

MUNICIPALITY OF SOUTH HURON
FINANCIAL STATEMENTS
DECEMBER 31, 2023

SEEBACH & COMPANY
Chartered Professional Accountants



THE CORPORATION OF THE MUNICIPALITY OF SOUTH HURON
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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Corporation of the Municipality of South 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. 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.

CORPORATION OF THE MUNICIPALITY OF SOUTH HURON

Rebekah Msuya-Collison
Chief Administrative Officer / Deputy-Clerk

Julia Warwick
Director of Financial Services / Treasurer

October 28, 2024

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Corporation of the Municipality of South Huron ("the Municipality"), which are comprised of the statement of financial position as at December 31, 2023 and the consolidated statements of operations, change 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 28, 2024

MUNICIPALITY OF SOUTH HURON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2023	2022 restated (see Note 2)
FINANCIAL ASSETS		
Cash	18,460,124	17,672,001
Taxes receivable	779,742	614,325
Accounts receivable	3,628,867	3,646,363
Other current assets	44,919	25,848
Investments (note 5)	9,934,201	9,429,197
Long-term receivables (note 6)	150,064	190,893
	<u>32,997,917</u>	<u>31,578,627</u>
LIABILITIES		
Accounts payable and accrued liabilities	4,244,288	4,586,292
Deferred revenue	2,033,623	2,927,952
Asset retirement obligations (note 8)	7,531,800	7,384,121
Municipal debt (note 9)	22,787,155	22,020,588
	<u>36,596,866</u>	<u>36,918,953</u>
NET FINANCIAL ASSETS	(\$ 3,598,949)	(\$ 5,340,326)
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 10)	121,980,524	115,029,011
ACCUMULATED SURPLUS (note 12)	\$ 118,381,575	\$ 109,688,685

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF SOUTH HURON
CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31	2023 Budget	2023 Actual	2022 Actual restated (see Note 2)
Revenue			
Taxation for municipal purposes	11,346,943	11,441,102	11,168,987
User fees	10,226,610	11,286,554	10,921,159
Government transfers - Canada	606,411	594,300	996,593
Government transfers - Ontario	6,941,981	3,865,526	2,902,541
Government transfers - other municipalities	289,650	304,144	156,920
Investment income	185,400	1,377,885	606,611
Penalties and interest	206,100	164,568	149,525
Donations	45,090	51,213	51,211
Gain (loss) on disposition of tangible capital assets	-	12,052	(240,303)
	<u>29,848,185</u>	<u>29,097,344</u>	<u>26,713,244</u>
Expenditure			
General government	2,496,079	2,065,174	2,280,131
Protection to persons and property	4,125,635	4,779,171	3,974,499
Transportation services	4,388,464	4,589,494	4,600,044
Environmental services	6,792,568	6,715,160	6,206,673
Health services	347,593	206,120	205,691
Recreation and cultural services	2,320,406	1,857,615	2,168,003
Planning and development	166,975	191,720	601,700
	<u>20,637,720</u>	<u>20,404,454</u>	<u>20,036,741</u>
Annual surplus (deficit)	<u>9,210,465</u>	<u>8,692,890</u>	<u>6,676,503</u>
Accumulated surplus, beginning of year			
as previously stated	109,688,685	109,688,685	103,930,461
Change in accounting policy (note 2)	-	-	(918,279)
Accumulated surplus, beginning of year restated	<u>109,688,685</u>	<u>109,688,685</u>	<u>103,012,182</u>
Accumulated surplus, end of year	<u>\$ 118,899,150</u>	<u>\$ 118,381,575</u>	<u>\$ 109,688,685</u>

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF SOUTH 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)	9,281,842	8,692,890	6,676,503
Amortization of tangible capital assets	3,178,907	3,284,635	3,235,674
Net acquisition of tangible capital assets	(18,586,327)	(10,224,096)	(11,310,032)
Loss (gain) on sale of tangible capital assets	-	(12,052)	240,303
	<u>(6,125,578)</u>	<u>1,741,377</u>	<u>(1,157,552)</u>
Net financial assets, beginning of year as previously stated		(5,340,326)	(2,928,240)
Change in accounting policy (note 2)		-	(1,254,534)
Net financial assets, beginning of year restated		<u>(5,340,326)</u>	<u>(4,182,774)</u>
Net financial assets, end of year		<u>(\$ 3,598,949)</u>	<u>(\$ 5,340,326)</u>

