

**THE CORPORATION OF THE
MUNICIPALITY OF HURON EAST
FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Corporation of the Municipality of Huron East, 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

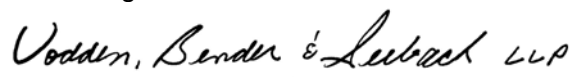
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 Huron East 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 19, 2015

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31	2014	2013
FINANCIAL ASSETS		
Cash	768,837	914,866
Taxes receivable	1,417,816	1,367,106
Accounts receivable	1,336,335	1,563,739
Investments (note 4)	5,178,846	4,233,871
Long-term receivables (note 5)	<u>352,930</u>	<u>449,572</u>
	9,054,764	8,529,154
LIABILITIES		
Accounts payable and accrued liabilities	2,015,510	2,189,229
Deferred revenue	28,203	58,055
Deferred revenue - obligatory reserve funds	833,544	879,329
Municipal debt (note 7)	<u>352,930</u>	<u>449,572</u>
	3,230,187	3,576,185
NET FINANCIAL ASSETS	\$ 5,824,577	\$ 4,952,969
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 10)	67,938,990	66,689,961
Inventory and prepaid expenses	<u>12,113</u>	<u>12,116</u>
ACCUMULATED SURPLUS (note 12)	<u><u>\$ 73,775,680</u></u>	<u><u>\$ 71,655,046</u></u>

The accompanying notes are an integral part of this financial statement

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31	2014 Budget	2014 Actual	2013 Actual
Revenue			
Taxation for municipal purposes	4,537,396	4,444,884	4,099,941
Government transfers - Canada	272,719	323,748	678,778
Government transfers - Ontario	2,967,600	2,997,380	3,538,440
Government transfers - other municipalities	833,179	797,454	473,866
User fees and service charges	4,474,030	5,100,598	4,143,791
Licences, permits, rents, donations, etc.	208,350	207,886	241,552
Investment income	248,400	192,692	198,204
Penalties and interest on taxes	146,000	165,216	145,618
Other	-	-	874,980
	<u>13,687,674</u>	<u>14,229,858</u>	<u>14,395,170</u>
Expenditure			
General government	1,150,452	1,073,050	967,440
Protection to persons and property	2,457,816	2,470,574	2,411,385
Transportation services	3,894,465	3,998,531	3,942,086
Environmental services	2,323,925	2,154,388	2,150,928
Health services	262,358	169,193	239,670
Social and family services	441,064	429,236	448,857
Recreation and cultural services	1,505,935	1,387,167	1,421,563
Planning and development	284,316	427,085	334,908
	<u>12,320,331</u>	<u>12,109,224</u>	<u>11,916,837</u>
Annual surplus (deficit)	1,367,343	2,120,634	2,478,333
Accumulated surplus, beginning of year	<u>71,655,046</u>	<u>71,655,046</u>	<u>69,176,713</u>
Accumulated surplus, end of year	<u><u>\$ 73,022,389</u></u>	<u><u>\$ 73,775,680</u></u>	<u><u>\$ 71,655,046</u></u>

The accompanying notes are an integral part of this financial statement

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31	2014 Budget	2014 Actual	2013 Actual
Annual surplus (deficit)	1,367,343	2,120,634	2,478,333
Amortization of tangible capital assets	1,902,068	1,902,068	1,880,390
Net acquisition of tangible capital assets	(3,392,423)	(3,151,097)	(4,693,734)
Decrease (increase) in inventory and prepaid expense:	-	3	8,224
	(123,012)	871,608	(326,787)
Net financial assets, beginning of year	<u>4,952,969</u>	<u>4,952,969</u>	<u>5,279,756</u>
Net financial assets, end of year	<u><u>\$ 4,829,957</u></u>	<u><u>\$ 5,824,577</u></u>	<u><u>\$ 4,952,969</u></u>

The accompanying notes are an integral part of this financial statement

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
CONSOLIDATED STATEMENT OF CASH FLOW**

