

**The Corporation of the Municipality of Huron Shores
Financial Statements
For the year ended December 31, 2025**

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Management's Responsibility for the Financial Statements

The accompanying financial statements for the Corporation of the Municipality of Huron Shores (the "Municipality") are the responsibility of management of the Municipality and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of significant accounting policies are described in Note 1 of the financial statements. The preparation of the financial statements involves the use of estimates based on management's judgement, including transactions in the current financial period relating to future periods.

Management maintains and monitors a system of internal controls which are designed to provide reasonable assurance that transactions are properly authorized and recorded in compliance with regulatory and legislative requirements, reliable financial information is available on a timely basis and assets are appropriately safeguarded.

Council is responsible to ensure management fulfills its responsibilities for financial reporting and ultimately responsible for reviewing and approving the financial statements.

These financial statements have been audited by Stefanizzi Professional Corporation in accordance with Canadian Auditing Standards on behalf of the inhabitants and ratepayers of the Municipality. The accompanying auditors' report outlines their responsibilities, the scope of the examination and the opinion on the Municipality's financial statements.



Natashia Roberts - CAO/Clerk



Heather Tener - Treasurer



Independent Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Municipality of Huron Shores:

Opinion

We have audited the financial statements of The Corporation of the Municipality of Huron Shores (the Municipality), which comprise the statement of financial position as at December 31, 2025, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Corporation of the Municipality of Huron Shores as at December 31, 2025, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

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.

Other Matter - Predecessor Auditor

The financial statements for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified audit opinion on the financial statements dated September 10, 2025.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the 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.

Auditors' Responsibilities for the Audit of the Financial Statement

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 auditors' 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 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 the auditor's report. However, future events or conditions may cause the Municipality to cease as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.



Stefanizzi Professional Corporation
Chartered Professional Accountant, authorized to practice public accounting by
The Chartered Professional Accountants of Ontario
Sault Ste. Marie, Ontario
May 27, 2026

The Corporation of the Municipality of Huron Shores
Statement of Financial Position

As at December 31,	2025	2024
Financial assets		
Cash	\$ 2,057,295	\$ 3,546,682
Taxes receivable	755,466	924,616
Accounts receivable (note 2)	402,954	424,468
Portfolio investments (note 3)	6,151,804	3,987,008
	9,367,519	8,882,774
Financial liabilities		
Accounts payable and accrued liabilities	418,620	654,305
Deferred revenue (note 5)	625,651	901,095
Employee future benefits liability (note 8)	12,784	23,672
Obligations under capital lease (note 9)	158,653	256,002
Long-term debt (note 7)	43,736	80,069
Asset retirement obligations (note 6)	1,753,618	1,853,155
	3,013,062	3,768,298
Net financial assets	6,354,457	5,114,476
Non-financial assets		
Tangible capital assets (schedule 1)	15,604,350	15,308,013
Prepaid expenses	26,878	16,577
	15,631,228	15,324,590
Accumulated surplus (note 10)	\$21,985,685	\$20,439,066

The Corporation of the Municipality of Huron Shores

Statement of Operations and Accumulated Surplus

Year ended December 31, (with comparative figures for the prior year)

	Budget (Unaudited) 2025	Actual 2025	Actual 2024
Revenues			
Taxation (note 11)	\$ 4,720,014	\$ 4,733,112	\$ 4,402,147
Federal grants	240,000	250,458	354,805
Provincial grants	2,553,786	2,092,859	1,581,836
Other municipalities	6,000	12,808	7,136
Fees and user charges	405,202	265,296	284,101
Licenses, permits and rents	20,080	22,501	27,185
Interest and penalties on taxes	172,000	147,682	171,617
Interest and other	186,000	219,688	233,974
	8,303,082	7,744,404	7,062,801
Expenditures			
Current			
General government	1,502,801	1,526,158	1,426,296
Protection	952,671	926,218	890,153
Transportation services	2,466,109	2,039,158	2,009,601
Environmental services	383,285	326,394	462,242
Health services	586,614	590,985	536,964
Social and family services	485,042	468,243	475,960
Recreation and cultural services	349,719	232,895	233,660
Planning and development	60,829	87,734	247,642
	6,787,070	6,197,785	6,282,518
Annual surplus	1,516,012	1,546,619	780,283
Accumulated surplus, beginning of year	20,439,066	20,439,066	19,658,783
Accumulated surplus, end of year	\$21,955,078	\$21,985,685	\$20,439,066

