

**TOWNSHIP OF NORTH HURON
FINANCIAL STATEMENTS
DECEMBER 31, 2022**

SEEBACH & COMPANY
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Township of North Huron

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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
June 19, 2023

TOWNSHIP OF NORTH HURON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	2022	2021
FINANCIAL ASSETS		
Cash	21,765,862	17,891,646
Taxes receivable	557,929	485,157
Accounts receivable	1,101,029	1,390,507
Long-term receivables (note 4)	7,772	13,613
Long-term investments (note 5)	1,620,038	1,620,038
	<u>25,052,630</u>	<u>21,400,961</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,184,690	1,278,869
Landfill closure and post-closure liability (note 7)	367,400	360,200
Deferred revenue - obligatory reserve funds	1,381,363	675,672
Municipal debt (note 8)	323,579	426,630
	<u>4,257,032</u>	<u>2,741,371</u>
NET FINANCIAL ASSETS	\$ 20,795,598	\$ 18,659,590
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 9)	<u>50,671,140</u>	<u>49,817,208</u>
ACCUMULATED SURPLUS (note 11)	<u>\$ 71,466,738</u>	<u>\$ 68,476,798</u>

The accompanying notes are an integral part of this financial statement

**TOWNSHIP OF NORTH HURON
CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31	2022 Budget	2022 Actual	2021 Actual
Revenue			
Taxation for municipal purposes	7,207,342	6,917,313	6,468,160
User fees, licences, permits, and donations	4,823,960	4,961,289	4,182,128
Government transfers - Canada and Ontario	4,199,977	2,253,077	2,200,856
Government transfers - other municipalities	1,181,228	1,528,774	1,442,908
Investment income	164,000	508,800	194,647
Penalties and interest on taxes	60,000	65,304	73,167
Gain (loss) on disposition of tangible capital assets	-	627,881	(93,281)
	<u>17,636,507</u>	<u>16,862,438</u>	<u>14,468,585</u>
Expenditure			
General government	1,601,161	1,421,747	1,290,144
Protection to persons and property	2,638,793	2,661,050	2,809,697
Transportation services	2,484,282	2,474,431	2,353,036
Environmental services	2,734,760	2,585,536	2,598,473
Health services	133,412	129,453	111,652
Social and family services	1,652,135	1,496,705	1,383,640
Recreation and cultural services	3,478,030	3,090,135	2,744,027
Planning and development	49,450	13,441	24,072
	<u>14,772,023</u>	<u>13,872,498</u>	<u>13,314,741</u>
Annual surplus (deficit)	2,864,484	2,989,940	1,153,844
Accumulated surplus, beginning of year	<u>68,476,798</u>	<u>68,476,798</u>	<u>67,322,954</u>
Accumulated surplus, end of year	<u><u>\$ 71,341,282</u></u>	<u><u>\$ 71,466,738</u></u>	<u><u>\$ 68,476,798</u></u>

The accompanying notes are an integral part of this financial statement

TOWNSHIP OF NORTH HURON
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31	2022 Budget	2022 Actual	2021 Actual
Annual surplus (deficit)	2,864,484	2,989,940	1,153,844
Amortization of tangible capital assets	2,200,433	2,090,195	2,075,070
Net acquisition of tangible capital assets	(12,555,183)	(2,316,246)	(1,617,543)
Loss (gain) on sale of tangible capital assets	-	(627,881)	93,281
	<u>(7,490,266)</u>	<u>2,136,008</u>	<u>1,704,652</u>
Net financial assets, beginning of year	<u>18,659,590</u>	<u>18,659,590</u>	<u>16,954,938</u>
Net financial assets, end of year	<u><u>\$ 11,169,324</u></u>	<u><u>\$ 20,795,598</u></u>	<u><u>\$ 18,659,590</u></u>

