

MUNICIPALITY OF SOUTH HURON
FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

Erin Moore, CPA, CA
Acting Director of Financial Services / Treasurer

August 11, 2025

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, 2024 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, 2024, 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
August 11, 2025

MUNICIPALITY OF SOUTH HURON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2024	2023
FINANCIAL ASSETS		
Cash	18,924,878	18,460,124
Taxes receivable	1,130,885	779,742
Accounts receivable	5,555,787	3,628,867
Other current assets	69,057	44,919
Investments (note 5)	10,458,682	9,934,201
Long-term receivables (note 6)	113,580	150,064
	<u>36,252,869</u>	<u>32,997,917</u>
LIABILITIES		
Accounts payable and accrued liabilities	5,110,776	4,244,288
Deferred revenue	2,610,978	2,033,623
Asset retirement obligations (note 8)	7,503,900	7,531,800
Municipal debt (note 9)	21,621,256	22,787,155
	<u>36,846,910</u>	<u>36,596,866</u>
NET FINANCIAL ASSETS	(\$ 594,041)	(\$ 3,598,949)
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 10)	<u>129,654,447</u>	<u>121,980,524</u>
ACCUMULATED SURPLUS (note 12)	<u>\$ 129,060,406</u>	<u>\$ 118,381,575</u>

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	2024 Budget	2024 Actual	2023 Actual
Revenue			
Taxation for municipal purposes	11,877,288	11,968,470	11,441,102
User fees	11,063,638	12,278,183	11,286,554
Government transfers - Canada	305,543	205,523	594,300
Government transfers - Ontario	6,175,824	5,653,953	3,865,526
Government transfers - other municipalities	347,725	310,175	304,144
Investment income	606,000	1,572,723	1,377,885
Penalties and interest	206,100	218,713	164,568
Donations	38,590	65,083	51,213
Gain (loss) on disposition of tangible capital assets	11,100	(410,496)	12,052
	<u>30,631,808</u>	<u>31,862,327</u>	<u>29,097,344</u>
Expenditure			
General government	2,404,800	2,240,043	2,065,174
Protection to persons and property	4,079,752	4,124,573	4,779,171
Transportation services	4,564,226	4,590,021	4,589,494
Environmental services	6,872,330	6,815,500	6,715,160
Health services	225,630	219,135	206,120
Recreation and cultural services	2,454,682	2,956,478	1,857,615
Planning and development	305,853	237,746	191,720
	<u>20,907,273</u>	<u>21,183,496</u>	<u>20,404,454</u>
Annual surplus (deficit)	9,724,535	10,678,831	8,692,890
Accumulated surplus, beginning of year	<u>118,381,575</u>	<u>118,381,575</u>	<u>109,688,685</u>
Accumulated surplus, end of year	<u><u>\$ 128,106,110</u></u>	<u><u>\$ 129,060,406</u></u>	<u><u>\$ 118,381,575</u></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	2024 Budget	2024 Actual	2023 Actual
Annual surplus (deficit)	9,724,535	10,678,831	8,692,890
Amortization of tangible capital assets	3,389,443	3,516,666	3,284,635
Net acquisition of tangible capital assets	(15,258,288)	(11,601,085)	(10,224,096)
Loss (gain) on sale of tangible capital assets	-	410,496	(12,052)
	<u>(2,144,310)</u>	<u>3,004,908</u>	<u>1,741,377</u>
Net financial assets, beginning of year		<u>(3,598,949)</u>	<u>(5,340,326)</u>
Net financial assets, end of year		<u><u>(\$ 594,041)</u></u>	<u><u>(\$ 3,598,949)</u></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	2024	2023
Operating activities		
Annual surplus (deficit)	10,678,831	8,692,890
Amortization expense not requiring cash outlay	3,516,666	3,284,635
Loss (gain) on disposition of tangible capital assets	410,496	(12,052)
Decrease (increase) in taxes receivable	(351,143)	(165,417)
Decrease (increase) in accounts receivable	(1,926,920)	17,496
Decrease (increase) in other current assets	(24,138)	(19,071)
Increase (decrease) in accounts payable and accrued liabilities	866,488	(342,004)
Increase (decrease) in deferred revenue	577,355	(894,329)
Increase (decrease) in asset retirement obligations	(27,900)	147,679
Cash provided by (used for) operating activities	<u>13,719,735</u>	<u>10,709,827</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	(11,601,085)	(10,224,096)
Cash provided by (used for) capital activities	<u>(11,601,085)</u>	<u>(10,224,096)</u>
Investing activities		
Decrease (increase) in long-term receivables	36,484	40,829
Decrease (increase) in investments	(524,481)	(505,004)
Cash provided by (used for) investing activities	<u>(487,997)</u>	<u>(464,175)</u>
Financing activities		
Proceeds from long-term debt issued	181,469	2,058,070
Principal repayments on long-term debt	(1,347,368)	(1,291,503)
Cash provided by (used for) financing activities	<u>(1,165,899)</u>	<u>766,567</u>
Increase (decrease) in cash position	464,754	788,123
Cash (overdraft) beginning of year	18,460,124	17,672,001
Cash (overdraft) end of year	<u>\$ 18,924,878</u>	<u>\$ 18,460,124</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, 2024

