

MUNICIPALITY OF CENTRAL HURON
FINANCIAL STATEMENTS
DECEMBER 31, 2010

VODDEN, BENDER & SEEBACH LLP
Chartered Accountants

Vodden, Bender & Seebach LLP

Chartered Accountants

P.O. Box 758
41 Ontario Street
CLINTON, ONTARIO N0M 1L0
Tel: (519) 482-7979
Fax: (519) 482-5761
vbs@vbsca.ca

AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Corporation of the Municipality of Central Huron, which comprise the balance sheet as at December 31, 2010, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

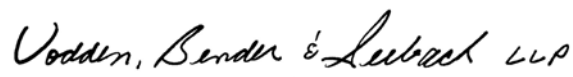
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation of the Municipality of Central Huron as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Clinton, Ontario
February 11, 2011

**MUNICIPALITY OF CENTRAL HURON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31	2010	2009
FINANCIAL ASSETS		
Cash	4,621,203	2,828,023
Taxes receivable	652,458	745,247
Accounts receivable	2,356,091	3,379,145
Long-term receivables	199,657	233,740
Long-term investment (note 5)	901,412	901,412
	8,730,821	8,087,567
LIABILITIES		
Accounts payable and accrued liabilities	2,171,920	629,971
Deferred revenue	337,458	38,295
Landfill closure and post closure liability (note 7)	1,469,035	1,413,680
Municipal debt (note 6)	4,686,771	5,232,714
	8,665,184	7,314,660
NET FINANCIAL ASSETS	65,637	772,907
NON-FINANCIAL ASSETS		
Tangible capital assets, net (schedule 3)	66,883,006	63,343,554
ACCUMULATED SURPLUS (Schedule 1)	\$ 66,948,643	\$ 64,116,461

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF CENTRAL HURON
CONSOLIDATED SCHEDULE OF OPERATIONS**

For the year ended December 31, 2010	2010 Budget	2010 Actual	2009 Actual
Revenue			
Taxation for municipal purposes	4,150,163	4,217,410	4,016,796
User fees, licences, permits and donations	3,042,613	3,539,359	2,820,515
Government transfers - Canada and Ontario	4,313,309	4,580,452	3,962,063
Government transfers - other municipalities	151,368	148,638	143,552
Investment income	60,500	108,933	62,588
Penalties and interest on taxes	90,000	88,259	108,757
Gaming Centre and other recoveries	615,000	683,499	614,643
	<u>12,422,953</u>	<u>13,366,550</u>	<u>11,728,914</u>
Expenditure			
General government	1,105,145	1,075,198	1,428,962
Protection to persons and property	2,089,704	2,032,284	1,854,835
Transportation services	3,314,174	3,153,112	3,258,854
Environmental services	2,025,133	2,344,817	2,697,202
Health services	65,110	86,871	73,621
Recreation, parks and culture	935,484	1,056,474	1,129,939
Planning and development	823,067	785,612	141,882
	<u>10,357,817</u>	<u>10,534,368</u>	<u>10,585,295</u>
Annual surplus (deficit)	2,065,136	2,832,182	1,143,619
Opening balance	<u>64,116,461</u>	<u>64,116,461</u>	<u>62,972,842</u>
Closing balance	<u>\$ 66,181,597</u>	<u>\$ 66,948,643</u>	<u>\$ 64,116,461</u>

The accompanying notes are an integral part of this financial statement

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

For the year ended December 31, 2010	2010 Budget	2010 Actual	2009 Actual
Annual surplus (deficit)	2,065,136	2,832,182	1,143,619
Amortization of tangible capital assets	1,900,002	2,035,320	1,824,681
Net acquisition of tangible capital assets	<u>(5,574,772)</u>	<u>(5,574,772)</u>	<u>(6,622,226)</u>
Increase (decrease) in net financial assets	(1,609,634)	(707,270)	(3,653,926)
Opening balance	<u>772,907</u>	<u>772,907</u>	<u>4,426,833</u>
Closing balance	<u>(\$ 836,727)</u>	<u>\$ 65,637</u>	<u>\$ 772,907</u>

