

**THE CORPORATION OF THE
MUNICIPALITY OF HURON EAST
FINANCIAL STATEMENTS
DECEMBER 31, 2022**

SEEBACH & COMPANY
Chartered Professional Accountants

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS


The accompanying consolidated financial statements of The Corporation of the Municipality of Huron East (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 consolidated 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.

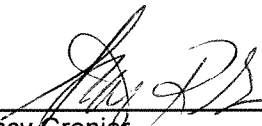
The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded from loss, transactions are properly authorized and recorded, and reliable information is available on a timely basis for preparation of the consolidated financial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

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST



Brad McRoberts
Chief Administrative Officer



Stacy Grenier
Financial Manager / Treasurer

January 9, 2024

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Corporation of the Municipality of Huron East ("the Municipality"), which are comprised of the consolidated statement of financial position as at December 31, 2022 and the 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.

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Chartered Professional Accountants

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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
January 9, 2024

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31	2022	2021
FINANCIAL ASSETS		
Cash	3,026,403	3,096,421
Taxes receivable	1,161,279	979,419
Accounts receivable	1,705,981	3,120,521
Investments (note 4)	9,343,574	7,235,233
Long-term receivables (note 5)	1,762,326	1,867,649
	<u>16,999,563</u>	<u>16,299,243</u>
LIABILITIES		
Accounts payable and accrued liabilities	5,035,392	2,372,615
Deferred revenue	12,201	32,789
Deferred revenue - obligatory reserve funds	2,053,312	1,695,263
Municipal debt (note 7)	864,506	952,844
Landfill closure and post-closure liability (note 8)	2,675,790	2,685,336
	<u>10,641,201</u>	<u>7,738,847</u>
NET FINANCIAL ASSETS	\$ 6,358,362	\$ 8,560,396
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 9)	80,965,179	75,923,496
Inventory and prepaid expenses	21,451	325,554
	<u>80,986,630</u>	<u>76,249,050</u>
ACCUMULATED SURPLUS (note 11)	\$ 87,344,992	\$ 84,809,446

The accompanying notes are an integral part of this financial statement

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31	2022 Budget	2022 Actual	2021 Actual
Revenue			
Taxation for municipal purposes	8,855,633	8,779,143	8,014,867
Government transfers - Canada	304,713	406,806	1,669,089
Government transfers - Ontario	2,019,919	2,350,049	2,004,408
Government transfers - other municipalities	687,082	811,313	798,317
User fees and service charges	5,188,105	5,675,967	4,995,858
Licences, permits, rents, donations, etc.	162,685	1,389,313	204,494
Investment income	306,214	212,543	210,389
Penalties and interest on taxes	137,000	130,671	67,260
Gain (loss) on disposal of tangible capital assets	-	(25,311)	-
	<u>17,661,351</u>	<u>19,730,494</u>	<u>17,964,682</u>
Expenditure			
General government	1,883,714	1,625,337	1,416,558
Protection to persons and property	3,411,015	3,566,711	3,203,050
Transportation services	5,016,747	5,071,091	5,079,531
Environmental services	3,265,556	3,485,058	3,104,754
Health services	326,726	281,876	239,952
Social and family services	647,528	730,433	663,033
Recreation and cultural services	1,750,422	1,812,790	1,359,951
Planning and development	305,255	621,652	328,273
	<u>16,606,963</u>	<u>17,194,948</u>	<u>15,395,102</u>
Annual surplus (deficit)	1,054,388	2,535,546	2,569,580
Accumulated surplus, beginning of year	<u>84,809,446</u>	<u>84,809,446</u>	<u>82,239,866</u>
Accumulated surplus, end of year	<u><u>\$ 85,863,834</u></u>	<u><u>\$ 87,344,992</u></u>	<u><u>\$ 84,809,446</u></u>

