$126,240	\$155,728

**10. 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.

**11. Segmented information**

The Municipality of Central Huron is a diversified municipal government institution that provides a wide range of services to its citizens such as recreational and cultural services, planning and development, fire, and transportation services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

**General Government**

This segment relates to the general operations of the municipality itself and cannot be directly attributed to a specific segment.

**Protection to Persons and Property**

Protection is comprised of fire protection, policing, court services, conservation authorities, protective inspection and control, building permit and inspection services, emergency measures and other protection services.

**Transportation Services**

Transportation services include road maintenance, winter control services, street light maintenance, parking lots, equipment maintenance and other transportation services.

**Environmental Services**

Environmental services include the sanitary sewer system, storm sewer system, waterworks, waste collection, waste disposal and recycling.

**Health Services**

This service area includes cemeteries and other health services.

**Social and Family Services**

This service area includes childcare and other social services.

**Recreational and Cultural Services**

This service area provides public services that contribute to the provision of recreation and leisure facilities and programs, the maintenance of parks and open spaces, library services, museums and other cultural services.

**Planning and Development**

This segment includes matters relating to zoning and site plan controls, land acquisition, development initiatives, agriculture and reforestation, municipal drainage and tile drainage.

For additional information, see the schedule of segmented information.

**12. Accumulated surplus**

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

	2014	2013
General revenue accumulated surplus		
and invested in tangible capital assets	\$ 66,349,608	\$ 65,784,565
Invested in government business enterprises	-	901,412
Share of Mid-Huron Landfill Site Board general surplus	83,430	91,231
Unfinanced solid waste landfill closure and post-closure liabilities	(2,792,792)	(2,679,485)
Reserves and reserve funds	<u>7,482,362</u>	<u>5,357,924</u>
	<u>\$ 71,122,608</u>	<u>\$ 69,455,647</u>

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

**13. Financial instrument risk management**

**Credit risk**

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

**Liquidity risk**

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

**Market risk**

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

**Interest rate risk**

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

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

**14. 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.

**15. Budget amounts**

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2014 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 operations. Budget amounts were not available for certain boards consolidated by the municipality.

Approved budget annual surplus (deficit)	\$ -
Acquisition of tangible capital assets	578,539
Debt principal repayments	1,036,000
Net reserve, reserve fund, and surplus transfers	(79,193)
Mid-Huron Landfill Site Board net budget deficit	<u>(13,788)</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 1,521,558</u>

**MUNICIPALITY OF CENTRAL HURON**  
**Consolidated Schedule of Tangible Capital Assets**  
For the Year Ended December 31, 2014

	Land	Land Improvements	Buildings	Machinery and Equipment	Other	Linear Road Systems	Linear Water Systems	Linear Sewer Systems	Assets Under Construction	TOTAL Net Book Value 2014	TOTAL Net Book Value 2013
<b>Cost</b>											
Balance, beginning of year	1,224,828	1,004,027	17,616,477	5,071,375	304,439	68,253,124	10,445,092	10,014,059	1,439,774	<b>115,373,195</b>	111,910,057
Add: Additions during the year			48,448	1,948,359	11,595	1,056,781	16,723	497,962	1,960,225	<b>5,540,093</b>	5,802,835
Less: Disposals during the year				(24,688)	(2,283)	(347,973)		(350,000)	(3,314,853)	<b>(4,039,797)</b>	(2,339,697)
Other: donations and transfers			(513,755)					513,755		-	-
Balance, end of year	<u>1,224,828</u>	<u>1,004,027</u>	<u>17,151,170</u>	<u>6,995,046</u>	<u>313,751</u>	<u>68,961,932</u>	<u>10,461,815</u>	<u>10,675,776</u>	<u>85,146</u>	<b><u>116,873,491</u></b>	<u>115,373,195</u>
<b>Accumulated Amortization</b>											
Balance, beginning of year		339,615	3,363,868	3,050,710	121,986	26,950,421	4,059,360	5,024,135		<b>42,910,095</b>	40,633,602
Add: Amortization during the year		44,372	429,682	385,398	40,495	1,287,302	175,094	161,097		<b>2,523,440</b>	2,412,580
Less: Accumulated amortization on disposals				(4,874)		(346,247)		(100,000)		<b>(451,121)</b>	(136,087)
Other: donations and transfers			(369,427)					369,427		-	-
Balance, end of year	-	383,987	3,424,123	3,431,234	162,481	27,891,476	4,234,454	5,454,659	-	<b>44,982,414</b>	42,910,095
<b>Net Book Value</b>											
<b>of Tangible Capital Assets</b>	1,224,828	620,040	13,727,047	3,563,812	151,270	41,070,456	6,227,361	5,221,117	85,146	<b>\$ 71,891,077</b>	\$ 72,463,100

**MUNICIPALITY OF CENTRAL HURON**  
**Consolidated Schedule of Tangible Capital Assets**  
For the Year Ended December 31, 2014