The accompanying notes are an integral part of this financial statement

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

For the year ended December 31	2010	2009
Operating activities		
Annual surplus (deficit)	2,832,182	1,143,619
Amortization expense not requiring cash outlay	2,035,320	1,824,681
Decrease (increase) in taxes receivable	92,789	97,972
Decrease (increase) in accounts receivable	1,023,054	(1,285,271)
Increase (decrease) in accounts payable	1,541,949	(386,004)
Increase (decrease) in deferred revenue	299,163	10,680
Increase (decrease) in landfill closure and post closure liability	55,355	202,490
Cash provided by (used for) operating activities	<u>7,879,812</u>	<u>1,608,167</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	<u>(5,574,772)</u>	<u>(6,622,226)</u>
Cash provided by (used for) capital activities	<u>(5,574,772)</u>	<u>(6,622,226)</u>
Investing activities		
Decrease (increase) in long-term receivables	34,083	75,372
Decrease (increase) in investment in government business enterprises	-	770,958
Cash provided by (used for) investing activities	<u>34,083</u>	<u>846,330</u>
Financing activities		
Proceeds from long-term debt issued	334,700	3,680,000
Principal repayments on long-term debt	<u>(880,643)</u>	<u>(246,841)</u>
Cash provided by (used for) financing activities	<u>(545,943)</u>	<u>3,433,159</u>
Increase (decrease) in cash position	1,793,180	(734,570)
Cash (overdraft) beginning of year	<u>2,828,023</u>	<u>3,562,593</u>
Cash (overdraft) end of year	<u>\$ 4,621,203</u>	<u>\$ 2,828,023</u>

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF CENTRAL HURON
CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS**

Schedule 1

For the year ended December 31	2010	2009
Reserves and reserve funds	<u>6,619,463</u>	<u>5,826,371</u>
Surpluses (deficits)		
Invested in tangible capital assets	62,308,542	58,248,620
General surplus (deficit)	(1,499,089)	457,778
Invested in government business enterprises	901,412	901,412
Share of Mid-Huron Landfill Site Board general surplus	87,350	95,960
Unfinanced		
Solid waste landfill closure and post-closure liabilities	<u>(1,469,035)</u>	<u>(1,413,680)</u>
	<u>60,329,180</u>	<u>58,290,090</u>
Accumulated surplus	<u>\$ 66,948,643</u>	<u>\$ 64,116,461</u>

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF CENTRAL HURON
Consolidated Schedule of Continuity of Reserves, Reserve Funds and Deferred Revenue
For the Year Ended December 31, 2010

Schedule 2

	Balance, beginning of year	Revenues and contributions			Transfers				Balance, end of year	
		Interest	From Operations	Other	Total	To Operations	To Capital Acquisitions	Other		Total
Reserves and reserve funds										
Reserves										
for general government	1,922,174		214,845		214,845	249,778	44,662		294,440	1,842,579
for protection services	280,834		50,000		50,000	12,586			12,586	318,248
for transportation services	59,864		112,500		112,500		59,864		59,864	112,500
for environmental services	2,208,381		428,658		428,658	27,113			27,113	2,609,926
for health services	1,823				-	1,823			1,823	-
for recreation and cultural services	224,684		230,204		230,204				-	454,888
for planning and development	17,352				-	17,352			17,352	-
	<u>4,715,112</u>	<u>-</u>	<u>1,036,207</u>	<u>-</u>	<u>1,036,207</u>	<u>308,652</u>	<u>104,526</u>	<u>-</u>	<u>413,178</u>	<u>5,338,141</u>
Reserve funds										
Rural Water System Upgrades	34,811	239			239				-	35,050
Ball's Bridge	186,340	1,314	45		1,359				-	187,699
Recreation	6,441	53			53				-	6,494
Arena Capital	785,348	7,707	150,000		157,707				-	943,055
Blyth Landfill	98,319	705	10,000		10,705				-	109,024
	<u>1,111,259</u>	<u>10,018</u>	<u>160,045</u>	<u>-</u>	<u>170,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,281,322</u>
Total reserves and reserve funds	<u>5,826,371</u>	<u>10,018</u>	<u>1,196,252</u>	<u>-</u>	<u>1,206,270</u>	<u>308,652</u>	<u>104,526</u>	<u>-</u>	<u>413,178</u>	<u>6,619,463</u>
Deferred revenue										
Ward 1 Parkland	26,337	200		4,000	4,200				-	30,537
Ward 2 Pit Rehabilitation	11,958	83			83				-	12,041
Central Huron Community Complex	-		142,159		142,159				-	142,159
Federal Gas Tax Funds	-	355	235,202		235,557		82,836		82,836	152,721
	<u>38,295</u>	<u>638</u>	<u>377,361</u>	<u>4,000</u>	<u>381,999</u>	<u>-</u>	<u>82,836</u>	<u>-</u>	<u>82,836</u>	<u>337,458</u>
Total	<u>\$ 5,864,666</u>	<u>10,656</u>	<u>1,573,613</u>	<u>4,000</u>	<u>1,588,269</u>	<u>308,652</u>	<u>187,362</u>	<u>-</u>	<u>496,014</u>	<u>\$ 6,956,921</u>

