

MUNICIPALITY OF CENTRAL HURON
FINANCIAL STATEMENTS
DECEMBER 31, 2022

SEEBACH & COMPANY
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Corporation of the Municipality of Central Huron ("the Municipality"), which are comprised of the consolidated statement of financial position as at December 31, 2022 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAB, 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.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Seebach & Company

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
September 25, 2023

MUNICIPALITY OF CENTRAL HURON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2022	2021
FINANCIAL ASSETS		
Cash and short-term investments	10,055,052	11,318,637
Taxes receivable	806,714	856,957
Accounts receivable	6,090,736	4,179,135
	<u>16,952,502</u>	<u>16,354,729</u>
LIABILITIES		
Accounts payable and accrued liabilities	5,483,999	3,017,987
Deferred revenue - obligatory reserve funds	341,829	208,533
Landfill closure and post closure liability (note 5)	2,836,869	2,848,667
Municipal debt (note 6)	6,430,897	6,877,626
	<u>15,093,594</u>	<u>12,952,813</u>
NET FINANCIAL ASSETS	1,858,908	3,401,916
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 7)	<u>86,115,392</u>	<u>82,926,775</u>
ACCUMULATED SURPLUS (note 9)	<u>\$ 87,974,300</u>	<u>\$ 86,328,691</u>

The accompanying notes are an integral part of this financial statement

**MUNICIPALITY OF CENTRAL HURON
CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31	2022 Budget	2022 Actual	2021 Actual
Revenue			
Taxation for municipal purposes	8,193,355	8,279,782	7,865,958
User fees, licences, permits and donations	4,402,444	4,765,320	4,217,262
Government transfers - Canada and Ontario	3,722,951	3,117,669	2,435,458
Government transfers - other municipalities	43,022	46,518	58,741
Investment income	39,289	265,211	134,660
Penalties and interest on taxes	116,000	114,765	108,688
Gaming Centre and other recoveries	400,000	426,102	309,456
	<u>16,917,061</u>	<u>17,015,367</u>	<u>15,130,223</u>
Expenditure			
General government	1,612,518	1,613,879	1,321,113
Protection to persons and property	3,068,808	3,114,046	2,954,943
Transportation services	4,942,562	4,608,476	4,225,982
Environmental services	3,232,500	3,134,348	2,975,309
Health services	107,825	96,570	96,824
Recreation, parks and culture	2,499,188	2,190,292	1,997,779
Planning and development	806,527	612,147	643,777
	<u>16,269,928</u>	<u>15,369,758</u>	<u>14,215,727</u>
Annual surplus (deficit)	647,133	1,645,609	914,496
Opening balance	<u>86,328,691</u>	<u>86,328,691</u>	<u>85,414,195</u>
Closing balance	<u><u>\$ 86,975,824</u></u>	<u><u>\$ 87,974,300</u></u>	<u><u>\$ 86,328,691</u></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	2022 Budget	2022 Actual	2021 Actual
Annual surplus (deficit)	647,133	1,645,609	914,496
Amortization of tangible capital assets	3,360,854	3,430,370	3,298,638
Net acquisition of tangible capital assets	<u>(8,597,431)</u>	<u>(6,618,987)</u>	<u>(4,902,220)</u>
Increase (decrease) in net financial assets	(4,589,444)	(1,543,008)	(689,086)
Opening balance	<u>3,401,916</u>	<u>3,401,916</u>	<u>4,091,002</u>
Closing balance	<u><u>(\$ 1,187,528)</u></u>	<u><u>\$ 1,858,908</u></u>	<u><u>\$ 3,401,916</u></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	2022	2021
Operating activities		
Annual surplus (deficit)	1,645,609	914,496
Amortization expense not requiring cash outlay	3,430,370	3,298,638
Decrease (increase) in taxes receivable	50,243	69,942
Decrease (increase) in accounts receivable	(1,911,601)	(582,411)
Increase (decrease) in accounts payable	2,466,012	679,255
Increase (decrease) in deferred revenue	133,296	132,190
Increase (decrease) in landfill closure and post closure liability	(11,798)	(10,417)
Cash provided by (used for) operating activities	<u>5,802,131</u>	<u>4,501,693</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	<u>(6,618,987)</u>	<u>(4,902,220)</u>
Cash provided by (used for) capital activities	<u>(6,618,987)</u>	<u>(4,902,220)</u>
Investing activities		
Decrease (increase) in long-term receivables	-	6,409
Cash provided by (used for) investing activities	<u>-</u>	<u>6,409</u>
Financing activities		
Proceeds from long-term debt issued	-	882,054
Principal repayments on long-term debt	<u>(446,729)</u>	<u>(389,507)</u>
Cash provided by (used for) financing activities	<u>(446,729)</u>	<u>492,547</u>
Increase (decrease) in cash position	(1,263,585)	98,429
Cash (overdraft) beginning of year	<u>11,318,637</u>	<u>11,220,208</u>
Cash (overdraft) end of year	<u>\$ 10,055,052</u>	<u>\$ 11,318,637</u>

