

TOWNSHIP OF HURON-KINLOSS
FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 Township of Huron-Kinloss

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Huron-Kinloss, which comprise the consolidated statement of financial position as at December 31, 2011, 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Township of Huron-Kinloss as at December 31, 2011 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vodden, Bender & Seebach LLP

Chartered Accountants
Licensed Public Accountants
Clinton, Ontario
March 22, 2012

**TOWNSHIP OF HURON-KINLOSS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31		2011	2010
Financial assets			
Cash	note 4	5,248,772	4,427,036
Taxes receivable		830,651	761,744
Accounts receivable		1,057,284	1,531,047
Long-term receivables		430,758	419,782
Long-term investments	note 5	770,285	770,285
		<u>8,337,750</u>	<u>7,909,894</u>
Liabilities			
Accounts payable and accrued liabilities		1,274,689	1,399,396
Deferred revenue	schedule 2	643,707	442,287
Municipal debt	note 6	912,095	948,974
Landfill closure and post closure liability	note 7	791,300	417,000
Post-employment benefits liability	note 8	183,093	167,165
		<u>3,804,884</u>	<u>3,374,822</u>
Net financial assets		4,532,866	4,535,072
Non-financial assets			
Tangible capital assets	schedule 3	52,678,987	51,471,564
Prepaid expenses		27,606	29,274
Inventory for resale		10,344	7,218
Accumulated surplus		\$ 57,249,803	\$ 56,043,128

The accompanying notes are an integral part of this financial statement

TOWNSHIP OF HURON-KINLOSS
CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31	2011 Budget	2011 Actual	2010 Actual
Revenue			
Taxation for municipal purposes	4,733,805	4,848,125	4,353,519
User fees	2,724,339	3,286,564	3,547,371
Government transfers	1,554,576	1,651,941	3,825,885
Other	245,097	292,169	888,847
	<u>9,257,817</u>	<u>10,078,799</u>	<u>12,615,622</u>
Expenditure			
General government	855,869	927,344	929,902
Protection to persons and property	1,495,326	1,631,584	1,624,313
Roadways	1,735,358	2,185,775	2,352,880
Environmental services	1,504,822	2,511,063	2,185,398
Health services	44,522	49,583	50,255
Social and family services	3,183	3,500	3,118
Recreation and culture	840,694	1,324,212	1,270,404
Planning and development	81,180	239,063	407,234
	<u>6,560,954</u>	<u>8,872,124</u>	<u>8,823,504</u>
Annual surplus	2,696,863	1,206,675	3,792,118
Accumulated surplus beginning of year	56,043,128	56,043,128	52,251,010
Accumulated surplus end of year	<u>\$ 58,739,991</u>	<u>\$ 57,249,803</u>	<u>\$ 56,043,128</u>

The accompanying notes are an integral part of this financial statement

TOWNSHIP OF HURON-KINLOSS

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31	2011 Budget	2011 Actual	2010 Actual
Annual surplus	2,696,863	1,206,675	3,792,118
Amortization of tangible capital assets	-	1,735,807	1,681,972
Write-down of tangible capital assets	-	(60,641)	103,838
Acquisition of tangible capital assets	-	(2,882,589)	(5,422,627)
Decrease (increase) in prepaid expenses and inventory for resale	-	(1,458)	4,520
Increase (decrease) in net financial assets	2,696,863	(2,206)	159,821
Net financial assets beginning of year		\$ 4,535,072	4,375,251
Net financial assets end of year		\$ 4,532,866	\$ 4,535,072

The accompanying notes and schedules are an integral part of these financial statements