The accompanying notes are an integral part of this financial statement

**TOWNSHIP OF NORTH HURON
CONSOLIDATED STATEMENT OF CASH FLOW**

For the year ended December 31	2022	2021
Operating activities		
Annual surplus (deficit)	2,989,940	1,153,844
Amortization expense not requiring cash outlay	2,090,195	2,075,070
Loss (gain) on disposition of tangible capital assets	(627,881)	93,281
Decrease (increase) in taxes receivable	(72,772)	40,671
Decrease (increase) in accounts receivable	289,478	67,243
Increase (decrease) in accounts payable and accrued liabilities	905,821	(159,854)
Increase (decrease) in landfill closure & post-closure liability	7,200	7,000
Increase (decrease) in deferred revenue	705,691	20,956
Cash provided by (used for) operating activities	<u>6,287,672</u>	<u>3,298,211</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	<u>(2,316,246)</u>	<u>(1,617,543)</u>
Cash provided by (used for) capital activities	<u>(2,316,246)</u>	<u>(1,617,543)</u>
Investing activities		
Decrease (increase) in long-term receivables	<u>5,841</u>	<u>5,510</u>
Cash provided by (used for) investing activities	<u>5,841</u>	<u>5,510</u>
Financing activities		
Principal repayments on long-term debt	<u>(103,051)</u>	<u>(131,234)</u>
Cash provided by (used for) financing activities	<u>(103,051)</u>	<u>(131,234)</u>
Increase (decrease) in cash position	3,874,216	1,554,944
Cash (overdraft) beginning of year	<u>17,891,646</u>	<u>16,336,702</u>
Cash (overdraft) end of year	<u>\$ 21,765,862</u>	<u>\$ 17,891,646</u>

The accompanying notes are an integral part of this financial statement

TOWNSHIP OF NORTH HURON
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. Accounting policies

The consolidated financial statements of the Corporation of the Township of North Huron (the "Township") 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 Township 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 Township and which are owned or controlled by the Township. In addition to general government tax-supported operations, they include any water and sewer systems operated by the Township and the Township's proportionate share of joint local boards.

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

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

b) Accrual basis of accounting

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

c) Long-term investments

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

1. Accounting policies (continued)

d) Non-financial assets

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

- Tangible capital assets

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

Category	Amortization Period	Capitalization Threshold
Land	not applicable	\$ 0
Land improvements	15 - 75 years	25,000
Buildings	15 - 90 years	50,000
Machinery and equipment	10 - 20 years	5,000 - 15,000
Vehicles	5 - 15 years	5,000
Information technology	5 - 10 years	5,000
Transportation infrastructure	20 - 100 years	5,000
Watermains infrastructure	75 years	5,000
Sewermains infrastructure	75 years	5,000
Stormsewer infrastructure	50 - 75 years	5,000

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

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 Township has a capitalized threshold of \$0 - \$50,000 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) 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.

g) Deferred revenue

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

h) Landfill Site Closure and Post-Closure Care

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

i) Amounts to be recovered in future years

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

j) Pensions

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

k) Use of estimates

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

2. Operations of school boards and county

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

	2022	2021
County of Huron	\$ 2,412,623	\$ 2,331,337
School Boards	1,162,569	1,142,690

3. Trust funds

Trust funds administered by the Township amounting to \$571,887 (2021 : \$548,805) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities.

4. Long-term receivables

	2022	2021
Tile loans, 6% - 8%, principal and interest receivable annually, due 2023 through 2032	<u>\$ 7,772</u>	<u>\$ 13,613</u>
Amounts due in the next five years are as follows:		
2023: \$2,400 2024: \$2,600 2025: \$2,772 2026: \$ nil 2027: \$ nil		

5. Long-term investments

	2022	2021
Note receivable, Westario Power Inc.	399,682	399,682
Common shares, Westario Power Holdings Inc.	<u>1,220,356</u>	<u>1,220,356</u>
	<u>\$ 1,620,038</u>	<u>\$ 1,620,038</u>

Effective November 1, 2000, the Township transferred its electrical utilities to Westario Power Inc. The above note receivable and common shares were received in consideration for the transfer.

The note from Westario Power Inc. is receivable on demand, but, since it is not the intention to demand payment within the next fiscal year, it is shown as long-term.

The Township owns 7.715% of the outstanding common shares of Westario Power Holdings Inc., a private company incorporated under the laws of the Province of Ontario. The shares have no fixed maturity dates and are generally not exposed to interest rate risk. The fair value of these shares is not practicable to determine in the absence of published market quotations.

6. Pension agreements

The Township makes contributions to a multi-employer pension plan on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed for 2022 was \$281,663 (2021 : \$270,639) for current services and is included as an expenditure on the consolidated statement of financial activities.

OMERS is a multi-employer plan, therefore any pension surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit.

