

**THE CORPORATION OF THE
MUNICIPALITY OF HURON EAST
FINANCIAL STATEMENTS
DECEMBER 31, 2025**

SEEBACH & COMPANY
Chartered Professional Accountants

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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



Jessica Rudy
Chief Administrative Officer



Denise Feeney, CPA
Director of Finance / Treasurer

September 22, 2026

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Corporation of the Municipality of Huron East ("the Municipality"), which are comprised of the consolidated statement of financial position as at December 31, 2025 and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2025, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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
September 22, 2026

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

As at December 31	2025	2024
FINANCIAL ASSETS		
Cash	9,347,560	2,298,126
Taxes receivable	2,194,269	1,616,413
Accounts receivable	1,702,541	4,470,283
Investments (note 4)	7,643,857	7,363,665
Long-term receivables (note 5)	1,514,481	1,655,253
	<u>22,402,708</u>	<u>17,403,740</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,271,747	2,749,671
Deferred revenue	23,948	56,247
Deferred revenue - obligatory reserve funds	3,043,229	2,440,219
Municipal debt (note 7)	2,844,569	3,154,668
Asset retirement obligation (note 8)	5,602,943	5,506,267
	<u>14,786,436</u>	<u>13,907,072</u>
NET FINANCIAL ASSETS	\$ 7,616,272	\$ 3,496,668
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 9)	94,366,477	93,453,752
Inventory and prepaid expenses	49,194	31,448
	<u>94,415,671</u>	<u>93,485,200</u>
ACCUMULATED SURPLUS (note 11)	\$ 102,031,943	\$ 96,981,868

The accompanying notes are an integral part of this financial statement

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

For the year ended December 31	2025 Budget	2025 Actual	2024 Actual
Revenue			
Taxation for municipal purposes	11,954,509	12,325,374	11,141,952
Government transfers - Canada	311,519	348,745	338,838
Government transfers - Ontario	3,370,517	3,533,950	2,462,222
Government transfers - other municipalities	1,054,308	1,396,773	1,578,631
User fees and service charges	6,391,093	7,133,394	6,472,428
Licences, permits, rents, donations, etc.	475,902	429,910	512,713
Investment income	179,276	448,854	592,301
Penalties and interest on taxes	155,000	161,246	150,894
Gain (loss) on disposal of tangible capital assets	-	630,805	419,854
	<u>23,892,124</u>	<u>26,409,051</u>	<u>23,669,833</u>
Expenditure			
General government	1,913,305	1,900,383	2,308,637
Protection to persons and property	4,279,629	4,058,587	3,782,837
Transportation services	5,763,572	6,084,075	5,779,175
Environmental services	4,007,510	3,867,138	3,650,338
Health services	308,260	295,048	301,980
Social and family services	1,257,880	1,253,575	1,071,608
Recreation and cultural services	2,775,293	2,875,280	2,688,996
Planning and development	480,039	1,024,890	1,306,116
	<u>20,785,488</u>	<u>21,358,976</u>	<u>20,889,687</u>
Annual surplus (deficit)	3,106,636	5,050,075	2,780,146
Accumulated surplus, beginning of year		96,981,868	94,201,722
Accumulated surplus, end of year		<u>\$ 102,031,943</u>	<u>\$ 96,981,868</u>

The accompanying notes are an integral part of this financial statement

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

For the year ended December 31	2025 Budget	2025 Actual	2024 Actual
Annual surplus (deficit)	3,106,636	5,050,075	2,780,146
Amortization of tangible capital assets	3,340,808	3,414,957	3,266,658
Net acquisition of tangible capital assets	(5,366,136)	(3,696,877)	(6,485,579)
Loss (gain) on sale of tangible capital assets	-	(630,805)	(419,854)
Decrease (increase) in inventory and prepaid expenses	-	(17,746)	(6,528)
	<u>1,081,308</u>	<u>4,119,604</u>	<u>(865,157)</u>
Net financial assets, beginning of year		<u>3,496,668</u>	<u>4,361,825</u>
Net financial assets, end of year		<u><u>\$ 7,616,272</u></u>	<u><u>\$ 3,496,668</u></u>

