

**TOWNSHIP OF HURON-KINLOSS
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

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, 2015, 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 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 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 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 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, 2015 and its financial performance and cash flows 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
September 19, 2016

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

As at December 31		2015	2014
Financial assets			
Cash and cash equivalents	Note 2	6,956,541	6,335,298
Taxes receivable		896,610	847,383
Accounts receivable		1,080,667	1,312,355
Long-term receivables	Note 3	436,715	333,498
Long-term investments	Note 4	770,285	770,285
		10,140,818	9,598,819
Liabilities			
Accounts payable and accrued liabilities		933,874	1,116,760
Deferred revenue	Schedule 2	928,794	723,942
Municipal debt	Note 6	483,218	584,864
Landfill closure and post closure liability	Note 7	735,909	706,160
Post-employment benefits liability	Note 8	219,610	208,993
		3,301,405	3,340,719
Net financial assets		6,839,413	6,258,100
Non-financial assets			
Tangible capital assets	Note 9	54,613,152	53,981,825
Prepaid expenses		43,795	40,498
Inventory for resale		6,352	10,341
Accumulated surplus	Note 10	\$ 61,502,712	\$ 60,290,764

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF HURON-KINLOSS
CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31	2015 Budget	2015 Actual	2014 Actual
Revenue			
Taxation for municipal purposes	6,514,721	6,511,868	5,946,860
User fees	3,465,865	5,521,360	5,075,883
Government transfers	Note 11 1,126,272	976,015	1,406,685
Other	Note 12 215,312	763,048	521,565
	11,322,170	13,772,291	12,950,993
Expenditure			
General government	1,158,616	1,242,613	1,191,897
Protection services	1,908,054	2,059,599	1,750,258
Roadways	2,123,952	3,244,867	3,002,575
Environmental services	1,920,741	2,663,496	2,595,989
Health services	50,775	47,023	49,533
Social and family services	4,355	-	-
Recreation and culture	1,132,360	2,980,684	2,336,663
Planning and development	314,570	322,061	833,636
	8,613,423	12,560,343	11,760,551
Annual surplus	2,708,747	1,211,948	1,190,442
Accumulated surplus beginning of year	\$ 60,290,764	\$ 60,290,764	59,100,322
Accumulated surplus end of year	\$ 62,999,511	\$ 61,502,712	\$ 60,290,764

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF HURON-KINLOSS
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31	2015 Actual	2014 Actual
Annual surplus	1,211,948	1,190,442
Amortization of tangible capital assets	2,166,588	1,995,874
Write-down of tangible capital assets	135,214	255,536
Acquisition of tangible capital assets	(2,933,129)	(3,524,161)
Decrease (increase) in prepaid expenses and inventory for resale	692	(14,151)
Increase (decrease) in net financial assets	581,313	(96,460)
Net financial assets beginning of year	\$ 6,258,100	6,354,560
Net financial assets end of year	\$ 6,839,413	\$ 6,258,100

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF HURON-KINLOSS
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31	2015	2014
Operating activities		
Annual surplus	1,211,948	1,190,442
Decrease (increase) in taxes receivable	(49,227)	99,377
Decrease (increase) in accounts receivable	128,471	91,002
Decrease (increase) in non-financial assets	692	(14,151)
Increase (decrease) in accounts payable	(182,886)	124,777
Increase (decrease) in deferred revenue	204,852	(5,697)
Increase (decrease) in landfill closure liability	29,749	(16,815)
Increase (decrease) in post-employment benefits liability	10,617	(4,574)
	<u>142,268</u>	<u>273,919</u>
Non-cash charges to operations		
Amortization	2,166,588	1,995,874
Write-down of tangible capital assets	135,214	255,536
Working capital from operations	<u>2,301,802</u>	<u>2,251,410</u>
	<u>3,656,018</u>	<u>3,715,771</u>
Capital		
Acquisition of tangible capital assets	(2,933,129)	(3,524,161)
Net investment in tangible capital assets	<u>(2,933,129)</u>	<u>(3,524,161)</u>
Financing activities		
Loan proceeds	38,470	62,600
Payments on long-term debt	(140,116)	(175,108)
Cash provided by (used for) financing activities	<u>(101,646)</u>	<u>(112,508)</u>
Increase (decrease) in cash position	621,243	79,102
Cash beginning of year	6,335,298	6,256,196
Cash end of year	\$ 6,956,541	\$ 6,335,298

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF HURON-KINLOSS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

1. Accounting policies

Management responsibility

The consolidated financial statements of the Corporation of the Township of Huron-Kinloss are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Significant accounting policies adopted by the township 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, committees and boards which are owned and controlled by the township. In addition to general government tax-supported operations, they include any water systems operated by the township and the township's proportionate share of joint local boards.

