

**THE CORPORATION OF THE
MUNICIPALITY OF HURON EAST
FINANCIAL STATEMENTS
DECEMBER 31, 2012**

***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 Huron East

We have audited the accompanying financial statements of the Corporation of the Municipality of Huron East, which comprise the balance sheet as at December 31, 2012, and the statements of income, retained earnings 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 generally accepted accounting principles, 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

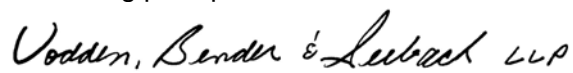
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Clinton, Ontario
June 14, 2013

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

As at December 31	2012	2011
FINANCIAL ASSETS		
Cash	-	139,236
Taxes receivable	1,430,711	1,376,611
Accounts receivable	1,138,004	1,654,768
Other assets	20,541	20,541
Investments	4,384,635	2,861,433
Long-term receivables	579,342	619,917
	<u>7,553,233</u>	<u>6,672,506</u>
LIABILITIES		
Bank overdraft	105,551	-
Accounts payable and accrued liabilities	471,899	1,032,460
Deferred revenue	221,365	287,464
Municipal debt (note 6)	579,342	619,917
	<u>1,378,157</u>	<u>1,939,841</u>
NET FINANCIAL ASSETS	\$ 6,175,076	\$ 4,732,665
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 9)	<u>63,876,617</u>	<u>62,239,785</u>
ACCUMULATED SURPLUS (note 10)	<u>\$ 70,051,693</u>	<u>\$ 66,972,450</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, 2012	2012 Budget	2012 Actual	2011 Actual
Revenue			
Taxation for municipal purposes	3,990,235	4,075,109	3,680,452
Government transfers - Canada	288,200	288,909	288,909
Government transfers - Ontario	3,629,509	3,630,805	4,489,654
Government transfers - other municipalities	455,920	412,719	336,036
User fees and service charges	4,851,881	4,832,690	4,167,388
Licences, permits, rents, donations, etc.	155,200	150,648	108,952
Investment income	372,960	356,088	351,963
Penalties and interest on taxes	186,100	194,080	176,255
Other	-	843,509	-
	<u>13,930,005</u>	<u>14,784,557</u>	<u>13,599,609</u>
Expenditure			
General government	1,021,485	1,021,142	1,136,456
Protection to persons and property	2,272,448	2,174,647	1,998,334
Transportation services	3,781,214	3,489,527	3,637,597
Environmental services	2,321,225	2,290,116	2,285,935
Health services	307,403	282,695	158,546
Social and family services	475,976	502,430	478,507
Recreation and cultural services	1,406,280	1,430,622	1,428,802
Planning and development	479,898	514,135	722,101
	<u>12,065,929</u>	<u>11,705,314</u>	<u>11,846,278</u>
Annual surplus (deficit)	1,864,076	3,079,243	1,753,331
Accumulated surplus, beginning of year	<u>66,972,450</u>	<u>66,972,450</u>	<u>65,219,119</u>
Accumulated surplus, end of year	<u><u>\$ 68,836,526</u></u>	<u><u>\$ 70,051,693</u></u>	<u><u>\$ 66,972,450</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, 2012	2012 Budget	2012 Actual	2011 Actual
Annual surplus (deficit)	1,864,076	3,079,243	1,753,331
Amortization of tangible capital assets	1,743,773	1,822,327	1,783,060
Net acquisition of tangible capital assets	(4,368,800)	(3,459,159)	(2,634,390)
	(760,951)	1,442,411	902,001
Net financial assets, beginning of year	<u>4,732,665</u>	<u>4,732,665</u>	<u>3,830,664</u>
Net financial assets, end of year	<u><u>\$ 3,971,714</u></u>	<u><u>\$ 6,175,076</u></u>	<u><u>\$ 4,732,665</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, 2012	2012	2011
Operating activities		
Annual surplus (deficit)	3,079,243	1,753,331
Amortization expense not requiring cash outlay	1,822,327	1,783,060
Decrease (increase) in taxes receivable	(54,100)	(17,268)
Decrease (increase) in accounts receivable	516,764	(318,618)
Increase (decrease) in accounts payable and accrued liabilities	(560,561)	655,903
Increase (decrease) in deferred revenue	(66,099)	129,507
Cash provided by (used for) operating activities	<u>4,737,574</u>	<u>3,985,915</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	(3,459,159)	(2,634,390)
Cash provided by (used for) capital activities	<u>(3,459,159)</u>	<u>(2,634,390)</u>
Investing activities		
Decrease (increase) in investments	(1,523,202)	(1,174,616)
Decrease (increase) in long-term receivables	40,575	50,048
Cash provided by (used for) investing activities	<u>(1,482,627)</u>	<u>(1,124,568)</u>
Financing activities		
Principal repayments on long-term debt	(40,575)	(50,048)
Cash provided by (used for) financing activities	<u>(40,575)</u>	<u>(50,048)</u>
Increase (decrease) in cash position	(244,787)	176,909
Cash (overdraft) beginning of year	139,236	(37,673)
Cash (overdraft) end of year	<u>(\$ 105,551)</u>	<u>\$ 139,236</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, 2012