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

Change in accounting policies: On January 1, 2024, the Municipality adopted Canadian public sector accounting standard PS 3400 Revenue. The new accounting standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. As at December 31, 2024 the Municipality determined that the adoption of this new standard did not have a material impact on the amounts presented in the financial statements.

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:

	2024	2023
County of Huron	\$ 8,900,446	\$ 8,138,493
School Boards	4,004,498	3,849,828

4. Trust funds

Trust funds administered by the municipality amounting to \$931,395 (2023 : \$914,272) 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

	2024	2023
High interest savings accounts	<u>\$ 10,458,682</u>	<u>\$ 9,934,201</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 \$10,458,682 (2023 : \$9,934,201).

6. Long-term receivables

	2024	2023
Tile loans, 6% - 8%, principal and interest receivable annually, due 2025 through 2034	<u>\$ 113,580</u>	<u>\$ 150,064</u>

Amounts due in the next five years are as follows:

2025: \$33,000 2026: \$35,000 2027: \$16,700 2028: \$17,700 2029: \$5,500

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 2024 was \$428,442 (2023 : \$390,113) 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% (2023 : 2%). The estimated total undiscounted future expenditures are \$41,846,584 (2023 : \$42,712,073), 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:

	2024	2023
Asset retirement obligation, beginning	7,531,800	7,384,121
Adjustments and settlements	(178,536)	-
Accretion expense	150,636	147,679
Asset retirement obligations, ending	<u>\$ 7,503,900</u>	<u>\$ 7,531,800</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 \$7,503,900 (2023 : \$7,531,800). A reserve has been established to partially provide for this landfill site closure and post-closure liability. The reserve balance at December 31, 2024 is \$74,434 (2023 : \$175,129) 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:

	2024	2023
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
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)	1,762,557	1,870,518
Lake Huron Water Supply System / City of London loan payable, due on demand (for water purposes)	27,395	50,373
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)	5,306,491	5,438,932
Ontario Infrastructure Projects Corporation (OIPC) loan payable, 5.32% interest, \$20,157 blended payment payable semi-annually, due July 2047 (for sewer purposes)	531,269	542,855
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)	1,329,961	1,622,728
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)	5,975,418	6,425,763
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 4.04% interest, \$32,371 blended payment payable semi-annually, due December 2033 (for recreation purposes)	484,449	528,286
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
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 4.92% interest, \$156,719 blended payment payable semi-annually, due May 2054 (for South Huron Exeter Arena recreation purposes)	4,851,975	4,706,969
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 4.80% interest, \$39,764 blended payment payable semi-annually, due August 2053 (for Stephen Arena recreation purposes)	<u>1,238,161</u>	<u>1,257,557</u>
	21,507,676	22,637,091
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals, 6% - 8%, due 2025 through 2034	<u>113,580</u>	<u>150,064</u>
	<u>\$ 21,621,256</u>	<u>\$ 22,787,155</u>

