

**THE CORPORATION OF THE
MUNICIPALITY OF HURON EAST
FINANCIAL STATEMENTS
DECEMBER 31, 2013**

***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, 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

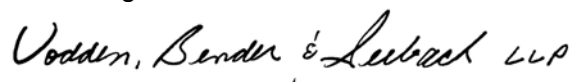
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 Huron East 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
August 8, 2014

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

As at December 31	2013	2012
FINANCIAL ASSETS		
Cash	914,866	-
Taxes receivable	1,367,106	1,451,252
Accounts receivable	1,563,739	1,117,664
Investments	4,233,871	4,384,635
Long-term receivables	449,572	579,342
	8,529,154	7,532,893
LIABILITIES		
Bank overdraft	-	105,551
Accounts payable and accrued liabilities	2,189,229	471,899
Deferred revenue	58,055	90,247
Deferred revenue - obligatory reserve funds	879,329	1,006,098
Municipal debt (note 6)	449,572	579,342
	3,576,185	2,253,137
NET FINANCIAL ASSETS	\$ 4,952,969	\$ 5,279,756
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 9)	66,689,961	63,876,617
Inventory and prepaid expenses	12,116	20,340
ACCUMULATED SURPLUS (note 10)	\$ 71,655,046	\$ 69,176,713

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	2013 Budget	2013 Actual	2012 Actual
Revenue			
Taxation for municipal purposes	4,152,119	4,099,941	4,075,109
Government transfers - Canada	435,017	678,778	288,909
Government transfers - Ontario	3,394,363	3,538,440	3,630,805
Government transfers - other municipalities	496,780	473,866	412,719
User fees and service charges	4,419,102	4,143,791	4,832,690
Licences, permits, rents, donations, etc.	321,050	241,552	150,648
Investment income	163,791	198,204	356,088
Penalties and interest on taxes	189,900	145,618	194,080
Other	-	874,980	843,509
	<u>13,572,122</u>	<u>14,395,170</u>	<u>14,784,557</u>
Expenditure			
General government	1,177,288	967,440	1,021,142
Protection to persons and property	2,353,347	2,411,385	2,174,647
Transportation services	3,837,448	3,942,086	3,489,527
Environmental services	2,120,895	2,150,928	2,290,116
Health services	307,424	239,670	282,695
Social and family services	504,800	448,857	502,430
Recreation and cultural services	1,433,648	1,421,563	1,430,622
Planning and development	398,525	334,908	514,135
	<u>12,133,375</u>	<u>11,916,837</u>	<u>11,705,314</u>
Annual surplus (deficit)	1,438,747	2,478,333	3,079,243
Accumulated surplus, beginning of year	<u>69,176,713</u>	<u>69,176,713</u>	<u>66,097,470</u>
Accumulated surplus, end of year	<u><u>\$ 70,615,460</u></u>	<u><u>\$ 71,655,046</u></u>	<u><u>\$ 69,176,713</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	2013 Budget	2013 Actual	2012 Actual
Annual surplus (deficit)	1,438,747	2,478,333	3,079,243
Amortization of tangible capital assets	1,743,773	1,880,390	1,822,327
Net acquisition of tangible capital assets	(4,274,885)	(4,693,734)	(3,459,159)
Decrease (increase) in inventory and prepaid expenses	-	8,224	(16,023)
	<u>(1,092,365)</u>	<u>(326,787)</u>	<u>1,426,388</u>
Net financial assets, beginning of year	<u>5,279,756</u>	<u>5,279,756</u>	<u>3,853,368</u>
Net financial assets, end of year	<u><u>\$ 4,187,391</u></u>	<u><u>\$ 4,952,969</u></u>	<u><u>\$ 5,279,756</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	2013	2012
Operating activities		
Annual surplus (deficit)	2,478,333	3,079,243
Amortization expense not requiring cash outlay	1,880,390	1,822,327
Decrease (increase) in taxes receivable	84,146	(54,100)
Decrease (increase) in accounts receivable	(446,075)	532,787
Increase (decrease) in accounts payable and accrued liabilities	1,717,330	(560,561)
Increase (decrease) in deferred revenue	(32,192)	78,447
Increase (decrease) in deferred revenue - obligatory reserve funds	(126,769)	(144,546)
Decrease (increase) in inventory and prepaid expenses	8,224	(16,023)
Cash provided by (used for) operating activities	<u>5,563,387</u>	<u>4,737,574</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	<u>(4,693,734)</u>	<u>(3,459,159)</u>
Cash provided by (used for) capital activities	<u>(4,693,734)</u>	<u>(3,459,159)</u>
Investing activities		
Decrease (increase) in investments	150,764	(1,523,202)
Decrease (increase) in long-term receivables	129,770	40,575
Cash provided by (used for) investing activities	<u>280,534</u>	<u>(1,482,627)</u>
Financing activities		
Principal repayments on long-term debt	<u>(129,770)</u>	<u>(40,575)</u>
Cash provided by (used for) financing activities	<u>(129,770)</u>	<u>(40,575)</u>
Increase (decrease) in cash position	1,020,417	(244,787)
Cash (overdraft) beginning of year	<u>(105,551)</u>	<u>139,236</u>
Cash (overdraft) end of year	<u>\$ 914,866</u>	<u>(\$ 105,551)</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, 2013