The accompanying notes are an integral part of this financial statement

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

For the year ended December 31	2025	2024
Operating activities		
Annual surplus (deficit)	5,050,075	2,780,146
Amortization expense not requiring cash outlay	3,414,957	3,266,658
Loss (gain) on disposal of tangible capital assets	(630,805)	(419,854)
Decrease (increase) in taxes receivable	(577,856)	(208,954)
Decrease (increase) in accounts receivable	2,767,742	(1,016,892)
Increase (decrease) in accounts payable and accrued liabilities	522,076	(1,090,471)
Increase (decrease) in deferred revenue	(32,299)	34,145
Increase (decrease) in deferred revenue - obligatory reserve funds	603,010	149,932
Increase (decrease) in asset retirement obligations	96,676	100,407
Decrease (increase) in inventory and prepaid expenses	(17,746)	(6,528)
Cash provided by (used for) operating activities	<u>11,195,830</u>	<u>3,588,589</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	<u>(3,696,877)</u>	<u>(6,485,579)</u>
Cash provided by (used for) capital activities	<u>(3,696,877)</u>	<u>(6,485,579)</u>
Investing activities		
Decrease (increase) in investments	(280,192)	844,913
Decrease (increase) in long-term receivables	140,772	92,273
Cash provided by (used for) investing activities	<u>(139,420)</u>	<u>937,186</u>
Financing activities		
Proceeds from long-term debt issued	-	600,000
Principal repayments on long-term debt	(310,099)	(160,475)
Cash provided by (used for) financing activities	<u>(310,099)</u>	<u>439,525</u>
Increase (decrease) in cash position	7,049,434	(1,520,279)
Cash (overdraft) beginning of year	2,298,126	3,818,405
Cash (overdraft) end of year	<u>\$ 9,347,560</u>	<u>\$ 2,298,126</u>

The accompanying notes are an integral part of this financial statement

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2025

1. Accounting policies

The consolidated financial statements of the Corporation of the Municipality of Huron East are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

Significant aspects of accounting policies adopted by the municipality are as follows:

a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds, and changes in investment in tangible capital assets of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the municipality. In addition to general government tax-supported operations, they include any water and sewer systems operated by the municipality and the municipality's proportionate share of joint local boards.

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

Seaforth Business Improvement Area - 100%

Mid-Huron Landfill Site Board - 23.3%

Mid-Huron Recycling Centre Board - 33.3%

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

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

b) Accrual basis of accounting

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

c) Long-term investments

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

1. Accounting policies (continued)

d) Non-financial assets

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

- Tangible capital assets

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

Category	Amortization Period	Capitalization Threshold
Land	not applicable	\$ 0
Land improvements	15 years	25,000
Buildings	7 - 40 years	5,000 - 25,000
Machinery and equipment	5 - 15 years	5,000 - 25,000
Furniture and fixtures	5 years	3,000
Information technology	3 - 7 years	3,000 - 5,000
Transportation infrastructure	15 - 75 years	5,000 - 100,000
Watermains infrastructure	15 - 80 years	15,000 - 100,000
Sewermain infrastructure	15 - 60 years	15,000 - 75,000

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

The municipality has a capitalized threshold of \$0 - \$100,000 dependent on the category, so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are computer systems, equipment, furniture and fixtures.

- Contribution of tangible capital assets

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

- Leases

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

- Inventories

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

e) Reserves for future expenditures

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

f) Government transfers

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

1. Accounting policies (continued)

g) Deferred revenue

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

h) 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, amounts 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.

i) Amounts to be recovered in future years

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

j) Pensions

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

k) 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.

l) 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.

1. Accounting policies (continued)

m) Future accounting pronouncements

These standards and amendments were not effective for the year ended December 31, 2025 and have therefore not been applied to these Consolidated Financial Statements. Management is currently assessing the impact of the following accounting standards updates on the future Consolidated Financial Statements.