7. Landfill closure and post-closure cost liability

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

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

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

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

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

Remaining site life	50 - 119 years
Discount rate	2%
Estimated time required for post-closure care	25 - 116 years

A reserve has been established to partially provide for this sanitary landfill site closure and post-closure liability. The reserve balance At December 31, 2022 is \$128,219 (2021 : \$125,619). The balance of the future liability is expected to be funded through budget allocations to the landfill reserve.

8. Municipal debt

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

	2022	2021
OIPC loan payable, 4.24% interest, \$49,021 blended payment payable semi-annually, due March 2026	315,807	397,841
OIPC loan payable, 3.76% interest, \$17,712 blended payment payable semi-annually, due March 2021	-	-
OILC loan payable, 3.04% interest, \$15,407 blended payment payable semi-annually, due April 2022	-	15,176
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>7,772</u>	<u>13,613</u>
	<u>\$ 323,579</u>	<u>\$ 426,630</u>

Principal payments recoverable from property owners in the next
 five years to finance the bank demand and term loans and municipal debentures are:
 2023: \$88,000 2024: \$91,800 2025: \$95,800 2026: \$47,979 2027: \$ nil

9. Tangible capital assets

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

- i) Contributed tangible capital assets
 The Township 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 Township by major class and by business segment, as well as for accumulated amortization of the assets controlled.

10. Segmented information

The Township of North 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 Township itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

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

Transportation Services

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

Environmental Services

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

Health Services

This service area includes cemeteries and other health services.

Social and Family Services

This service area includes childcare and other social services.

Recreational and Cultural Services

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

Planning and Development

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

For additional information, see the schedule of segmented information.

11. Accumulated surplus

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

	2022	2021
General revenue accumulated surplus	\$ 43,914	\$ 667,597
Invested in tangible capital assets	50,355,333	49,404,191
Long-term investment in Westario Power	1,620,038	1,620,038
Reserves and reserve funds	<u>19,447,453</u>	<u>16,784,972</u>
	<u>\$ 71,466,738</u>	<u>\$ 68,476,798</u>

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

12. Financial instrument risk management

Credit risk

The Township 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 Township's receivables are from ratepayers and government entities. For trade and other receivables, the Township 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 Township will not be able to meet its financial obligations as they fall due. The Township has a planning and a budgeting process in place to help determine the funds required to support the Township's normal operating requirements on an ongoing basis. The Township 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 Township'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 Township is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and long-term liabilities and the value of fixed rate long-term liabilities.

There has been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.

13. Contingent liability

The Township has been notified of liability claims. Because the claims are within the Township's insurance coverage, no provision has been made for the contingency in the financial statements.

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 2022 budget amounts for the Corporation of the Township of North Huron approved by Council are unaudited and have been restated to conform to the basis of presentation of the revenues and expenditures on the consolidated statement of operations. Budget amounts were not available for certain boards consolidated by the Township. The budget figures have not been audited.

Approved budget annual surplus (deficit)	\$ -
Acquisition of tangible capital assets	12,555,183
Amortization of tangible capital assets	(2,090,195)
Proceeds from debt issue	(6,342,680)
Debt principal repayments	94,595
Net reserve, reserve fund, and surplus transfers	<u>(1,352,419)</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 2,864,484</u>