For the year ended December 31	2014	2013
Operating activities		
Annual surplus (deficit)	2,120,634	2,478,333
Amortization expense not requiring cash outlay	1,902,068	1,880,390
Decrease (increase) in taxes receivable	(50,710)	84,146
Decrease (increase) in accounts receivable	227,404	(446,075)
Increase (decrease) in accounts payable and accrued liabilities	(173,719)	1,717,330
Increase (decrease) in deferred revenue	(29,852)	(32,192)
Increase (decrease) in deferred revenue - obligatory reserve funds	(45,785)	(126,769)
Decrease (increase) in inventory and prepaid expenses	3	8,224
Cash provided by (used for) operating activities	<u>3,950,043</u>	<u>5,563,387</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	<u>(3,151,097)</u>	<u>(4,693,734)</u>
Cash provided by (used for) capital activities	<u>(3,151,097)</u>	<u>(4,693,734)</u>
Investing activities		
Decrease (increase) in investments	<u>(944,975)</u>	150,764
Decrease (increase) in long-term receivables	<u>96,642</u>	129,770
Cash provided by (used for) investing activities	<u>(848,333)</u>	<u>280,534</u>
Financing activities		
Principal repayments on long-term debt	<u>(96,642)</u>	<u>(129,770)</u>
Cash provided by (used for) financing activities	<u>(96,642)</u>	<u>(129,770)</u>
Increase (decrease) in cash position	(146,029)	1,020,417
Cash (overdraft) beginning of year	<u>914,866</u>	<u>(105,551)</u>
Cash (overdraft) end of year	<u><u>\$ 768,837</u></u>	<u><u>\$ 914,866</u></u>

The accompanying notes are an integral part of this financial statement

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2014

1. Accounting policies

The consolidated financial statements of the Corporation of the Municipality of Huron East 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.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Seaforth Business Improvement Area

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
Sewermains 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.

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.

1. Accounting policies (continued)

- 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.
- 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:

	2014	2013
County of Huron	\$ 4,655,204	\$ 4,595,767
School Boards	2,292,818	2,269,644

3. Trust funds

Trust funds administered by the municipality amounting to \$2,730,868 (2013 : \$2,561,697) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

4. Investments

	2014	2013
Money market fund	340,691	175,987
Bond fund	<u>4,838,155</u>	<u>4,057,884</u>
	<u>\$ 5,178,846</u>	<u>\$ 4,233,871</u>

The investments have a market value of \$5,104,875 (2013 : \$4,139,334) at the end of the year.

5. Long-term receivables

	2014	2013
Due from residents and landowners	224,639	248,404
Tile loans, 6% - 8%, principal and interest receivable annually, due 2015 through 2024	<u>128,291</u>	<u>201,168</u>
	<u>\$ 352,930</u>	<u>\$ 449,572</u>

Amounts due in the next five years are as follows:

2015: \$29,500 2016: \$25,100 2017: \$26,500 2018: \$28,000 2019: \$21,400

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 \$187,241 (2013 : \$185,288) for current services and is included as an expenditure on the consolidated statement of operations.

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. Municipal debt

The balance of the municipal debt reported on the consolidated statement of financial position is made up of the following:

	2014	2013
Sewer debenture payable to Huron East/Seaforth Community Development Trust, 6.5% interest, due April 2014	-	19,000
Health services debenture payable to Huron East/Seaforth Community Development Trust, 5% interest, due December 2038	224,639	229,404
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals	<u>128,291</u>	<u>201,168</u>
	<u>\$ 352,930</u>	<u>\$ 449,572</u>

Principal payments for the next five years are as follows:

2015: \$29,500. 2016: \$25,100. 2017: \$26,500. 2018: \$28,000. 2019: \$21,400.

8. Landfill closure and post-closure cost liability

The municipality will be required under provincial legislation to incur closure and post closure costs when landfill sites reach their capacity. The Seaforth landfill site has now been closed with the expenses of closure reported in 1995 to 2014 as incurred. Further expenditures will be expensed as incurred in 2015, and those amounts have not been accrued since they are not anticipated to be significant. No studies have been conducted on the Walton Landfill sites to determine estimates of closure and post closure costs. It is management's opinion that due to the significant capacity remaining at this site that the present value of any required expenditures would not be significant to these financial statements and therefore no accrual of these future costs has been included in these financial statements.

9. Contingency for long-term liabilities

The municipality is contingently liable for long-term liabilities with respect to tile drainage and shoreline property assistance 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, 2014 the principal amounts outstanding are as follows:

	2014	2013
Tile drainage loans assumed by individuals	\$ 128,291	\$ 201,168

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 Huron East 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	\$ 66,228,547	\$ 64,780,827
Reserves and reserve funds	<u>7,547,133</u>	<u>6,874,219</u>
	<u>\$ 73,775,680</u>	<u>\$ 71,655,046</u>

For additional information, see the Consolidated Schedule of Continuity of Reserves, Reserve Funds, and 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. Budget amounts

Under Canadian public sector accounting standards, budgets 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 Huron East 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	3,392,423
Amortization of tangible capital assets	(1,902,068)
Debt proceeds	(288,568)
Net reserve, reserve fund, and surplus transfers	<u>165,556</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 1,367,343</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2014