(i) The Conceptual Framework for Financial Reporting in the Public Sector will replace current guidance in Section PS 1000 – Financial Statement Concepts and Section PS 1100 – Financial Statement Objectives. The new Conceptual Framework prescribes the nature, function and limits of financial accounting and reporting. It is the foundation on which PSAS are developed and professional judgment is applied. This new Conceptual Framework is effective for fiscal years beginning on or after April 1, 2026 (the first effective year for the Township being the year ending December 31, 2027).

(ii) PS 1202 – Financial Statement Presentation was approved in March 2023. This standard supersedes PS 1201 – Financial Statement Presentation and covers a new conceptual framework and reporting model. Prior period amounts will need to be restated to conform to the presentation requirements for comparative financial information. This standard is effective for fiscal years beginning on or after April 1, 2026 (the first effective year for the Township being the year ending December 31, 2027).

(iii) PS 3251 – Employee Benefits will replace PS 3250 – Retirement Benefits and PS 3255 – Postemployment Benefits, Compensated Absences and Termination Benefits. The standard aims to focus on refining the discount rate guidance for defined benefit plans, eliminating deferral approaches for actuarial gains/losses, and improving transparency. This standard is effective for fiscal years beginning on or after April 1, 2029 (the first effective year for the Municipality being the year ending December 31, 2030).

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:

	2025	2024
County of Huron	\$ 8,311,452	\$ 7,642,807
School Boards	2,959,488	2,820,087

3. Trust funds

Trust funds administered by the municipality amounting to \$3,390,210 (2024 : \$3,375,048) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

4. Investments

	2025	2024
Money market fund	458,620	443,632
Bond fund	<u>7,185,237</u>	<u>6,920,033</u>
	<u>\$ 7,643,857</u>	<u>\$ 7,363,665</u>

The investments have a market value of \$7,195,047 (2024 : \$6,985,209) at the end of the year.

5. Long-term receivables

	2025	2024
Due from residents and landowners	1,514,481	1,609,046
Tile loans, 6% principal and interest receivable annually, due 2026 through 2035	-	46,207
	<u>\$ 1,514,481</u>	<u>\$ 1,655,253</u>

Amounts due in the next five years are as follows:

2026: \$67,500 2027: \$69,300 2028: \$71,700 2029: \$73,700 2030: \$69,200

6. Pension agreements

The municipality makes contributions to a multi-employer pension plan on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed for 2025 was \$428,700 (2024 : \$415,401) for current services and is included as an expenditure on the consolidated statement of operations. The contribution rate for 2025 was 9.0% to 14.6% (2024 was 9.0% to 14.6%) depending on age and income level.

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit pension plan, are expensed when contributions are due. Any pension surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit.

7. Municipal debt

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

	2025	2024
Health services debenture payable to Huron East/Seaforth Community Development Trust, 5% interest, due December 2038	153,279	161,483
Health services debenture payable to Huron East/Seaforth Community Development Trust, 3.6% interest, due November 2029	478,992	590,858
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 1.47% interest, \$45,721 blended payment payable semi-annually, due September 2030 (for transportation purposes)	439,259	523,316
Ontario Infrastructure and Lands Corporation (OILC) loan payable, 4.98% interest, \$75,152 blended payment payable semi-annually, due December 2043 (for recreation)	1,773,039	1,832,804
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals	-	46,207
	<u>\$ 2,844,569</u>	<u>\$ 3,154,668</u>

Principal payments for the next five years are as follows:

2026: \$272,700 2027: \$281,800 2028: \$291,200 2029: \$290,100 2030: \$177,400

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 4% (2024 : 4%). The estimated total undiscounted future expenditures are \$20,182,699 (2024 : \$20,188,011), which are to be incurred over 60 years. The liability is expected to be fully settled in 60 years.

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

The carrying amount of the liabilities are as follows:

	2025	2024
Asset retirement obligation, beginning	5,506,267	5,405,860
Accretion expense	<u>96,676</u>	<u>100,407</u>
Asset retirement obligations, ending	<u>\$ 5,602,943</u>	<u>\$ 5,506,267</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.