The Corporation of the Municipality of Huron Shores
Statement of Change in Net Financial Assets

Year ended December 31, (with comparative figures for the prior year)

	Budget (Unaudited) 2025	Actual 2025	Actual 2024
Annual surplus	\$ 1,516,012	\$ 1,546,619	\$ 780,283
Acquisition of tangible capital assets	(3,473,874)	(1,215,533)	(874,845)
Amortization of tangible capital assets	819,658	819,658	826,291
Revaluation of asset retirement obligation	-	99,538	-
Proceeds on sale of tangible capital assets	-	30,000	18,640
(Gain) loss on disposal of tangible capital assets	-	(30,000)	(12,296)
	(1,138,204)	1,250,282	738,073
Prepaid expenses and inventory of supplies	-	(10,301)	42,429
Net change in net financial assets	(1,138,204)	1,239,981	780,502
Net financial assets, beginning of year	5,114,476	5,114,476	4,333,974
Net financial assets, end of year	\$ 3,976,272	\$ 6,354,457	\$ 5,114,476

The Corporation of the Municipality of Huron Shores
Statement of Cash Flow

For the year ended December 31,	2025	2024
Cash provided by (used for):		
Operating activities:		
Annual surplus	\$ 1,546,619	\$ 780,283
Items not involving cash:		
Amortization of tangible capital assets	819,658	826,291
Accretion expense	-	82,405
Gain on disposal of tangible capital assets	(30,000)	(12,296)
Employee future benefits liability	10,888	5,262
	<u>2,347,165</u>	<u>1,681,945</u>
Changes in non-cash operating items:		
Taxes receivable	169,150	(168,474)
Accounts receivable	21,514	196,519
Prepaid expenses	(10,301)	42,429
Accounts payable and accrued liabilities	235,685	(251,868)
Deferred revenue	(275,444)	(657)
Net cash flows from operating activities	<u>2,487,769</u>	<u>1,499,894</u>
Financing activities		
Principal repayments on long term debt and capital leases	(133,681)	(149,842)
Capital transactions		
Capital additions	(1,215,533)	(874,845)
Proceeds from sale of capital assets	30,000	18,640
	<u>(1,185,533)</u>	<u>(856,205)</u>
Investing transactions		
Purchase of investments	(3,520,451)	(3,098,877)
Proceeds from maturity of investments	862,509	3,752,032
	<u>(2,657,942)</u>	<u>653,155</u>
Increase (Decrease) in cash and cash equivalents for the year	<u>(1,489,387)</u>	<u>1,147,002</u>
Cash and cash equivalents, beginning of year	3,546,682	2,399,680
Cash and cash equivalents, end of year	<u>\$ 2,057,295</u>	<u>\$ 3,546,682</u>
Represented by:		
Cash	<u>\$ 2,057,295</u>	<u>\$ 3,546,682</u>

The Corporation of the Municipality of Huron Shores

Notes to the Financial Statements

December 31, 2025

The Corporation of the Municipality of Huron Shores ("the Municipality") is a Municipality in the province of Ontario, Canada. The Municipality conducts its operations in accordance with the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. **Summary of significant account policies**

Reporting entity

These statements reflect the assets, liabilities, operating revenues and expenditures, reserve funds and reserves and tangible capital assets of The Corporation of the Municipality of Huron Shores. The reporting entity is comprised of all organizations, local boards and committees accountable for the administration of the financial affairs and resources of the Municipality.