	Land	Buildings	Machinery & Equipment	Vehicles	Plants and Facilities	Roads	Underground and other Networks	Bridges and other Structures	Assets Under Construction	TOTAL Net Book Value 2014	TOTAL Net Book Value 2013
Cost											
Balance, beginning of year	1,066,277	8,903,635	3,060,642	3,010,877	9,251,200	49,829,076	11,825,693	8,877,642	2,711,979	98,537,021	94,154,500
Add: Additions during the year	36,266	1,397,450	210,616	13,587	1,231,541	844,328		378,336	1,379,300	5,491,424	5,405,228
Less: Disposals during the year			(67,473)			(49,250)			(2,337,226)	(2,453,949)	(1,022,707)
Balance, end of year	<u>1,102,543</u>	<u>10,301,085</u>	<u>3,203,785</u>	<u>3,024,464</u>	<u>10,482,741</u>	<u>50,624,154</u>	<u>11,825,693</u>	<u>9,255,978</u>	<u>1,754,053</u>	101,574,496	<u>98,537,021</u>
Accumulated Amortization											
Balance, beginning of year		2,976,886	1,501,782	1,268,027	2,953,424	15,267,414	4,712,772	3,166,755		31,847,060	30,277,883
Add: Amortization during the year		185,947	154,809	121,506	182,301	957,977	147,952	151,576		1,902,068	1,880,390
Less: Accumulated amortization on disposals			(64,366)			(49,250)				(113,616)	(311,213)
Balance, end of year	<u>-</u>	<u>3,162,833</u>	<u>1,592,225</u>	<u>1,389,533</u>	<u>3,135,725</u>	<u>16,176,141</u>	<u>4,860,724</u>	<u>3,318,331</u>	<u>-</u>	33,635,512	<u>31,847,060</u>
Net Book Value of Tangible Capital Assets	1,102,543	7,138,252	1,611,560	1,634,931	7,347,016	34,448,013	6,964,969	5,937,647	1,754,053	\$ 67,938,984	\$ 66,689,961

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
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	TOTAL Net Book Value 2014	TOTAL Net Book Value 2013
Cost										
Balance, beginning of year	1,961,501	2,423,993	62,590,537	21,475,644	1,907,258	5,031,579	434,530	2,711,979	98,537,021	94,154,500
Add: Additions during the year	51,075	30,990	1,426,264	1,231,541		1,372,254		1,379,300	5,491,424	5,405,228
Less: Disposals during the year	(19,323)		(97,400)					(2,337,226)	(2,453,949)	(1,022,707)
Balance, end of year	<u>1,993,253</u>	<u>2,454,983</u>	<u>63,919,401</u>	<u>22,707,185</u>	<u>1,907,258</u>	<u>6,403,833</u>	<u>434,530</u>	<u>1,754,053</u>	<u>101,574,496</u>	<u>98,537,021</u>
Accumulated Amortization										
Balance, beginning of year	199,325	963,436	20,403,761	7,691,124	203,810	2,385,604			31,847,060	30,277,883
Add: Amortization during the year	88,819	71,516	1,241,628	335,097	31,214	133,794			1,902,068	1,880,390
Less: Accumulated amortization on disposals	(19,324)		(94,292)						(113,616)	(311,213)
Balance, end of year	<u>268,820</u>	<u>1,034,952</u>	<u>21,551,097</u>	<u>8,026,221</u>	<u>235,024</u>	<u>2,519,398</u>	<u>-</u>	<u>-</u>	<u>33,635,512</u>	<u>31,847,060</u>
Net Book Value of Tangible Capital Assets	<u>1,724,433</u>	<u>1,420,031</u>	<u>42,368,304</u>	<u>14,680,964</u>	<u>1,672,234</u>	<u>3,884,435</u>	<u>434,530</u>	<u>1,754,053</u>	<u>\$ 67,938,984</u>	<u>\$ 66,689,961</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
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		
Reserves and reserve funds						
Reserves						
for general government	890,410		168,844		(249,262)	809,992
for protection services	154,333		200,000		(7,360)	346,973
for transportation services	397,723		440,426		(112,855)	725,294
for environmental services	3,860,991		752,429		(460,000)	4,153,420
for health services	122,547		10,780			133,327
for recreation and cultural services	1,448,215		6,813		(76,901)	1,378,127
	<u>6,874,219</u>	<u>-</u>	<u>1,579,292</u>	<u>-</u>	<u>(906,378)</u>	<u>7,547,133</u>
Deferred revenue						
Parkland	4,515		1,500		(7,000)	(985)
Brussels Landfill (Morris)	21,058	583			(12,000)	9,641
Walton Landfill	197,357	6,215				203,572
Federal Gas Tax Funds	656,399	7,671		275,873	(318,627)	621,316
	<u>879,329</u>	<u>14,469</u>	<u>1,500</u>	<u>275,873</u>	<u>(337,627)</u>	<u>833,544</u>
Total	<u>\$ 7,753,548</u>	<u>14,469</u>	<u>1,580,792</u>	<u>275,873</u>	<u>(1,244,005)</u>	<u>\$ 8,380,677</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST

Segmented Information

For the Year Ended December 31, 2014

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Total 2014	Total 2013
Revenue										
Taxation	4,444,884	-	-	-	-	-	-	-	4,444,884	4,099,941
User charges	55,377	488,390	502,712	2,397,459	444,204	143,849	1,113,142	163,351	5,308,484	4,385,343
Government transfers	2,772,754	238,022	718,246	-	1,750	252,802	116,298	18,710	4,118,582	4,691,084
Interest and penalties	357,908	-	-	-	-	-	-	-	357,908	343,822
Other	-	-	-	-	-	-	-	-	-	874,980
	<u>7,630,923</u>	<u>726,412</u>	<u>1,220,958</u>	<u>2,397,459</u>	<u>445,954</u>	<u>396,651</u>	<u>1,229,440</u>	<u>182,061</u>	14,229,858	<u>14,395,170</u>
Operating expenditure										
Wages, salaries and benefits	629,741	473,061	894,520	177,771	55,565	364,983	614,684	95,048	3,305,373	3,282,481
Contracted services	94,940	1,441,661	242,332	988,966	10,320	-	28,387	22,925	2,829,531	2,809,794
Supplies, materials and equipment	259,550	484,336	1,620,051	652,554	72,094	64,253	610,302	309,112	4,072,252	3,944,172
Amortization	88,819	71,516	1,241,628	335,097	31,214	-	133,794	-	1,902,068	1,880,390
	<u>1,073,050</u>	<u>2,470,574</u>	<u>3,998,531</u>	<u>2,154,388</u>	<u>169,193</u>	<u>429,236</u>	<u>1,387,167</u>	<u>427,085</u>	12,109,224	<u>11,916,837</u>
Net revenue (expense)	<u>6,557,873</u>	<u>(1,744,162)</u>	<u>(2,777,573)</u>	<u>243,071</u>	<u>276,761</u>	<u>(32,585)</u>	<u>(157,727)</u>	<u>(245,024)</u>	2,120,634	<u>2,478,333</u>

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of Huron East, which comprise the balance sheet as at December 31, 2014, and the statement of operations 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

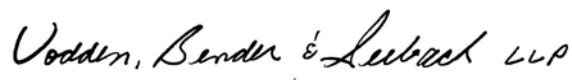
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 balance sheet of the trust funds of the Corporation of the Municipality of Huron East as at December 31, 2014 and the statement of operations 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 19, 2015

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
TRUST FUNDS
BALANCE SHEET**

As at December 31, 2014

	Brussels		Grey			Heritage	Seaforth		Tuckersmith OHRP	McKillop Zion Cemetery	Egmondville Perpetual Care	2014	2013
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial		OHRP	Hydro					
Assets													
Cash	10,201		2,964	8,427		37,695		75,458	11,591	1,023	52,985	200,344	167,400
Loans receivable							14,266		15,353			29,619	28,636
Investments	202,200	634,508	10,400	36,814	25,000			831,034		7,500		1,747,456	1,601,379
Tangible capital assets, net								753,449				753,449	764,282
	<u>\$ 212,401</u>	<u>\$ 634,508</u>	<u>\$ 13,364</u>	<u>\$ 45,241</u>	<u>\$ 25,000</u>	<u>\$ 37,695</u>	<u>\$ 14,266</u>	<u>\$ 1,659,941</u>	<u>\$ 26,944</u>	<u>\$ 8,523</u>	<u>\$ 52,985</u>	<u>\$ 2,730,868</u>	<u>\$ 2,561,697</u>
Liabilities													
Accounts payable								30,817				30,817	30,696
Due to Province of Ontario									11,250			11,250	11,250
	-	-	-	-	-	-	-	30,817	11,250	-	-	42,067	41,946
Trust fund balance	212,401	634,508	13,364	45,241	25,000	37,695	14,266	1,629,124	15,694	8,523	52,985	2,688,801	2,519,751
	<u>\$ 212,401</u>	<u>\$ 634,508</u>	<u>\$ 13,364</u>	<u>\$ 45,241</u>	<u>\$ 25,000</u>	<u>\$ 37,695</u>	<u>\$ 14,266</u>	<u>\$ 1,659,941</u>	<u>\$ 26,944</u>	<u>\$ 8,523</u>	<u>\$ 52,985</u>	<u>\$ 2,730,868</u>	<u>\$ 2,561,697</u>