TOWNSHIP OF HURON-KINLOSS
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31	2011	2010
Operating activities		
Annual surplus	1,206,675	3,792,118
Decrease (increase) in taxes receivable	(68,907)	(76,583)
Decrease (increase) in accounts receivable	462,787	271,343
Decrease (increase) in non-financial assets	(1,457)	4,520
Increase (decrease) in accounts payable	(124,707)	543,466
Increase (decrease) in deferred revenue	201,420	10,053
Increase (decrease) in landfill closure liability	374,300	43,100
Increase (decrease) in post-employment benefits liability	15,928	15,800
	<u>859,364</u>	<u>811,699</u>
Non-cash charges to operations		
Amortization	1,735,807	1,681,972
Write-down of tangible capital assets	(60,641)	103,838
Working capital from operations	<u>1,675,166</u>	<u>1,785,810</u>
	<u>3,741,205</u>	<u>6,389,627</u>
Capital		
Acquisition of tangible capital assets	(2,882,589)	(5,422,627)
Net investment in tangible capital assets	<u>(2,882,589)</u>	<u>(5,422,627)</u>
Financing activities		
Loan proceeds	118,025	91,305
Payments on long-term debt	(154,904)	(174,782)
Cash provided by (used for) financing activities	<u>(36,879)</u>	<u>(83,477)</u>
Increase (decrease) in cash position	821,737	883,523
Cash beginning of year	4,427,036	3,543,513
Cash end of year	<u>\$ 5,248,772</u>	<u>\$ 4,427,036</u>

The accompanying notes are an integral part of this financial statement

TOWNSHIP OF HURON-KINLOSS
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2011

1. Accounting policies

The consolidated financial statements of the Township of Huron-Kinloss 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 revenue and expenditures, reserves and 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 their 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 water systems operated by the municipality and the municipality's proportionate share of joint local boards.

Inter-departmental and inter-organizational transactions and balances are eliminated.

The statements do not include trust funds that are administered for the benefit of external parties.

b) Basis of accounting

i) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. Revenues are recognized as they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

ii) 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.

a) 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:

Land improvements	20 years
Buildings	30 years
Transportation roads infrastructure	
Road base and earthwork	100 years
Road surfaces	8 to 20 years
Bridges and culverts	40 to 80 years
Sidewalks	40 years
Water and sewer underground networks	75 years
Water and sewer plants and facilities	20 to 90 years
Vehicles and equipment	5 to 20 years

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 capitalizes all land acquisitions and has thresholds of \$5,000 for land improvements, buildings, sidewalks, vehicles and equipment and \$25,000 for roads, bridges, street lights and water and sewer systems, 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.

b) 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.

c) 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.

d) Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value.

iii) Pension and employee benefits

The municipality accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. The plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

iv) 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. These amounts will be recognized as revenues in the period in which related expenditure are incurred.

v) Investments

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

vi) Government transfers

Government transfers are recognized in the in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria are met, and reasonable estimates can be made.

vii) 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 reported in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Transactions on behalf of others

Taxation levied for school board and county purposes are not reflected in the financial statements. The amounts levied were \$2,600,251 for school boards (2010: \$2,516,891) and \$3,989,367 for the County of Bruce (2010: \$3,881,284).

Trust funds administered by the municipality amounting to \$88,387 (2010: \$87,612) have not been included in the statement of financial position nor have their operations been included in the consolidated statement of financial activities.

3. 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 the year was \$89,920 (2010: \$82,063) for current services and is included as an expenditure on the consolidated statement of financial activities.

4. Cash

	2011	2010
Unrestricted	4,145,326	3,593,509
Restricted	643,707	442,287
Cash held by others	<u>459,739</u>	<u>391,240</u>
	<u>\$ 5,248,772</u>	<u>\$ 4,427,036</u>

5. Long-term investments

	2011	2010
Note receivable, Westario Power Inc.	370,285	370,285
Common shares, Westario Power Holdings Inc.	<u>400,000</u>	<u>400,000</u>
	<u>\$ 770,285</u>	<u>\$ 770,285</u>

The note from Westario Power Inc. is receivable on demand, but, since it is not the intention to demand payment within the next fiscal year, it is shown as long-term.