All material inter-entity transactions and balances are eliminated on combination.

The following local boards, joint local boards and municipal enterprises are not consolidated:
Algoma District Services Administration Board
Algoma Public Health

Basis of accounting

The Municipality follows the accrual method of accounting for revenues and expenditures. Revenues are recorded in the year for which they are earned, measurable and collectible. Expenses are recognized on the provision as they are incurred and measurable, arising from the receipt of goods or services and creation of a legal obligation to pay.

Revenue recognition

Revenues and expenditures are reported on the accrual basis of accounting. Expenditures are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due. Revenues are recognized as follows:

- a) Tax revenue is recognized in the calendar year to which the tax assessment applies and the assessment is known. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.
- b) Fines and donations are recognized when collected. Rental income is recorded when the monthly rent is issued accompanied by a signed rental agreement.
- c) Fees and user charges are recognized when the services are performed or goods are delivered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and fees are fixed or determinable. Amounts received for future services are deferred until the service is provided.
- d) Interest income is recognized in the period in which it is received or becomes receivable
- e) Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when funds are receivable. Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made. Sales of service and other revenue is recognized on an accrual balance.

The Corporation of the Municipality of Huron Shores

Notes to the Financial Statements

December 31, 2025

1. **Summary of significant account policies (continued)**

Deferred revenue

Deferred revenue includes the obligatory reserve funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes. These funds, by their nature, are restricted in their use and, until applied to applicable circumstances, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

Reserves and reserve funds

Certain amounts, as approved by council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

Government transfers

Government transfers include entitlements, transfers under shared cost agreements and grants. Revenue is recognized for unconditional entitlements and grants in the period received or receivable. Revenue is recognized for any conditional entitlements and grants in the period the associated expenditure is incurred. Revenue is recognized for transfers under shared service agreements in the period the costs are incurred.

Contributed goods and services

Goods and services contributed to the Municipality are recorded at their fair market value at the time of their occurrence.

Cash

Cash and cash equivalents include bank deposits and short term guaranteed investment certificates that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These cash equivalents generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

Trust funds

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

The Corporation of the Municipality of Huron Shores

Notes to the Financial Statements

December 31, 2025

1. Summary of significant account policies (continued)

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates include allowance for doubtful accounts, asset retirement obligations, useful life of capital assets, and accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

Accounting for school board operations

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the Municipality fund balances of these financial statements.

Capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the tangible capital 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:

	<u>Useful Life - Years</u>
Land improvements	25
Buildings	80
Fixtures, IT, Machinery and Equipment	4-25
Vehicles	5-25
Roads infrastructure	10-50
Landfill, bridges and culverts infrastructure	20-50
Street lighting infrastructure	10

In the year of acquisition, capital assets are amortized at one-half the above rates. Assets under construction are not amortized until the asset is available for productive use. Equipment under capital lease is amortized over the term of lease.

(a) 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.

(b) Interest capitalization

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

The Corporation of the Municipality of Huron Shores

Notes to the Financial Statements

December 31, 2025

1. **Summary of significant account policies (continued)**

(c) 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.

Budget figures

Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. The approved operating budget and capital budgets are reflected on the Statement of Operations and are unaudited. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Municipality does not budget activity within Reserves and Reserve Funds, with the exception being those transactions, which affect either operations or capital investments.

Portfolio investments and investment income

The Municipality holds investments to fund their reserve funds. Portfolio investments consist of approved investments under the provisions of the Municipal Act and are comprised of guaranteed investment certificates held with a chartered bank and high interest savings accounts administered by an approved municipal investment custodian. As the investments are fixed income in nature, they are not susceptible to fair market value fluctuations and as such, no Statement of re-measurement gains and losses have been prepared. Investments with original maturity dates beyond three months are classified as portfolio investments and carried at fair value, which approximates cost.

Investment income earned on surplus funds is reported as revenue in the period earned. Income earned on obligatory reserves is added to the fund balance and charged to deferred revenue.