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF SOUTH HURON
CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31	2023	2022 restated (see Note 2)
Operating activities		
Annual surplus (deficit)	8,692,890	6,676,503
Amortization expense not requiring cash outlay	3,284,635	3,235,674
Loss (gain) on disposition of tangible capital assets	(12,052)	240,303
Decrease (increase) in taxes receivable	(165,417)	(4,948)
Decrease (increase) in accounts receivable	17,496	(539,685)
Decrease (increase) in other current assets	(19,071)	10,960
Increase (decrease) in accounts payable and accrued liabilities	(342,004)	1,453,480
Increase (decrease) in deferred revenue	(894,329)	185,500
Increase (decrease) in asset retirement obligations	147,679	144,787
Cash provided by (used for) operating activities	<u>10,709,827</u>	<u>11,402,574</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	(10,224,096)	(11,310,032)
Cash provided by (used for) capital activities	<u>(10,224,096)</u>	<u>(11,310,032)</u>
Investing activities		
Decrease (increase) in long-term receivables	40,829	73,543
Decrease (increase) in investments	(505,004)	(223,591)
Cash provided by (used for) investing activities	<u>(464,175)</u>	<u>(150,048)</u>
Financing activities		
Proceeds from long-term debt issued	2,058,070	3,906,455
Principal repayments on long-term debt	(1,291,503)	(1,268,848)
Cash provided by (used for) financing activities	<u>766,567</u>	<u>2,637,607</u>
Increase (decrease) in cash position	788,123	2,580,101
Cash (overdraft) beginning of year	<u>17,672,001</u>	<u>15,091,900</u>
Cash (overdraft) end of year	<u>\$ 18,460,124</u>	<u>\$ 17,672,001</u>

The accompanying notes are an integral part of this financial statement

MUNICIPALITY OF SOUTH HURON
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. Accounting policies

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

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, sewer and waste management 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 proportionately consolidated:

Exeter Business Improvement Association
Kirkton-Woodham Swimming Pool

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	25 - 84 years	10,000
Buildings	15 - 95 years	10,000
Environmental facilities	15 - 60 years	10,000
Equipment	5 - 30 years	5,000
Vehicles and heavy equipment	5 - 30 years	5,000
Transportation infrastructure	0 - 100 years	25,000
Watermains infrastructure	20 - 100 years	25,000
Sewermain infrastructure	50 - 100 years	25,000
Stormsewer infrastructure	75 years	25,000

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

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

The municipality has a capitalized threshold of \$0 - \$25,000 dependent on the category, so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are computer systems, equipment, furniture and fixtures.

- Contribution of tangible capital assets

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

- Leases

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

- Inventories

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

e) Reserves for future expenditures

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

1. Accounting policies (continued)

f) County and School Board

The Corporation of the Municipality of South 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.

g) 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.

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

Tax levies, based on assessment rolls issued by the Municipal Property Assessment Corporation and tax rates established by council, are recognized as revenue when the tax billings are issued. Adjustments to taxation revenue due to changes in assessments are initially recognized based on management's best estimates of the taxes that will be received.

Other revenue is recognized when related services are provided or goods delivered, collectibility is reasonably assured and there are no significant future obligations.

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

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:

	2022
Increase in tangible capital assets	\$ 313,839
Decrease in landfill liability	6,050,200
Increase in asset retirement obligations	(7,384,121)
Increase to Environmental services expenses	<u>101,803</u>
Decrease in opening accumulated surplus	<u>\$ (918,279)</u>

The change in accounting policy resulted in a \$101,803 increase in the previously reported Protection to persons and property expenses for the 2022 year and a corresponding decrease of \$101,803 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:

	2023	2022
County of Huron	\$ 8,138,493	\$ 7,490,828
School Boards	3,849,828	3,790,418

4. Trust funds

Trust funds administered by the municipality amounting to \$914,272 (2022 : \$902,243) have not been included in the statement of financial position nor have their operations been included in the consolidated statement of financial activities.