15. Financial impact of COVID-19 pandemic

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

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

	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Information Technology	Roads and Land Improvements	Underground and other Networks	Bridges and other Structures	Assets Under Construction	TOTAL Net Book Value 2022	TOTAL Net Book Value 2021
Cost											
Balance, beginning of year	3,077,415	22,190,174	2,980,271	3,619,302	281,143	16,793,909	42,374,359	2,220,539	544,712	94,081,824	92,764,618
Add: Additions during the year	22,659	359,938	383,324	150,779	5,500	43,868	1,487,547		619,973	3,073,588	1,628,567
Less: Disposals during the year	(55,795)	(240,591)	(208,618)	(179,959)		(11,890)	(28,493)			(725,346)	(311,361)
Transfers and reallocations	29,549	(833,733)	37,210		371,511		395,463			-	-
Balance, end of year	<u>3,073,828</u>	<u>21,475,788</u>	<u>3,192,187</u>	<u>3,590,122</u>	<u>658,154</u>	<u>16,825,887</u>	<u>44,228,876</u>	<u>2,220,539</u>	<u>1,164,685</u>	<u>96,430,066</u>	<u>94,081,824</u>
Accumulated Amortization											
Balance, beginning of year	925,263	9,493,173	1,813,489	1,719,699	195,701	12,112,710	16,893,493	1,111,088	-	44,264,616	42,396,602
Add: Amortization during the year	74,725	726,456	183,912	151,647	42,062	301,986	583,641	25,766		2,090,195	2,075,070
Less: Accumulated amortization on disposals and transfers		(201,710)	(200,161)	(179,959)		(5,063)	(8,992)			(595,885)	(207,056)
Transfers and reallocations	3,644	(99,983)	3,824		67,705		24,810			-	-
Balance, end of year	<u>1,003,632</u>	<u>9,917,936</u>	<u>1,801,064</u>	<u>1,691,387</u>	<u>305,468</u>	<u>12,409,633</u>	<u>17,492,952</u>	<u>1,136,854</u>	<u>-</u>	<u>45,758,926</u>	<u>44,264,616</u>
Net Book Value of Tangible Capital Assets	<u>2,070,196</u>	<u>11,557,852</u>	<u>1,391,123</u>	<u>1,898,735</u>	<u>352,686</u>	<u>4,416,254</u>	<u>26,735,924</u>	<u>1,083,685</u>	<u>1,164,685</u>	<u>\$ 50,671,140</u>	<u>\$ 49,817,208</u>

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

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Recreation and Cultural	Work in Process	TOTAL Net Book Value 2022	TOTAL Net Book Value 2021
Cost										
Balance, beginning of year	1,239,076	5,685,107	23,657,263	44,658,591	325,323	343,485	17,628,267	544,712	94,081,824	92,764,618
Add: Additions during the year		71,461	363,376	1,487,546			531,232	619,973	3,073,588	1,628,567
Less: Disposals during the year		(139,904)	(224,695)	(34,911)			(325,836)		(725,346)	(311,361)
Transfers and reallocation:						74,459	(74,459)		-	-
Balance, end of year	<u>1,239,076</u>	<u>5,616,664</u>	<u>23,795,944</u>	<u>46,111,226</u>	<u>325,323</u>	<u>417,944</u>	<u>17,759,204</u>	<u>1,164,685</u>	<u>96,430,066</u>	<u>94,081,824</u>
Accumulated Amortization										
Balance, beginning of year	467,737	1,453,713	15,755,781	17,515,155	75,848	209,681	8,786,701	-	44,264,616	42,396,602
Add: Amortization during the year	41,468	186,460	550,693	659,791	10,288	20,217	621,278		2,090,195	2,075,070
Less: Accumulated amortization on disposals and transfers		(139,904)	(157,644)	(15,410)			(282,927)		(595,885)	(207,056)
Transfers and reallocations						918	(918)		-	-
Balance, end of year	<u>509,205</u>	<u>1,500,269</u>	<u>16,148,830</u>	<u>18,159,536</u>	<u>86,136</u>	<u>230,816</u>	<u>9,124,134</u>	<u>-</u>	<u>45,758,926</u>	<u>44,264,616</u>
Net Book Value of Tangible Capital Assets	<u>729,871</u>	<u>4,116,395</u>	<u>7,647,114</u>	<u>27,951,690</u>	<u>239,187</u>	<u>187,128</u>	<u>8,635,070</u>	<u>1,164,685</u>	<u>\$ 50,671,140</u>	<u>\$ 49,817,208</u>

TOWNSHIP OF NORTH HURON

Consolidated Schedule of Continuity of Reserves, Reserve Funds and Deferred Revenue