Pension benefits

The Municipality participates in a pension plan for employees. The Municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. 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, where applicable.

The Corporation of the Municipality of Huron Shores

Notes to the Financial Statements

December 31, 2025

1. **Summary of significant account policies (continued)**

Asset Retirement Obligations

The Municipality recognizes the fair value of asset retirement obligations ("ARO") when all of the following criteria have been met:

- (a) There is a legal obligation to incur retirement costs in relation to the underlying asset;
- (b) The past transaction of event giving rise to the liability has occurred;
- (c) It is expected that future economic benefits will be given up; and
- (d) A reasonable estimate of the amount can be made.

The liability for the closure and post-closure monitoring and maintenance relating to the landfill sites has been recognized based on estimated future expenses. An additional liability for the removal of asbestos for buildings owned by the Municipality has also been recognized based on the estimated future expenses on closure of the site and post-closure care.

The liability is discounted using a present value calculation and adjusted yearly for accretion of the expense. The recognition of a liability resulted in an accompanying increase to the tangible capital assets. The increase to the tangible capital assets is being amortized in accordance with the tangible capital asset accounting policies.

Financial Instruments

The Municipality initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Municipality's financial instruments measured at amortized cost consist of cash, accounts receivable, taxes receivable, accounts payable and accrued liabilities, and municipal long-term debt and capital lease obligations. The fair value of these financial instruments approximate their carrying value.

2. **Accounts receivable**

	2025	2024
Province of Ontario	\$ 38,000	\$ 93,145
PSB rebate recoverable	319,008	304,323
Trade and miscellaneous	45,946	27,000
	\$ 402,954	\$ 424,468

The Corporation of the Municipality of Huron Shores

Notes to the Financial Statements

December 31, 2025

3. Portfolio investments

The Municipality holds investments in high interest savings accounts and guaranteed investment certificates. The maturities on these guaranteed investment certificates range from June 2026 to January 2027, yielding interest ranging from 2.45% to 3.41% per annum. Interest is receivable on an annual basis or at maturity. The carrying value of these investments approximates market value.

4. Credit facility

The Municipality has authorized lines of credit available in the amount of \$450,000 bearing interest at the current prime rate. This facility is secured against a general security agreement. At December 31, 2025, the outstanding amount on this facility was Nil (2024 - Nil).

5. Deferred revenue

A requirement of the public sector accounting principles of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as a provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Municipality are summarized below:

	2025	2024
Canada Community Building Fund (Federal Gas Tax)	\$ 5,794	\$ 120,856
Ontario Community Infrastructure Fund (OCIF)	541,963	321,633
Northern Ontario Regional Development Strategy	-	390,813
Tax prepayments	77,894	67,793
	<u>\$ 625,651</u>	<u>\$ 901,095</u>

Continuity of deferred revenue is as follows:

	2025	2024
Opening balance	\$ 901,095	\$ 901,752
Contributions received	289,680	372,312
Interest earned on obligatory reserve	14,277	18,460
Contributions used	(579,401)	(391,429)
	<u>\$ 625,651</u>	<u>\$ 901,095</u>

The Corporation of the Municipality of Huron Shores

Notes to the Financial Statements

December 31, 2025

6. Asset retirement obligation

Landfill closure

The Municipality owns and operates four landfill sites. The liability for the closure of operational sites and post-closure care has been recognized under PS 3280 – Asset Retirement Obligation. The costs were based upon the most recent valuation prepared on December 31, 2025.

The basis of valuation is a present value calculation of the site closures ranging from calendar year 2046 through to 2050, and post closure care activity costs that would carry on for a period of 25 years. This includes final cover and vegetation, completing facilities for drainage control features, leachate monitoring, water quality and related monitoring, and annual post-closure maintenance. Costs are estimated at using a discount rate of 4.7% per annum. A reserve of \$ 331,059 has been established to fund the future closure costs and does not offset the liability on the statement of financial position.