These consolidated financial statements include the proportional share of the financial position and operating activities of the following joint local boards:

- Bruce Area Solid Waste Recycling - 12.46%
- Mid-Huron Landfill Site Board - 4.9%
- Saugeen Mobility and Regional Transit - 3.9%
- Lucknow and District Fire Department Joint Board of Management - 50%
- Lucknow Community Health Centre Board - 50%
- Lucknow and District Joint Recreation Board - 50%

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. The financial activity and position of the trust funds are reported separately.

b) 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.

c) Cash and cash equivalents

Cash and cash equivalents are represented by cash on hand, cash on deposit in chartered banks and short term investments.

d) Long-term investments

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

e) 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	20 years	5,000
Buildings	30 years	5,000
Vehicles and equipment	5 - 20 years	5,000
Transportation roads infrastructure		
Road base and earthwork	100 years	25,000
Road surfaces	8 - 20 years	25,000
Bridges and culverts	40 - 80 years	25,000
Sidewalks	40 years	5,000
Water and sewer underground networks	75 years	25,000
Water and sewer plants and facilities	20 - 90 years	25,000

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The township has a capitalization 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 average cost and net realizable value.

f) Pension and employee benefits

The township is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The township has adopted defined contribution plan accounting principals for this plan because insufficient information is available to apply defined benefit plan accounting principles. The township 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.

g) Deferred revenue

Amounts received and required by legislation, regulation or agreement to be set aside for specific, restricted purposes are reported in the consolidated statement of financial position as deferred revenue until the obligation is discharged. These amounts will be recognized as revenues in the period in which related expenditure are incurred.

h) 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 dates of the financial statements, the reported amounts of revenue and expenditures during the period and the accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

i) Reserves for future expenditures

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital expenditures. Transfers to or from reserves are reflected as adjustments to the respective appropriated equity.

j) Landfill site closure and post-closure liability

The estimated costs to close and maintain landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

k) Amounts to be recovered in future years

Future years recoveries represent the requirement of the township 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.

l) Revenue recognition

- Tax levies

Taxation is based on assessment rolls issued by the Municipal Property Assessment Corporation and tax rates established by council, are recognized as revenue when the tax billings are issued.

- Government transfers

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

- User fees and service charges

Revenues are recognized when the services are performed or goods are delivered and there is a reasonable assurance of collection

- Investment income

Revenue earned on operating surplus funds and reserves and reserve funds are recorded as revenue in the period earned.

m) Financial instruments

Financial instruments consist of cash and cash equivalents, investments, taxes receivable, accounts receivable, long-term receivables, accounts payable and accrued liabilities and municipal debt. The township classifies all of its financial instruments as measured at amortized cost. Financial assets measured at cost are recognized initially at fair value plus any directly attributable transaction costs. The carrying amount is subsequently written down to net realizable value when an impairment loss is known and there is no reasonable prospect of recovery.

n) County of Bruce and school board transactions

The township collects taxation revenue on behalf of the County of Bruce and the school boards. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements.

o) Adoption of new accounting standards

Effective for fiscal periods beginning on or after April 1, 2014, all governments were required to adopt PSAB Section 3260, Liability for Contaminated Sites. This standard provides guidance on how to account for and report a liability associated with the remediation of contaminated sites, defines which activities would be included in the liability for remediation, established when to recognized and how to measure a liability for remediation and provides guidance on financial statement presentation and disclosure. The township has evaluated the impact of the adoption of this new accounting standard and has determined that a provision in the financial statements is not necessary.

2. Cash

	2015	2014
Unrestricted	5,516,612	5,101,843
Restricted	928,794	723,941
Cash held by others	<u>511,135</u>	<u>509,516</u>
	\$ 6,956,541	\$ 6,335,298

3. Long-term receivables

The balance of the long-term receivables reported on the consolidated statement of financial position consists of the following:

	2015	2014
Property owners for capital costs, 4-5% interest, due 2016 through 2025	199,791	35,962
Tile drain loans receivable 6% - 8%, principal and interest payments, due 2016 through 2024	<u>236,924</u>	<u>297,536</u>
	\$ 436,715	\$ 333,498

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

2016	55,800
2017	52,600
2018	54,200
2019	52,700
2020	48,500
Thereafter	<u>172,915</u>
	\$ 436,715

4. Long-term investments

	2015	2014
Note receivable, Westario Power Inc.	370,285	370,285
Common shares, Westario Power Holdings Inc.	<u>400,000</u>	<u>400,000</u>
	\$ 770,285	\$ 770,285

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 township 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.