5. Investments

	2023	2022
High interest savings accounts	<u>\$ 9,934,201</u>	<u>\$ 9,429,197</u>

Interest on the high interest savings accounts is receivable on a monthly basis. The return is based on certain market performance over the life of the investments and is determined monthly. The fair value of the investments are \$9,934,201 (2022 : \$9,429,197).

6. Long-term receivables

	2023	2022
Tile loans, 6% - 8%, principal and interest receivable annually, due 2024 through 2033	<u>\$ 150,064</u>	<u>\$ 190,893</u>

Amounts due in the next five years are as follows:

2024: \$36,500	2025: \$33,000	2026: \$35,000	2027: \$16,700	2028: \$17,700
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7. 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 \$390,113 (2022 : \$365,085) 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.

8. 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 \$42,712,073 (2022 : \$42,683,615), which are to be incurred over 165 years. The liability is expected to be fully settled in 165 years.

The carrying amount of the liabilities are as follows:

	2023	2022
Asset retirement obligation, beginning	7,384,121	-
Opening balance adjustment	-	7,239,334
Accretion expense	147,679	144,787
Asset retirement obligations, ending	<u>\$ 7,531,800</u>	<u>\$ 7,384,121</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.

The municipality operates one landfill site, the South Huron landfill site, and has closed the Stephen and Osborne landfill effective 2001 and 2006 respectively, for which the total reported liability is \$7,531,800 (2022 : \$7,384,121). 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 \$175,129 (2022 : \$136,703) for the landfill sites operated by the municipality. The balance of the future liability is expected to be funded through budget allocations to the landfill reserve.

9. Municipal debt

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

	2023	2022
Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA) loan payable, 2.83% interest, \$26,329 blended payment payable semi-annually, due June 2024 (for Exeter water and sewer purposes)	25,961	76,802
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 3.18% interest, \$83,296 blended payment payable semi-annually, due December 2037 (for Grand Bend sewer purposes)	1,870,518	1,975,125
Lake Huron Water Supply System / City of London loan payable, due on demand (for water purposes)	50,373	95,858
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 4.87% interest, \$197,862 blended payment payable semi-annually, due December 2046 (for Huron Park water and sewer purposes)	5,438,932	5,565,152
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 5.32% interest, \$20,157 blended payment payable semi-annually, due July 2047 (for sewer purposes)	542,855	553,848
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 5.09% interest, \$185,842 blended payment payable semi-annually, due August 2028 (for Crediton/Centralia sewer purposes)	1,622,728	1,901,143
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 5.02% interest, \$383,668 blended payment payable semi-annually, due December 2034 (for Hensall-Exeter water purposes)	6,425,763	6,854,323
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 4.04% interest, \$32,371 blended payment payable semi-annually, due December 2033 (for recreation purposes)	528,286	570,404
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 2.26% interest, \$84,994 blended payment payable semi-annually, due November 2024 (for Exeter Pool recreation purposes)	167,149	330,584
Ontario Infrastructure and Lands Corporation (OILC) loan payable, prime rate interest, interest only payments, due on demand (for South Huron Exeter Arena recreation purposes)	4,706,969	2,782,732
Ontario Infrastructure and Lands Corporation (OILC) loan payable, prime rate interest, interest only payments, due on demand (for Stephen Arena recreation purposes)	<u>1,257,557</u>	<u>1,123,724</u>
	22,637,091	21,829,695
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals, 6% - 8%, due 2023 through 2032	<u>150,064</u>	<u>190,893</u>
	<u>\$ 22,787,155</u>	<u>\$ 22,020,588</u>

9. Municipal debt (continued)

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

2024: \$36,500 2025: \$33,000 2026: \$35,000 2027: \$16,700 2028: \$17,700

Principal payments recoverable from property owners in the next five years to finance the bank demand and term loans and municipal debentures are:

2024: \$5,958,400 2025: \$1,109,700 2026: \$1,163,500 2027: \$1,220,000 2028: \$1,279,300

10. 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.