The accompanying notes are an integral part of this financial statement

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

For the year ended December 31	2022 Budget	2022 Actual	2021 Actual
Annual surplus (deficit)	1,054,388	2,535,546	2,569,580
Amortization of tangible capital assets	2,578,350	2,625,216	2,531,483
Net acquisition of tangible capital assets	(6,389,746)	(7,692,210)	(4,969,999)
Loss (gain) on sale of tangible capital assets	-	25,311	-
Decrease (increase) in inventory and prepaid expenses	-	304,103	(312,239)
	<u>(2,757,009)</u>	<u>(2,202,034)</u>	<u>(181,175)</u>
Net financial assets, beginning of year	<u>8,560,396</u>	<u>8,560,396</u>	<u>8,741,571</u>
Net financial assets, end of year	<u><u>\$ 5,803,388</u></u>	<u><u>\$ 6,358,362</u></u>	<u><u>\$ 8,560,396</u></u>

The accompanying notes are an integral part of this financial statement

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
CONSOLIDATED STATEMENT OF CASH FLOW**

For the year ended December 31	2022	2021
Operating activities		
Annual surplus (deficit)	2,535,546	2,569,580
Amortization expense not requiring cash outlay	2,625,216	2,531,483
Loss (gain) on disposal of tangible capital assets	25,311	-
Decrease (increase) in taxes receivable	(181,860)	142,868
Decrease (increase) in accounts receivable	1,414,540	(928,221)
Increase (decrease) in accounts payable and accrued liabilities	2,662,777	(16,770)
Increase (decrease) in deferred revenue	(20,588)	(1,018,426)
Increase (decrease) in deferred revenue - obligatory reserve funds	358,049	196,434
Increase (decrease) in landfill closure & post-closure liability	(9,546)	(10,975)
Decrease (increase) in inventory and prepaid expenses	304,103	(312,239)
Cash provided by (used for) operating activities	<u>9,713,548</u>	<u>3,153,734</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	<u>(7,692,210)</u>	<u>(4,969,999)</u>
Cash provided by (used for) capital activities	<u>(7,692,210)</u>	<u>(4,969,999)</u>
Investing activities		
Decrease (increase) in investments	(2,108,341)	2,764,829
Decrease (increase) in long-term receivables	105,323	131,401
Cash provided by (used for) investing activities	<u>(2,003,018)</u>	<u>2,896,230</u>
Financing activities		
Principal repayments on long-term debt	<u>(88,338)</u>	<u>(86,781)</u>
Cash provided by (used for) financing activities	<u>(88,338)</u>	<u>(86,781)</u>
Increase (decrease) in cash position	(70,018)	993,184
Cash (overdraft) beginning of year	<u>3,096,421</u>	<u>2,103,237</u>
Cash (overdraft) end of year	<u><u>\$ 3,026,403</u></u>	<u><u>\$ 3,096,421</u></u>

The accompanying notes are an integral part of this financial statement

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
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 Huron East 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.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

Seaforth Business Improvement Area - 100%

Mid-Huron Landfill Site Board - 23.3%

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
Sewermain 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 consolidated 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	\$ 6,363,051	\$ 6,494,118
School Boards	2,721,926	2,659,025

3. Trust funds

Trust funds administered by the municipality amounting to \$3,174,304 (2021 : \$3,248,478) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

4. Investments

	2022	2021
Money market fund	2,727,921	57,813
Bond fund	<u>6,615,653</u>	<u>7,177,420</u>
	<u>\$ 9,343,574</u>	<u>\$ 7,235,233</u>

The investments have a market value of \$8,688,422 (2021 : \$6,900,631) at the end of the year.

5. Long-term receivables

	2022	2021
Due from residents and landowners	1,762,326	1,866,829
Tile loans, 6% - 8%, principal and interest receivable annually, due 2023 through 2032	<u>-</u>	<u>820</u>
	<u>\$ 1,762,326</u>	<u>\$ 1,867,649</u>

Amounts due in the next five years are as follows:

2023: \$64,800 2024: \$66,600 2025: \$68,600 2026: \$70,600 2027: \$72,500

6. 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 \$250,460 (2021 : \$222,824) for current services and is included as an expenditure on the consolidated statement of operations.

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.

