

**MUNICIPALITY OF CENTRAL HURON**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**SEEBACH & COMPANY**  
*Chartered Professional Accountants*



# Municipality of Central Huron

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## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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The accompanying financial statements of Municipality of Central Huron (the "Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with Canadian public sector accounting standards, established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada, as described in Note 1 to the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded from loss, transactions are properly authorized and recorded, and reliable information is available on a timely basis for preparation of the financial statements. These statements are monitored and evaluated by the Municipality's management. The Municipality's Council meets with management and the external auditor to review the financial statements and discuss and significant financial reporting or internal control matters prior to their approval.

The financial statements have been audited by Seebach & Company, independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's financial statements.

MUNICIPALITY OF CENTRAL HURON

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Steve Doherty  
Chief Administrative Officer

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Jeff Boyes, CPA, CMA  
Director of Finance / Treasurer

October 21, 2024

## **INDEPENDENT AUDITOR'S REPORT**

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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, 2023 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, 2023, 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  
October 21, 2024

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

As at December 31	2023	2022 restated (see Note 2)
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments	7,648,602	10,055,052
Taxes receivable	1,141,416	806,714
Accounts receivable	6,673,810	6,090,736
	<b>15,463,828</b>	16,952,502
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	4,235,152	5,483,999
Deferred revenue - obligatory reserve funds	301,896	341,829
Asset retirement obligations (note 6)	3,504,262	3,495,415
Municipal debt (note 7)	8,435,598	6,430,897
	<b>16,476,908</b>	15,752,140
<b>NET FINANCIAL ASSETS</b>	<b>(1,013,080)</b>	1,200,362
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets, net (note 8)	<b>91,456,065</b>	86,115,392
<b>ACCUMULATED SURPLUS (note 10)</b>	<b>\$ 90,442,985</b>	\$ 87,315,754