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 Canadian Institute of Chartered Accountants.

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) Use of estimates
 The preparation of financial statements in conformity with Canadian 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, 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:

	2012	2011
County of Huron	\$ 4,460,089	\$ 4,372,181
School Boards	2,274,256	2,235,387

3. Trust funds

Trust funds administered by the municipality amounting to \$2,451,890. (2011 : \$2,401,810.) 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

	2012	2011
Money market fund	\$ 180,046	\$ -
Bond fund	<u>4,204,589</u>	<u>2,861,433</u>
	<u>\$ 4,384,635</u>	<u>\$ 2,861,433</u>

The investments have a market value of \$4,384,635. (2011 : \$2,861,433.) at the end of the year.

5. Pension agreements

The municipality makes contributions to a multi-employer pension plan on behalf of 41 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 2012 was \$171,259. (2011 : \$147,233.) for current services and is included as an expenditure on the consolidated statement of financial activities.

6. Municipal debt

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

	2012	2011
Sewer debenture payable to Huron East/Seaforth Community Development Trust, 6.5% interest, due April 2014	39,000	58,000
Health services debenture payable to Huron East/Seaforth Community Development Trust, 5% interest, due December 2038	233,940	238,258
Health services debenture payable to Brussels PUC Trust, 5% interest, due December 2013	100,000	100,000
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals	<u>206,402</u>	<u>223,659</u>
	<u>\$ 579,342</u>	<u>\$ 619,917</u>

Principal payments for the next five years are as follows:

2013: \$154,600. 2014: \$50,400. 2015: \$33,300. 2016: \$28,800. 2017: \$29,700.

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 2012 as incurred. Further expenditures will be expensed as incurred in 2013, 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, 2012 the principal amounts outstanding are as follows:

	2012	2011
Tile drainage loans assumed by individuals	\$ 206,402	\$ 223,659

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:

	2012	2011
General revenue accumulated surplus		
and invested in tangible capital assets	\$ 61,917,801	\$ 60,174,099
Reserves and reserve funds	<u>8,133,892</u>	<u>6,798,351</u>
	<u>\$ 70,051,693</u>	<u>\$ 66,972,450</u>

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

11. Budget amounts

Under generally accepted accounting principles, budgets amounts are to be reported on the consolidated statement of financial activities for comparative purposes. The 2012 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.