7. Municipal debt

The balance of the municipal debt reported on the consolidated statement of financial position is made up of the following:

	2022	2021
Health services debenture payable to Huron East/Seaforth Community Development Trust, 5% interest, due December 2038	176,724	183,798
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 1.47% interest, \$45,721 blended payment payable semi-annually, due September 2030 (for transportation purposes)	687,782	768,226
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals	<u>-</u>	<u>820</u>
	<u>\$ 864,506</u>	<u>\$ 952,844</u>

Principal payments for the next five years are as follows:

2023: \$89,100 2024: \$90,600 2025: \$92,300 2026: \$93,900 2027: \$95,600

8. 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 - 25 years
Discount rate	1.9% - 2%
Estimated time required for post-closure care	25 - 50 years

The unfunded balance of the future liability is expected to be funded through future budget allocations to the landfill. The Seaforth landfill site has now been closed with the expenses of closure reported in 1995 to 2022 as incurred. Further expenditures will be expensed as incurred in 2023, and those amounts have not been accrued since they are not anticipated to be significant. The Morris-Turnberry landfill site has a landfill closure and post-closure liability of \$134,000 (2021 : \$131,300).

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 \$1,141,830 (2021 : \$1,192,888). The site was closed in 2022.

The opening accumulated surplus of the municipality has been adjusted by \$1,460,530 (2021 : \$1,473,398) to reflect the change in the landfill closure and post-closure liability.

9. 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.

10. Segmented information

The Municipality of Huron East 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.

10. Segmented information (continued)

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.

11. 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	\$ 77,467,459	\$ 73,794,429
Unfinanced solid waste landfill closure and post-closure liabilities	(2,675,790)	(2,685,336)
Reserves and reserve funds	<u>12,553,323</u>	<u>13,700,353</u>
	<u>\$ 87,344,992</u>	<u>\$ 84,809,446</u>

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

12. 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.

13. Budget amounts

Under Canadian public sector accounting standards, budgets 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 Huron East 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	6,389,746
Amortization of tangible capital assets	(2,625,216)
Debt proceeds / repayments	180,444
Net reserve, reserve fund, and surplus transfers	(149,296)
Mid-Huron Landfill Site Board net budget deficit	(66,841)
Mid-Huron Recycle Centre Board net budget surplus	<u>1,666</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 1,054,388</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2022

	Land	Buildings	Machinery & Equipment	Vehicles	Plants and Facilities	Roads	Underground and other Networks	Bridges and other Structures	Assets Under Construction	TOTAL Net Book Value 2022	TOTAL Net Book Value 2021
Cost											
Balance, beginning of year	1,629,465	11,044,351	4,665,607	3,791,581	10,943,624	57,686,756	17,481,893	12,628,142	1,726,739	121,598,158	117,291,234
Add: Additions during the year		65,172	1,401,676	374,785	67,241	1,019,321	461,358	83,290	4,285,520	7,758,363	5,022,786
Less: Disposals during the year		(193)	(458,303)	(142,375)		(149,008)	(19,563)			(769,442)	(715,862)
Other: WIP transfers			190,327	35,000	1,032,784	5,333			(1,263,444)	-	-
Balance, end of year	<u>1,629,465</u>	<u>11,109,330</u>	<u>5,799,307</u>	<u>4,058,991</u>	<u>12,043,649</u>	<u>58,562,402</u>	<u>17,923,668</u>	<u>12,711,432</u>	<u>4,748,815</u>	<u>128,587,079</u>	<u>121,598,158</u>
Accumulated Amortization											
Balance, beginning of year		4,640,336	2,195,217	2,070,666	4,585,834	22,243,628	5,535,193	4,403,788		45,674,662	43,806,254
Add: Amortization during the year		251,633	283,732	163,032	212,917	1,289,149	216,232	208,521		2,625,216	2,531,483
Less: Accumulated amortization on disposals		(193)	(396,503)	(139,375)		(122,344)	(19,563)			(677,978)	(663,075)
Balance, end of year	<u>-</u>	<u>4,891,776</u>	<u>2,082,446</u>	<u>2,094,323</u>	<u>4,798,751</u>	<u>23,410,433</u>	<u>5,731,862</u>	<u>4,612,309</u>	<u>-</u>	<u>47,621,900</u>	<u>45,674,662</u>
Net Book Value of Tangible Capital Assets	<u>1,629,465</u>	<u>6,217,554</u>	<u>3,716,861</u>	<u>1,964,668</u>	<u>7,244,898</u>	<u>35,151,969</u>	<u>12,191,826</u>	<u>8,099,123</u>	<u>4,748,815</u>	<u>\$ 80,965,179</u>	<u>\$ 75,923,496</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2022