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.

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.

- 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	\$ 4,595,767	\$ 4,460,089
School Boards	2,269,644	2,274,256

3. Trust funds

Trust funds administered by the municipality amounting to \$2,561,697 (2012 : \$2,451,890) have not been included in the statement of financial position nor have their operations been included in the consolidated statement of financial activities.

4. Investments

	2013	2012
Money market fund	\$ 175,987	\$ 180,046
Bond fund	4,057,884	4,204,589
	<u>\$ 4,233,871</u>	<u>\$ 4,384,635</u>

The investments have a market value of \$4,139,334 (2012 : \$4,384,635) at the end of the year.

5. 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 \$185,288 (2012 : \$171,259) 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.

6. 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
Sewer debenture payable to Huron East/Seaforth Community Development Trust, 6.5% interest, due April 2014	19,000	39,000
Health services debenture payable to Huron East/Seaforth Community Development Trust, 5% interest, due December 2038	229,404	233,940
Health services debenture payable to Brussels PUC Trust, 5% interest, due December 2013	-	100,000
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals	<u>201,168</u>	<u>206,402</u>
	<u>\$ 449,572</u>	<u>\$ 579,342</u>

Principal payments for the next five years are as follows:

2014: \$52,800. 2015: \$35,800. 2016: \$31,500. 2017: \$32,500. 2018: \$32,500.

7. 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 2013 as incurred. Further expenditures will be expensed as incurred in 2014, 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 those sites 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.

8. 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, 2013 the principal amounts outstanding are as follows:

	2013	2012
Tile drainage loans assumed by individuals	\$ 201,168	\$ 206,402

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	\$ 64,780,827	\$ 61,917,801
Reserves and reserve funds	<u>6,874,219</u>	<u>7,258,912</u>
	<u>\$ 71,655,046</u>	<u>\$ 69,176,713</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. Budget amounts

Under Canadian public sector accounting standards, budgets amounts are to be reported on the consolidated statement of financial activities for comparative purposes. The 2013 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 activities. Budget amounts were not available for certain boards consolidated by the municipality.

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

	Land	Buildings	Machinery & Equipment	Vehicles	Plants and Facilities	Roads	Underground and other Networks	Bridges and other Structures	Assets Under Construction	TOTAL Net Book Value 2013	TOTAL Net Book Value 2012
Cost											
Balance, beginning of year	1,066,277	8,107,377	2,682,827	2,713,824	9,251,200	49,220,322	11,699,259	7,807,969	1,605,445	94,154,500	90,838,940
Add: Additions during the year		796,258	388,669	430,653		765,764	139,119	1,081,071	1,803,694	5,405,228	3,477,942
Less: Disposals during the year			(10,854)	(133,600)		(157,010)	(12,685)	(11,398)	(697,160)	(1,022,707)	(162,382)
Balance, end of year	<u>1,066,277</u>	<u>8,903,635</u>	<u>3,060,642</u>	<u>3,010,877</u>	<u>9,251,200</u>	<u>49,829,076</u>	<u>11,825,693</u>	<u>8,877,642</u>	<u>2,711,979</u>	98,537,021	94,154,500
Accumulated Amortization											
Balance, beginning of year		2,798,850	1,384,862	1,257,287	2,772,875	14,447,243	4,579,145	3,037,621		30,277,883	28,599,155
Add: Amortization during the year		178,036	127,274	131,911	180,549	977,182	146,312	139,126		1,880,390	1,822,327
Less: Accumulated amortization on disposals			(10,354)	(121,171)		(157,011)	(12,685)	(9,992)		(311,213)	(143,599)
Balance, end 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
Net Book Value of Tangible Capital Assets	1,066,277	5,926,749	1,558,860	1,742,850	6,297,776	34,561,662	7,112,921	5,710,887	2,711,979	\$ 66,689,961	\$ 63,876,617