5. Temporary borrowings

The township has an authorized line of credit at Royal Bank. The outstanding amount as of December 31, 2015 was \$ Nil (2014- \$ Nil). The facility is secured by general borrowing by-laws.

6. Municipal debt

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

	2014	2014
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 4.64% interest, \$55,179 semi-annual blended payments, due March 2017	158,142	257,685
Trust fund loans, 4-5% interest, maturing in 2015 through 2025	88,152	29,643
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>236,924</u>	<u>297,536</u>
	<u>\$ 483,218</u>	<u>\$ 584,864</u>

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

2016	150,000
2017	96,100
2018	43,400
2019	41,400
2020	36,800
Thereafter	<u>115,518</u>
	<u>\$ 483,218</u>

7. Landfill closure and post closure 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 the total estimated costs and is based on a discount rate of 1-1.5%. The recorded liability is \$735,909 (2014: \$706,160). The liability is recorded based on the capacity of the landfill used to date.

The Huron site, for which the reported liability is \$178,590, has an estimated remaining capacity of 121,219 cubic metres and a remaining life of 21 years. The Kinloss site, for which the reported liability is \$13,760, has an estimated remaining capacity of 137,000 cubic metres and has a remaining life of 47 years. Post closure care of the sites is expected to continue for 20 years.

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

The township's proportionate liability for the Mid-Huron landfill site is \$543,559. The Mid-Huron Landfill Site Board has set aside a reserve funds for perpetual care of which the townships proportionate share is \$282,749.

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 township'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 \$219,610 as at the year end (2014: \$208,993).

9. Tangible capital assets

Schedule 3 provides information on the tangible capital assets of the township by major class and by business segment, as well as for accumulated amortization of the assets controlled.

i) Contributed tangible capital assets

The township 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.

10. Schedule of accumulated surplus

The accumulated surplus consists of individual fund surplus/(deficit) amounts and reserve and reserve funds as follows:

	2015	2014
Invested in tangible capital assets		
Net tangible capital assets	54,613,152	53,981,825
Capital assets financed by long-term debt	<u>(158,142)</u>	<u>(257,385)</u>
	54,455,010	53,724,140
Unfunded		
Solid waste landfill closure and post closure liability	(735,909)	(706,160)
Post-employment benefits liability	(219,610)	(208,993)
Other surplus	<u>403,625</u>	<u>402,957</u>
	53,903,116	53,211,944
Reserves	<u>7,599,596</u>	<u>7,078,820</u>
Accumulated surplus	<u>\$ 61,502,712</u>	<u>\$ 60,290,764</u>

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

11. Government transfers

	2015	2014
Operating		
Province of Ontario		
Ontario Municipal Partnership Fund	686,900	830,900
Conditional - Other	<u>35,598</u>	<u>32,179</u>
	722,498	863,079
Government of Canada		
Conditional - Other	-	-
Other Municipalities		
Conditional - Other	72,356	88,987
Capital		
Province of Ontario		
Conditional - Water, sewer and other	117,925	253,353
Government of Canada		
Conditional - Water, sewer and other	63,236	201,266
Other Municipalities		
Conditional - Water, sewer and other	<u>-</u>	<u>-</u>
Total government transfers	<u>\$ 976,015</u>	<u>\$ 1,406,685</u>

12. Other revenue

	2015	2014
Penalties and interest on taxation	190,348	127,368
Investment income	100,056	114,501
Ontario Power Generation	-	84,533
Nuclear Waste Management	465,000	49,160
Gain on disposal of capital assets	<u>7,644</u>	<u>146,003</u>
	\$ 763,048	\$ 521,565

13. 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:

	2015	2014
County of Bruce	\$ 4,495,213	\$ 4,397,616
School Boards	2,602,373	2,622,825

14. Trust funds

Trust funds administered by the township amounting to \$103,112 (2014: \$100,012) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities.

	2015	2014
Cemetery Care and Maintenance	\$ 101,112	\$ 98,012
MacKenzie Scholarship Trust Fund	2,000	2,000

15. Pension agreements

The township 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 \$154,053 (2014: \$147,878) for current services and is included as an expenditure on the consolidated statement of financial activities.

The contributions to OMERS 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 township does not recognize any share of the OMERS pension surplus or deficit.

16. Contractual obligation

The township has contracted with Veolia Water Canada Inc for the operation of certain water and sewage systems. Contract costs for the year were \$595,246. The contract continues with automatic annual renewals until terminated by either party.

The township has contracted with Bruce Area Solid Waste Recycling for garbage collection until March 2017 at an annual fee of \$128,685.