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Work in Process	TOTAL Net Book Value 2022	TOTAL Net Book Value 2021
Cost										
Balance, beginning of year	2,229,029	3,221,798	75,283,952	28,919,577	2,024,688	7,360,470	831,905	1,726,739	121,598,158	117,291,234
Add: Additions during the year	128,992	1,916,151	1,316,177	11,011	100,512	(193)		4,285,520	7,758,363	5,022,786
Less: Disposals during the year	(81,820)	(100,000)	(567,866)	(19,563)		(193)		(1,263,444)	(769,442)	(715,862)
Other: WIP transfers		40,333	1,223,111						-	-
Other: donations and transfers		(24,080)				24,080			-	-
Balance, end of year	<u>2,276,201</u>	<u>3,121,798</u>	<u>76,648,490</u>	<u>31,439,302</u>	<u>2,035,699</u>	<u>7,484,869</u>	<u>831,905</u>	<u>4,748,815</u>	<u>128,587,079</u>	<u>121,598,158</u>
Accumulated Amortization										
Balance, beginning of year	703,523	1,589,961	29,083,129	10,166,344	439,552	3,692,153	-		45,674,662	43,806,254
Add: Amortization during the year	91,287	101,585	1,731,324	444,995	54,421	201,604			2,625,216	2,531,483
Less: Accumulated amortization on disposals	(66,479)	(99,000)	(492,743)	(19,563)		(193)			(677,978)	(663,075)
Other: donations and transfers			(22,080)			22,080			-	-
Balance, end of year	<u>728,331</u>	<u>1,592,546</u>	<u>30,299,630</u>	<u>10,591,776</u>	<u>493,973</u>	<u>3,915,644</u>	<u>-</u>	<u>-</u>	<u>47,621,900</u>	<u>45,674,662</u>
Net Book Value of Tangible Capital Assets	<u>1,547,870</u>	<u>1,529,252</u>	<u>46,348,860</u>	<u>20,847,526</u>	<u>1,541,726</u>	<u>3,569,225</u>	<u>831,905</u>	<u>4,748,815</u>	<u>\$ 80,965,179</u>	<u>\$ 75,923,496</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
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	1,853,314		746,414		(1,360,261)	1,239,467
for protection services	298,737		37,500		(7,360)	328,877
for transportation services	760,878		300,004		(757,799)	303,083
for environmental services	9,654,258		1,457,345		(1,950,612)	9,160,991
for health services	97,969		19,735		-	117,704
for recreation and cultural services	1,035,197		1,365,010		(997,006)	1,403,201
Total reserves and reserve funds	<u>13,700,353</u>	<u>-</u>	<u>3,926,008</u>	<u>-</u>	<u>(5,073,038)</u>	<u>12,553,323</u>
Deferred revenue						
Parkland	79,576	4,522	9,752		(855)	92,995
Brussels Landfill (Morris)	54,338	3,126	7,972			65,436
Walton Landfill	249,060	4,948				254,008
Federal Gas Tax Funds	1,312,289	38,771		289,813		1,640,873
	<u>1,695,263</u>	<u>51,367</u>	<u>17,724</u>	<u>289,813</u>	<u>(855)</u>	<u>2,053,312</u>
Total	<u>\$ 15,395,616</u>	<u>51,367</u>	<u>3,943,732</u>	<u>289,813</u>	<u>(5,073,893)</u>	<u>\$ 14,606,635</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST

Segmented Information

For the Year Ended December 31, 2022

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Total 2022	Total 2021
Revenue										
Taxation	8,779,143	-	-	-	-	-	-	-	8,779,143	8,014,867
User charges	3,365,352	207,458	-	2,924,588	34,410	196,376	280,348	56,748	7,065,280	5,200,352
Government transfers	1,201,078	271,643	1,303,095	118,223	6,199	422,579	184,905	60,446	3,568,168	4,471,814
Interest and penalties	343,214	-	-	-	-	-	-	-	343,214	277,649
Other	(25,311)	-	-	-	-	-	-	-	(25,311)	-
	<u>13,663,476</u>	<u>479,101</u>	<u>1,303,095</u>	<u>3,042,811</u>	<u>40,609</u>	<u>618,955</u>	<u>465,253</u>	<u>117,194</u>	<u>19,730,494</u>	<u>17,964,682</u>
Operating expenditure										
Wages, salaries and benefits	870,873	755,633	1,040,711	272,694	77,961	620,515	756,010	46,014	4,440,411	4,072,520
Contracted services	113,040	1,717,610	266,786	1,146,750	6,332	-	120,691	34,122	3,405,331	3,466,051
Supplies, materials and equipment	550,137	991,883	2,032,270	1,620,619	143,162	109,918	734,485	541,516	6,723,990	5,325,048
Amortization	91,287	101,585	1,731,324	444,995	54,421	-	201,604	-	2,625,216	2,531,483
	<u>1,625,337</u>	<u>3,566,711</u>	<u>5,071,091</u>	<u>3,485,058</u>	<u>281,876</u>	<u>730,433</u>	<u>1,812,790</u>	<u>621,652</u>	<u>17,194,948</u>	<u>15,395,102</u>
Net revenue (expense)	<u>12,038,139</u>	<u>(3,087,610)</u>	<u>(3,767,996)</u>	<u>(442,247)</u>	<u>(241,267)</u>	<u>(111,478)</u>	<u>(1,347,537)</u>	<u>(504,458)</u>	<u>2,535,546</u>	<u>2,569,580</u>

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of Huron East ("the Municipality"), which are comprised of the balance sheet as at December 31, 2022 and the statement of operations 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.

Seebach & Company
Chartered Professional Accountants

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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
January 9, 2024

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
TRUST FUNDS
BALANCE SHEET**

As at December 31, 2022

	Brussels		Grey		Seaforth		McKillop		Egmondville	
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial	Heritage	Hydro	Zion Cemetery	Perpetual Care	2021
Assets										
Cash	7,733	16,658	2,765	1,727	40,993	84,606	1,173	5,514	161,169	396,094
Accounts receivable	1,300			740		4,000			6,040	-
Loans receivable						3,000			3,000	3,000
Investments	229,500	525,000	11,100	53,672	25,000	1,259,539	7,500	60,000	2,171,311	2,014,812
Tangible capital assets, net						842,388			842,388	856,473
	<u>\$ 238,533</u>	<u>\$ 541,658</u>	<u>\$ 13,865</u>	<u>\$ 56,139</u>	<u>\$ 25,000</u>	<u>\$ 2,193,533</u>		<u>\$ 65,514</u>	<u>\$ 3,183,908</u>	<u>\$ 3,270,379</u>
Liabilities										
Accounts payable						9,604			9,604	21,901
						9,604			9,604	21,901
Trust fund balance	<u>238,533</u>	<u>541,658</u>	<u>13,865</u>	<u>56,139</u>	<u>25,000</u>	<u>2,183,929</u>	<u>8,673</u>	<u>65,514</u>	<u>3,174,304</u>	<u>3,248,478</u>
	<u>\$ 238,533</u>	<u>\$ 541,658</u>	<u>\$ 13,865</u>	<u>\$ 56,139</u>	<u>\$ 25,000</u>	<u>\$ 2,193,533</u>	<u>\$ 8,673</u>	<u>\$ 65,514</u>	<u>\$ 3,183,908</u>	<u>\$ 3,270,379</u>