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF CENTRAL HURON
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2022

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 Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

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.

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

Mid-Huron Landfill Site Board - 25.3%

Mid-Huron Recycling Centre Board - 33.3%

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

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

b) Accrual basis of accounting

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

c) Long-term investments

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

1. Accounting policies (continued)

d) Non-financial assets

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

- Tangible capital assets

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

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

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

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

- Contribution of tangible capital assets

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

- Leases

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

- Inventories

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

e) Reserves for future expenditures

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

f) Government transfers

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

1. Accounting policies (continued)

g) Deferred revenue

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

h) Landfill Site Closure and Post-Closure Care

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

i) Amounts to be recovered in future years

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

j) Pensions

The municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for past employee service.

k) Use of estimates

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

2. Operations of school boards and county

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

	2022	2021
County of Huron	\$ 6,050,595	\$ 5,401,244
School Boards	2,467,176	2,391,813

3. Trust funds

Trust funds administered by the municipality amounting to \$327,563 (2021 : \$317,864) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

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 2022 was \$253,586 (2021 : \$226,821) for current services and is included as an expenditure on the consolidated statement of financial activities.

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

5. Landfill closure and post-closure cost liability

PSAB Handbook Section 3270: Solid Waste Landfill Closure and Post-Closure Liability, sets out the standard for anticipated closure and post-closure costs for existing and closed landfill sites. This liability is the estimated cost to date, based on a volumetric basis, of the expenses relating to those activities required when the site or phase stops accepting waste.

The landfill closure costs include final cover and vegetation, completing facilities for drainage control features, leachate monitoring, water quality monitoring, and monitoring and recovery of gas. Post-closure care activities include all activities related to monitoring the site once it can no longer accept waste, including acquisition of any additional land for buffer zones, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems, and final cover.

The estimated liability for the care of landfill sites is the present value of future cash flows associated with closure and post-closure costs.

Key assumptions in determining the liability at December 31, 2022 for the landfills are as follows:

Remaining site life	0 - 50 years
Discount rate	1.9% - 2%
Estimated time required for post-closure care	25 - 50 years

5. Landfill closure and post-closure cost liability (continued)

A reserve has been established to partially provide for this landfill site closure and post-closure liability. The reserve balance at December 31, 2022 is \$29,729 (2021 : \$29,729). 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 \$2,759,969 (2021 : \$2,773,267). The Mid-Huron Landfill Site Board has set aside reserves and reserve funds of which the municipality's proportionate share is \$1,239,840 (2021 : \$1,295,282). The site was closed in 2022.

6. Municipal debt

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

	2022	2021
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 4.44% interest, \$125,921 semi-annual blended payments, due August 2036	2,536,845	2,671,550
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 3.25% interest, \$63,571 semi-annual blended payments, due March 2027	528,294	635,643
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 3.04% interest, \$35,014 semi-annual blended payments, due November 2023	68,464	134,892
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 3.75% interest, \$34,074 semi-annual blended payments, due November 2048	1,125,602	1,150,828
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 2.53% interest, \$8,151 monthly payments, due October 2039	1,339,610	1,402,659
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 2.27% interest, \$34,856 semi-annual payments, due September 2036	<u>832,082</u>	<u>882,054</u>
	<u>\$6,430,897</u>	<u>\$6,877,626</u>

Principal payments recoverable from property owners in the next

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

2023: \$462,000 2024: \$407,300 2025: \$421,600 2026: \$436,400 2027: \$388,200

7. Tangible capital assets

The municipality's policy on accounting for tangible capital assets follows:

- i) Contributed tangible capital assets
The municipality records all tangible capital assets contributed by external parties at fair value.
- ii) Tangible capital assets recognized at nominal value
Certain assets have been assigned a nominal value because of the difficulty of determining a tenable valuation.