The municipality owns 3.18% of the outstanding common shares of Westario Power Holdings Inc., a private company incorporated under the laws of the Province of Ontario. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. The fair value of these shares is not practicable to determine in the absence of published market quotations.

6. Municipal debt

	2011	2010
Debt payable		
Tile drain loan debentures	315,094	244,760
Other debentures	66,675	91,031
Ontario Infrastructure Project Corporation	<u>530,326</u>	<u>613,183</u>
	<u>\$ 912,095</u>	<u>\$ 948,974</u>
Debt attributed to long-term receivables	381,769	335,791
Debt to be financed from general revenue	<u>530,326</u>	<u>613,183</u>
	<u>\$ 912,095</u>	<u>\$ 948,974</u>

Principal payments due on debt in the next five years are as follows:

2012: \$148,200 2013: \$153,515 2014: \$159,850 2015: \$146,278 2016: \$140,612

7. Landfill closure and post closure cost liability

A liability for the costs of solid waste landfill closure and post closure care requirements accrues as the capacity of sites is used. Care requirements include final covering, landscaping, removal of ground water and leachates and ongoing monitoring and maintenance. The estimated liability is the present value of future cash flows related to capacity used to date discounted at the rate of 1-1.5%. The recorded liability is \$791,300 (2010: \$417,000) based on a total estimated undiscounted future outflow of \$1,475,700 (2010: \$1,205,700) leaving a balance to be recognized in the future of \$684,400 (2010: \$788,700).

The Huron site, for which the reported liability is \$175,400, has an estimated remaining capacity of 146,100 cubic metres and a remaining life of 23 years. The Kinloss site, for which the reported liability is \$33,310, has an estimated remaining capacity of 124,020 cubic metres and has a remaining life of 44 years. Post closure care of the sites is expected to continue for 20 years.

The future liability is expected to be funded through budget allocations and reserves.

The municipality's proportionate liability for the Mid-Huron landfill site is \$582,590. The Mid-Huron Landfill Site Board has set aside a reserve funds for perpetual care of which the municipality's proportionate share is \$273,748.

8. Post employment benefits liability

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the municipality's employment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to \$183,093 as at the year end (2010: \$167,165).

9. Contractual obligation

The municipality has contracted with Veolia Water Canada Inc for the operation of certain water and sewage systems. Contract costs for the year were \$178,020. The contract continues with automatic annual renewals until terminated by either party.

The municipality has contracted with Bruce Area Solid Waste Recycling for garbage collection until March 2014 at an annual fee of \$122,567.

10. Contingent liability

The municipality has been notified of liability claims including unspecified amounts. Because settlement amounts, if any, cannot be determined or because claims are expected to be within the municipality's insurance coverage, no provision has been made for the contingency in the financial statements.

11. Tangible capital assets

Schedule 2 provides 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.

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 of \$1 because of the difficulty of determining a tenable valuation.

12. Comparative figures

Certain comparative figures have been reclassified to conform with the current year financial statement presentation.

13. Schedule of accumulated surplus

	2011	2010
Reserves	<u>5,084,106</u>	<u>4,851,462</u>
Surpluses		
Invested in tangible capital assets	52,678,987	51,471,564
General revenue fund	461,103	304,267
Unfunded		
Solid waste landfill closure and post-closure liabilities	(791,300)	(417,000)
Post-employment benefits liability	<u>(183,093)</u>	<u>(167,165)</u>
	<u>52,165,697</u>	<u>51,191,666</u>
Accumulated surplus	<u>\$ 57,249,803</u>	<u>\$ 56,043,128</u>