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2012

	Land	Buildings	Machinery & Equipment	Vehicles	Plants and Facilities	Roads	Underground and other Networks	Bridges and other Structures	Assets Under Construction	TOTAL Net Book Value 2012	TOTAL Net Book Value 2011
Cost											
Balance, beginning of year	1,030,007	7,897,434	2,654,494	2,722,559	9,251,200	48,336,468	11,481,495	6,859,259	606,024	90,838,940	88,433,718
Add: Additions during the year	36,270	209,943	41,079	61,554		930,103	234,627	956,005	1,008,361	3,477,942	2,667,273
Less: Disposals during the year			(12,746)	(70,289)		(46,249)	(16,863)	(7,295)	(8,940)	(162,382)	(262,051)
Balance, end of year	<u>1,066,277</u>	<u>8,107,377</u>	<u>2,682,827</u>	<u>2,713,824</u>	<u>9,251,200</u>	<u>49,220,322</u>	<u>11,699,259</u>	<u>7,807,969</u>	<u>1,605,445</u>	94,154,500	90,838,940
Accumulated Amortization											
Balance, beginning of year		2,633,684	1,287,669	1,215,377	2,592,326	13,504,676	4,448,362	2,917,061		28,599,155	27,045,250
Add: Amortization during the year		165,166	109,939	110,199	180,549	984,359	145,257	126,858		1,822,327	1,783,060
Less: Accumulated amortization on disposals			(12,746)	(68,289)		(41,792)	(14,474)	(6,298)		(143,599)	(229,155)
Balance, end of year	-	<u>2,798,850</u>	<u>1,384,862</u>	<u>1,257,287</u>	<u>2,772,875</u>	<u>14,447,243</u>	<u>4,579,145</u>	<u>3,037,621</u>	-	30,277,883	28,599,155
Net Book Value of Tangible Capital Assets	<u>1,066,277</u>	<u>5,308,527</u>	<u>1,297,965</u>	<u>1,456,537</u>	<u>6,478,325</u>	<u>34,773,079</u>	<u>7,120,114</u>	<u>4,770,348</u>	<u>1,605,445</u>	\$ 63,876,617	<u>\$ 62,239,785</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2012

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Work in Process	TOTAL Net Book Value 2012	TOTAL Net Book Value 2011
Cost										
Balance, beginning of year	630,316	2,227,640	58,984,279	21,118,436	1,907,268	4,930,447	434,530	606,024	90,838,940	88,433,718
Add: Additions during the year	173,150		1,947,663	247,636		101,132		1,008,361	3,477,942	2,667,273
Less: Disposals during the year	(12,747)		(123,833)	(16,862)				(8,940)	(162,382)	(262,051)
Balance, end of year	<u>790,719</u>	<u>2,227,640</u>	<u>60,808,109</u>	<u>21,349,210</u>	<u>1,907,268</u>	<u>5,031,579</u>	<u>434,530</u>	<u>1,605,445</u>	94,154,500	<u>90,838,940</u>
Accumulated Amortization										
Balance, beginning of year	128,119	834,319	18,319,981	7,056,475	133,934	2,126,327			28,599,155	27,045,250
Add: Amortization during the year	27,428	66,062	1,234,189	329,781	36,895	127,972			1,822,327	1,783,060
Less: Accumulated amortization on disposals	(12,746)		(116,379)	(14,474)					(143,599)	(229,155)
Balance, end of year	<u>142,801</u>	<u>900,381</u>	<u>19,437,791</u>	<u>7,371,782</u>	<u>170,829</u>	<u>2,254,299</u>	-	-	30,277,883	<u>28,599,155</u>
Net Book Value of Tangible Capital Assets	647,918	1,327,259	41,370,318	13,977,428	1,736,439	2,777,280	434,530	1,605,445	\$ 63,876,617	\$ 62,239,785