9. Municipal debt (continued)

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

2025: \$33,000 2026: \$35,000 2027: \$16,700 2028: \$17,700 2029: \$5,500

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

2025: 1,185,300 2026: \$1,242,900 2027: \$1,303,400 2028: \$1,366,800 2029: \$1,056,900

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:

	2024	2023
Invested in tangible capital assets	\$ 129,654,447	\$ 121,980,524
General revenue accumulated surplus	(1,712,487)	(1,846,681)
Unfunded long-term debt	(21,621,256)	(22,787,155)
Unfunded asset retirement obligations	(7,503,900)	(7,531,800)
Kirkton-Woodham Swimming Pool	27,177	51,815
Exeter BIA	89,416	54,295
Reserves and reserve funds	<u>30,127,009</u>	<u>28,460,577</u>
	<u>\$ 129,060,406</u>	<u>\$ 118,381,575</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 2024 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	15,258,288
Amortization of tangible capital assets	(3,284,635)
Debt issue proceeds	(311,179)
Debt principal repayments	1,324,472
Net reserve, reserve fund, and surplus transfers	<u>(3,262,411)</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 9,724,535</u>

MUNICIPALITY OF SOUTH HURON
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2024

	General				Infrastructure			TOTAL	TOTAL
	Land	Buildings	Vehicles	Other	Roads and Land Improvements	Underground and other Networks	Assets Under Construction	Net Book Value 2024	Net Book Value 2023
Cost									
Balance, beginning of year	1,911,228	11,516,351	7,917,552	1,619,269	67,597,924	92,261,785	8,017,037	190,841,146	181,032,429
Add: Additions during the year		219,498	1,214,432	311,833	940,789	1,053,442	7,950,151	11,690,145	10,259,473
Less: Disposals during the year			(406,558)	(54)	(173,868)	(1,103,810)		(1,684,290)	(450,756)
Other: WIP transfers				385,210	1,322,586	1,049,926	(2,757,722)	-	-
Balance, end of year	<u>1,911,228</u>	<u>11,735,849</u>	<u>8,725,426</u>	<u>2,316,258</u>	<u>69,687,431</u>	<u>93,261,343</u>	<u>13,209,466</u>	<u>200,847,001</u>	<u>190,841,146</u>
Accumulated Amortization									
Balance, beginning of year	-	4,797,131	3,899,878	646,625	30,764,513	28,752,475	-	68,860,622	66,003,418
Add: Amortization during the year		241,754	398,435	104,895	1,340,887	1,430,695		3,516,666	3,284,635
Less: Accumulated amortization on disposals			(406,558)		(162,439)	(615,737)		(1,184,734)	(427,431)
Balance, end of year	<u>-</u>	<u>5,038,885</u>	<u>3,891,755</u>	<u>751,520</u>	<u>31,942,961</u>	<u>29,567,433</u>	<u>-</u>	<u>71,192,554</u>	<u>68,860,622</u>
Net Book Value of									
Tangible Capital Assets	<u>1,911,228</u>	<u>6,696,964</u>	<u>4,833,671</u>	<u>1,564,738</u>	<u>37,744,470</u>	<u>63,693,910</u>	<u>13,209,466</u>	<u>\$ 129,654,447</u>	<u>\$ 121,980,524</u>

MUNICIPALITY OF SOUTH HURON
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2024