TOWNSHIP OF HURON-KINLOSS

CONSOLIDATED SCHEDULE OF CONTINUITY OF RESERVES AND RESERVE FUNDS

For the Year Ended December 31, 2011

Schedule 1

	Balance, beginning of year	Revenues and contributions			Total	To Operations	Transfers To Capital Acquisitions	Total	Balance, end of year
		Interest	From Operations	Other					
Reserves									
for general government	489,380	-	62,804	-	62,804	-	-	552,184	
for protection services	1,010	-	30,000	-	30,000	-	-	31,010	
for transportation services	207,775	-	59,920	-	59,920	-	-	267,695	
for water and sewer	1,653,458	-	114,997	6,844	121,841	-	-	1,775,299	
for landfill sites and recycling	186,864	-	79,681	-	79,681	-	-	266,545	
for health services	1,046	-	-	-	-	-	-	1,046	
for social and family services	3,183	-	1,165	-	1,165	-	-	4,348	
for recreation and cultural services	60,883	-	-	-	-	26,979	26,979	33,904	
for planning and development	16,796	278	-	-	278	-	-	17,074	
for capital projects	26,525	224,402	-	-	224,402	-	-	250,927	
	2,646,920	-	573,247	6,844	580,091	26,979	-	3,200,032	
Reserve funds									
for environmental services	1,950,505	23,690	-	-	23,690	363,869	363,869	1,610,326	
MidHuron landfill	254,037	-	19,711	-	19,711	-	-	273,748	
	2,204,542	23,690	19,711	-	43,401	363,869	363,869	1,884,074	
	4,851,462	23,690	592,958	6,844	623,492	390,848	-	5,084,106	

CONSOLIDATED SCHEDULE OF DEFERRED REVENUE

For the Year Ended December 31, 2011

Schedule 2

	Balance, beginning of year	Revenues and contributions			Total	To Operations	Transfers To Capital Acquisitions	Total	Balance, end of year
		Interest	From Operations	Other					
Federal Gas Tax Funds									
	313,173	4,058	-	199,847	203,905	-	-	517,078	
Parklands and Development									
	129,114	3,603	-	38,731	42,334	44,819	44,819	126,629	
	442,287	7,661	-	238,578	246,239	44,819	-	643,707	

Township of Huron-Kinloss
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2011

Schedule 3A

	General						Infrastructure			Total	Total
	Land and land improvements	Buildings	Machinery & Equipment	Vehicles	Roads, Sidewalks Street lights	Bridges and Culverts	Storm Sewers	Plants and Facilities	Water and sewer Underground Networks	Net Book Value 2011	Net Book Value 2010
Cost											
Balance, beginning of year	1,107,288	5,166,191	1,613,932	3,677,955	18,566,994	5,421,034	6,022,745	6,811,896	29,903,786	78,291,821	73,246,080
Reallocations											
Additions during the year	270,888	55,923	39,098	794,162	1,037,777	61,874	183,773	-	439,094	2,882,589	4,705,411
Disposals during the year	-	-	-	(97,280)	-	-	-	-	(121,918)	(219,198)	(376,886)
Contributions and transfers											
Balance, end of year	<u>1,378,176</u>	<u>5,222,114</u>	<u>1,653,030</u>	<u>4,374,837</u>	<u>19,604,771</u>	<u>5,482,908</u>	<u>6,206,518</u>	<u>6,811,896</u>	<u>30,220,962</u>	<u>80,955,212</u>	<u>78,291,821</u>
Accumulated amortization											
Balance, beginning of year	174,875	1,699,131	748,837	1,716,190	8,642,707	2,841,273	907,269	3,236,858	6,853,117	26,820,257	25,411,333
Amortization during the year	26,105	146,422	106,612	221,704	557,660	58,566	67,519	155,372	395,857	1,735,807	1,681,972
Reallocations and accumulated amortization on disposals	-	-	-	(94,817)	-	-	-	-	(185,022)	(279,839)	(273,048)
Balance, end of year	<u>200,980</u>	<u>1,845,553</u>	<u>855,449</u>	<u>1,843,077</u>	<u>9,200,367</u>	<u>2,899,829</u>	<u>974,788</u>	<u>3,392,230</u>	<u>7,063,952</u>	<u>28,276,225</u>	<u>26,820,257</u>
Net Book Value	<u>1,177,196</u>	<u>3,376,561</u>	<u>797,581</u>	<u>2,531,760</u>	<u>10,404,404</u>	<u>2,583,079</u>	<u>5,231,730</u>	<u>3,419,666</u>	<u>23,157,010</u>	<u>\$ 52,678,987</u>	<u>\$ 51,471,564</u>