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	2023 Budget	2023 Actual	2022 Actual restated (see Note 2)
<b>Revenue</b>			
Taxation for municipal purposes	9,005,994	<b>8,995,120</b>	8,279,782
User fees, licences, permits and donations	4,447,060	<b>5,338,035</b>	4,765,320
Government transfers - Canada and Ontario	3,349,719	<b>3,229,620</b>	3,117,669
Government transfers - other municipalities	122,108	<b>75,224</b>	46,518
Investment income	135,499	<b>547,644</b>	265,211
Penalties and interest on taxes	118,000	<b>126,367</b>	114,765
Gaming Centre and other recoveries	550,000	<b>616,246</b>	426,102
	<u>17,728,380</u>	<u><b>18,928,256</b></u>	<u>17,015,367</u>
<b>Expenditure</b>			
General government	1,721,311	<b>1,519,930</b>	1,613,879
Protection to persons and property	3,340,872	<b>3,245,131</b>	3,114,046
Transportation services	4,884,879	<b>4,521,837</b>	4,608,476
Environmental services	3,495,363	<b>3,402,174</b>	3,147,269
Health services	107,183	<b>89,162</b>	96,570
Recreation, parks and culture	2,377,466	<b>2,271,703</b>	2,190,292
Planning and development	944,036	<b>751,088</b>	612,147
	<u>16,871,110</u>	<u><b>15,801,025</b></u>	<u>15,382,679</u>
<b>Annual surplus (deficit)</b>	<u>857,270</u>	<u><b>3,127,231</b></u>	<u>1,632,688</u>
<b>Accumulated surplus, beginning of year as previously stated</b>	87,315,754	<b>87,315,754</b>	86,328,691
<b>Change in accounting policy (note 2)</b>	-	-	(645,625)
<b>Accumulated surplus, beginning of year restated</b>	<u>87,315,754</u>	<u><b>87,315,754</b></u>	<u>85,683,066</u>
<b>Accumulated surplus, end of year</b>	<u><u>\$ 88,173,024</u></u>	<u><u><b>\$ 90,442,985</b></u></u>	<u><u>\$ 87,315,754</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	2023 Budget	2023 Actual	2022 Actual restated (see Note 2)
Annual surplus (deficit)	857,270	<b>3,127,231</b>	1,632,688
Amortization of tangible capital assets	3,360,854	<b>3,652,433</b>	3,430,370
Net acquisition of tangible capital assets	<u>(6,820,732)</u>	<u><b>(8,993,106)</b></u>	<u>(6,618,987)</u>
<b>Increase (decrease) in net financial assets</b>	<u>(2,602,608)</u>	<u><b>(2,213,442)</b></u>	<u>(1,555,929)</u>
<b>Net financial assets, beginning of year as previously stated</b>		<b>1,200,362</b>	3,401,916
<b>Change in accounting policy (note 2)</b>		-	<u>(645,625)</u>
<b>Net financial assets, beginning of year restated</b>		<u><b>1,200,362</b></u>	<u>2,756,291</u>
<b>Net financial assets, end of year</b>		<u><u><b>(\$ 1,013,080)</b></u></u>	<u><u>\$ 1,200,362</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	2023	2022 restated (see Note 2)
<b>Operating activities</b>		
Annual surplus (deficit)	3,127,231	1,632,688
Amortization expense not requiring cash outlay	3,652,433	3,430,370
Decrease (increase) in taxes receivable	(334,702)	50,243
Decrease (increase) in accounts receivable	(583,074)	(1,911,601)
Increase (decrease) in accounts payable	(1,248,847)	2,466,012
Increase (decrease) in deferred revenue	(39,933)	133,296
Increase (decrease) in asset retirement obligations	8,847	1,123
Cash provided by (used for) operating activities	<u>4,581,955</u>	<u>5,802,131</u>
<b>Capital activities</b>		
Net disposals (purchases) of tangible capital assets	(8,993,106)	(6,618,987)
Cash provided by (used for) capital activities	<u>(8,993,106)</u>	<u>(6,618,987)</u>
<b>Financing activities</b>		
Proceeds from long-term debt issued	2,466,740	-
Principal repayments on long-term debt	(462,039)	(446,729)
Cash provided by (used for) financing activities	<u>2,004,701</u>	<u>(446,729)</u>
<b>Increase (decrease) in cash position</b>	<b>(2,406,450)</b>	<b>(1,263,585)</b>
<b>Cash (overdraft) beginning of year</b>	<b><u>10,055,052</u></b>	<b><u>11,318,637</u></b>
<b>Cash (overdraft) end of year</b>	<b><u><u>\$ 7,648,602</u></u></b>	<b><u><u>\$ 10,055,052</u></u></b>

The accompanying notes are an integral part of this financial statement



**MUNICIPALITY OF CENTRAL HURON**  
**NOTES TO FINANCIAL STATEMENTS**

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**For the year ended December 31, 2023**

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**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:

<b>Category</b>	<b>Amortization Period</b>	<b>Capitalization Threshold</b>
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.

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) County and School Board

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

h) 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.

i) Asset Retirement Obligations

Asset retirement obligations represent the legal obligations associated with the retirement of a tangible capital asset that result from its acquisition, construction, development, or normal use.

The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate.

Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

j) 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.

k) 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. The municipality's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

l) Revenue recognition

- Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future considerations, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.
- Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
- Fines and donations are recognized when collected.
- Fees, user charges and other revenues are recorded upon sale of goods or provision of services when collection is reasonably assured.

**1. Accounting policies (continued)**

m) 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. Change in Accounting Policy**

- (a) Effective January 1, 2023 the municipality adopted new Public Sector Accounting Handbook Standard PS 3280 - Asset Retirement Obligations. The standard requires recognition of Asset Retirement Obligations when there is a legal obligation to incur retirement costs. The new standard resulted in the withdrawal of the existing accounting standard PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. As a result of the adoption, the presentation of the financial statements changed from the prior year. This change in accounting policy has been applied using the modified retroactive application with restatement of prior periods.

