

MUNICIPALITY OF SOUTH HURON
FINANCIAL STATEMENTS
DECEMBER 31, 2014

VODDEN, BENDER & SEEBACH LLP
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Corporation of the Municipality of South Huron, which comprise the 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

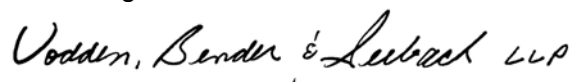
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 South 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
April 27, 2014

MUNICIPALITY OF SOUTH HURON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2014	2013
FINANCIAL ASSETS		
Cash	6,036,493	4,376,583
Taxes receivable	1,309,230	1,134,876
Accounts receivable	2,192,140	1,711,107
Other current assets	60,040	42,291
Investments	5,413,580	5,474,456
Long-term receivables	566,861	688,551
	<u>15,578,344</u>	<u>13,427,864</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,781,959	1,311,532
Deferred revenue	643,448	486,697
Landfill closure and post closure liability (note 6)	7,358,000	7,058,000
Municipal debt (note 6)	22,416,478	23,183,336
	<u>32,199,885</u>	<u>32,039,565</u>
NET FINANCIAL ASSETS	(\$ 16,621,541)	(\$ 18,611,701)
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 8)	93,930,531	92,868,116
ACCUMULATED SURPLUS (note 10)	\$ 77,308,990	\$ 74,256,415

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF SOUTH HURON
CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31	2014 Budget	2014 Actual	2013 Actual
Revenue			
Taxation for municipal purposes	7,489,248	7,548,959	6,648,410
User fees	7,324,664	9,219,620	7,391,445
Government transfers - Canada and Ontario	2,207,439	2,679,328	2,792,669
Government transfers - other municipalities	121,700	134,978	54,736
Investment income	60,000	141,068	70,549
Penalties and interest on taxes	182,000	166,359	182,397
Donations	24,980	411,721	27,834
	<u>17,410,031</u>	<u>20,302,033</u>	<u>17,168,040</u>
Expenditure			
General government	1,402,964	1,337,596	1,421,734
Protection to persons and property	3,431,853	3,315,170	3,002,510
Transportation services	3,516,904	3,677,047	3,261,077
Environmental services	5,020,152	5,905,142	5,238,523
Health services	136,957	112,214	117,934
Recreation and cultural services	1,825,697	1,842,884	1,614,966
Planning and development	165,545	1,059,405	159,640
	<u>15,500,072</u>	<u>17,249,458</u>	<u>14,816,384</u>
Annual surplus (deficit)	1,909,959	3,052,575	2,351,656
Accumulated surplus, beginning of year	<u>74,256,415</u>	<u>74,256,415</u>	<u>71,904,759</u>
Accumulated surplus, end of year	<u><u>\$ 76,166,374</u></u>	<u><u>\$ 77,308,990</u></u>	<u><u>\$ 74,256,415</u></u>

The accompanying notes are an integral part of this financial statement

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

For the year ended December 31	2014 Budget	2014 Actual	2013 Actual
Annual surplus (deficit)	1,909,959	3,052,575	2,351,656
Amortization of tangible capital assets	2,671,070	2,709,906	2,632,234
Net acquisition of tangible capital assets	<u>(8,772,225)</u>	<u>(3,772,321)</u>	<u>(3,992,667)</u>
	(4,191,196)	1,990,160	991,223
Net financial assets, beginning of year		<u>(18,611,701)</u>	<u>(19,602,924)</u>
Net financial assets, end of year		<u>(\$ 16,621,541)</u>	<u>(\$ 18,611,701)</u>