The remaining life and anticipated closure dates are as follows:

Thessalon Township - Ward 1: Anticipated closure of 2050 with estimated remaining capacity of 25 years.

Day & Bright Township - Ward 2: Anticipated closure of 2046 with estimated remaining capacity of 21 years.

Village of Iron Bridge - Ward 3: Anticipated closure of 2045 with estimated remaining capacity of 8,264 tonnes.

Thompson Township - Ward 4: Anticipated closure of 2047 with estimated remaining capacity of 2,200 tonnes.

Asbestos abatement

The Municipality owns several buildings which have known or suspected asbestos which carry a legal requirement for the removal and remediation upon demolition or renovation. Under PSAS 3280, Asset Retirement obligations, the Municipality recognized an obligation for the remediation of the known and suspected asbestos. The obligation is determined based on the estimated undiscounted cash flows which will be required for removal under current legislation.

Changes to the asset retirement obligation in the year are as follows:

	2025	2025	2025
	Landfill Closure	Asbestos abatement	Total
Opening balance of obligation	\$ 1,826,435	\$ 26,720	\$ 1,853,155
Revaluation of asset retirement obligation	(99,537)	-	(99,537)
	\$ 1,726,898	\$ 26,720	\$ 1,753,618

The Corporation of the Municipality of Huron Shores
Notes to the Financial Statements

December 31, 2025

6. Asset retirement obligation (continued)

Changes to the asset retirement obligation in the prior year are as follows:

	2024	2024	2024
	Landfill Closure	Asbestos abatement	Total
Opening balance of obligation	\$ 1,744,030	\$ 26,720	\$ 1,770,750
Accretion expense	82,405	-	82,405
	\$ 1,826,435	\$ 26,720	\$ 1,853,155

7. Municipal long-term debt

	2025	2024
Roads equipment loan, repayable at \$1,385 monthly, with interest at 6.96%, maturing 2028, secured by a general security agreement .	\$ 43,736	\$ 56,824
Fire truck loan, repayable at \$4,689 monthly, with interest at 4.75%, matured 2025.	-	23,245
	\$ 43,736	\$ 80,069

Long-term debt principal repayments to be made during the next three years is approximately as follows:

2026	-	\$ 14,013
2027	-	\$ 15,020
2028	-	\$ 14,703

8. Employee future benefits liability

	2025	2024
Vacation pay	\$ 2,620	\$ 14,920
Accumulated retirement allowances	10,164	8,752
	\$ 12,784	\$ 23,672

The Municipality provides certain employee benefits which will require funding in future periods. Employees may become entitled to a cash payment when they leave the Municipalities employment based on total years of service.

The Corporation of the Municipality of Huron Shores
Notes to the Financial Statements

December 31, 2025

9. Obligations under capital lease

In fiscal year 2020, the Municipality entered into 5-year financing agreement with RCAP Leasing Inc. to fund the purchase of self-contained breathing apparatuses and compressor for the fire department. The underlying equipment was received in November 2020. The agreement contains monthly lease payments of \$4,735 plus HST, with a discount rate of 4.75%. At the end of the 5-year lease term, the assets will transfer to the municipality for the nominal fee of \$10. The remaining balance was paid out during the fiscal year.

In fiscal year 2023, the Municipality entered into a 5-year financing agreement with Royal Bank of Canada to fund the purchase of a plow for the roads department. The underlying equipment was received in December 2023. The agreement contains monthly lease payments of \$2,754 plus HST with a discount rate of 5.71% after an initial lease payment of \$181,795 in December 2023. At the end of the 5-year lease term, the assets will transfer to the Municipality after a final payment of \$62,184.