MUNICIPALITY OF CENTRAL HURON
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2010

Schedule 3

	Land	Land Improvements	Buildings	Machinery and Equipment	Other	Linear Road Systems	Linear Water Systems	Linear Sewer Systems	Assets Under Construction	TOTAL Net Book Value 2010	TOTAL Net Book Value 2009
Cost											
Balance, beginning of year	918,713	473,471	3,408,927	4,332,536	118,552	63,566,204	8,957,187	8,508,002	8,509,668	98,793,260	92,241,730
Add: Additions during the year	214,000		6,899,020	446,814		836,730	107,880	13,351	5,600,979	14,118,774	6,551,530
Less: Disposals during the year	(200)			(908,250)			(34,161)		(8,517,792)	(9,460,403)	-
Balance, end of year	<u>1,132,513</u>	<u>473,471</u>	<u>10,307,947</u>	<u>3,871,100</u>	<u>118,552</u>	<u>64,402,934</u>	<u>9,030,906</u>	<u>8,521,353</u>	<u>5,592,855</u>	<u>103,451,631</u>	<u>98,793,260</u>
Accumulated Amortization											
Balance, beginning of year		235,983	2,297,045	3,078,497	33,451	21,949,425	3,472,044	4,383,261		35,449,706	33,625,025
Add: Amortization during the year		8,744	225,998	221,510	18,098	1,226,516	170,885	163,569		2,035,320	1,824,681
Less: Accumulated amortization on disposals				(889,638)			(26,763)			(916,401)	-
Balance, end of year	<u>-</u>	<u>244,727</u>	<u>2,523,043</u>	<u>2,410,369</u>	<u>51,549</u>	<u>23,175,941</u>	<u>3,616,166</u>	<u>4,546,830</u>	<u>-</u>	<u>36,568,625</u>	<u>35,449,706</u>
Net Book Value of Tangible Capital Assets	<u>1,132,513</u>	<u>228,744</u>	<u>7,784,904</u>	<u>1,460,731</u>	<u>67,003</u>	<u>41,226,993</u>	<u>5,414,740</u>	<u>3,974,523</u>	<u>5,592,855</u>	<u>\$ 66,883,006</u>	<u>\$ 63,343,554</u>

MUNICIPALITY OF CENTRAL HURON
Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2010

Schedule 3

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Work in Process	TOTAL Net Book Value 2010	TOTAL Net Book Value 2009
Cost									
Balance, beginning of year	1,142,265	876,460	67,662,729	18,326,736	15,404	2,259,998	8,509,668	98,793,260	92,241,730
Add: Additions during the year	107,000		1,238,882	165,893		7,006,020	5,600,979	14,118,774	6,551,530
Less: Disposals during the year	(200)		(870,000)	(72,411)			(8,517,792)	(9,460,403)	-
Balance, end of year	<u>1,249,065</u>	<u>876,460</u>	<u>68,031,611</u>	<u>18,420,218</u>	<u>15,404</u>	<u>9,266,018</u>	<u>5,592,855</u>	<u>103,451,631</u>	<u>98,793,260</u>
Accumulated Amortization									
Balance, beginning of year	138,450	681,668	24,826,116	8,286,877	15,404	1,501,191		35,449,706	33,625,025
Add: Amortization during the year	18,099	61,184	1,384,112	363,950		207,975		2,035,320	1,824,681
Less: Accumulated amortization on disposals			(860,000)	(56,401)				(916,401)	-
Balance, end of year	<u>156,549</u>	<u>742,852</u>	<u>25,350,228</u>	<u>8,594,426</u>	<u>15,404</u>	<u>1,709,166</u>	<u>-</u>	<u>36,568,625</u>	<u>35,449,706</u>
Net Book Value									
of Tangible Capital Assets	<u>1,092,516</u>	<u>133,608</u>	<u>42,681,383</u>	<u>9,825,792</u>	<u>-</u>	<u>7,556,852</u>	<u>5,592,855</u>	<u>\$ 66,883,006</u>	<u>\$ 63,343,554</u>