Township of Huron-Kinloss
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2011

Schedule 3B

Cost	General Government	Protection	Roads	Storm Sewers	Water and sewer	Waste collection, disposal	Health	Recreation and Cultural	Planning and Development	Net Book Value 2011	Total 2011	Total Net Book Value 2010
Balance, beginning of year	449,021	2,370,669	26,885,626	6,022,745	36,901,059	859,092	121,055	4,549,478	133,076	78,291,821	78,291,821	73,246,080
Reallocations	-	41,870	1,769,885	183,773	737,959	32,248	-	116,853	-	2,882,588	2,882,588	4,705,411
Disposals during the year	-	(35,428)	-	-	(121,918)	(61,852)	-	-	-	(219,198)	(219,198)	(376,886)
Contributions and transfers	-	-	-	-	-	-	-	-	-	-	-	717,216
Balance, end of year	<u>449,021</u>	<u>2,377,111</u>	<u>28,655,511</u>	<u>6,206,518</u>	<u>37,517,100</u>	<u>829,488</u>	<u>121,055</u>	<u>4,666,331</u>	<u>133,076</u>	<u>80,955,211</u>	<u>80,955,211</u>	<u>78,291,821</u>
Accumulated Amortization												
Balance, beginning of year	198,832	566,045	12,910,051	907,269	10,136,973	352,297	34,768	1,705,881	8,040	26,820,256	26,820,256	25,411,333
Amortization during the year	19,633	113,164	742,695	67,519	581,565	47,048	3,630	158,998	1,555	1,735,807	1,735,807	1,681,972
Reallocations and accumulated amortization on disposals	-	(35,428)	-	-	(185,022)	(59,389)	-	-	-	(279,839)	(279,839)	(273,048)
Balance, end of year	<u>218,565</u>	<u>643,781</u>	<u>13,652,746</u>	<u>974,788</u>	<u>10,533,516</u>	<u>339,956</u>	<u>38,398</u>	<u>1,864,879</u>	<u>9,595</u>	<u>28,276,224</u>	<u>28,276,224</u>	<u>26,820,257</u>
Net Book Value	<u>230,456</u>	<u>1,733,330</u>	<u>15,002,765</u>	<u>5,231,730</u>	<u>26,983,584</u>	<u>489,532</u>	<u>82,657</u>	<u>2,801,452</u>	<u>123,481</u>	<u>\$ 52,678,987</u>	<u>\$ 52,678,987</u>	<u>\$ 51,471,564</u>

Township of Huron-Kinloss
Segmented Information
For the Year Ended December 31, 2011