9. Tangible capital assets

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

- i) Contributed tangible capital assets
The municipality records all tangible capital assets contributed by external parties at fair value.
- ii) Tangible capital assets recognized at nominal value
Certain assets have been assigned a nominal value because of the difficulty of determining a tenable valuation.

For additional information, see the Consolidated Schedule of Tangible Capital Assets information on the tangible capital assets of the municipality by major class and by business segment, as well as for accumulated amortization of the assets controlled.

10. Segmented information

The Municipality of Huron East is a diversified municipal government institution that provides a wide range of services to its citizens such as recreational and cultural services, planning and development, fire, and transportation services. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This segment relates to the general operations of the municipality itself and cannot be directly attributed to a specific segment.

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:

	2025	2024
General revenue accumulated surplus		
and invested in tangible capital assets	\$ 93,738,201	\$ 89,534,992
Unfinanced long-term debt	(2,844,569)	(3,154,668)
Unfinanced asset retirement obligations	(5,602,943)	(5,506,267)
Reserves and reserve funds	<u>16,741,254</u>	<u>16,107,811</u>
	<u>\$ 102,031,943</u>	<u>\$ 96,981,868</u>

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

12. Financial instrument risk management

Credit risk

The municipality is exposed to credit risk through its cash, trade and other receivables, loans receivable, and long-term investments. There is the possibility of non-collection of its trade and other receivables. The majority of the municipality's receivables are from ratepayers and government entities. For trade and other receivables, the municipality measures impairment based on how long the amounts have been outstanding. For amounts outstanding considered doubtful or uncollectible, an impairment allowance is setup.

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. The municipality has a planning and a budgeting process in place to help determine the funds required to support the municipality's normal operating requirements on an ongoing basis. The municipality ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain an available line of credit balance as approved by the appropriate borrowing bylaw to meet, at a minimum, expected requirements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The municipality is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and long-term liabilities and the value of fixed rate long-term liabilities.

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

13. Budget amounts

Under Canadian public sector accounting standards, budgets amounts are to be reported on the consolidated statement of operations for comparative purposes. The 2025 budget amounts for the Corporation of the Municipality of Huron East approved by Council are unaudited and have been restated to conform to the basis of presentation of the revenues and expenditures on the consolidated statement of operations. Budget amounts were not available for certain boards consolidated by the municipality.

Approved budget annual surplus (deficit)	\$ -
Acquisition of tangible capital assets	5,366,136
Amortization of tangible capital assets	(3,414,957)
Debt principal repayments	512,498
Net reserve, reserve fund, and surplus transfers	733,460
Mid-Huron Landfill Site Board net budget deficit	(92,168)
Mid-Huron Recycle Centre Board net budget surplus	<u>1,667</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 3,106,636</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2025

	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Plants and Facilities	Roads	Underground and other Networks	Bridges and other Structures	Assets Under Construction	TOTAL Net Book Value 2025	TOTAL Net Book Value 2024
Cost												
Balance, beginning of year	862,551	2,806,946	23,304,978	7,151,538	5,063,529	12,137,864	61,326,128	18,894,753	13,326,044	1,648,972	146,523,303	139,931,042
Add: Additions during the year		67,481	780,056	342,125	313,339	56,782	758,603	6,258		2,073,013	4,397,657	7,118,146
Less: Disposals during the year	(21,943)		(428)	(51,804)	(239,827)		(83,990)	(11,310)			(409,302)	(525,885)
Other: WIP transfers					237,050		791,350	295,546		(1,323,946)	-	-
Balance, end of year	<u>840,608</u>	<u>2,874,427</u>	<u>24,084,606</u>	<u>7,441,859</u>	<u>5,374,091</u>	<u>12,194,646</u>	<u>62,792,091</u>	<u>19,185,247</u>	<u>13,326,044</u>	<u>2,398,039</u>	<u>150,511,658</u>	<u>146,523,303</u>
Accumulated Amortization												
Balance, beginning of year		401,248	5,465,278	2,410,842	2,547,070	5,277,276	25,767,125	6,171,042	5,029,670		53,069,551	50,116,065
Add: Amortization during the year		94,733	600,743	409,303	231,671	242,021	1,389,719	232,775	213,992		3,414,957	3,266,658
Less: Accumulated amortization on disposals			(428)	(51,804)	(214,422)		(61,363)	(11,310)			(339,327)	(313,172)
Balance, end of year	<u>-</u>	<u>495,981</u>	<u>6,065,593</u>	<u>2,768,341</u>	<u>2,564,319</u>	<u>5,519,297</u>	<u>27,095,481</u>	<u>6,392,507</u>	<u>5,243,662</u>	<u>-</u>	<u>56,145,181</u>	<u>53,069,551</u>
Net Book Value												
of Tangible Capital Assets	<u>840,608</u>	<u>2,378,446</u>	<u>18,019,013</u>	<u>4,673,518</u>	<u>2,809,772</u>	<u>6,675,349</u>	<u>35,696,610</u>	<u>12,792,740</u>	<u>8,082,382</u>	<u>2,398,039</u>	<u>\$ 94,366,477</u>	<u>\$ 93,453,752</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2025