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2014

	Brussels		Grey			Heritage	Seaforth		Tuckersmith OHRP	McKillop Zion Cemetery	Egmondville Perpetual Care	2014	2013
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial		OHRP	Hydro					
Revenue													
Sale of plots, vaults, opening charges	3,650		1,350	1,550							900	7,450	11,650
Interest earned	5,931	18,703	264	854	588	382	1,086	21,814		266	1,207	51,095	60,052
Donations												-	253
Rent								233,563				233,563	164,999
	9,581	18,703	1,614	2,404	588	382	1,086	255,377	-	266	2,107	292,108	236,954
Expenses													
Expenditures		9,500						60,245				69,745	50,955
Administration fee								9,975				9,975	8,085
Transfers to cemetery operating	5,928		264	854	588					266	1,172	9,072	9,443
Community projects								23,433				23,433	22,272
Amortization								10,833				10,833	10,833
	5,928	9,500	264	854	588	-	-	104,486	-	266	1,172	123,058	101,588
Excess of revenue over expenses	3,653	9,203	1,350	1,550	-	382	1,086	150,891	-	-	935	169,050	135,366
Trust fund balance, beginning of year	208,748	625,305	12,014	43,691	25,000	37,313	13,180	1,478,233	15,694	8,523	52,050	2,519,751	2,384,385
Trust fund balance, end of year	<u>\$ 212,401</u>	<u>\$ 634,508</u>	<u>\$ 13,364</u>	<u>\$ 45,241</u>	<u>\$ 25,000</u>	<u>\$ 37,695</u>	<u>\$ 14,266</u>	<u>\$ 1,629,124</u>	<u>\$ 15,694</u>	<u>\$ 8,523</u>	<u>\$ 52,985</u>	<u>\$ 2,688,801</u>	<u>\$ 2,519,751</u>

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS**

For the Year Ended December 31, 2014

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 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.

c) Investments

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

e) Capital assets

The following capital assets are owned and administered by the Huron East/Seaforth Community Development Trust - "Hydro", but may have benefit beyond the current financial period:

52 Main Street, Seaforth, Ontario (Post office building)

32 Centennial Drive, Seaforth, Ontario (Community Care Access Centre for Huron)

Capital assets are stated at cost less amounts amortized. The cost is amortized over the estimated useful lives of the assets at the following rates:

Buildings 75 years on the straight line basis

2. Seaforth Community Heritage Trust Fund

Seaforth Community Heritage Trust Fund was established by the Province of Ontario in 1985. The purpose of the Trust is to financially assist municipalities in establishing permanent capital funds for the purpose of investing in architectural conservation within the municipality. The Trust follows the Canadian public sector accounting standards issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada for municipalities and their related entities.

3. The Huron East/Seaforth Community Development Trust - "Hydro"

The Huron East/Seaforth Community Development Trust was established by a by-law of the Municipality of Huron East on April 2, 2002. The purpose of the Trust is to manage the proceeds of the sale of the former assets of the Seaforth Public Utilities Commission - Hydro. The Trust follows the Canadian public sector accounting standards issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada for municipalities and their related entities.

4. Investments

Trust fund investments have a market value equal to cost of \$ 1,747,456 (2013 : \$ 1,601,379)

5. Ontario Home Renewal Program

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to \$ 7,500. of which the maximum forgivable portion is \$ 4,000.

Ontario Home Renewal Program loans receivable at December 31, 2014 comprise repayable loans. In the event of the sale or lease of the home, or in the event of the homeowner ceasing to occupy the home, the balances of the loans immediately become due and payable by the homeowner.

The Ontario Home Renewal Program was discontinued in 1994 except for loans existing at that time. Municipalities will be provided an administration fee of five percent of the balances collected after December 31, 1993 and are permitted to retain the interest earned on unremitted Ontario Home Renewal Program trust account balances.

6. Tangible Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2014	Net Book Value 2013
Land	57,001	-	57,001	57,001
Buildings	<u>812,500</u>	<u>116,052</u>	<u>696,448</u>	<u>707,281</u>
	<u>\$ 869,501</u>	<u>\$ 116,052</u>	<u>\$ 753,449</u>	<u>\$ 764,282</u>