	2025	2024
2025	\$ -	\$ 97,126
2026	29,035	43,726
2027	30,737	33,046
2028	69,301	33,046
Total minimum lease payments	129,073	206,944
Amounts representing interest	29,580	49,058
Present value of minimum lease payments	\$ 158,653	\$ 256,002

The Corporation of the Municipality of Huron Shores
Notes to the Financial Statements

December 31, 2025

10. Accumulated surplus

The accumulated surplus is comprised of the following:

	2025	2024
Reserves set aside for specific purposes by Council:		
Working fund	\$ 673,238	\$ 861,514
Safe restart	14,263	14,263
Roads	1,802,352	1,719,308
Roads equipment	1,016,259	853,759
Bridge replacement	2,241,537	2,123,887
Partnership funding	84,717	84,717
Election	8,250	5,500
Fire department	347,680	328,930
MNR fire agreement	29,375	29,375
Ward 3 museum	14,029	18,649
Ward 3 arena	11,793	20,848
Ward 3 Veteran's bridge	130,705	120,705
Ward 2 hall and barn	41,859	44,604
Ward 2 barn capital	775	775
Parkland	4,223	4,223
Ward 1 recreation	40,104	42,264
Waste disposal site closure	331,059	339,722
Ward 4 recreation	11,455	11,455
Planning - commercial/industrial	141,896	184,896
Water systems upgrades	25,000	25,000
Cemetery	42,486	48,597
Library	10,965	10,965
Total reserves and reserve funds	7,024,020	6,893,956
Equity in tangible capital assets	15,604,350	15,308,013
General operating surplus	1,326,106	449,995
Unfunded liabilities	(1,968,791)	(2,212,898)
Accumulated surplus	\$21,985,685	\$20,439,066

The Corporation of the Municipality of Huron Shores
Notes to the Financial Statements

December 31, 2025

11. Taxation

	2025	2024
Residential and farmlands taxation	\$ 4,698,720	\$ 4,388,586
Commercial and industrial taxation	493,900	466,045
Supplementary taxation	59,230	54,275
	<u>5,251,850</u>	<u>4,908,906</u>
Less: Amount levied and remitted to school boards	(518,738)	(506,759)
	<u>\$ 4,733,112</u>	<u>\$ 4,402,147</u>

12. Expenditures by object

	2025	2024
Salaries, wages and employee benefits	\$ 1,683,866	\$ 1,624,269
Materials	674,893	619,396
Contracted services	1,789,134	1,963,694
Rents and financial expenses	148,227	217,663
Amortization	819,658	826,291
Transfer payments	1,065,769	1,014,967
Interest on long-term debt	16,238	16,238
	<u>\$ 6,197,785</u>	<u>\$ 6,282,518</u>

13. Contributions to unconsolidated joint boards

The following contributions were made by the Municipality to these boards:

	2025	2024
Algoma District Service Administration Board	\$ 938,455	\$ 901,367
Algoma Health Unit	86,905	79,729
	<u>\$ 1,025,360</u>	<u>\$ 981,096</u>

The Corporation of the Municipality of Huron Shores

Notes to the Financial Statements

December 31, 2025

14. Pension agreements and employee future benefits

The Municipality makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of full time, permanent 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 most recent actuarial valuation of the plan was completed on December 31, 2025. The results of this valuation disclosed total going concern actuarial liabilities of \$151,365 million (2024 - \$142,289 million) and net going concern actuarial assets of \$150,043 million (2024 - \$139,576 million), indicating a going concern actuarial deficit of \$1,322 million (2024 - \$2,913 million). As OMERS is a multi-employer plan, any pension plan surpluses or deficits are the joint responsibility of Ontario municipal organizations and their employees. The Municipality's individual share is not determinable, and as a result, the Municipality does not recognize any share of the OMERS pension deficit.

Contributions made in 2025 were in the amount of \$102,022 (2024 - \$89,485). No pension liability for this type of plan is included in the Municipality's financial statements.

15. Trust funds

Trust funds administered by the Municipality with net assets amounting to \$67,602 (2024 - \$64,862) have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

16. Public Sector Salary Disclosure Act

One employee was paid an annual salary of \$100,000 or more as defined by the Public Sector Salary Disclosure Act, 1996.