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Work in Process	TOTAL Net Book Value 2025	TOTAL Net Book Value 2024
Cost										
Balance, beginning of year	2,409,137	5,969,753	75,686,740	39,487,134	2,035,699	18,519,939	765,929	1,648,972	146,523,303	139,931,042
Add: Additions during the year	175,625	129,016	958,330	274,655		753,367	33,651	2,073,013	4,397,657	7,118,146
Less: Disposals during the year	(428)	(239,827)	(135,794)	(11,310)			(21,943)		(409,302)	(525,885)
Other: WIP transfers			1,028,400	295,546				(1,323,946)	-	-
Balance, end of year	<u>2,584,334</u>	<u>5,858,942</u>	<u>77,537,676</u>	<u>40,046,025</u>	<u>2,035,699</u>	<u>19,273,306</u>	<u>777,637</u>	<u>2,398,039</u>	<u>150,511,658</u>	<u>146,523,303</u>
Accumulated Amortization										
Balance, beginning of year	944,851	1,756,889	31,923,161	13,340,429	603,425	4,496,063	4,733		53,069,551	50,116,065
Add: Amortization during the year	126,545	239,073	1,774,303	676,118	54,726	531,362	12,830		3,414,957	3,266,658
Less: Accumulated amortization on disposals	(428)	(214,422)	(113,167)	(11,310)					(339,327)	(313,172)
Balance, end of year	<u>1,070,968</u>	<u>1,781,540</u>	<u>33,584,297</u>	<u>14,005,237</u>	<u>658,151</u>	<u>5,027,425</u>	<u>17,563</u>	<u>-</u>	<u>56,145,181</u>	<u>53,069,551</u>
Net Book Value										
of Tangible Capital Assets	<u>1,513,366</u>	<u>4,077,402</u>	<u>43,953,379</u>	<u>26,040,788</u>	<u>1,377,548</u>	<u>14,245,881</u>	<u>760,074</u>	<u>2,398,039</u>	<u>\$ 94,366,477</u>	<u>\$ 93,453,752</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Continuity of Reserves and Reserve Funds
For the Year Ended December 31, 2025

	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	3,145,569		1,293,463		(1,867,548)	2,571,484
for protection services	773,900		170,000		(238,570)	705,330
for transportation services	680,485		1,413,549		(66,756)	2,027,278
for environmental services	9,936,211		1,112,219		(1,245,814)	9,802,616
for health services	455,115		28,989		-	484,104
for recreation and cultural services	1,038,874		670,898		(644,586)	1,065,186
for planning and development	77,657		41,250		(33,651)	85,256
Total reserves and reserve funds	<u>\$ 16,107,811</u>	<u>-</u>	<u>4,730,368</u>	<u>-</u>	<u>(4,096,925)</u>	<u>\$ 16,741,254</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
Consolidated Schedule of Continuity of Deferred Revenue
For the Year Ended December 31, 2025