11. Segmented information

The Municipality of South 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

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

Environmental Services

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

Health Services

This service area includes cemeteries and other health 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.

12. Accumulated surplus

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

	2023	2022
Invested in tangible capital assets	\$ 121,980,524	\$ 115,029,011
General revenue accumulated surplus	(1,846,681)	(1,832,414)
Unfunded long-term debt	(22,787,155)	(22,020,588)
Unfunded asset retirement obligations	(7,531,800)	(7,384,121)
Kirkton-Woodham Swimming Pool	51,815	38,681
Exeter BIA	54,295	52,975
Reserves and reserve funds	<u>28,460,577</u>	<u>25,805,141</u>
	<u>\$ 118,381,575</u>	<u>\$ 109,688,685</u>

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

13. 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.

14. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the consolidated statement of financial activities for comparative purposes. The 2023 budget amounts for the Corporation of the Municipality of South Huron approved by Council are unaudited and have been restated to conform to the basis of presentation of the revenues and expenditures on the consolidated statement of activities. Budget amounts were not available for certain boards consolidated by the municipality. The budget figures have not been audited.

Approved budget annual surplus (deficit)	\$ -
Acquisition of tangible capital assets	18,586,327
Amortization of tangible capital assets	(3,284,635)
Debt issue proceeds	(3,526,700)
Debt principal repayments	1,236,502
Net reserve, reserve fund, and surplus transfers	<u>(3,801,029)</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 9,210,465</u>

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

	General				Infrastructure			TOTAL	TOTAL
	Land	Buildings	Vehicles	Other	Roads and Land Improvements	Underground and other Networks	Assets Under Construction	Net Book Value 2023	Net Book Value 2022
Cost									
Balance, beginning of year	1,911,228	9,288,275	7,178,865	1,562,783	64,634,558	86,791,597	9,665,123	181,032,429	171,688,240
Add: Additions during the year		27,264	860,952	56,486	1,105,188	450,074	7,759,509	10,259,473	11,513,025
Less: Disposals during the year			(122,265)		(228,853)	(99,638)		(450,756)	(2,168,836)
Other: WIP transfers		2,200,812			2,087,031	5,119,752	(9,407,595)	-	-
Balance, end of year	<u>1,911,228</u>	<u>11,516,351</u>	<u>7,917,552</u>	<u>1,619,269</u>	<u>67,597,924</u>	<u>92,261,785</u>	<u>8,017,037</u>	<u>190,841,146</u>	<u>181,032,429</u>
Accumulated Amortization									
Balance, beginning of year	-	4,617,319	3,651,694	545,008	29,702,073	27,487,324	-	66,003,418	64,493,284
Add: Amortization during the year		179,812	370,449	101,617	1,288,894	1,343,863		3,284,635	3,235,674
Less: Accumulated amortization on disposals			(122,265)		(226,454)	(78,712)		(427,431)	(1,725,540)
Balance, end of year	<u>-</u>	<u>4,797,131</u>	<u>3,899,878</u>	<u>646,625</u>	<u>30,764,513</u>	<u>28,752,475</u>	<u>-</u>	<u>68,860,622</u>	<u>66,003,418</u>
Net Book Value of									
Tangible Capital Assets	<u>1,911,228</u>	<u>6,719,220</u>	<u>4,017,674</u>	<u>972,644</u>	<u>36,833,411</u>	<u>63,509,310</u>	<u>8,017,037</u>	<u>\$ 121,980,524</u>	<u>\$ 115,029,011</u>