The municipality removed the landfill liability that had been recognized to date and recognized an asset retirement obligation, and associated tangible capital asset, upon adoption of PS 3280 on January 1, 2022. The liability represents the required closure and post-closure care for the landfill site owned by the municipality.

The impact of adoption of this standard was as follows:

	<b>2022</b>
Increase in tangible capital assets	\$ 279,316
Decrease in landfill liability	1,836,967
Increase in asset retirement obligations	(2,081,749)
Increase to Environmental services expenses	<u>(279,901)</u>
Decrease in opening accumulated surplus	<u>\$ (245,367)</u>

The change in accounting policy resulted in a \$279,901 increase in the previously reported Environmental services expenses for the 2022 year and a corresponding increase of \$279,901 in the previously reported annual surplus for the 2022 year.

- (b) On January 1, 2022, the municipality adopted the following standards on a prospective basis: PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments and PS 3450 Financial Instruments. The adoption of these standards had no impact on the opening balances.

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. The standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the statement of remeasurement gains and losses separate from the statement of operations.

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported at fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new statement of remeasurement gains and losses.

**2. Change in Accounting Policy** (continued)

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 Temporary Investments no longer applies.

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the statement of remeasurement gains and losses.

**3. 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:

	<b>2023</b>	<b>2022</b>
County of Huron	\$ 6,050,763	\$ 6,050,595
School Boards	2,467,444	2,467,176

**4. Trust funds**

Trust funds administered by the municipality amounting to \$344,332 (2022 : \$327,563) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

**5. 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 2023 was \$262,920 (2022 : \$253,586) 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.

**6. Asset retirement obligations**

The municipality's financial statements include an asset retirement obligation for the landfill and other environmentally hazardous materials. The related asset retirement costs are being amortized on a straight line basis.

The liability for the landfill has been estimated using a net present value technique with a discount rate of 2% (2022 : 2%). The estimated total undiscounted future expenditures are \$18,038,128 (2022 : \$18,038,128), which are to be incurred over 25 - 50 years after closure. The liability is expected to be fully settled in 23 - 50 years after closure of the landfill.

Legal liabilities exist for the removal and disposal of asbestos and other environmentally hazardous materials within some municipal owned properties and buildings that will undergo major renovations, upgrades, or demolition in the future. The obligation has been measured at current cost as the timing of future cash flows cannot be reasonably determined.

The carrying amount of the liabilities are as follows:

	<b>2023</b>	<b>2022</b>
Asset retirement obligation, beginning	3,495,415	-
Opening balance adjustment	-	3,494,292
Accretion expense	79,843	69,886
Settlements and adjustments	<u>(70,996)</u>	<u>(68,763)</u>
Asset retirement obligations, ending	<u>\$ 3,504,262</u>	<u>\$ 3,495,415</u>

The liability is expected to be funded through budget allocations to a landfill reserve fund over the remaining life of the related tangible capital asset.

A reserve has been established to partially provide for this landfill site closure and post-closure liability. The reserve balance at December 31, 2023 is \$29,729 (2022 : \$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 \$2,744,172 (2022 : \$2,759,969). The Mid-Huron Landfill Site Board has set aside reserves and reserve funds of which the municipality's proportionate share is \$1,221,315 (2022 : \$1,239,840). The site was closed in 2022.