	General Government	Police Protection	Fire Protection	Inspections and controls	Other Protection	Roads and Street lights	Water and sewer	Waste Disposal	Health and social	Recreation and Culture	Zoning and Development	Total 2011	Total 2010
Revenue													
Taxation	4,848,125											4,848,125	4,353,519
User fees	75,611		14,714	82,470	174,135	151,491	1,394,157	588,805	25,509	667,691	121,981	3,286,564	3,547,371
Government transfers	1,024,212				471	255,408	267,269	49,292		22,781	32,508	1,651,941	3,825,885
Other	292,169											292,169	888,847
	<u>6,240,117</u>	<u>-</u>	<u>14,714</u>	<u>82,470</u>	<u>174,606</u>	<u>406,899</u>	<u>1,661,426</u>	<u>638,097</u>	<u>25,509</u>	<u>680,472</u>	<u>154,489</u>	<u>10,078,799</u>	<u>12,615,622</u>
Operating expenditure													
Wages, salaries and benefits	635,769		105,887	66,717	18,795	625,167	37,731	222,555	23,004	381,535	63,690	2,180,850	2,084,902
Contract services	133,285	753,766	23,347	28,246	395,964	397,391	505,284	168,829	7,005	105,288	126,712	2,645,117	2,712,468
Materials	138,657	3,632	54,284	57,550	10,232	353,003	354,999	593,052	19,444	678,391	47,106	2,310,350	2,344,162
Amortization	19,633		102,697	458	10,009	810,214	581,565	47,048	3,630	158,998	1,555	1,735,807	1,681,972
	<u>927,344</u>	<u>757,398</u>	<u>286,215</u>	<u>152,971</u>	<u>435,000</u>	<u>2,185,775</u>	<u>1,479,579</u>	<u>1,031,484</u>	<u>53,083</u>	<u>1,324,212</u>	<u>239,063</u>	<u>8,872,124</u>	<u>8,823,504</u>
Net revenue (expense)	<u>5,312,773</u>	<u>(757,398)</u>	<u>(271,501)</u>	<u>(70,501)</u>	<u>(260,394)</u>	<u>(1,778,876)</u>	<u>181,847</u>	<u>(393,387)</u>	<u>(27,574)</u>	<u>(643,740)</u>	<u>(84,574)</u>	<u>1,206,675</u>	<u>3,792,118</u>

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Township of Huron-Kinloss

We have audited the accompanying financial statements of the Township of Huron-Kinloss Trust Funds, which comprise the balance sheet as at December 31, 2011 and the statement of continuity 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 consolidated 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 Township of Huron-Kinloss Trust Funds as at December 31, 2011 and the continuity of its funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Vodden, Bender & Seebach LLP

Chartered Accountants
Licensed Public Accountants
Clinton, Ontario
March 22, 2012

**TOWNSHIP OF HURON-KINLOSS
TRUST FUNDS**

STATEMENT OF CONTINUITY

For the Year Ended December 31	Total		Cemetery Perpetual Care		MacKenzie Scholarship Trust Fund	
	2011	2010	2011	2010	2011	2010
Balance beginning of year	87,612	80,037	85,612	78,037	2,000	2,000
Receipts						
Perpetual care	775	7,575	775	7,575		
Interest earned	4,587	4,091	4,487	3,991	100	100
	5,362	11,666	5,262	11,566	100	100
Expenditure						
Transfers to cemetery	4,487	3,991	4,487	3,991		
Scholarship	100	100			100	100
	4,587	4,091	4,487	3,991	100	100
Balance end of year	\$ 88,387	87,612	\$ 86,387	85,612	\$ 2,000	2,000

BALANCE SHEET

As at December 31	Total		Cemetery Perpetual Care		MacKenzie Scholarship Trust Fund	
	2011	2010	2011	2010	2011	2010
Assets						
Cash	26,664	2,385	26,664	2,385		
Investments, cost	65,468	88,856	64,210	87,218	1,258	1,638
Due from municipality	742	362	-	-	742	362
Liabilities						
Due to cemetery	(4,487)	(3,991)	(4,487)	(3,991)		
Net assets	88,387	87,612	86,387	85,612	2,000	2,000
Trust fund balances	\$ 88,387	87,612	\$ 86,387	85,612	\$ 2,000	2,000

**TOWNSHIP OF HURON-KINLOSS
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS**

For the Year Ended December 31, 2011

Accounting Policies

The financial statements of the Township of Huron-Kinloss Trust Funds are the representation of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ministry of Municipal Affairs and Housing.

Basis of Accounting

Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. Revenues are recognized as they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Investments

Trust fund investments are stated at cost and have a market value approximately equal to cost.

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 reported in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.