MUNICIPALITY OF CENTRAL HURON

Segmented Information

Schedule 4

For the Year Ended December 31, 2010

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Total 2010	Total 2009
Revenue									
Taxation	4,217,410							4,217,410	4,016,796
User charges, licences, donations	884,440	53,781	36,769	2,294,534	20,965	219,595	29,275	3,539,359	2,820,515
Government transfers	2,411,323	678,322	730,476	397,002		511,085	882	4,729,090	4,105,615
Interest and penalties	197,192							197,192	171,345
Other	<u>75,862</u>						<u>607,637</u>	683,499	<u>614,643</u>
	<u>7,786,227</u>	<u>732,103</u>	<u>767,245</u>	<u>2,691,536</u>	<u>20,965</u>	<u>730,680</u>	<u>637,794</u>	13,366,550	11,728,914
Operating expenditure									
Wages, salaries and benefits	712,356	282,722	567,462	545,121	53,739	332,622	49,348	2,543,370	2,457,676
Contract services	27,901	1,231,346	426,006	564,937	1,621	65,527	48,680	2,366,018	2,801,089
Supplies, materials, equipment and other	316,842	457,031	775,534	870,807	28,208	453,654	687,584	3,589,660	3,501,849
Amortization	<u>18,099</u>	<u>61,185</u>	<u>1,384,110</u>	<u>363,952</u>	<u>3,303</u>	<u>204,671</u>		2,035,320	<u>1,824,681</u>
	<u>1,075,198</u>	<u>2,032,284</u>	<u>3,153,112</u>	<u>2,344,817</u>	<u>86,871</u>	<u>1,056,474</u>	<u>785,612</u>	10,534,368	10,585,295
Net revenue (expense)	<u>6,711,029</u>	<u>(1,300,181)</u>	<u>(2,385,867)</u>	<u>346,719</u>	<u>(65,906)</u>	<u>(325,794)</u>	<u>(147,818)</u>	2,832,182	<u>1,143,619</u>

MUNICIPALITY OF CENTRAL HURON
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2010

1. Accounting policies

The consolidated financial statements of the Corporation of the Municipality of Central Huron are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

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

a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, operating revenues and expenditures, Reserves, Reserve Funds, and changes in investment in tangible capital assets of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations, they include any water and sewer systems operated by the municipality and the municipality's proportionate share of joint local boards.

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

The statements exclude trust funds that are administered for the benefit of external parties.

b) Accrual basis of accounting

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

c) Long-term investments

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

1. Accounting policies (continued)

d) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

- Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Category	Amortization Period	Capitalization Threshold
Land	not applicable	\$ 0
Land improvements	15 years	25,000
Buildings	7 - 40 years	5,000 - 25,000
Machinery and equipment	5 - 15 years	5,000 - 25,000
Furniture and fixtures	5 years	3,000
Information technology	3 - 7 years	3,000 - 5,000
Transportation infrastructure	15 - 75 years	5,000 - 100,000
Watermains infrastructure	15 - 80 years	15,000 - 100,000
Sewer mains infrastructure	15 - 60 years	15,000 - 75,000

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

Active landfills are amortized annually on the basis on tonnage tipped during the year, as a percentage of the estimated total capacity of the facility. The estimated costs to close and maintain currently active landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites capacity is used.

The municipality has a capitalized threshold of \$0 - \$100,000 dependent on the category, so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are computer systems, equipment, furniture and fixtures.