For additional information, see the Consolidated Schedule of Tangible Capital Assets information on the tangible capital assets of the municipality by major class and by business segment, as well as for accumulated amortization of the assets controlled.

8. Segmented information

The Municipality of Central Huron is a diversified municipal government institution that provides a wide range of services to its citizens such as recreational and cultural services, planning and development, fire, and transportation services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This segment relates to the general operations of the municipality itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of fire protection, policing, court services, conservation authorities, protective inspection and control, building permit and inspection services, emergency measures and other protection services.

Transportation Services

Transportation services include road maintenance, winter control services, street light maintenance, parking lots, equipment maintenance and other transportation services.

Environmental Services

Environmental services include the sanitary sewer system, storm sewer system, waterworks, waste collection, waste disposal and recycling.

Health Services

This service area includes cemeteries and other health services.

Social and Family Services

This service area includes childcare and other social services.

Recreational and Cultural Services

This service area provides public services that contribute to the provision of recreation and leisure facilities and programs, the maintenance of parks and open spaces, library services, museums and other cultural services.

Planning and Development

This segment includes matters relating to zoning and site plan controls, land acquisition, development initiatives, agriculture and reforestation, municipal drainage and tile drainage.

For additional information, see the schedule of segmented information.

9. Accumulated surplus

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

	2022	2021
General revenue accumulated surplus and invested in tangible capital assets	\$ 84,879,012	\$ 81,203,212
Share of Mid-Huron Landfill Site Board general surplus	34,189	34,658
Share of Mid-Huron Recycling Centre Board general surplus	118,934	77,474
Unfinanced solid waste landfill closure and post- closure liabilities	(2,836,869)	(2,848,667)
Reserves and reserve funds	<u>5,779,034</u>	<u>7,862,014</u>
	<u>\$ 87,974,300</u>	<u>\$ 86,328,691</u>

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

10. Financial instrument risk management

Credit risk

The municipality 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 municipality's receivables are from ratepayers and government entities. For trade and other receivables, the municipality 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 municipality will not be able to meet its financial obligations as they fall due. The municipality has a planning and a budgeting process in place to help determine the funds required to support the municipality's normal operating requirements on an ongoing basis. The municipality 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 municipality'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 municipality 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.

11. 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.

12. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2022 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 operations. Budget amounts were not available for certain boards consolidated by the municipality.

Approved budget annual surplus (deficit)	\$ -
Acquisition of tangible capital assets	8,597,431
Debt issue proceeds	(5,736,686)
Debt principal repayments	446,729
Net reserve, reserve fund, and surplus transfers	(2,624,429)
Mid-Huron Landfill Site Board net budget deficit	(72,579)
Mid-Huron Landfill Site Board net budget surplus	<u>36,667</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 647,133</u>

13. Financial impact of COVID-19 pandemic

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic. Subsequently, the Province of Ontario issued a state of emergency limiting the number of people in a gathering and requiring rolling closures and lockdowns of non-essential business for an indeterminate period of time. The dynamic nature of the COVID-19 crisis makes it impossible to predict the impact this will have on the organization's operations, cash flows and financial position. Management will continue to monitor the situation and reflect the impact in the financial statements as appropriate.

MUNICIPALITY OF CENTRAL HURON
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2022