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
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	790,719	2,227,640	60,808,109	21,349,210	1,907,268	5,031,579	434,530	1,605,445	94,154,500	90,838,940
Add: Additions during the year	1,170,782	205,653	2,085,980	139,119				1,803,694	5,405,228	3,477,942
Less: Disposals during the year		(9,300)	(303,562)	(12,685)				(697,160)	(1,022,707)	(162,382)
Balance, end of year	<u>1,961,501</u>	<u>2,423,993</u>	<u>62,590,527</u>	<u>21,475,644</u>	<u>1,907,268</u>	<u>5,031,579</u>	<u>434,530</u>	<u>2,711,979</u>	<u>98,537,021</u>	<u>94,154,500</u>
Accumulated Amortization										
Balance, beginning of year	142,801	900,381	19,437,791	7,371,782	170,829	2,254,299			30,277,883	28,599,155
Add: Amortization during the year	56,524	71,355	1,256,198	332,027	32,981	131,305			1,880,390	1,822,327
Less: Accumulated amortization on disposals		(8,300)	(290,228)	(12,685)					(311,213)	(143,599)
Balance, end of year	<u>199,325</u>	<u>963,436</u>	<u>20,403,761</u>	<u>7,691,124</u>	<u>203,810</u>	<u>2,385,604</u>	<u>-</u>	<u>-</u>	<u>31,847,060</u>	<u>30,277,883</u>
Net Book Value										
of Tangible Capital Assets	<u>1,762,176</u>	<u>1,460,557</u>	<u>42,186,766</u>	<u>13,784,520</u>	<u>1,703,458</u>	<u>2,645,975</u>	<u>434,530</u>	<u>2,711,979</u>	<u>\$ 66,689,961</u>	<u>\$ 63,876,617</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, 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	942,376		195,012		(246,978)	890,410
for protection services	161,693		-		(7,360)	154,333
for transportation services	38,251		420,202		(60,730)	397,723
for environmental services	4,131,008		606,294		(876,311)	3,860,991
for health services	122,547		-		-	122,547
for recreation and cultural services	1,863,037		109,629		(524,451)	1,448,215
	7,258,912	-	1,331,137	-	(1,715,830)	6,874,219
Deferred revenue						
Parkland	41,015		3,000		(39,500)	4,515
Brussels Landfill (Morris)	32,102	956			(12,000)	21,058
Walton Landfill	58,001	2,356	137,000			197,357
Federal Gas Tax Funds	874,980	24,121		285,584	(528,286)	656,399
	1,006,098	27,433	140,000	285,584	(579,786)	879,329
Total	\$ 8,265,010	27,433	1,471,137	285,584	(2,295,616)	\$ 7,753,548

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST

Segmented Information

For the Year Ended December 31, 2013

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Total 2013	Total 2012
Revenue										
Taxation	4,099,941	-	-	-	-	-	-	-	4,099,941	4,075,109
User charges	195,124	200,457	116,357	2,527,004	255,391	144,221	750,288	196,501	4,385,343	4,983,338
Government transfers	3,407,569	174,683	341,331	94,303	500	244,020	395,173	33,505	4,691,084	4,332,433
Interest and penalties	343,822	-	-	-	-	-	-	-	343,822	550,168
Other	874,980	-	-	-	-	-	-	-	874,980	843,509
	<u>8,921,436</u>	<u>375,140</u>	<u>457,688</u>	<u>2,621,307</u>	<u>255,891</u>	<u>388,241</u>	<u>1,145,461</u>	<u>230,006</u>	<u>14,395,170</u>	<u>14,784,557</u>
Operating expenditure										
Wages, salaries and benefits	621,528	498,506	869,709	155,986	58,488	378,310	601,869	98,085	3,282,481	3,394,764
Contract services	54,296	1,399,562	215,519	1,069,243	12,188	-	27,632	31,354	2,809,794	2,798,053
Supplies, materials and equipment	235,092	441,962	1,600,660	593,672	136,013	70,547	660,757	205,469	3,944,172	3,690,170
Amortization	56,524	71,355	1,256,198	332,027	32,981	-	131,305	-	1,880,390	1,822,327
	<u>967,440</u>	<u>2,411,385</u>	<u>3,942,086</u>	<u>2,150,928</u>	<u>239,670</u>	<u>448,857</u>	<u>1,421,563</u>	<u>334,908</u>	<u>11,916,837</u>	<u>11,705,314</u>
Net revenue (expense)	<u>7,953,996</u>	<u>(2,036,245)</u>	<u>(3,484,398)</u>	<u>470,379</u>	<u>16,221</u>	<u>(60,616)</u>	<u>(276,102)</u>	<u>(104,902)</u>	<u>2,478,333</u>	<u>3,079,243</u>