For the Year Ended December 31, 2022

	Balance, beginning of year	Revenues and contributions			Transfers out Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
Reserves and reserve funds						
Reserves						
for general government	6,325,909		2,352,332		(676,964)	8,001,277
for protection services	241,333		104,996		-	346,329
for transportation services	57,291		93,924		(23,740)	127,475
for environmental services	9,463,903		780,435		-	10,244,338
for health services	6,015		125		-	6,140
for social and family services	490,750		10,159		-	500,909
for recreation and cultural services	173,562		20,077		-	193,639
for planning and development	278		6		-	284
	<u>16,759,041</u>	<u>-</u>	<u>3,362,054</u>	<u>-</u>	<u>(700,704)</u>	<u>19,420,391</u>
Reserve funds						
Museum Artifacts Restoration	5,274	56				5,330
Daycare Equipment	20,657	444	631			21,732
	<u>25,931</u>	<u>500</u>	<u>631</u>	<u>-</u>	<u>-</u>	<u>27,062</u>
Total reserves and reserve funds	<u>16,784,972</u>	<u>500</u>	<u>3,362,685</u>	<u>-</u>	<u>(700,704)</u>	<u>19,447,453</u>
Deferred revenue						
Development Charges Act	156,001	3,230	490,825			650,056
Building Code Act	57,073	1,181	42,909			101,163
Federal Gas Tax Funds	462,598	11,128		156,418		630,144
	<u>675,672</u>	<u>15,539</u>	<u>533,734</u>	<u>156,418</u>	<u>-</u>	<u>1,381,363</u>
Total	<u>\$ 17,460,644</u>	<u>16,039</u>	<u>3,896,419</u>	<u>156,418</u>	<u>(700,704)</u>	<u>\$ 20,828,816</u>

TOWNSHIP OF NORTH HURON
Segmented Information
For the Year Ended December 31, 2022

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Total 2022	Total 2021
Revenue										
Taxation	6,917,313								6,917,313	6,468,160
User charges	156,961	187,917	69,255	3,059,513	89,260	644,103	744,622	9,658	4,961,289	4,182,128
Government transfers	1,618,008	493,822	580,210	70,176		986,396	28,965	4,274	3,781,851	3,643,764
Interest and penalties	574,104								574,104	267,814
Other	627,881								627,881	(93,281)
	<u>9,894,267</u>	<u>681,739</u>	<u>649,465</u>	<u>3,129,689</u>	<u>89,260</u>	<u>1,630,499</u>	<u>773,587</u>	<u>13,932</u>	<u>16,862,438</u>	<u>14,468,585</u>
Operating expenditure										
Wages, salaries and benefits	909,642	263,106	841,323	208,843	92,004	1,323,066	1,385,068	2,349	5,025,401	4,702,292
Contract services	187,087	1,698,017	101,631	1,171,532	12,585	17,507	195,348	8,848	3,392,555	3,376,469
Supplies, materials and equipment	283,550	513,467	980,784	545,370	14,576	135,915	888,441	2,244	3,364,347	3,160,910
Amortization	41,468	186,460	550,693	659,791	10,288	20,217	621,278		2,090,195	2,075,070
	<u>1,421,747</u>	<u>2,661,050</u>	<u>2,474,431</u>	<u>2,585,536</u>	<u>129,453</u>	<u>1,496,705</u>	<u>3,090,135</u>	<u>13,441</u>	<u>13,872,498</u>	<u>13,314,741</u>
Net revenue (expense)	<u>8,472,520</u>	<u>(1,979,311)</u>	<u>(1,824,966)</u>	<u>544,153</u>	<u>(40,193)</u>	<u>133,794</u>	<u>(2,316,548)</u>	<u>491</u>	<u>2,989,940</u>	<u>1,153,844</u>

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers
of the Corporation of the Township of North Huron

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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
June 19, 2023

**TOWNSHIP OF NORTH HURON
TRUST FUNDS**

BALANCE SHEET

As at December 31

	Cemetery Perpetual Care	
	2022	2021
Assets		
Cash	571,887	548,805
Liabilities		
Due to general fund		
Net trust fund balance	<u>\$ 571,887</u>	<u>\$ 548,805</u>

STATEMENT OF CONTINUITY

For the Year Ended December 31

	Cemetery Perpetual Care	
	2022	2021
Revenue		
Perpetual care	19,304	18,522
Interest earned	11,654	3,977
	<u>30,958</u>	<u>22,499</u>
Expenses		
Transfers to cemetery	7,876	2,705
	<u>7,876</u>	<u>2,705</u>
Excess of revenue over expenses for the year	23,082	19,794
Fund balance, beginning of year	<u>548,805</u>	<u>529,011</u>
Fund balance, end of year	<u>\$ 571,887</u>	<u>\$ 548,805</u>

TOWNSHIP OF NORTH HURON
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

1. Accounting Policies

Significant aspects of accounting policies adopted by the Township 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 accounting policies established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

b) Basis of consolidation

These trust funds have not been consolidated with the financial statements of the Township of North Huron.

c) Basis of accounting

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

d) Investments

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

e) Use of estimates

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