**7. Municipal debt**

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

	<b>2023</b>	<b>2022</b>
Ontario Infrastructure and Lands Corporation (OILC) loan payable, prime interest, due on demand	1,000,000	-
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 4.44% interest, \$125,921 semi-annual blended payments, due August 2036	2,396,093	2,536,845
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 3.25% interest, \$63,571 semi-annual blended payments, due March 2027	417,428	528,294
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 3.04% interest, \$35,014 semi-annual blended payments, due November 2023	-	68,464
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 3.75% interest, \$34,074 semi-annual blended payments, due November 2048	1,099,420	1,125,602
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 2.53% interest, \$8,151 monthly payments, due October 2039	1,274,947	1,339,610
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 2.27% interest, \$34,856 semi-annual payments, due September 2036	780,970	832,082
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 3.85% interest, \$179,488 semi-annual payments, due June 2033	1,466,740	-
	<u>\$8,435,598</u>	<u>\$6,430,897</u>

Principal payments recoverable from property owners in the next five years to finance the bank demand and term loans and municipal debentures are:  
 2024: \$1,530,400    2025: \$549,400    2026: \$569,100    2027: \$526,000    2028: \$480,500

**8. 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.

**9. 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.



**10. Accumulated surplus**

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

	<b>2023</b>	<b>2022</b>
Invested in tangible capital assets	\$ 91,456,065	\$ 86,081,203
General revenue accumulated surplus (deficit)	2,372,260	5,228,706
Share of Mid-Huron Landfill Site Board general surplus	23,195	34,189
Share of Mid-Huron Recycling Centre Board general surplus	133,446	118,934
Unfinanced long-term debt	(8,435,598)	(6,430,897)
Unfinanced asset retirement obligations	(3,504,262)	(3,495,415)
Reserves and reserve funds	<u>8,397,879</u>	<u>5,779,034</u>
	<u>\$ 90,442,985</u>	<u>\$ 87,315,754</u>

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

**11. 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.

**12. 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.

**13. Budget amounts**

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2023 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	6,820,732
Debt issue proceeds	(5,736,686)
Debt principal repayments	462,038
Net reserve, reserve fund, and surplus transfers	(602,904)
Mid-Huron Landfill Site Board net budget deficit	(81,121)
Mid-Huron Recycle Centre Board net budget surplus	<u>(4,789)</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 857,270</u>

**MUNICIPALITY OF CENTRAL HURON**  
**Consolidated Schedule of Tangible Capital Assets**  
For the Year Ended December 31, 2023

	Land	Land Improvements	Buildings	Machinery and Equipment	Other	Linear Road Systems	Linear Water Systems	Linear Sewer Systems	Assets Under Construction	<b>TOTAL Net Book Value 2023</b>	<b>TOTAL Net Book Value 2022</b>
<b>Cost</b>											
Balance, beginning of year	2,753,635	1,517,332	22,577,649	17,802,805	486,566	83,731,252	9,461,308	7,151,680	2,939,777	<b>148,422,004</b>	142,142,613
Add: Additions during the year		102,175	249,798	295,328	188,501	1,366,872	1,245	102,756	6,708,097	<b>9,014,772</b>	6,693,738
Less: Disposals during the year			(21,843)	(340,032)	(14,331)	(106,342)				<b>(482,548)</b>	(414,347)
Other: WIP transfers			1,497,397	69,057	14,921	27,974			(1,609,349)	<b>-</b>	-
Balance, end of year	<u>2,753,635</u>	<u>1,619,507</u>	<u>24,303,001</u>	<u>17,827,158</u>	<u>675,657</u>	<u>85,019,756</u>	<u>9,462,553</u>	<u>7,254,436</u>	<u>8,038,525</u>	<b><u>156,954,228</u></b>	<u>148,422,004</u>
<b>Accumulated Amortization</b>											
Balance, beginning of year	-	826,617	9,114,845	9,783,212	384,015	35,958,795	3,070,973	3,168,155	-	<b>62,306,612</b>	59,215,838
Add: Amortization during the year		77,226	542,725	765,601	31,703	1,968,278	161,944	104,956		<b>3,652,433</b>	3,430,370
Less: Accumulated amortization on disposals			(21,843)	(340,032)	(7,499)	(91,508)				<b>(460,882)</b>	(339,596)
Balance, end of year	<u>-</u>	<u>903,843</u>	<u>9,635,727</u>	<u>10,208,781</u>	<u>408,219</u>	<u>37,835,565</u>	<u>3,232,917</u>	<u>3,273,111</u>	<u>-</u>	<b><u>65,498,163</u></b>	<u>62,306,612</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>2,753,635</u>	<u>715,664</u>	<u>14,667,274</u>	<u>7,618,377</u>	<u>267,438</u>	<u>47,184,191</u>	<u>6,229,636</u>	<u>3,981,325</u>	<u>8,038,525</u>	<b><u>\$ 91,456,065</u></b>	<b><u>\$ 86,115,392</u></b>