	Balance, beginning of year	Revenues and contributions			Transfers out Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
Deferred revenue						
Parkland	103,703	3,191	10,630			117,524
Brussels Landfill (Morris)	55,511					55,511
Walton Landfill	314,008		76,633			390,641
Federal Gas Tax Funds	1,966,997	54,789		311,519	(339,113)	1,994,192
Ontario Community Infrastructure Fun	-	16,100		1,210,121	(740,860)	485,361
	<u>\$ 2,440,219</u>	<u>74,080</u>	<u>87,263</u>	<u>1,521,640</u>	<u>(1,079,973)</u>	<u>\$ 3,043,229</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST

Segmented Information

For the Year Ended December 31, 2025

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Culture	Planning and Development	Total 2025	Total 2024
Revenue										
Taxation	12,325,374	-	-	-	-	-	-	-	12,325,374	11,141,952
User charges	601,554	193,947	104,335	4,137,227	287,363	242,179	1,099,417	467,372	7,133,394	6,472,428
Government transfers	1,433,058	173,801	2,455,407	-	7,654	1,002,995	198,053	8,500	5,279,468	4,379,691
Interest and penalties	459,744	-	-	126,339	14,964	-	8,586	467	610,100	743,195
Other	759,802	11,103	(1,000)	-	851	5,440	277,269	7,250	1,060,715	932,567
	<u>15,579,532</u>	<u>378,851</u>	<u>2,558,742</u>	<u>4,263,566</u>	<u>310,832</u>	<u>1,250,614</u>	<u>1,583,325</u>	<u>483,589</u>	<u>26,409,051</u>	<u>23,669,833</u>
Operating expenditure										
Wages, salaries and benefits	1,062,634	1,075,660	1,467,236	508,029	100,124	1,036,092	1,327,491	247,295	6,824,561	6,473,415
Contracted services	631,990	1,965,063	521,535	1,370,569	19,926	-	115,887	3,467	4,628,437	4,487,305
Supplies, materials and equipment	79,214	778,791	2,321,001	1,312,422	120,272	217,483	900,540	761,298	6,491,021	6,662,309
Amortization	126,545	239,073	1,774,303	676,118	54,726	-	531,362	12,830	3,414,957	3,266,658
	<u>1,900,383</u>	<u>4,058,587</u>	<u>6,084,075</u>	<u>3,867,138</u>	<u>295,048</u>	<u>1,253,575</u>	<u>2,875,280</u>	<u>1,024,890</u>	<u>21,358,976</u>	<u>20,889,687</u>
Net revenue (expense)	<u>13,679,149</u>	<u>(3,679,736)</u>	<u>(3,525,333)</u>	<u>396,428</u>	<u>15,784</u>	<u>(2,961)</u>	<u>(1,291,955)</u>	<u>(541,301)</u>	<u>5,050,075</u>	<u>2,780,146</u>

**THE CORPORATION OF THE
MUNICIPALITY OF HURON EAST
TRUST FUNDS
FINANCIAL STATEMENTS
DECEMBER 31, 2025**

SEEBACH & COMPANY
Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the trust funds of the Corporation of the Municipality of Huron East ("the Municipality"), which are comprised of the balance sheet as at December 31, 2025 and the statement of operations of trust funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2025, 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
September 22, 2026