17. Contingent liability

In the ordinary course of business, various claims and lawsuits are brought against the township. Because settlement amounts, if any, cannot be determined or because claims are expected to be within the township's insurance coverage, no provision has been made for the contingency in the financial statements.

The township is liable for long-term liabilities with respect to loans for which the responsibility for payment of principal and interest has been assumed by others. Payments on municipal debt for water system capital costs and tile drainage loans are recoverable by payments on loans receivable from property owners. However the township has prime responsibility to meet the debt payments.

18. Financial instrument risk management

Credit risk

The township is exposed to credit risk through its cash, trade and other receivables, loans receivable, and long-term investments. There is the possibility of non-collection of its trade and other receivables. The majority of the township's receivables are from ratepayers and government entities. For trade and other receivables, the township measures impairment based on how long the amounts have been outstanding. For amounts outstanding considered doubtful or uncollectible, an impairment allowance is setup.

Liquidity risk

Liquidity risk is the risk that the township will not be able to meet its financial obligations as they fall due. The township has a planning and a budgeting process in place to help determine the funds required to support the township's normal operating requirements on an ongoing basis. The township ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain an available line of credit balance as approved by the appropriate borrowing bylaw to meet, at a minimum, expected requirements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the township's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The township is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and long-term liabilities and the value of fixed rate long-term liabilities.

There has been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.

19. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of change in net financial assets and operations for comparative purposes. The 2015 budget amounts for the Corporation of the Township of Huron-Kinloss approved by Council are unaudited and have been restated to conform to the basis of presentation of the revenues and expenditures on the consolidated statement of operations. As a result, the budget figures presented in the statements of operations and changes in net financial assets represent the budget approved by council with the following adjustments:

Approved budget annual surplus (deficit)	-
Add: Acquisition of tangible capital assets	2,574,838
Net transfers to reserves	34,366
Debt principal repayments	<u>99,543</u>
Budgeted surplus reported on statement of operations	<u>\$ 2,708,747</u>

Budget amounts were not available for certain boards consolidated by the township.

20. Comparative figures

Certain of the comparative figures have been reclassified to confirm with the financial statement presentation adopted for the current year.

21. Segmented information

The township is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of segments and the activities they encompass are as follows:

General government

General government is comprised of township council, administrative and clerk departments.

Protection services

Protection services department is comprised of police services, fire protection and protective inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs and education. Protective inspection provides services related to the enforcement of building and construction codes.

Transportation services

Transportation services department is responsible for the delivery of public works services related to maintenance of roadway systems, winter control and street lighting.

Environmental services

Environmental services department consists of water, wastewater and solid waste disposal utilities. The department provides drinking water, collecting and treating wastewater, and providing collection disposal and waste minimization programs and facilities.

Health services

Health services department is responsible for maintaining the township's cemeteries and medical centre.

Social and family services

Social and family services department provides for child care services.

Recreation and cultural services

Recreation and cultural services department is responsible for the delivery and upkeep of all recreation programs and facilities including parks and library.

Planning and development

Planning and development services department provides planning, economic development and maintenance of the township's drains.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of the actual cost of services provided. Taxation and grants attributable to a number of segments have been allocated to those segments based on the budgeted net operating revenue for the year.

22. Government partnerships

The following summarizes the financial position and results of operations of the government partnerships. The Township of Huron-Kinloss's pro-rata share of these amounts has been reported in these financial statements using the proportionate consolidation method.

	Mid-Huron Landfill Site Board	Saugeen Mobility and Regional Transit	Bruce Area Solid Waste Recycling Association
Financial assets	5,911,846	240,314	2,348,353
Financial liabilities	<u>11,159,497</u>	<u>269,489</u>	<u>140,174</u>
Net financial asset (debt)	(5,247,651)	(29,175)	2,208,179
Non-financial assets	<u>296,931</u>	<u>596,074</u>	<u>1,778,712</u>
Accumulated surplus	<u>(4,950,720)</u>	<u>566,899</u>	<u>3,986,891</u>
Revenues	1,006,475	1,372,543	2,564,557
Expenses	<u>1,129,530</u>	<u>1,477,922</u>	<u>2,545,030</u>
Annual surplus (deficit)	\$ <u>(123,055)</u>	\$ <u>(105,379)</u>	\$ <u>19,527</u>

Mid-Huron Landfill Site Board is a partnership between the Town of Goderich, Township of Huron-Kinloss, Municipality of Central Huron, Municipality of Bluewater, Municipality of Huron East, Township of Ashfield-Colborne- Wawanosh and the Township of Huron-Kinloss to provide garbage services.