**MUNICIPALITY OF CENTRAL HURON**  
**Consolidated Schedule of Continuity of Reserves and Reserve Funds**  
For the Year Ended December 31, 2023

	Balance, beginning of year	Revenues and contributions			Transfers out Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
<b>Reserves and reserve funds</b>						
Reserves						
for general government	2,129,866		309,000		(184,698)	<b>2,254,168</b>
for protection services	91,836		256,205		-	<b>348,041</b>
for transportation services	369,803		112,569		(8,551)	<b>473,821</b>
for environmental services	1,269,569		-		(18,525)	<b>1,251,044</b>
for recreation and cultural services	1,292,628		257,167		(162,169)	<b>1,387,626</b>
for planning and development	81,405		105,000		-	<b>186,405</b>
	<u>5,235,107</u>	<u>-</u>	<u>1,039,941</u>	<u>-</u>	<u>(373,943)</u>	<u><b>5,901,105</b></u>
Reserve funds						
Wastewater System	(967,240)	108	812,404			<b>(154,728)</b>
Rural Water System Upgrades	288,772	44,268	911,271			<b>1,244,311</b>
Ball's Bridge	195,567	10,092				<b>205,659</b>
Blyth Landfill	146,687	7,570	10,000			<b>164,257</b>
Recreation	7,734	400				<b>8,134</b>
Kinburn Hall	5,112	264				<b>5,376</b>
School on Wheels	7,044	363				<b>7,407</b>
Building Department	332,253	16,876	77,834			<b>426,963</b>
Waste Collection Service	415,842	20,914	52,427			<b>489,183</b>
Physician recruitment	54,825	2,829				<b>57,654</b>
NWMO Community Well-Being	57,331	2,959			(36,257)	<b>24,033</b>
	<u>543,927</u>	<u>106,643</u>	<u>1,863,936</u>	<u>-</u>	<u>(36,257)</u>	<u><b>2,478,249</b></u>
Total reserves and reserve funds	<u>5,779,034</u>	<u>106,643</u>	<u>2,903,877</u>	<u>-</u>	<u>(410,200)</u>	<u><b>\$ 8,379,354</b></u>

**MUNICIPALITY OF CENTRAL HURON**  
**Consolidated Schedule of Continuity of Deferred Revenue**  
For the Year Ended December 31, 2023

	Balance, beginning of year	Revenues and contributions			Transfers out Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
<b>Deferred revenue</b>						
OCIF	1,340	26,582	1,015,626		(987,478)	<b>56,070</b>
Federal Gas Tax Funds	243,199	16,442		250,721	(373,569)	<b>136,793</b>
Ward 2 Pit Rehabilitation	14,091	727				<b>14,818</b>
Ward 1 Parkland	83,199	4,442	6,574			<b>94,215</b>
	<u>341,829</u>	<u>48,193</u>	<u>1,022,200</u>	<u>250,721</u>	<u>(1,361,047)</u>	<u><b>\$ 301,896</b></u>