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2022

	Brussels		Grey		Seaforth		McKillop		Egmondville	
	Perpetual Care	Hydro	Cranbrook Perpetual	Mount Pleasant	Carnochan Memorial	Heritage	Hydro	Zion Cemetery	Perpetual Care	2021
Revenue										
Sale of plots, vaults, opening charges	2,600			2,190					500	8,430
Interest earned	3,306	13,250	150	121	438	756	25,220	163	797	55,258
Rent							109,905			183,053
Other		5,800					5,000			55
	<u>5,906</u>	<u>19,050</u>	<u>150</u>	<u>2,311</u>	<u>438</u>	<u>756</u>	<u>140,125</u>	<u>163</u>	<u>1,297</u>	<u>246,796</u>
Expenses										
Expenditures							181,060			88,220
Administration fee							9,200			8,375
Transfers to cemetery operating	2,289	22,714	150	121	438			13	750	8,035
Community projects							13,550			9,096
Amortization							14,085			14,085
	<u>2,289</u>	<u>22,714</u>	<u>150</u>	<u>121</u>	<u>438</u>	<u>-</u>	<u>217,895</u>	<u>13</u>	<u>750</u>	<u>127,811</u>
Excess of revenue over expenses	<u>3,617</u>	<u>(3,664)</u>	<u>-</u>	<u>2,190</u>	<u>-</u>	<u>756</u>	<u>(77,770)</u>	<u>150</u>	<u>547</u>	<u>(74,174)</u>
Trust fund balance, beginning of year	<u>234,916</u>	<u>545,322</u>	<u>13,865</u>	<u>53,949</u>	<u>25,000</u>	<u>40,237</u>	<u>2,261,699</u>	<u>8,523</u>	<u>64,967</u>	<u>3,129,493</u>
Trust fund balance, end of year	<u>\$ 238,533</u>	<u>\$ 541,658</u>	<u>\$ 13,865</u>	<u>\$ 56,139</u>	<u>\$ 25,000</u>	<u>\$ 40,993</u>	<u>\$ 2,183,929</u>	<u>\$ 8,673</u>	<u>\$ 65,514</u>	<u>\$ 3,248,478</u>

**THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
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 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.

c) Investments

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

e) Capital assets

The following capital assets are owned and administered by the Huron East/Seaforth Community Development Trust - "Hydro", but may have benefit beyond the current financial period:

52 Main Street, Seaforth, Ontario (Post office building)

32 Centennial Drive, Seaforth, Ontario (Community Care Access Centre for Huron)

Capital assets are stated at cost less amounts amortized. The cost is amortized over the estimated useful lives of the assets at the following rates:

Buildings 75 years on the straight line basis

2. Seaforth Community Heritage Trust Fund

Seaforth Community Heritage Trust Fund was established by the Province of Ontario in 1985. The purpose of the Trust is to financially assist municipalities in establishing permanent capital funds for the purpose of investing in architectural conservation within the municipality. The Trust follows the Canadian public sector accounting standards issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada for municipalities and their related entities.

3. The Huron East/Seaforth Community Development Trust - "Hydro"

The Huron East/Seaforth Community Development Trust was established by a by-law of the Municipality of Huron East on April 2, 2002. The purpose of the Trust is to manage the proceeds of the sale of the former assets of the Seaforth Public Utilities Commission - Hydro. The Trust follows the Canadian public sector accounting standards issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada for municipalities and their related entities.

4. Investments

Trust fund investments have a market value equal to cost of \$2,171,311 (2021 : \$2,014,812).

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS

2

December 31, 2022

5. Tangible Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2022	Net Book Value 2021
Land	57,001	-	57,001	57,001
Buildings	<u>997,859</u>	<u>212,472</u>	<u>785,387</u>	<u>799,472</u>
	<u>\$ 1,054,860</u>	<u>\$ 212,472</u>	<u>\$ 842,388</u>	<u>\$ 856,473</u>