Saugeen Mobility and Regional Transit (SMART) is a partnership between the Town of Hanover, The Town of Saugeen Shores, Municipality of Brockton, Municipality of West Grey, Municipality of Arran-Elderslie, Township of Southgate, Municipality of Kincardine and the Township of Huron-Kinloss to provide transportation services to the physically disabled. During the year, the township made payments to SMART of \$15,597 for transportation services.

Bruce Area Solid Waste Recycling Association (BASWRA) is a partnership between the Town of South Bruce Peninsula, the Municipality of Arran-Elderslie, the Town of Saugeen Shores, the Municipality of Kincardine, the Township of Huron-Kinloss and others to provide garbage, recycling and cardboard collection services. During the year, the township made payments to BASWRA of \$100,349 for garbage, recycling and cardboard collection services.

TOWNSHIP OF HURON-KINLOSS

CONSOLIDATED SCHEDULE OF CONTINUITY OF RESERVES AND RESERVE FUNDS

Schedule 1

For the Year Ended December 31, 2015

	Balance, beginning of year	Revenues and contributions			Total	Transfers		Total	Balance, end of year
		Interest	From Operations	Other		To Operations	To Capital Acquisitions		
Reserves									
for general government	840,297		(202,639)		(202,639)			-	637,658
for protection services	40,000		6,742		6,742			-	46,742
for transportation services	309,350				-	45,859		45,859	263,491
for water and sewer	3,081,690		461,748	17,141	478,890			-	3,560,580
for landfill sites and recycling	387,320		(23,744)		(23,744)			-	363,576
for health services	85				-			-	85
for social and family services	4,355		-		-			-	4,355
for recreation and cultural services	116,907		(414)		(414)			-	116,493
for planning and development	18,479		3,600		3,600			-	22,079
for capital projects	233,228		190,074		190,074			-	423,302
	5,031,711	-	435,367	17,141	452,509	45,859	-	45,859	5,438,360
Reserve funds									
for environmental services	1,775,309	32,267	134,436		166,703	63,525		63,525	1,878,488
MidHuron landfill	271,801				-	(10,947)		(10,947)	282,748
	2,047,110	32,267	134,436	-	166,703	52,578	-	52,578	2,161,236
	7,078,821	32,267	569,803	17,141	619,212	98,437	-	98,437	7,599,596

CONSOLIDATED SCHEDULE OF DEFERRED REVENUE

Schedule 2

For the Year Ended December 31, 2015

	Balance, beginning of year	Revenues and contributions			Total	Transfers		Total	Balance, end of year
		Interest	From Operations	Other		To Operations	To Capital Acquisitions		
Federal Gas Tax Funds	648,820	5,852		196,607	202,459			-	851,279
Parklands and Development	75,122	954		8,964	9,918	7,525		7,525	77,515
	723,942	6,806	-	205,572	212,377	7,525	-	7,525	928,794

Township of Huron-Kinloss
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2015

Schedule 3A

	General				Infrastructure					Total Net Book Value 2015	Total Net Book Value 2014
	Land and land improvements	Buildings	Machinery & Equipment	Vehicles	Roads, Sidewalks Street lights	Bridges and Culverts	Storm Sewers	Water and sewer Plants and Facilities	Underground Networks		
Cost											
Balance, beginning of year	1,696,507	5,668,492	2,069,942	5,400,186	22,868,877	6,231,360	6,561,633	7,884,819	30,333,529	88,715,345	84,699,899
Reallocations and adjustments	-	-	-	-	-	-	-	(205,972)	205,972	-	1,050,161
Additions during the year	188,657	56,792	159,114	478,000	1,256,279	98,128	52,980	36,825	606,354	2,933,129	3,524,161
Disposals and adjustments	(7,823)	(51)	(118,464)	(138,283)	(603,564)	-	-	-	(75,284)	(943,469)	(558,876)
Balance, end of year	<u>1,877,341</u>	<u>5,725,233</u>	<u>2,110,592</u>	<u>5,739,903</u>	<u>23,521,592</u>	<u>6,329,488</u>	<u>6,614,613</u>	<u>7,715,672</u>	<u>31,070,571</u>	<u>90,705,005</u>	<u>88,715,345</u>
Accumulated amortization											
Balance, beginning of year	298,878	2,286,074	1,246,463	2,387,790	11,251,952	3,220,942	1,509,157	4,360,722	8,171,542	34,733,520	31,990,825
Reallocations and adjustments	-	-	-	-	-	-	-	(3,473)	3,473	-	1,177,506
Amortization during the year	39,906	207,525	142,816	298,398	711,236	108,244	84,516	174,552	399,395	2,166,588	1,995,874
Adjustments and accumulated amortization on disposals	(7,823)	31,242	(106,618)	(75,493)	(601,471)	-	-	-	(48,092)	(808,255)	(430,685)
Balance, end of year	<u>330,961</u>	<u>2,524,841</u>	<u>1,282,661</u>	<u>2,610,695</u>	<u>11,361,717</u>	<u>3,329,186</u>	<u>1,593,673</u>	<u>4,531,801</u>	<u>8,526,318</u>	<u>36,091,853</u>	<u>34,733,520</u>
Net Book Value	<u>1,546,380</u>	<u>3,200,392</u>	<u>827,931</u>	<u>3,129,208</u>	<u>12,159,875</u>	<u>3,000,302</u>	<u>5,020,940</u>	<u>3,183,871</u>	<u>22,544,253</u>	<u>\$ 54,613,152</u>	<u>\$ 53,981,825</u>