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

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Work in Process	TOTAL Net Book Value 2023	TOTAL Net Book Value 2022
Cost									
Balance, beginning of year	1,449,724	3,792,965	62,365,566	94,739,725	167,985	8,851,341	9,665,123	181,032,429	171,688,240
Add: Additions during the year		659,520	1,363,106	450,074		27,264	7,759,509	10,259,473	11,513,025
Less: Disposals during the year			(351,117)	(99,639)				(450,756)	(2,168,836)
Other: WIP transfers			2,087,031	5,119,752		2,200,812	(9,407,595)	-	-
Balance, end of year	<u>1,449,724</u>	<u>4,452,485</u>	<u>65,464,586</u>	<u>100,209,912</u>	<u>167,985</u>	<u>11,079,417</u>	<u>8,017,037</u>	<u>190,841,146</u>	<u>181,032,429</u>
Accumulated Amortization									
Balance, beginning of year	908,202	1,818,296	25,497,020	33,902,790	75,817	3,801,293		66,003,418	64,493,284
Add: Amortization during the year	32,910	145,743	1,314,408	1,587,493	6,889	197,192		3,284,635	3,235,674
Less: Accumulated amortization on disposals			(348,719)	(78,712)				(427,431)	(1,725,540)
Balance, end of year	<u>941,112</u>	<u>1,964,039</u>	<u>26,462,709</u>	<u>35,411,571</u>	<u>82,706</u>	<u>3,998,485</u>	<u>-</u>	<u>68,860,622</u>	<u>66,003,418</u>
Net Book Value of									
Tangible Capital Assets	<u>508,612</u>	<u>2,488,446</u>	<u>39,001,877</u>	<u>64,798,341</u>	<u>85,279</u>	<u>7,080,932</u>	<u>8,017,037</u>	<u>\$ 121,980,524</u>	<u>\$ 115,029,011</u>

MUNICIPALITY OF SOUTH 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		
Reserves and reserve funds						
Reserves						
for general government	5,774,350		2,001,010		(404,919)	7,370,441
for protection services	2,323,345		174,690		(469,486)	2,028,549
for transportation services	6,882,338		1,304,804		(374,436)	7,812,706
for environmental services	6,336,507		3,504,170		(3,548,789)	6,291,888
for health services	266,891		9,379		-	276,270
for recreation and cultural services	597,811		151,701		(1,284)	748,228
	<u>22,181,242</u>	<u>-</u>	<u>7,145,754</u>	<u>-</u>	<u>(4,798,914)</u>	<u>24,528,082</u>
Reserve funds						
Amenity fee community funding	964,020	51,219	350,004		(177,564)	1,187,679
Modernization funding	482,524	25,637			(102,410)	405,751
Webber gravel pit	36,631	1,947				38,578
Building code	1,032,761	54,870			(60,671)	1,026,960
Dashwood community developmen	87,477	4,648				92,125
Exeter cemetery expansior	1,411	67				1,478
Exeter cemetery columbarium	61,838	3,293	9,030			74,161
Landfill perpetual care	913,124	48,515	97,666			1,059,305
Kirkton-Woodham swimming pool	44,114	2,344				46,458
	<u>3,623,900</u>	<u>192,540</u>	<u>456,700</u>	<u>-</u>	<u>(340,645)</u>	<u>3,932,495</u>
Total reserves and reserve funds	<u>25,805,142</u>	<u>192,540</u>	<u>7,602,454</u>	<u>-</u>	<u>(5,139,559)</u>	<u>\$ 28,460,577</u>

MUNICIPALITY OF SOUTH 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		
Deferred revenue						
Parkland	143,665	7,633		70,643		221,941
Federal Gas Tax Funds	269,582	14,323	334,118		(536,467)	81,556
OCIF formula-based component	1,076,367	57,188	1,392,308		(2,111,900)	413,963
Ontario Cannabis Legalization Func	24,423	1,298				25,721
Development charges	1,413,915	75,122		176,326	(374,921)	1,290,442
	<u>2,927,952</u>	<u>155,564</u>	<u>1,726,426</u>	<u>246,969</u>	<u>(3,023,288)</u>	<u>\$ 2,033,623</u>