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Work in Process	TOTAL Net Book Value 2024	TOTAL Net Book Value 2023
Cost									
Balance, beginning of year	1,449,724	4,452,485	65,464,586	100,209,912	167,985	11,079,417	8,017,037	190,841,146	181,032,429
Add: Additions during the year	67,975	921,558	1,253,212	1,188,154		309,095	7,950,151	11,690,145	10,259,473
Less: Disposals during the year		(171,357)	(299,731)	(1,137,270)		(75,932)		(1,684,290)	(450,756)
Other: WIP transfers			1,322,586	1,024,102		411,034	(2,757,722)	-	-
Balance, end of year	<u>1,517,699</u>	<u>5,202,686</u>	<u>67,740,653</u>	<u>101,284,898</u>	<u>167,985</u>	<u>11,723,614</u>	<u>13,209,466</u>	<u>200,847,001</u>	<u>190,841,146</u>
Accumulated Amortization									
Balance, beginning of year	941,112	1,964,039	26,462,709	35,411,571	82,706	3,998,485		68,860,622	66,003,418
Add: Amortization during the year	31,629	181,892	1,381,992	1,671,208	6,889	243,056		3,516,666	3,284,635
Less: Accumulated amortization on disposals		(171,303)	(288,302)	(649,197)		(75,932)		(1,184,734)	(427,431)
Interdepartmental transfers				(25,824)		25,824		-	-
Balance, end of year	<u>972,741</u>	<u>1,974,628</u>	<u>27,556,399</u>	<u>36,407,758</u>	<u>89,595</u>	<u>4,191,433</u>	<u>-</u>	<u>71,192,554</u>	<u>68,860,622</u>
Net Book Value of									
Tangible Capital Assets	<u>544,958</u>	<u>3,228,058</u>	<u>40,184,254</u>	<u>64,877,140</u>	<u>78,390</u>	<u>7,532,181</u>	<u>13,209,466</u>	<u>\$ 129,654,447</u>	<u>\$ 121,980,524</u>

MUNICIPALITY OF SOUTH HURON
Consolidated Schedule of Continuity of Reserves and Reserve Funds
For the Year Ended December 31, 2024

	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	7,370,441		1,411,095		(701,483)	8,080,053
for protection services	2,028,549		560,485		(600,893)	1,988,141
for transportation services	7,812,706		1,650,440		(1,038,920)	8,424,226
for environmental services	6,291,888		4,510,801		(4,032,883)	6,769,806
for health services	276,270		9,234		(40,000)	245,504
for recreation and cultural services	748,228		201,913		(63,793)	886,348
	<u>24,528,082</u>	<u>-</u>	<u>8,343,968</u>	<u>-</u>	<u>(6,477,972)</u>	<u>26,394,078</u>
Reserve funds						
Amenity fee community funding	1,187,679	82,867	350,004		(480,996)	1,139,554
Modernization funding	405,751	28,310			(56,311)	377,750
Webber gravel pit	38,578	2,691				41,269
Building code	1,026,960	71,653			(385,960)	712,653
Dashwood community development	92,125	6,429				98,554
Exeter cemetery expansion	1,478	106				1,584
Exeter cemetery columbarium	74,161	5,172	4,913		(7,048)	77,198
Landfill perpetual care	1,059,305	73,910	101,455			1,234,670
Kirkton-Woodham swimming pool	46,458	3,241				49,699
	<u>3,932,495</u>	<u>274,379</u>	<u>456,372</u>	<u>-</u>	<u>(930,315)</u>	<u>3,732,931</u>
Total reserves and reserve funds	<u>28,460,577</u>	<u>274,379</u>	<u>8,800,340</u>	<u>-</u>	<u>(7,408,287)</u>	<u>\$ 30,127,009</u>

MUNICIPALITY OF SOUTH HURON
Consolidated Schedule of Continuity of Deferred Revenue
For the Year Ended December 31, 2024

	Balance, beginning of year	Revenues and contributions			Transfers out Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
Deferred revenue						
Parkland	221,941	5,129		15,485		242,555
Federal Gas Tax Funds	81,556	5,690	320,553		(202,175)	205,624
OCIF formula-based component	413,963	28,883	1,183,462		(1,067,186)	559,122
Ontario Cannabis Legalization Fund	25,721	1,795				27,516
Development charges	1,290,442	90,037		246,551	(50,869)	1,576,161
	<u>2,033,623</u>	<u>131,534</u>	<u>1,504,015</u>	<u>262,036</u>	<u>(1,320,230)</u>	<u>\$ 2,610,978</u>