Township of Huron-Kinloss
Segmented Information
For the Year Ended December 31, 2015

Schedule 4

	General Government	Police Protection	Fire Protection	Inspections and controls	Other Protection	Roads and Sreet lights	Water and sewer	Waste Disposal	Health and social	Recreation and Culture	Zoning and Development	Total 2015	Total 2014
Revenue													
Taxation	6,511,868											6,511,868	5,946,860
User fees	70,836		14,905	146,245	228,557	173,116	2,058,567	584,218	23,711	2,164,936	56,269	5,521,360	5,075,883
Government transfers	704,948					30,563	46,691	54,308		123,571	15,934	976,015	1,406,685
Other	763,048											763,048	521,565
	<u>8,050,700</u>	<u>-</u>	<u>14,905</u>	<u>146,245</u>	<u>228,557</u>	<u>203,679</u>	<u>2,105,258</u>	<u>638,526</u>	<u>23,711</u>	<u>2,288,507</u>	<u>72,203</u>	<u>13,772,291</u>	<u>12,950,993</u>
Operating expenditure													
Wages, salaries and benefits	751,283	-	161,795	103,621	15,200	756,123	72,900	269,799	13,844	572,589	160,472	2,877,626	2,770,435
Contract services	174,828	954,307	44,256	82,881	438,491	815,209	830,767	213,058	8,074	129,884	26,813	3,718,568	3,785,860
Materials	289,125	4,229	58,606	36,137	6,138	553,149	381,898	263,129	19,946	2,051,038	134,166	3,797,561	3,204,026
Amortization	27,377	-	144,373	-	9,565	1,120,386	596,306	35,638	5,160	227,173	610	2,166,588	1,995,768
	<u>1,242,613</u>	<u>958,536</u>	<u>409,030</u>	<u>222,639</u>	<u>469,394</u>	<u>3,244,867</u>	<u>1,881,871</u>	<u>781,624</u>	<u>47,024</u>	<u>2,980,684</u>	<u>322,061</u>	<u>12,560,343</u>	<u>11,756,089</u>
Net revenue (expense)	<u>6,808,087</u>	<u>(958,536)</u>	<u>(394,125)</u>	<u>(76,394)</u>	<u>(240,837)</u>	<u>(3,041,188)</u>	<u>223,387</u>	<u>(143,098)</u>	<u>(23,313)</u>	<u>(692,177)</u>	<u>(249,858)</u>	<u>1,211,948</u>	<u>1,194,904</u>

Vodden, Bender & Seebach LLP
Chartered Professional Accountants

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vbs@vbbsca.ca

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, 2015 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 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 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, 2015 and the continuity of its 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
July 28, 2016

**TOWNSHIP OF HURON-KINLOSS
TRUST FUNDS**

STATEMENT OF CONTINUITY

For the Year Ended December 31	Total		Cemetery Perpetual Care		MacKenzie Scholarship Trust Fund	
	2015	2014	2015	2014	2015	2014
Balance beginning of year	100,012	95,762	98,012	93,762	2,000	2,000
Receipts						
Perpetual care	3,100	4,250	3,100	4,250		
Interest earned	3,434	2,912	3,334	2,812	100	100
	6,534	7,162	6,434	7,062	100	100
Expenditure						
Transfers to cemetery	3,334	2,812	3,334	2,812		
Scholarship	100	100			100	100
	3,434	2,912	3,334	2,812	100	100
Balance end of year	\$ 103,112	100,012	\$ 101,112	98,012	\$ 2,000	2,000

BALANCE SHEET

As at December 31	Total		Cemetery Perpetual Care		MacKenzie Scholarship Trust Fund	
	2015	2014	2015	2014	2015	2014
Assets						
Cash	14,195	43,219	14,195	43,219		
Investments, cost	89,010	53,800	88,151	52,941	859	859
Due from municipality	3,241	1,466	2,100	325	1,141	1,141
Liabilities						
Due to cemetery	(3,334)	(2,723)	(3,334)	(2,723)		
Net assets	103,112	95,762	101,112	93,762	2,000	2,000
Trust fund balances	\$ 103,112	100,012	\$ 101,112	98,012	\$ 2,000	2,000

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

For the Year Ended December 31, 2015

1. Accounting Policies

Significant aspects of accounting policies adopted by the township are as follows:

a) Management responsibility

The financial statements of the Trust Funds are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

b) Basis of consolidation

These trust funds have not been consolidated with the financial statements of the Township of Huron-Kinloss.