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

As at December 31, 2025

	Brussels		Grey			Seaforth		McKillop	Egmondville		
	Perpetual	Hydro	Cranbrook	Mount	Carnochan	Heritage	Hydro	Zion	Perpetual	2025	2024
	Care		Perpetual	Pleasant	Memorial			Cemetery	Care		
Assets											
Cash	26,908	23,490	2,765	11,387		46,575	133,175	1,037	5,316	250,653	224,864
Accounts receivable	1,300			740			900			2,940	2,040
Investments	229,500	540,000	11,100	55,369	25,000		1,574,952	7,500	65,000	2,508,421	2,513,452
Prepaid expenses							50,000			50,000	50,000
Tangible capital assets, net							589,823			589,823	600,271
	<u>\$ 257,708</u>	<u>\$ 563,490</u>	<u>\$ 13,865</u>	<u>\$ 67,496</u>	<u>\$ 25,000</u>	<u>\$ 46,575</u>	<u>\$ 2,348,850</u>	<u>\$ 8,537</u>	<u>\$ 70,316</u>	<u>\$ 3,401,837</u>	<u>\$ 3,390,627</u>
Liabilities											
Accounts payable							11,627			11,627	15,579
	-	-	-	-	-	-	11,627	-	-	11,627	15,579
Trust fund balance	257,708	563,490	13,865	67,496	25,000	46,575	2,337,223	8,537	70,316	3,390,210	3,375,048
	<u>\$ 257,708</u>	<u>\$ 563,490</u>	<u>\$ 13,865</u>	<u>\$ 67,496</u>	<u>\$ 25,000</u>	<u>\$ 46,575</u>	<u>\$ 2,348,850</u>	<u>\$ 8,537</u>	<u>\$ 70,316</u>	<u>\$ 3,401,837</u>	<u>\$ 3,390,627</u>

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2024

	Brussels		Grey			Seaforth		McKillop	Egmondville		
	Perpetual	Hydro	Cranbrook	Mount	Carnochan	Heritage	Hydro	Zion	Perpetual	2025	2024
	Care		Perpetual	Pleasant	Memorial			Cemetery	Care		
Revenue											
Sale of plots, vaults, opening charges	4,685			1,700					2,600	8,985	16,875
Interest earned	9,160	24,131	402	2,342		1,376	62,610		251	100,272	104,080
Rent							80,729			80,729	79,054
	<u>13,845</u>	<u>24,131</u>	<u>402</u>	<u>4,042</u>	<u>-</u>	<u>1,376</u>	<u>143,339</u>	<u>-</u>	<u>2,851</u>	<u>189,986</u>	<u>200,009</u>
Expenses											
Expenditures							86,594			86,594	213,067
Administration fee							9,075			9,075	8,925
Transfers to cemetery operating	8,872	19,300	402	1,758					900	31,232	20,687
Community projects							37,475			37,475	70,604
Amortization							10,448			10,448	10,448
	<u>8,872</u>	<u>19,300</u>	<u>402</u>	<u>1,758</u>	<u>-</u>	<u>-</u>	<u>143,592</u>	<u>-</u>	<u>900</u>	<u>174,824</u>	<u>323,731</u>
Excess of revenue over expenses	4,973	4,831	-	2,284	-	1,376	(253)	-	1,951	15,162	(123,722)
Trust fund balance, beginning of year	252,735	558,659	13,865	65,212	25,000	45,199	2,337,476	8,537	68,365	3,375,048	3,498,770
Trust fund balance, end of year	<u>\$ 257,708</u>	<u>\$ 563,490</u>	<u>\$ 13,865</u>	<u>\$ 67,496</u>	<u>\$ 25,000</u>	<u>\$ 46,575</u>	<u>\$ 2,337,223</u>	<u>\$ 8,537</u>	<u>\$ 70,316</u>	<u>\$ 3,390,210</u>	<u>\$ 3,375,048</u>

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2025

1. Accounting Policies

Significant aspects of accounting policies adopted by the municipality are as follows:

a) Management responsibility

The financial statements of the trust funds are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

b) Basis of accounting

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

c) Investments

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

e) Capital assets

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

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

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

Buildings	75 years on the straight line basis
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2. Seaforth Community Heritage Trust Fund

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

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

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

4. Investments

Trust fund investments have a market value equal to cost of \$2,508,421 (2024 : \$2,513,452).

THE CORPORATION OF THE MUNICIPALITY OF HURON EAST
TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS

2

December 31, 2025

5. Tangible Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2025	Net Book Value 2024
Land	57,000	-	57,000	57,000
Buildings	<u>627,959</u>	<u>95,136</u>	<u>532,823</u>	<u>543,272</u>
	<u>\$ 684,959</u>	<u>\$ 95,136</u>	<u>\$ 589,823</u>	<u>\$ 600,271</u>