The accompanying notes are an integral part of this financial statement

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

For the year ended December 31	2014	2013
Operating activities		
Annual surplus (deficit)	3,052,575	2,351,656
Amortization expense not requiring cash outlay	2,709,906	2,632,234
Decrease (increase) in taxes receivable	(174,354)	60,498
Decrease (increase) in accounts receivable	(481,033)	66,360
Decrease (increase) in other current assets	(17,749)	38,995
Increase (decrease) in accounts payable and accrued liabilities	470,427	(91,614)
Increase (decrease) in deferred revenue	156,751	59,151
Increase (decrease) in landfill closure & post-closure liability	300,000	139,000
Cash provided by (used for) operating activities	<u>6,016,523</u>	<u>5,256,280</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	<u>(3,772,321)</u>	<u>(3,992,667)</u>
Cash provided by (used for) capital activities	<u>(3,772,321)</u>	<u>(3,992,667)</u>
Investing activities		
Decrease (increase) in long-term receivables	121,690	(81,007)
Decrease (increase) in investments	60,876	(28,282)
Cash provided by (used for) investing activities	<u>182,566</u>	<u>(109,289)</u>
Financing activities		
Proceeds from long-term debt issued	41,900	1,047,915
Principal repayments on long-term debt	<u>(808,758)</u>	<u>(649,035)</u>
Cash provided by (used for) financing activities	<u>(766,858)</u>	<u>398,880</u>
Increase (decrease) in cash position	1,659,910	1,553,204
Cash (overdraft) beginning of year	<u>4,376,583</u>	<u>2,823,379</u>
Cash (overdraft) end of year	<u>\$ 6,036,493</u>	<u>\$ 4,376,583</u>

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF SOUTH HURON
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 South Huron are the representation of management prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

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 proportionately consolidated:

Exeter Business Improvement Association
Kirkton-Woodham Swimming Pool

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	25 - 84 years	10,000
Buildings	15 - 95 years	10,000
Environmental facilities	15 - 60 years	10,000
Equipment	5 - 30 years	5,000
Vehicles and heavy equipment	5 - 30 years	5,000
Transportation infrastructure	0 - 100 years	25,000
Watermains infrastructure	20 - 100 years	25,000
Sewermains infrastructure	50 - 100 years	25,000
Stormsewer infrastructure	75 years	25,000

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 - \$25,000 dependent on the category, so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are computer systems, equipment, furniture and fixtures.

- Contribution of tangible capital assets

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

- Leases

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

- Inventories

Inventories held for consumption are recorded at the lower of 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:

	2014	2013
County of Huron	\$ 5,862,138	\$ 5,868,466
School Boards	3,472,643	3,443,975

3. Trust funds

Trust funds administered by the municipality amounting to \$785,851 (2013 : \$773,376) have not been included in the statement of financial position nor have their operations been included in the consolidated statement of financial activities.

4. Pension agreements

The municipality makes contributions to a multi-employer pension plan on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed for 2014 was \$242,530 (2013 : \$225,958) for current services and is included as an expenditure on the consolidated statement of financial activities.

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

5. Landfill closure and post closure cost liability

Closure and post-closure care requirements are defined in accordance with industry standards and include final covering and landscaping of the landfill site, removal of ground water and leechates, and ongoing environmental monitoring, site inspections and maintenance. These costs will be incurred when the landfill site stops accepting waste, with the post-closure care expected to continue for an additional 25 - 300 years.

At December 31, 2014, the municipality has recognized a liability of \$7,358,000 (2013 : \$7,058,000). This represents the present value of the total estimated costs, and is based on a discount rate of 2%. The liability is recorded based on the capacity of the landfill used to date.

The reported liability is based on estimates and assumptions with respect to events extending over a long-term period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity and liability. Any changes in these estimates would be recognized in the year the change is identified.

The closure and post-closure care costs are expected to be funded in the year incurred.