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 and have a market value approximately equal to cost.

e) 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, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

INDEPENDENT AUDITOR'S REPORT

To the Members of the Lucknow and District Fire Department Joint Board of Management,
Members of Council, Inhabitants and Ratepayers of the participating municipalities

We have audited the accompanying statement of operations of the Lucknow and District Fire Department Joint Board of Management for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of this financial statement being free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this statement 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 statement is 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 statement presents fairly, in all material respects, the results of operations of the Lucknow and District Fire Department Joint Board of Management for the year ended December 31, 2015 in accordance with Canadian public sector accounting standards.

Vodden, Bender & Seebach LLP

Chartered Professional Accountants

Licensed Public Accountants

Clinton, Ontario

July 19, 2016

**LUCKNOW AND DISTRICT FIRE DEPARTMENT JOINT BOARD OF MANAGEMENT
STATEMENT OF OPERATIONS**

For the year ended December 31	2015 Budget	2015 Actual	2014 Actual
Revenue			
Contributions from participating municipalities			
Township of Ashfield-Colborne-Wawanosh	107,870	72,654	77,314
Township of Huron-Kinloss	107,870	72,654	77,314
Fire calls	-	20,500	14,200
County of Bruce Modified First Response grant	5,000	5,000	5,000
Other revenue	-	14,111	4,427
Transfer from reserve	-	-	-
	220,740	184,918	178,255
Expenditure			
Salaries	131,500	108,666	103,450
Vehicle operation	6,300	3,688	4,218
Equipment	6,700	20,643	7,637
Hydrant repairs	2,300	2,255	2,255
Building maintenance	4,200	4,501	4,538
Dispatch service	8,000	5,057	9,166
Training	28,200	10,679	15,099
Telephone	2,300	2,159	2,183
Utilities	12,750	8,968	12,564
Insurance	6,500	6,407	6,323
Licences, fees, administration	11,990	11,895	10,822
	220,740	184,918	178,255
Annual surplus	\$ 0	\$ 0	\$ 0

LUCKNOW AND DISTRICT FIRE DEPARTMENT JOINT BOARD OF MANAGEMENT

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2015

1. Accounting policies

The statement of operations of the Lucknow and District Fire Department Joint Board of Management is the representation of management 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.

Significant aspects of accounting policies adopted by the board are as follows:

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

2. Participating municipalities

Participating municipalities are the Township of Ashfield-Colborne-Wawanosh and the Township of Huron-Kinloss. The board conducts its operations using tangible capital assets owned by the participating municipalities.

3. Related party transactions

Board administration cost of \$2,500 (2014: \$2,500) was paid to the Township of Ashfield-Colborne-Wawanosh.

INDEPENDENT AUDITOR'S REPORT

To the Members of the Lucknow Community Health Centre Board,
Members of Council, Inhabitants and Ratepayers of the participating municipalities

We have audited the accompanying statement of operations of the Lucknow Community Health Centre Board for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of this financial statement being free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this statement 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 statement is 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 statement presents fairly, in all material respects, the results of operations of the Lucknow Community Health Centre Board for the year ended December 31, 2015 in accordance with Canadian public sector accounting standards.

Vodden, Bender & Seebach LLP

Chartered Professional Accountants
Licensed Public Accountants
Clinton, Ontario
July 19, 2016

LUCKNOW COMMUNITY HEALTH CENTRE BOARD
STATEMENT OF OPERATIONS

For the year ended December 31	2015 Budget	2015 Actual	2014 Actual
Revenue			
Rentals	18,231	17,468	17,239
Contributions from participating municipalities			
Township of Ashfield-Colborne-Wawanosh	4,734	2,353	5,307
Township of Huron-Kinloss	4,734	2,353	5,307
	27,699	22,174	27,853
Expenditure			
Maintenance	9,150	6,941	7,677
Utilities	8,600	7,795	7,665
Property taxes	5,482	5,375	5,304
Insurance	1,467	1,486	1,417
Administration	3,000	577	2,883
Equipment purchases	-	-	2,907
	27,699	22,174	27,853
Annual surplus	\$ 0	\$ 0	\$ 0

LUCKNOW COMMUNITY HEALTH CENTRE BOARD
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2015

1. Accounting policies

The statement of operations of the Lucknow Community Health Centre Board is the representation of management 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.