**MUNICIPALITY OF CENTRAL HURON**

**Segmented Information**

For the Year Ended December 31, 2023

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	<b>Total 2023</b>	Total 2022
<b>Revenue</b>									
Taxation	8,995,120							<b>8,995,120</b>	8,279,782
User charges, licences, donations	1,369,799	237,575	144,570	3,310,383	32,190	202,307	41,211	<b>5,338,035</b>	4,765,320
Government transfers	1,480,216	35,104	1,361,047	302,760		63,617	62,100	<b>3,304,844</b>	3,164,187
Interest and penalties	674,011							<b>674,011</b>	379,976
Other	-						616,246	<b>616,246</b>	426,102
	<u>12,519,146</u>	<u>272,679</u>	<u>1,505,617</u>	<u>3,613,143</u>	<u>32,190</u>	<u>265,924</u>	<u>719,557</u>	<b><u>18,928,256</u></b>	<u>17,015,367</u>
<b>Operating expenditure</b>									
Wages, salaries and benefits	1,069,665	386,485	733,739	790,606	50,185	611,343	148,202	<b>3,790,225</b>	3,758,839
Contract services	46,814	2,021,142	728,806	1,190,540	6,155	309,060	132,151	<b>4,434,668</b>	4,216,609
Supplies, materials, equipment and other	363,831	690,496	861,009	821,152	30,081	686,395	470,735	<b>3,923,699</b>	3,976,861
Amortization	39,620	147,008	2,198,283	599,876	2,741	664,905	-	<b>3,652,433</b>	3,430,370
	<u>1,519,930</u>	<u>3,245,131</u>	<u>4,521,837</u>	<u>3,402,174</u>	<u>89,162</u>	<u>2,271,703</u>	<u>751,088</u>	<b><u>15,801,025</u></b>	<u>15,382,679</u>
<b>Net revenue (expense)</b>	<u>10,999,216</u>	<u>(2,972,452)</u>	<u>(3,016,220)</u>	<u>210,969</u>	<u>(56,972)</u>	<u>(2,005,779)</u>	<u>(31,531)</u>	<b><u>3,127,231</u></b>	<u>1,632,688</u>

**MUNICIPALITY OF CENTRAL HURON  
TRUST FUNDS  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**SEEBACH & COMPANY**  
*Chartered Professional Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

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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, 2023 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, 2023, 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  
October 21, 2024



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

For the Year Ended December 31, 2023

	Total		Cemetery Perpetual Care		Radar Trust Fund		Woon Trust Fund	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Balance beginning of year</b>	<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>
<b>Receipts</b>								
Perpetual care	16,269	9,974	16,269	9,974				
Interest earned	24,992	2,191	24,492	1,966	175	86	325	139
	<u>41,261</u>	<u>12,165</u>	<u>40,761</u>	<u>11,940</u>	<u>175</u>	<u>86</u>	<u>325</u>	<u>139</u>
<b>Expenditure</b>								
Transfers to cemetery	24,492	1,966	24,492	1,966				
Expenditures	-	500				500		
	<u>24,492</u>	<u>2,466</u>	<u>24,492</u>	<u>1,966</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>
<b>Balance end of year</b>	<u>\$ 344,332</u>	<u>327,563</u>	<u>\$ 334,149</u>	<u>317,880</u>	<u>\$ 3,557</u>	<u>3,382</u>	<u>\$ 6,626</u>	<u>6,301</u>

**BALANCE SHEET**

As at December 31, 2023

	Total		Cemetery Perpetual Care		Radar Trust Fund		Woon Trust Fund	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Assets</b>								
Cash	292,105	106,496	281,922	96,813	3,557	3,382	6,626	6,301
Investments, cost	51,067	221,067	51,067	221,067				
Due from general fund	1,160	-	1,160					
<b>Liabilities</b>								
Due to general fund	-	-						
<b>Trust fund net assets</b>	<u>\$ 344,332</u>	<u>327,563</u>	<u>\$ 334,149</u>	<u>317,880</u>	<u>\$ 3,557</u>	<u>3,382</u>	<u>\$ 6,626</u>	<u>6,301</u>

**MUNICIPALITY OF CENTRAL HURON**  
**TRUST FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**

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**For the Year Ended December 31, 2023**

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**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 \$51,067 (2022 : \$221,067).