MUNICIPALITY OF SOUTH 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	Total 2023	Total 2022
Revenue									
Taxation	11,441,102							11,441,102	11,168,987
User charges	1,327,216	71,222	113,648	8,989,083	76,096	632,630	76,659	11,286,554	10,921,159
Government transfers	1,648,663	223,569	2,672,367			192,354	27,017	4,763,970	4,056,054
Interest and penalties	1,542,453							1,542,453	756,136
Other	63,265							63,265	(189,092)
	<u>16,022,699</u>	<u>294,791</u>	<u>2,786,015</u>	<u>8,989,083</u>	<u>76,096</u>	<u>824,984</u>	<u>103,676</u>	<u>29,097,344</u>	<u>26,713,244</u>
Operating expenditure									
Wages, salaries and benefits	1,697,518	1,135,047	1,024,930	1,229,804	123,102	842,725	90,416	6,143,542	5,900,804
Contract services	207,024	2,181,320	221,152	1,615,333	32,221	9,406	64,368	4,330,824	4,344,533
Supplies, materials, equipment and interest	127,722	1,317,061	2,029,004	2,282,530	43,908	808,292	36,936	6,645,453	6,555,730
Amortization	32,910	145,743	1,314,408	1,587,493	6,889	197,192	-	3,284,635	3,235,674
	<u>2,065,174</u>	<u>4,779,171</u>	<u>4,589,494</u>	<u>6,715,160</u>	<u>206,120</u>	<u>1,857,615</u>	<u>191,720</u>	<u>20,404,454</u>	<u>20,036,741</u>
Net revenue (expense)	<u>13,957,525</u>	<u>(4,484,380)</u>	<u>(1,803,479)</u>	<u>2,273,923</u>	<u>(130,024)</u>	<u>(1,032,631)</u>	<u>(88,044)</u>	<u>8,692,890</u>	<u>6,676,503</u>

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

SEEBACH & COMPANY
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of South 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 28, 2024

MUNICIPALITY OF SOUTH HURON
TRUST FUNDS
STATEMENT OF CONTINUITY

For the Year Ended December 31, 2023

	Perpetual Care Fund	Niche Care Fund	Five-Year Flower Fund	Pre-need Fund	Perpetual Flower Fund	Monuments Marker Fund	2023	2022
Balance beginning of year	<u>397,603</u>	<u>44,573</u>	<u>10,396</u>	<u>91,462</u>	<u>286,964</u>	<u>71,245</u>	<u>902,243</u>	<u>895,818</u>
Receipts								
Perpetual care	6,960					2,400	9,360	10,460
Donations and capital contributions		3,250	8,762				12,012	6,085
Interest earned	<u>49,642</u>						<u>49,642</u>	<u>22,932</u>
	<u>56,602</u>	<u>3,250</u>	<u>8,762</u>	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>71,014</u>	<u>39,477</u>
Expenditure								
Transfers to cemetery	<u>49,642</u>		<u>6,438</u>	<u>2,905</u>			<u>58,985</u>	<u>33,052</u>
	<u>49,642</u>	<u>-</u>	<u>6,438</u>	<u>2,905</u>	<u>-</u>	<u>-</u>	<u>58,985</u>	<u>33,052</u>
Balance end of year	<u><u>\$ 404,563</u></u>	<u><u>\$ 47,823</u></u>	<u><u>\$ 12,720</u></u>	<u><u>\$ 88,557</u></u>	<u><u>\$ 286,964</u></u>	<u><u>\$ 73,645</u></u>	<u><u>\$ 914,272</u></u>	<u><u>\$ 902,243</u></u>

BALANCE SHEET

As at December 31	2023	2022
Assets		
Cash	8,576	8,143
Investments, cost	982,409	945,071
Liabilities		
Due to general fund	(76,713)	(50,971)
Trust fund net asset balances	<u><u>\$ 914,272</u></u>	<u><u>\$ 902,243</u></u>

MUNICIPALITY OF SOUTH HURON
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

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 and 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 South Huron.

c) Basis of accounting

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

d) Investments

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

e) Use of estimates

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

2. Investments

Trust fund investments have a market value equal to cost of \$ 982,409 (2022 : \$ 945,071).