6. Municipal debt

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

	2014	2013
Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA) loan payable, 2.83% interest, \$26,329 blended payment payable semi-annually, due June 2024 (for Exeter water and sewer purposes)	435,958	475,438
Pacific Western Capital Inc loan payable, 6.52% interest, \$4,854 blended payment payable monthly, due December 2017 (for Exeter water purposes)	162,295	208,318
Lake Huron Water Supply System / City of London loan payable, due on demand (for water purposes)	86,946	77,113
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 4.87% interest, \$197,862 blended payment payable semi-annually, due December 2046 (for Huron Park water and sewer purposes)	6,383,272	6,465,129
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 5.32% interest, \$20,157 blended payment payable semi-annually, due July 2047 (for sewer purposes)	623,791	630,645
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 5.09% interest, \$185,842 blended payment payable semi-annually, due August 2028 (for Crediton/Centralia water purposes)	3,689,391	3,866,497
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 5.02% interest, \$383,668 blended payment payable semi-annually, due December 2034 (for Hensall-Exeter water purposes)	9,614,934	9,889,230
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 4.04% interest, \$32,371 blended payment payable semi-annually, due December 2033 (for recreation purposes)	<u>853,030</u>	<u>882,415</u>
	21,849,617	22,494,785
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	<u>566,861</u>	<u>688,551</u>
	<u>\$ 22,416,478</u>	<u>\$ 23,183,336</u>

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

2015: \$94,900 2016: \$87,900 2017: \$75,200 2018: \$59,500 2019: \$58,300

Principal payments recoverable from property owners in the next

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

2015: \$774,800 2016: \$722,500 2017: \$758,800 2018: \$742,200 2019: \$773,500

7. 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:

	2014	2013
Tile drainage loans assumed by individuals	\$ 566,861	\$ 688,551

8. 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.

9. Segmented information

The Municipality of South 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

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.

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.

10. 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	\$ 68,932,481	\$ 68,679,828
Building department	-	70,372
Streetlighting	240,954	219,918
Sanitary sewer systems	(241,955)	(166,998)
Waterworks systems	3,791,479	2,799,009
Solid waste (garbage and landfill) services	400,034	279,942
Landfill closure and post-closure liability	(7,358,000)	(7,058,000)
Kirkton-Woodham Swimming Pool	(2,895)	(3,999)
Exeter BIA	4,645	(6,574)
Reserves and reserve funds	<u>11,542,247</u>	<u>9,442,917</u>
	<u>\$ 77,308,990</u>	<u>\$ 74,256,415</u>

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

11. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of financial activities for comparative purposes. The 2014 budget amounts for the Corporation of the Municipality of South Huron approved by Council are unaudited and have been restated to conform to the basis of presentation of the revenues and expenditures on the consolidated statement of activities. Budget amounts were not available for certain boards consolidated by the municipality. The budget figures have not been audited.

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

	General				Infrastructure				TOTAL Net Book Value 2014	TOTAL Net Book Value 2013
	Land	Buildings	Vehicles	Other	Plants and Facilities	Roads and Land Improvements	Underground and other Networks	Assets Under Construction		
Cost										
Balance, beginning of year	1,925,532	6,684,839	6,184,345	675,363	13,923,216	50,997,958	57,336,682	1,998,543	139,726,478	135,901,825
Add: Additions during the year		136,155	112,471	45,817	113,398	1,669,813	865,804	896,541	3,839,999	3,993,525
Less: Disposals during the year	(42,650)		(89,126)			(73,869)	(47,811)		(253,456)	(168,872)
Balance, end of year	<u>1,882,882</u>	<u>6,820,994</u>	<u>6,207,690</u>	<u>721,180</u>	<u>14,036,614</u>	<u>52,593,902</u>	<u>58,154,675</u>	<u>2,895,084</u>	<u>143,313,021</u>	<u>139,726,478</u>
Accumulated Amortization										
Balance, beginning of year		2,944,800	3,693,437	301,755	5,038,515	19,812,949	15,066,906		46,858,362	44,394,142
Add: Amortization during the year		170,218	426,129	37,164	317,493	946,391	812,511		2,709,906	2,632,234
Less: Accumulated amortization on disposals			(89,126)			(62,625)	(34,027)		(185,778)	(168,014)
Balance, end of year	<u>-</u>	<u>3,115,018</u>	<u>4,030,440</u>	<u>338,919</u>	<u>5,356,008</u>	<u>20,696,715</u>	<u>15,845,390</u>	<u>-</u>	<u>49,382,490</u>	<u>46,858,362</u>
Net Book Value of										
Tangible Capital Assets	<u>1,882,882</u>	<u>3,705,976</u>	<u>2,177,250</u>	<u>382,261</u>	<u>8,680,606</u>	<u>31,897,187</u>	<u>42,309,285</u>	<u>2,895,084</u>	<u>\$ 93,930,531</u>	<u>\$ 92,868,116</u>