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, 2012

	Balance, beginning of year	Revenues and contributions			Transfers			Balance, end of year
		From Operations	Other	Total	To Operations	Other	Total	
Reserves and reserve funds								
Reserves								
Working funds	333,749	54,702		54,702	-		-	388,451
Contingencies	474,580	5,933		5,933	100,250		100,250	380,263
	<u>808,329</u>	<u>60,635</u>	<u>-</u>	<u>60,635</u>	<u>100,250</u>	<u>-</u>	<u>100,250</u>	768,714
Reserve funds								
Contingencies	566,824	-		-	425,000		425,000	141,824
Current purposes	8,428	58		58	874		874	7,612
Capital purposes	5,414,770	2,047,562		2,047,562	246,590		246,590	7,215,742
	<u>5,990,022</u>	<u>2,047,620</u>	<u>-</u>	<u>2,047,620</u>	<u>672,464</u>	<u>-</u>	<u>672,464</u>	7,365,178
Total reserves and reserve funds	<u>6,798,351</u>	<u>2,108,255</u>	<u>-</u>	<u>2,108,255</u>	<u>772,714</u>	<u>-</u>	<u>772,714</u>	8,133,892
Deferred revenue funds								
Parkland	68,077	22,938		22,938	50,000		50,000	41,015
Brussels Landfill (Morris)	131,068	2,034		2,034	101,000		101,000	32,102
Walton Landfill	76,519	6,482		6,482	25,000		25,000	58,001
Total deferred revenue funds	<u>275,664</u>	<u>31,454</u>	<u>-</u>	<u>31,454</u>	<u>176,000</u>	<u>-</u>	<u>176,000</u>	131,118
Total	<u>\$ 7,074,015</u>	<u>2,139,709</u>	<u>-</u>	<u>2,139,709</u>	<u>948,714</u>	<u>-</u>	<u>948,714</u>	\$ 8,265,010

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST

Segmented Information

For the Year Ended December 31, 2012

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Total 2012	Total 2011
Revenue										
Taxation	4,075,109	-	-	-	-	-	-	-	4,075,109	3,680,452
User charges	863,139	192,463	172,333	2,349,993	275,635	157,254	791,213	181,308	4,983,338	4,276,340
Government transfers	3,200,217	217,337	340,789	170,225	-	281,598	106,964	15,303	4,332,433	5,114,599
Interest and penalties	550,168	-	-	-	-	-	-	-	550,168	528,218
Other	-	-	843,509	-	-	-	-	-	843,509	-
	<u>8,688,633</u>	<u>409,800</u>	<u>1,356,631</u>	<u>2,520,218</u>	<u>275,635</u>	<u>438,852</u>	<u>898,177</u>	<u>196,611</u>	<u>14,784,557</u>	<u>13,599,609</u>
Operating expenditure										
Wages, salaries and benefits	610,219	415,641	831,316	340,677	60,376	438,126	599,401	99,008	3,394,764	3,352,651
Contract services	46,871	1,232,567	682,108	797,886	8,507	-	-	30,114	2,798,053	2,847,426
Supplies, materials and equipment	336,624	460,377	741,914	821,772	176,917	64,304	703,249	385,013	3,690,170	3,863,141
Amortization	27,428	66,062	1,234,189	329,781	36,895	-	127,972	-	1,822,327	1,783,060
	<u>1,021,142</u>	<u>2,174,647</u>	<u>3,489,527</u>	<u>2,290,116</u>	<u>282,695</u>	<u>502,430</u>	<u>1,430,622</u>	<u>514,135</u>	<u>11,705,314</u>	<u>11,846,278</u>
Net revenue (expense)	<u>7,667,491</u>	<u>(1,764,847)</u>	<u>(2,132,896)</u>	<u>230,102</u>	<u>(7,060)</u>	<u>(63,578)</u>	<u>(532,445)</u>	<u>(317,524)</u>	<u>3,079,243</u>	<u>1,753,331</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, 2012, 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 generally accepted accounting principles, 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, 2012 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Vodden, Bender & Seebach LLP