	Land	Land Improvements	Buildings	Machinery and Equipment	Other	Linear Road Systems	Linear Water Systems	Linear Sewer Systems	Assets Under Construction	TOTAL Net Book Value 2022	TOTAL Net Book Value 2021
Cost											
Balance, beginning of year	2,753,635	1,440,312	22,558,840	16,676,706	422,723	81,491,147	8,689,065	6,930,884	1,179,301	142,142,613	137,500,859
Add: Additions during the year		127,020	18,809	1,152,548	63,843	2,548,688	786,468	235,886	1,760,476	6,693,738	4,942,215
Less: Disposals during the year		(50,000)		(26,449)		(308,583)	(14,225)	(15,090)		(414,347)	(300,461)
Balance, end of year	<u>2,753,635</u>	<u>1,517,332</u>	<u>22,577,649</u>	<u>17,802,805</u>	<u>486,566</u>	<u>83,731,252</u>	<u>9,461,308</u>	<u>7,151,680</u>	<u>2,939,777</u>	148,422,004	<u>142,142,613</u>
Accumulated Amortization											
Balance, beginning of year	-	803,658	8,570,059	9,079,532	349,055	34,390,450	2,984,049	3,039,035	-	59,215,838	56,177,666
Add: Amortization during the year		72,959	544,786	730,127	34,960	1,802,179	102,014	143,345		3,430,370	3,298,638
Less: Accumulated amortization on disposals		(50,000)		(26,447)		(233,834)	(15,090)	(14,225)		(339,596)	(260,466)
Balance, end of year	<u>-</u>	<u>826,617</u>	<u>9,114,845</u>	<u>9,783,212</u>	<u>384,015</u>	<u>35,958,795</u>	<u>3,070,973</u>	<u>3,168,155</u>	<u>-</u>	62,306,612	<u>59,215,838</u>
Net Book Value of Tangible Capital Assets	<u>2,753,635</u>	<u>690,715</u>	<u>13,462,804</u>	<u>8,019,593</u>	<u>102,551</u>	<u>47,772,457</u>	<u>6,390,335</u>	<u>3,983,525</u>	<u>2,939,777</u>	\$ 86,115,392	<u>\$ 82,926,775</u>

MUNICIPALITY OF CENTRAL HURON
Consolidated Schedule of Continuity of Reserves, Reserve Funds and Deferred Revenue
For the Year Ended December 31, 2022

	Balance, beginning of year	Revenues and contributions			Transfers out Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
Reserves and reserve funds						
Reserves						
for general government	2,353,300		272,234		(495,668)	2,129,866
for protection services	370,128		123,925		(402,217)	91,836
for transportation services	267,057		264,643		(161,897)	369,803
for environmental services	1,325,011		-		(55,442)	1,269,569
for recreation and cultural services	1,072,628		220,000		-	1,292,628
for planning and development	266,015		-		(184,610)	81,405
	<u>5,654,139</u>	<u>-</u>	<u>880,802</u>	<u>-</u>	<u>(1,299,834)</u>	<u>5,235,107</u>
Reserve funds						
Wastewater System	(352,279)	14,986			(629,947)	(967,240)
Rural Water System Upgrades	1,440,118	10,961			(1,162,307)	288,772
Ball's Bridge	191,246	4,321				195,567
Blyth Landfill	133,654	3,033	10,000			146,687
Recreation	7,563	171				7,734
Kinburn Hall	4,999	113				5,112
School on Wheels	6,888	156				7,044
Building Department	286,311	6,440	39,502			332,253
Waste Collection Service	330,168	7,426	78,248			415,842
Physician recruitment	53,614	1,211				54,825
NWMO Community Well-Being	105,593	2,339			(50,601)	57,331
	<u>2,207,875</u>	<u>51,157</u>	<u>127,750</u>	<u>-</u>	<u>(1,842,855)</u>	<u>543,927</u>
Total reserves and reserve funds	<u>7,862,014</u>	<u>51,157</u>	<u>1,008,552</u>	<u>-</u>	<u>(3,142,689)</u>	<u>5,779,034</u>
Deferred revenue						
OCIF	114,407	6,006	883,153		(1,002,226)	1,340
Federal Gas Tax Funds	-	2,925		240,274		243,199
Ward 2 Pit Rehabilitation	13,779	312				14,091
Ward 1 Parkland	77,367	1,832	4,000			83,199
Community Parks Project	2,980	63			(3,043)	-
	<u>208,533</u>	<u>11,138</u>	<u>887,153</u>	<u>240,274</u>	<u>(1,005,269)</u>	<u>341,829</u>
Total	<u>\$ 8,070,547</u>	<u>62,295</u>	<u>1,895,705</u>	<u>240,274</u>	<u>(4,147,958)</u>	<u>\$ 6,120,863</u>