Significant aspects of accounting policies adopted by the board are as follows:

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

2. Participating municipalities

Participating municipalities are the Township of Ashfield-Colborne-Wawanosh and the Township of Huron-Kinloss. The board conducts its operations using tangible capital assets owned by the participating municipalities.

3. Related party transactions

During the year, the board paid property taxes of \$5,375 (2014: \$5,304) to the Township of Huron-Kinloss.

INDEPENDENT AUDITOR'S REPORT

To the Members of the Lucknow and District Joint Recreation Board,
Members of Council, Inhabitants and Ratepayers of the participating municipalities

We have audited the accompanying statement of operations of the Lucknow and District Joint Recreation Board for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of this financial statement being free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this statement 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 statement is 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 statement presents fairly, in all material respects, the results of operations of the Lucknow and District Joint Recreation Board for the year ended December 31, 2015 in accordance with Canadian public sector accounting standards.

Vodden, Bender & Seebach LLP

Chartered Professional Accountants
Licensed Public Accountants
Clinton, Ontario
July 19, 2016

LUCKNOW AND DISTRICT JOINT RECREATION BOARD

STATEMENT OF OPERATIONS

For the year ended December 31	2015 Budget	2015 Actual	2014 Actual
Revenue			
Arena			
Ice rentals	46,000	39,653	45,165
Arena rentals	15,000	14,883	15,631
Hockey and figure skating ice time	75,000	78,685	74,160
Bar sales	123,200	99,415	124,737
Public skating	2,000	2,357	1,779
Advertising boards	11,000	10,650	10,100
Donations and other revenue	6,200	100,355	8,851
	<u>278,400</u>	<u>345,998</u>	<u>280,423</u>
Recreation receipts			
Hockey admissions	20,500	18,552	20,034
Hockey program	49,500	63,932	52,341
Swimming pool	9,000	13,809	13,268
Baseball	13,500	12,191	13,295
Soccer	10,100	11,432	11,530
	<u>102,600</u>	<u>119,916</u>	<u>110,468</u>
Total rentals and program revenue	<u>381,000</u>	<u>465,914</u>	<u>390,891</u>
Contributions from participating municipalities			
Township of Huron-Kinloss	120,200	101,125	117,540
Township of Ashfield-Colborne-Wawanosh	120,200	101,125	117,540
	<u>240,400</u>	<u>202,250</u>	<u>235,080</u>
Total revenue	<u>621,400</u>	<u>668,164</u>	<u>625,971</u>
Expenses			
Administration and general			
Salaries	111,000	121,421	113,855
Maintenance	29,250	26,505	28,816
Utilities	44,300	51,693	49,293
Insurance	12,000	12,485	11,746
Administration and training	17,000	15,522	12,319
	<u>213,550</u>	<u>227,626</u>	<u>216,029</u>
Arena and auditorium			
Salaries	91,900	96,708	94,336
Maintenance	12,400	52,100	16,820
Utilities	25,000	11,158	25,979
Bar purchases and profit share	99,150	73,226	97,743
	<u>228,450</u>	<u>233,192</u>	<u>234,878</u>
Recreation programs			
Hockey insurance	7,000	4,431	7,047
Referee fees	15,000	14,552	14,447
Other hockey expenses	14,000	18,821	16,039
Hockey ice time	75,000	78,685	74,160
Ball and soccer program	5,500	7,069	6,316
Pool salaries	28,600	26,029	23,152
Pool expenses	10,800	30,894	9,701
Parks	23,500	26,865	24,202
	<u>179,400</u>	<u>207,346</u>	<u>175,064</u>
Total expenses	<u>621,400</u>	<u>668,164</u>	<u>625,971</u>
Annual surplus	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**LUCKNOW AND DISTRICT JOINT RECREATION BOARD
NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2015

1. Accounting policies

The statement of operations of the Lucknow and District Joint Recreation Board is the representation of management prepared in accordance Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Significant aspects of accounting policies adopted by the board are as follows:

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

2. Participating municipalities

Participating municipalities are the Township of Ashfield-Colborne-Wawanosh and the Township of Huron-Kinloss. The board conducts its operations using tangible capital assets owned by the participating municipalities.

3. Related party transactions

Board administration cost of \$5,000 (2014: \$1,000) was paid to the Township of Ashfield-Colborne-Wawanosh.