Vodden, Bender & Seebach LLP
Chartered Accountants
Licensed Public Accountants

Clinton, Ontario
June 14, 2013

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

As at December 31, 2012

	Brussels		Grey			Heritage	Seaforth		Tuckersmith OHRP	McKillop Zion Cemetery	Egmondville Perpetual Care	2012	2011
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial		OHRP	Hydro					
Assets													
Cash	10,298		864	3,224		33,311		41,114	11,591	1,023	51,106	152,531	149,266
Accounts receivable	4,050											4,050	2,600
Loans receivable						3,670	12,174		15,353			31,197	34,529
Investments, cost	188,200	606,651	10,400	36,814	25,000			614,432		7,500		1,488,997	1,429,467
Tangible capital assets, net								775,115				775,115	785,948
	<u>\$ 202,548</u>	<u>\$ 606,651</u>	<u>\$ 11,264</u>	<u>\$ 40,038</u>	<u>\$ 25,000</u>	<u>\$ 36,981</u>	<u>\$ 12,174</u>	<u>\$ 1,430,661</u>	<u>\$ 26,944</u>	<u>\$ 8,523</u>	<u>\$ 51,106</u>	<u>\$ 2,451,890</u>	<u>\$ 2,401,810</u>
Liabilities													
Accounts payable	200							56,055				56,255	11,004
Due to Province of Ontario									11,250			11,250	11,250
	200	-	-	-	-	-	-	56,055	11,250	-	-	67,505	22,254
Trust fund balance	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
	<u>\$ 202,548</u>	<u>\$ 606,651</u>	<u>\$ 11,264</u>	<u>\$ 40,038</u>	<u>\$ 25,000</u>	<u>\$ 36,981</u>	<u>\$ 12,174</u>	<u>\$ 1,430,661</u>	<u>\$ 26,944</u>	<u>\$ 8,523</u>	<u>\$ 51,106</u>	<u>\$ 2,451,890</u>	<u>\$ 2,401,810</u>

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2012

	Brussels		Grey			Heritage	Seaforth		Tuckersmith OHRP	McKillop Zion Cemetery	Egmondville Perpetual Care	2012	2011
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial		OHRP	Hydro					
Revenue													
Sale of plots, vaults, opening charges	5,428			2,240						280	2,530	\$ 10,478	\$ 15,440
Interest earned	7,427	23,084	311	1,658	845	313	931	25,714		267	745	61,295	58,045
Donations				13								13	-
Rent								163,828				163,828	211,478
	12,855	23,084	311	3,911	845	313	931	189,542	-	547	3,275	235,614	284,963
Expenses													
Expenditures		4,500						95,647				100,147	67,229
Administration fee								8,400				8,400	8,400
Transfers to cemetery operating	7,424		311	1,343	845					266	709	10,898	12,971
Community projects								100,507				100,507	153,683
Amortization								10,833				10,833	10,836
	7,424	4,500	311	1,343	845	-	-	215,387	-	266	709	230,785	253,119
Excess of revenue over expenses	5,431	18,584	-	2,568	-	313	931	(25,845)	-	281	2,566	4,829	31,844
Trust fund balance, beginning of year	196,917	588,067	11,264	37,470	25,000	36,668	11,243	1,400,451	15,694	8,242	48,540	2,379,556	2,347,712
Trust fund balance, end of year	<u>\$ 202,348</u>	<u>\$ 606,651</u>	<u>\$ 11,264</u>	<u>\$ 40,038</u>	<u>\$ 25,000</u>	<u>\$ 36,981</u>	<u>\$ 12,174</u>	<u>\$ 1,374,606</u>	<u>\$ 15,694</u>	<u>\$ 8,523</u>	<u>\$ 51,106</u>	<u>\$ 2,384,385</u>	<u>\$ 2,379,556</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS

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December 31, 2012

5. Tangible Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2012	Net Book Value 2011
Land	57,001	-	57,001	57,001
Buildings	<u>812,500</u>	<u>94,386</u>	<u>718,114</u>	<u>728,947</u>
	<u>\$ 869,501</u>	<u>\$ 94,386</u>	<u>\$ 775,115</u>	<u>\$ 785,948</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, 2012 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.