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

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Work in Process	TOTAL Net Book Value 2014	TOTAL Net Book Value 2013
Cost									
Balance, beginning of year	1,248,986	3,254,882	61,543,922	65,945,027	132,241	5,602,877	1,998,543	139,726,478	135,901,825
Add: Additions during the year	256,388	31,575	1,220,834	876,165		558,496	896,541	3,839,999	3,993,525
Less: Disposals during the year	(10,937)		(127,742)	(64,013)		(50,764)		(253,456)	(168,872)
Balance, end of year	<u>1,494,437</u>	<u>3,286,457</u>	<u>62,637,014</u>	<u>66,757,179</u>	<u>132,241</u>	<u>6,110,609</u>	<u>2,895,084</u>	143,313,021	<u>139,726,478</u>
Accumulated Amortization									
Balance, beginning of year	484,550	1,699,182	21,277,829	21,047,845	40,142	2,308,814		46,858,362	44,394,142
Add: Amortization during the year	44,344	152,205	1,192,922	1,192,840	5,355	122,240		2,709,906	2,632,234
Less: Accumulated amortization on disposals	(10,937)		(68,757)	(55,470)		(50,614)		(185,778)	(168,014)
Balance, end of year	<u>517,957</u>	<u>1,851,387</u>	<u>22,401,994</u>	<u>22,185,215</u>	<u>45,497</u>	<u>2,380,440</u>	<u>-</u>	49,382,490	<u>46,858,362</u>
Net Book Value of									
Tangible Capital Assets	<u>976,480</u>	<u>1,435,070</u>	<u>40,235,020</u>	<u>44,571,964</u>	<u>86,744</u>	<u>3,730,169</u>	<u>2,895,084</u>	\$ 93,930,531	<u>\$ 92,868,116</u>

MUNICIPALITY OF SOUTH 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 Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
Reserves and reserve funds						
Reserves						
for general government	1,349,707		52,677		(190,902)	1,211,482
for protection services	883,244		323,184		(154,615)	1,051,813
for transportation services	1,232,768		1,596,310		(1,006,398)	1,822,680
for environmental services	5,127,662		822,589		(32,600)	5,917,651
for health services	52,674		502			53,176
for recreation and cultural services	79,659		10,316		(5,500)	84,475
	<u>8,725,714</u>	<u>-</u>	<u>2,805,578</u>	<u>-</u>	<u>(1,390,015)</u>	<u>10,141,277</u>
Reserve funds						
Webber gravel pit	32,106	388				32,494
Building code	-		865,863			865,863
Exeter community development	424,025		42,926		(264,217)	202,734
Dashwood community development	77,272	933			(607)	77,598
Exeter cemetery expansion	461	4				465
Exeter cemetery columbarium	14,405	176	5,835			20,416
Landfill perpetual care	168,934	2,040	5,426			176,400
South Huron recreation centre	-		25,000			25,000
	<u>717,203</u>	<u>3,541</u>	<u>945,050</u>	<u>-</u>	<u>(264,824)</u>	<u>1,400,970</u>
Total reserves and reserve funds	9,442,917	3,541	3,750,628	-	(1,654,839)	11,542,247
Deferred revenue						
Parkland	50,242	607		7,500		58,349
Federal Gas Tax Funds	610	7	296,143		(296,760)	-
Development charges	435,845	5,265		167,914	(23,925)	585,099
	<u>486,697</u>	<u>5,879</u>	<u>296,143</u>	<u>175,414</u>	<u>(320,685)</u>	<u>643,448</u>
Total	<u>\$ 9,929,614</u>	<u>9,420</u>	<u>4,046,771</u>	<u>175,414</u>	<u>(1,975,524)</u>	<u>\$ 12,185,695</u>