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Work in Process	<b>TOTAL Net Book Value 2014</b>	TOTAL Net Book Value 2013
<b>Cost</b>										
Balance, beginning of year	1,518,949	2,403,425	73,208,468	21,356,697	42,904	15,336,217	66,761	1,439,774	<b>115,373,195</b>	111,910,057
Add: Additions during the year	8,832	35,242	1,306,781	256,884		30,748	1,941,381	1,960,225	<b>5,540,093</b>	5,802,835
Less: Disposals during the year	(2,283)	(5,000)	(597,973)	(100,000)			(19,688)	(3,314,853)	<b>(4,039,797)</b>	(2,339,697)
Other: donations and transfers	(105,000)					105,000			<b>-</b>	-
Balance, end of year	<u>1,420,498</u>	<u>2,433,667</u>	<u>73,917,276</u>	<u>21,513,581</u>	<u>42,904</u>	<u>15,471,965</u>	<u>1,988,454</u>	<u>85,146</u>	<b><u>116,873,491</u></b>	<u>115,373,195</u>
<b>Accumulated Amortization</b>										
Balance, beginning of year	207,906	842,143	29,662,983	9,619,014	20,479	2,551,957	5,613		<b>42,910,095</b>	40,633,602
Add: Amortization during the year	23,023	69,995	1,538,587	361,468	574	455,708	74,085		<b>2,523,440</b>	2,412,580
Less: Accumulated amortization on disposals		(4,875)	(346,246)	(100,000)					<b>(451,121)</b>	(136,087)
Other: donations and transfers	(105,000)					105,000			<b>-</b>	-
Balance, end of year	<u>125,929</u>	<u>907,263</u>	<u>30,855,324</u>	<u>9,880,482</u>	<u>21,053</u>	<u>3,112,665</u>	<u>79,698</u>	<u>-</u>	<b><u>44,982,414</u></b>	<u>42,910,095</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>1,294,569</u>	<u>1,526,404</u>	<u>43,061,952</u>	<u>11,633,099</u>	<u>21,851</u>	<u>12,359,300</u>	<u>1,908,756</u>	<u>85,146</u>	<b><u>\$ 71,891,077</u></b>	<u>\$ 72,463,100</u>



**MUNICIPALITY OF CENTRAL HURON**  
**Consolidated Schedule of Continuity of Reserves, Reserve Funds and Deferred Revenue**  
For the Year Ended December 31, 2014

	Balance, beginning of year	Revenues and contributions			Transfers out Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
<b>Reserves and reserve funds</b>						
Reserves						
for general government	2,099,595		243,128		(36,707)	<b>2,306,016</b>
for protection services	143,205		42,467			<b>185,672</b>
for transportation services	24,694		35,965		(23,878)	<b>36,781</b>
for environmental services	1,522,594				(5,503)	<b>1,517,091</b>
for recreation and cultural services	454,888		82,840			<b>537,728</b>
	<u>4,244,976</u>	<u>-</u>	<u>404,400</u>	<u>-</u>	<u>(66,088)</u>	<u><b>4,583,288</b></u>
Reserve funds						
Rural Water System Upgrades	476,713	6,068	433,639		(215,823)	<b>700,597</b>
Wastewater System	329,934	4,595	1,058,836		(416,914)	<b>976,451</b>
Ball's Bridge	171,254	2,558			(1,866)	<b>171,946</b>
Recreation	6,701	100				<b>6,801</b>
Blyth Landfill	123,775	1,921	10,000			<b>135,696</b>
Kinburn Hall	4,571	50				<b>4,621</b>
School on Wheels	-	50	6,318			<b>6,368</b>
ERTH Corporation put option	-		904,008		(17,478)	<b>886,530</b>
Physician recruitment	-	64	10,000			<b>10,064</b>
	<u>1,112,948</u>	<u>15,406</u>	<u>2,422,801</u>	<u>-</u>	<u>(652,081)</u>	<u><b>2,899,074</b></u>
Total reserves and reserve funds	5,357,924	15,406	2,827,201	-	(718,169)	<b>7,482,362</b>
<b>Deferred revenue</b>						
Ward 1 Parkland	30,150	459	3,000			<b>33,609</b>
Ward 2 Pit Rehabilitation	12,517	138				<b>12,655</b>
Central Huron Community Complex	931	26	71,500		(71,500)	<b>957</b>
Auburn Playground	213	3				<b>216</b>
Federal Gas Tax Funds	654	42		255,231	(255,869)	<b>58</b>
	<u>44,465</u>	<u>668</u>	<u>74,500</u>	<u>255,231</u>	<u>(327,369)</u>	<u><b>47,495</b></u>
<b>Total</b>	<u>\$ 5,402,389</u>	<u>16,074</u>	<u>2,901,701</u>	<u>255,231</u>	<u>(1,045,538)</u>	<u><b>\$ 7,529,857</b></u>