- Contribution of tangible capital assets

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

- Leases

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

- Inventories

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

e) Reserves for future expenditures

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

1. Accounting policies (continued)

f) Government transfers

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

g) Deferred revenue

Amounts received and required by legislation, regulation or agreement to be set aside for specific, restricted purposes are reported in the statement of financial position as deferred revenue until the obligation is discharged.

h) Landfill Site Closure and Post-Closure Care

Landfill site closure and post-closure care costs are recognized over the operating life of the landfill site, based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the municipality.

i) Amounts to be recovered in future years

Future years recoveries represent the requirement of the municipality to raise funds in subsequent periods to finance unfunded liabilities. A portion of the amounts to be recovered in future years will be recovered from deferred revenues earned.

j) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenditures during the period, and the accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Operations of school boards and county

Taxation levied for school board and county purposes are not reflected in the financial statements. The amounts transferred were:

	2010	2009
County of Huron	\$ 4,219,843	\$ 4,163,424
School Boards	2,236,229	2,222,926

3. Trust funds

Trust funds administered by the municipality amounting to \$275,425. (2009 : \$275,016.) have not been included in the statement of financial position nor have their operations been included in the consolidated statement of financial activities.

4. Pension agreements

The municipality makes contributions to a multi-employer pension plan on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed for 2010 was \$127,339. (2009 : \$125,703.) for current services and is included as an expenditure on the consolidated statement of financial activities.

OMERS is a multi-employer plan, therefore any pension surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit.

5. Long-term investments

	2010	2009
782,007 Class B shares, EARTH Corporation	\$ 901,412	\$ 901,412

During 2009, the municipality completed the sale of 100% of the common shares in Clinton Power Corporation to EARTH Corporation. At December 31, 2009, the municipality owned 782,007 Class B shares in EARTH Corporation and 100% of the outstanding common shares of Clinton Hydro Electric Retail Affiliate Inc., private companies 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

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

	2010	2009
Bank of Montreal, loan payable, prime + 0% interest, \$1,667 monthly principle payment plus interest, due January 2010	-	1,667
Bank of Montreal, loan payable, prime + 0% interest, due on demand	-	127,925
Bank of Montreal, loan payable, prime + 0% interest, \$4,117 monthly principle payment plus interest, due November 2013	139,978	189,382
Ontario Infrastructure Projects Corporation (OIPC) construction loan payable, variable interest, due on demand	4,052,329	4,680,000
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 3.25% interest, \$35,475 semi-annual blended payments, due May 2015	294,807	-
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals, 6% - 8%, due 2011 through 2020	<u>199,657</u>	<u>233,740</u>
	<u>\$4,686,771</u>	<u>\$5,232,714</u>

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

2011: \$29,900 2012: \$28,800 2013: \$30,500 2014: \$31,000 2015: \$32,900

Principal payments recoverable from property owners in the next

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

2011: \$4,163,600 2012: \$113,300 2013: \$107,200 2014: \$68,200 2015: \$34,814

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 6%. The recorded liability is \$1,469,035. (2009 : \$1,413,680.) based on a total estimated undiscounted future outflow of \$1,808,519. leaving a balance to be recognized in the future of \$339,484.

The Blyth-Hullett site, for which the reported liability is \$32,400. (2009 : \$32,300.), has a remaining capacity of 24,470 cubic metres and a remaining life of 15 years. Post closure care of the sites is expected to continue for 15 years. Reserves of \$84,729. (2009 : \$74,729.) have been designated for landfill sites. The balance of the future liability is expected to be funded through budget allocations to the landfill reserve.

The municipality's proportionate liability for the Mid-Huron landfill site is \$1,436,635. (2009 : \$1,381,380.). The Mid-Huron Landfill Site Board has set aside reserves and reserve funds of which the municipality's proportionate share is \$1,330,635. (2009 : \$1,357,748.). The site has a estimated remaining life of 3 years.