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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, 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 Huron East 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

Vodden, Bender & Seebach LLP
Chartered Accountants
Licensed Public Accountants

Clinton, Ontario
August 8, 2014

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

As at December 31, 2013

	Brussels		Grey			Heritage	Seaforth		Tuckersmith OHRP	McKillop Zion Cemetery	Egmondville Perpetual Care	2013	2012
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial		OHRP	Hydro					
Assets													
Cash	6,548		1,614	6,877		37,313		50,487	11,488	1,023	52,050	167,400	152,531
Accounts receivable												-	4,050
Loans receivable							13,180		15,456			28,636	31,197
Investments, cost	202,200	625,305	10,400	36,814	25,000			694,160		7,500		1,601,379	1,488,997
Tangible capital assets, net								764,282				764,282	775,115
	<u>\$ 208,748</u>	<u>\$ 625,305</u>	<u>\$ 12,014</u>	<u>\$ 43,691</u>	<u>\$ 25,000</u>	<u>\$ 37,313</u>	<u>\$ 13,180</u>	<u>\$ 1,508,929</u>	<u>\$ 26,944</u>	<u>\$ 8,523</u>	<u>\$ 52,050</u>	<u>\$ 2,561,697</u>	<u>\$ 2,451,890</u>
Liabilities													
Accounts payable								30,696				30,696	56,255
Due to Province of Ontario									11,250			11,250	11,250
								30,696	11,250			41,946	67,505
Trust fund balance	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
	<u>\$ 208,748</u>	<u>\$ 625,305</u>	<u>\$ 12,014</u>	<u>\$ 43,691</u>	<u>\$ 25,000</u>	<u>\$ 37,313</u>	<u>\$ 13,180</u>	<u>\$ 1,508,929</u>	<u>\$ 26,944</u>	<u>\$ 8,523</u>	<u>\$ 52,050</u>	<u>\$ 2,561,697</u>	<u>\$ 2,451,890</u>

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2013

	Brussels		Grey			Heritage	Seaforth		Tuckersmith OHRP	McKillop Zion Cemetery	Egmondville Perpetual Care	2013	2012
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial		OHRP	Hydro					
Revenue													
Sale of plots, vaults, opening charges	6,400		750	3,400							1,100	\$ 11,650	\$ 10,478
Interest earned	6,266	21,904	263	927	588	332	1,006	27,523		276	967	60,052	61,295
Donations				253								253	13
Rent								164,999				164,999	163,828
	12,666	21,904	1,013	4,580	588	332	1,006	192,522	-	276	2,067	236,954	235,614
Expenses													
Expenditures		3,250						47,705				50,955	100,147
Administration fee								8,085				8,085	8,400
Transfers to cemetery operating	6,266		263	927	588					276	1,123	9,443	10,898
Community projects								22,272				22,272	100,507
Amortization								10,833				10,833	10,833
	6,266	3,250	263	927	588	-	-	88,895	-	276	1,123	101,588	230,785
Excess of revenue over expenses	6,400	18,654	750	3,653	-	332	1,006	103,627	-	-	944	135,366	4,829
Trust fund balance, beginning of year	202,348	606,651	11,264	40,038	25,000	36,981	12,174	1,374,606	15,694	8,523	51,106	2,384,385	2,379,556
Trust fund balance, end of year	<u>\$ 208,748</u>	<u>\$ 625,305</u>	<u>\$ 12,014</u>	<u>\$ 43,691</u>	<u>\$ 25,000</u>	<u>\$ 37,313</u>	<u>\$ 13,180</u>	<u>\$ 1,478,233</u>	<u>\$ 15,694</u>	<u>\$ 8,523</u>	<u>\$ 52,050</u>	<u>\$ 2,519,751</u>	<u>\$ 2,384,385</u>

5. Tangible Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2013	Net Book Value 2012
Land	57,001	-	57,001	57,001
Buildings	<u>812,500</u>	<u>105,219</u>	<u>707,281</u>	<u>718,114</u>
	<u>\$ 869,501</u>	<u>\$ 105,219</u>	<u>\$ 764,282</u>	<u>\$ 775,115</u>

6. 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, 2013 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.