**MUNICIPALITY OF CENTRAL HURON**

**Segmented Information**

For the Year Ended December 31, 2014

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	<b>Total 2014</b>	Total 2013
<b>Revenue</b>									
Taxation	5,580,268							<b>5,580,268</b>	5,512,601
User charges, licences, donations	1,391,010	69,214	44,846	2,246,611	34,542	113,360	33,290	<b>3,932,873</b>	3,484,932
Government transfers	2,220,100			792,368		24,663	54,214	<b>3,091,345</b>	2,425,729
Interest and penalties	198,340							<b>198,340</b>	188,941
Other	-						604,293	<b>604,293</b>	594,540
	<u>9,389,718</u>	<u>69,214</u>	<u>44,846</u>	<u>3,038,979</u>	<u>34,542</u>	<u>138,023</u>	<u>691,797</u>	<b>13,407,119</b>	12,206,743
<b>Operating expenditure</b>									
Wages, salaries and benefits	762,447	270,223	677,332	704,926	55,446	394,919	51,196	<b>2,916,489</b>	2,911,042
Contract services	20,550	1,492,343	590,074	721,478	4,112	247,445	187,510	<b>3,263,512</b>	3,185,485
Supplies, materials, equipment and other	337,883	352,797	541,764	734,593	36,606	762,009	271,065	<b>3,036,717</b>	3,113,306
Amortization	23,023	69,995	1,538,587	361,468	574	455,708	74,085	<b>2,523,440</b>	2,412,580
	<u>1,143,903</u>	<u>2,185,358</u>	<u>3,347,757</u>	<u>2,522,465</u>	<u>96,738</u>	<u>1,860,081</u>	<u>583,856</u>	<b>11,740,158</b>	11,622,413
<b>Net revenue (expense)</b>	<u>8,245,815</u>	<u>(2,116,144)</u>	<u>(3,302,911)</u>	<u>516,514</u>	<u>(62,196)</u>	<u>(1,722,058)</u>	<u>107,941</u>	<b>1,666,961</b>	584,330

## INDEPENDENT AUDITOR'S REPORT

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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, 2014, 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*

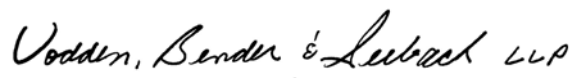
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2014 and the continuity of trust funds for the year then ended in accordance with Canadian public sector accounting standards.



Vodden, Bender & Seebach LLP  
Chartered Professional Accountants  
Licensed Public Accountants

Clinton, Ontario  
June 26, 2015

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

For the Year Ended December 31, 2014

	Total		Cemetery Perpetual Care		Radar Trust Fund		Woon Trust Fund	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Balance beginning of year</b>	<b>261,551</b>	<b>277,837</b>	<b>245,953</b>	<b>236,823</b>	<b>3,363</b>	<b>3,799</b>	<b>12,235</b>	<b>37,215</b>
<b>Receipts</b>								
Perpetual care	5,599	9,130	5,599	9,130				
Interest earned	5,039	9,781	4,816	9,079	50	64	173	638
	<b>10,638</b>	<b>18,911</b>	<b>10,415</b>	<b>18,209</b>	<b>50</b>	<b>64</b>	<b>173</b>	<b>638</b>
<b>Expenditure</b>								
Transfers to cemetery	4,816	9,079	4,816	9,079				
Expenditures	7,203	26,118				500	7,203	25,618
	<b>12,019</b>	<b>35,197</b>	<b>4,816</b>	<b>9,079</b>	<b>-</b>	<b>500</b>	<b>7,203</b>	<b>25,618</b>
<b>Balance end of year</b>	<b>\$ 260,170</b>	<b>261,551</b>	<b>\$ 251,552</b>	<b>245,953</b>	<b>\$ 3,413</b>	<b>3,363</b>	<b>\$ 5,205</b>	<b>12,235</b>

**BALANCE SHEET**

As at December 31, 2014

	Total		Cemetery Perpetual Care		Radar Trust Fund		Woon Trust Fund	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Assets</b>								
Cash	4,061	18,851	3,590	16,503	63	113	408	2,235
Investments, cost	268,000	242,700	252,650	229,450	3,350	3,250	12,000	10,000
<b>Liabilities</b>								
Due to general fund	(11,891)	-	(4,688)				(7,203)	
<b>Trust fund net assets</b>	<b>\$ 260,170</b>	<b>261,551</b>	<b>\$ 251,552</b>	<b>245,953</b>	<b>\$ 3,413</b>	<b>3,363</b>	<b>\$ 5,205</b>	<b>12,235</b>

**MUNICIPALITY OF CENTRAL HURON**  
**TRUST FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**

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**For the Year Ended December 31, 2014**

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**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 \$260,170 (2013 : \$261,551).