8. Contingency for long-term liabilities

The municipality is contingently liable for long-term liabilities with respect to tile drainage loans, and for those for which the responsibility for payment of principal and interest has been assumed by other municipalities, school boards, and unconsolidated entities. At December 31 the principal amounts outstanding are as follows:

	2010	2009
Tile drainage loans assumed by individuals	\$199,657	\$233,740

9. Tangible capital assets

Schedule 3 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 because of the difficulty of determining a tenable valuation.

10. Contingent liability

The municipality has been notified of liability claims. Because the claims are within the municipality's insurance coverage, no provision has been made for the contingency in the financial statements.

11. Budget amounts

Under generally accepted accounting principles, budget amounts are to be reported on the consolidated statement of financial activities for comparative purposes. The 2010 budget amounts for the Corporation of the Municipality of Central Huron approved by Council are unaudited and have been restated to conform to the basis of presentation of the revenues and expenditures on the consolidated statement of activities. Budget amounts were not available for certain boards consolidated by the municipality. The budget figures have not been audited.

12. Comparative figures

Certain comparative figures in the financial statements have been reclassified to conform to financial statement presentation adopted in the current year.

Vodden, Bender & Seebach LLP
Chartered Accountants

P.O. Box 758
41 Ontario Street
CLINTON, ONTARIO N0M 1L0
Tel:(519) 482-7979
Fax:(519) 482-5761
vbs@vbbsca.ca

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of Central Huron, which comprise the balance sheet as at December 31, 2010, and the statement of continuity of trust funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

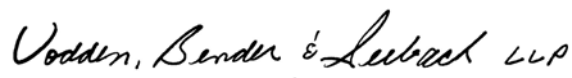
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Municipality of Central Huron as at December 31, 2010 and the continuity of trust 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
February 11, 2011

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

For the Year Ended December 31, 2010

	Total		Cemetery Perpetual Care		Radar Trust Fund		Woon Trust Fund	
	2010	2009	2010	2009	2010	2009	2010	2009
Balance beginning of year	<u>275,016</u>	<u>268,095</u>	<u>215,588</u>	<u>208,986</u>	<u>3,694</u>	<u>3,674</u>	<u>55,734</u>	<u>55,435</u>
Receipts								
Perpetual care	8,870	6,602	8,870	6,602				
Donations	3,741	-					3,741	
Interest earned	2,446	2,320	2,088	2,001	25	20	333	299
	<u>15,057</u>	<u>8,922</u>	<u>10,958</u>	<u>8,603</u>	<u>25</u>	<u>20</u>	<u>4,074</u>	<u>299</u>
Expenditure								
Transfers to cemetery	2,088	2,001	2,088	2,001				
Expenditures	12,560	-					12,560	
	<u>14,648</u>	<u>2,001</u>	<u>2,088</u>	<u>2,001</u>	<u>-</u>	<u>-</u>	<u>12,560</u>	<u>-</u>
Balance end of year	<u>\$ 275,425</u>	<u>275,016</u>	<u>\$ 224,458</u>	<u>215,588</u>	<u>\$ 3,719</u>	<u>3,694</u>	<u>\$ 47,248</u>	<u>55,734</u>

BALANCE SHEET

As at December 31, 2010

	Total		Cemetery Perpetual Care		Radar Trust Fund		Woon Trust Fund	
	2010	2009	2010	2009	2010	2009	2010	2009
Assets								
Cash	244,334	244,574	193,367	185,146	3,719	3,694	47,248	55,734
Investments, cost	31,091	30,442	31,091	30,442				
Liabilities								
Due to general fund	-	-						
Trust fund net assets	<u>\$ 275,425</u>	<u>275,016</u>	<u>\$ 224,458</u>	<u>215,588</u>	<u>\$ 3,719</u>	<u>3,694</u>	<u>\$ 47,248</u>	<u>55,734</u>

MUNICIPALITY OF CENTRAL HURON
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2010

1. Accounting Policies

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

a) Management responsibility

The financial statements of the Trust Funds are the representations of management. They have been prepared in accordance with accounting policies established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants 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 Municipality of Central Huron.

c) Basis of accounting

Capital receipts and income are reported on the cash basis of accounting. Expenditures are reported on the cash basis of accounting with the exception of administration expenses which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

d) Investments

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

e) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

2. Investments

Trust fund investments have a market value equal to cost of \$275,425. (2009 : \$275,016.)