MUNICIPALITY OF SOUTH HURON

Segmented Information

For the Year Ended December 31, 2024

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Total 2024	Total 2023
Revenue									
Taxation	11,968,470							11,968,470	11,441,102
User charges	341,209	130,547	749,147	10,131,617	93,396	767,483	64,784	12,278,183	11,286,554
Government transfers	1,571,961	265,936	4,269,361			34,663	27,730	6,169,651	4,763,970
Interest and penalties	1,791,436							1,791,436	1,542,453
Other	(345,413)							(345,413)	63,265
	<u>15,327,663</u>	<u>396,483</u>	<u>5,018,508</u>	<u>10,131,617</u>	<u>93,396</u>	<u>802,146</u>	<u>92,514</u>	<u>31,862,327</u>	<u>29,097,344</u>
Operating expenditure									
Wages, salaries and benefits	1,954,126	1,113,064	1,060,042	1,360,961	117,904	1,080,344	160,236	6,846,677	6,143,542
Contract services	205,982	2,099,126	215,846	1,422,338	38,998	217,671	48,007	4,247,968	4,330,824
Supplies, materials, equipment and interest	48,306	730,491	1,932,141	2,360,993	55,344	1,415,407	29,503	6,572,185	6,645,453
Amortization	31,629	181,892	1,381,992	1,671,208	6,889	243,056	-	3,516,666	3,284,635
	<u>2,240,043</u>	<u>4,124,573</u>	<u>4,590,021</u>	<u>6,815,500</u>	<u>219,135</u>	<u>2,956,478</u>	<u>237,746</u>	<u>21,183,496</u>	<u>20,404,454</u>
Net revenue (expense)	<u>13,087,620</u>	<u>(3,728,090)</u>	<u>428,487</u>	<u>3,316,117</u>	<u>(125,739)</u>	<u>(2,154,332)</u>	<u>(145,232)</u>	<u>10,678,831</u>	<u>8,692,890</u>

**MUNICIPALITY OF SOUTH HURON
TRUST FUNDS
FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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, 2024 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, 2024, 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
August 11, 2025

MUNICIPALITY OF SOUTH HURON
TRUST FUNDS
STATEMENT OF CONTINUITY

For the Year Ended December 31, 2024

	Perpetual Care Fund	Niche Care Fund	Five-Year Flower Fund	Pre-need Fund	Perpetual Flower Fund	Monuments Marker Fund	2024	2023
Balance beginning of year	404,563	47,823	12,720	88,557	286,964	73,645	914,272	902,243
Receipts								
Perpetual care	12,018					3,900	15,918	9,360
Donations and capital contributions		1,930	12,126				14,056	12,012
Interest earned	50,402						50,402	49,642
	<u>62,420</u>	<u>1,930</u>	<u>12,126</u>	<u>-</u>	<u>-</u>	<u>3,900</u>	<u>80,376</u>	<u>71,014</u>
Expenditure								
Transfers to cemetery	50,402		7,489	5,362			63,253	58,985
	<u>50,402</u>	<u>-</u>	<u>7,489</u>	<u>5,362</u>	<u>-</u>	<u>-</u>	<u>63,253</u>	<u>58,985</u>
Balance end of year	<u>\$ 416,581</u>	<u>\$ 49,753</u>	<u>\$ 17,357</u>	<u>\$ 83,195</u>	<u>\$ 286,964</u>	<u>\$ 77,545</u>	<u>\$ 931,395</u>	<u>\$ 914,272</u>

BALANCE SHEET

As at December 31	2024	2023
Assets		
Cash	9,030	8,576
Investments, cost	1,005,302	982,409
Liabilities		
Due to general fund	(82,937)	(76,713)
Trust fund net asset balances	<u>\$ 931,395</u>	<u>\$ 914,272</u>

MUNICIPALITY OF SOUTH HURON
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2024

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 \$ 1,005,302 (2023 : \$ 982,409).