MUNICIPALITY OF CENTRAL HURON**Segmented Information**

For the Year Ended December 31, 2022

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Total 2022	Total 2021
Revenue									
Taxation	8,279,782							8,279,782	7,865,958
User charges, licences, donations	1,093,134	164,031	151,827	3,103,992	45,321	160,678	46,337	4,765,320	4,217,262
Government transfers	1,393,255		1,605,485	31,982		90,000	43,465	3,164,187	2,494,199
Interest and penalties	379,976							379,976	243,348
Other	-						426,102	426,102	309,456
	<u>11,146,147</u>	<u>164,031</u>	<u>1,757,312</u>	<u>3,135,974</u>	<u>45,321</u>	<u>250,678</u>	<u>515,904</u>	<u>17,015,367</u>	<u>15,130,223</u>
Operating expenditure									
Wages, salaries and benefits	1,129,008	395,503	776,114	745,372	48,842	564,644	99,356	3,758,839	3,250,833
Contract services	26,293	1,890,336	656,262	1,225,752	5,989	316,513	95,464	4,216,609	4,132,162
Supplies, materials, equipment and other	425,426	701,147	1,138,690	578,104	38,102	665,144	417,327	3,963,940	3,534,094
Amortization	33,152	127,060	2,037,410	585,120	3,637	643,991	-	3,430,370	3,298,638
	<u>1,613,879</u>	<u>3,114,046</u>	<u>4,608,476</u>	<u>3,134,348</u>	<u>96,570</u>	<u>2,190,292</u>	<u>612,147</u>	<u>15,369,758</u>	<u>14,215,727</u>
Net revenue (expense)	<u>9,532,268</u>	<u>(2,950,015)</u>	<u>(2,851,164)</u>	<u>1,626</u>	<u>(51,249)</u>	<u>(1,939,614)</u>	<u>(96,243)</u>	<u>1,645,609</u>	<u>914,496</u>

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of Central Huron ("the Municipality"), which are comprised of the balance sheet as at December 31, 2022 and the statement of continuity of trust funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAB, 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.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Seebach & Company

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
September 25, 2023

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

For the Year Ended December 31, 2022

	Total		Cemetery Perpetual Care		Radar Trust Fund		Woon Trust Fund	
	2022	2021	2022	2021	2022	2021	2022	2021
Balance beginning of year	<u>317,864</u>	<u>310,593</u>	<u>307,906</u>	<u>300,690</u>	<u>3,796</u>	<u>3,775</u>	<u>6,162</u>	<u>6,128</u>
Receipts								
Perpetual care	9,974	7,216	9,974	7,216				
Interest earned	2,191	495	1,966	440	86	21	139	34
	<u>12,165</u>	<u>7,711</u>	<u>11,940</u>	<u>7,656</u>	<u>86</u>	<u>21</u>	<u>139</u>	<u>34</u>
Expenditure								
Transfers to cemetery	1,966	440	1,966	440				
Expenditures	500	-			500			
	<u>2,466</u>	<u>440</u>	<u>1,966</u>	<u>440</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance end of year	<u>\$ 327,563</u>	<u>317,864</u>	<u>\$ 317,880</u>	<u>307,906</u>	<u>\$ 3,382</u>	<u>3,796</u>	<u>\$ 6,301</u>	<u>6,162</u>

BALANCE SHEET

As at December 31, 2022

	Total		Cemetery Perpetual Care		Radar Trust Fund		Woon Trust Fund	
	2022	2021	2022	2021	2022	2021	2022	2021
Assets								
Cash	106,496	96,797	96,813	86,839	3,382	3,796	6,301	6,162
Investments, cost	221,067	221,067	221,067	221,067				
Liabilities								
Due to general fund	-	-						
Trust fund net assets	<u>\$ 327,563</u>	<u>317,864</u>	<u>\$ 317,880</u>	<u>307,906</u>	<u>\$ 3,382</u>	<u>3,796</u>	<u>\$ 6,301</u>	<u>6,162</u>

MUNICIPALITY OF CENTRAL HURON
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

1. Accounting Policies

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

a) Management responsibility

The financial statements of the Trust Funds are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada 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 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.

2. Investments

Trust fund investments have a market value equal to cost of \$221,067 (2021 : \$221,067).