MUNICIPALITY OF SOUTH 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	Total 2014	Total 2013
Revenue									
Taxation	7,548,959							7,548,959	6,648,410
User charges	588,954	1,045,913	201,042	6,337,629	89,102	690,844	266,136	9,219,620	7,391,445
Government transfers	1,803,083	44,404	335,328			109,478	522,013	2,814,306	2,847,405
Interest and penalties	307,427							307,427	252,946
Other	411,721							411,721	27,834
	<u>10,660,144</u>	<u>1,090,317</u>	<u>536,370</u>	<u>6,337,629</u>	<u>89,102</u>	<u>800,322</u>	<u>788,149</u>	<u>20,302,033</u>	<u>17,168,040</u>
Operating expenditure									
Wages, salaries and benefits	985,480	580,249	850,454	796,175	68,084	835,782	77,708	4,193,932	3,996,015
Contract services	30,084	2,066,453	221,750	677,749	1,300	43,393	21,267	3,061,996	2,613,702
Supplies, materials, equipment and interest	277,688	516,263	1,411,921	3,238,378	37,475	841,469	960,430	7,283,624	5,574,433
Amortization	44,344	152,205	1,192,922	1,192,840	5,355	122,240		2,709,906	2,632,234
	<u>1,337,596</u>	<u>3,315,170</u>	<u>3,677,047</u>	<u>5,905,142</u>	<u>112,214</u>	<u>1,842,884</u>	<u>1,059,405</u>	<u>17,249,458</u>	<u>14,816,384</u>
Net revenue (expense)	<u>9,322,548</u>	<u>(2,224,853)</u>	<u>(3,140,677)</u>	<u>432,487</u>	<u>(23,112)</u>	<u>(1,042,562)</u>	<u>(271,256)</u>	<u>3,052,575</u>	<u>2,351,656</u>

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of South 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 South 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
April 27, 2015

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

For the Year Ended December 31, 2014									
	Perpetual Care Fund	Niche Care Fund	Five-Year Flower Fund	Pre-need Fund	Perpetual Flower Fund	Monuments Marker Fund	2014	2013	
Balance beginning of year	301,391	23,438	18,757	88,531	286,964	54,295	773,376	744,983	
Receipts									
Perpetual care	8,905					1,250	10,155	6,608	
Donations and capital contributions		2,060	3,913	5,022			10,995	28,802	
Interest earned	27,329						27,329	29,209	
	<u>36,234</u>	<u>2,060</u>	<u>3,913</u>	<u>5,022</u>	<u>-</u>	<u>1,250</u>	48,479	64,619	
Expenditure									
Transfers to cemetery	27,329		5,102	3,573			36,004	36,226	
	<u>27,329</u>	<u>-</u>	<u>5,102</u>	<u>3,573</u>	<u>-</u>	<u>-</u>	36,004	36,226	
Balance end of year	<u>\$ 310,296</u>	<u>\$ 25,498</u>	<u>\$ 17,568</u>	<u>\$ 89,980</u>	<u>\$ 286,964</u>	<u>\$ 55,545</u>	\$ 785,851	<u>\$ 773,376</u>	

BALANCE SHEET

As at December 31	2014	2013
Assets		
Cash	6,763	8,643
Investments, cost	801,752	800,560
Liabilities		
Due to general fund	(22,664)	(35,827)
Trust fund net asset balances	\$ 785,851	<u>\$ 773,376</u>

MUNICIPALITY OF SOUTH HURON
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 and 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 South 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 generally accepted accounting principles 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 \$ 785,851 (2013 : \$ 773,376).