The Corporation of the Municipality of Huron Shores
Notes to the Financial Statements

December 31, 2025

17. Budget

The Budget adopted by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of reserves and/or surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statement of operations and change in net financial assets represent the Financial Plan with adjustments as follows:

	2025
Budget bylaw surplus (deficit) for the year	\$ -
Less:	
Amortization	(819,658)
Less:	
Net inter-fund transfers from reserves and debt financing	(1,139,204)
Capital transactions	3,474,874
Budget surplus (deficit) per statement of operations	\$ 1,516,012

18. Comparative information

Certain comparative information has been reclassified to conform with the current year presentation of the financial statements. These reclassifications result in no changes to opening accumulated surplus.

The Corporation of the Municipality of Huron Shores

Notes to the Financial Statements

December 31, 2025

19. Financial Risk

The Municipality is exposed to various risks through its financial instruments. The following analysis provides information about the Municipality's risk exposure and concentration as of December 31, 2025.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Municipality is exposed to credit risk from customers and ratepayers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Municipality has a significant number of customers and ratepayers which minimizes concentration of credit risk. Further, the Municipality has available to it a tax registration process to recover unpaid municipal taxes by way of forced transfer of properties with multi-year arrears. For the period ended December 31, 2025, the Municipality has recorded an allowance for doubtful accounts on taxes of \$1,561,944 (2024 - \$1,428,782).

Liquidity risk

Liquidity risk is the risk that the Municipality cannot repay its obligations when they become due to its creditors. The Municipality is exposed to this risk relating to its accounts payable and accrued liabilities and long-term debt.

The Municipality reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash and credit facilities available to repay creditors as they become due. In the opinion of management the liquidity risk exposure to the Municipality is low.

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

The Corporation of the Municipality of Huron Shores

Notes to the Financial Statements

December 31, 2025

20. Segmented Information

The Municipality is a diversified local government institution that provides a wide range of services to its citizens. For management reporting purposes, municipal operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipality services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government

The administration department oversees the delivery of all government services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of council.

Protection

Protection is comprised of the police, fire/emergency, by-law enforcement and building inspections departments. The mandate of the police is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The fire/emergency department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishments of fires. The by-law enforcement and building inspection department ensures properties are in compliance with applicable legislation, by-laws, building standards and construction codes.

Transportation

The transportation department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, winter control, airport and street lighting.

Environmental

The environmental department provides garbage collection and waste minimization programs and facilities for solid waste disposal.

Health

Through Algoma Public Health, the Municipality contributes to public health services and education and through the Algoma District Services Administration Board, to ambulance services. In addition, this department oversees the care and maintenance of Municipality cemeteries.

The Corporation of the Municipality of Huron Shores

Notes to the Financial Statements

December 31, 2025

Segmented Information (continued)

Social and family

Through the Algoma District Services Administration Board, the Municipality contributes to social assistance payments, child care services and social housing.

Recreation and cultural

The recreation and cultural department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as parks, arena, fitness and sports programs. It provides public services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement. The department also contributes towards the information needs of the Municipality's citizens through the provision of library services.

Planning

The planning department provides a diverse bundle of services. It manages development for business interests, environmental concerns, heritage matters and neighbourhoods through planning and community development activities. It facilitates economic development by providing services for the approval of all land development plans.

For each reported segment, revenues and expenses include both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in the summary of significant accounting policies.

**The Corporation of the Municipality of Huron Shores
Schedule of Tangible Capital Assets**

Schedule 1

Year ended December 31,

	Cost			Accumulated Amortization				2025	2024	
	2025 Opening Balance	Additions and Betterments	Disposals/ Transfers	2025 Closing Balance	2025 Opening Balance	Amortization Expense	Disposals/ Transfers	2025 Ending Balance	Net Book Value	Net Book Value
Land	\$ 1,120,447	\$ -	\$ -	\$ 1,120,447	\$ -	\$ -	\$ -	\$ -	\$ 1,120,447	\$ 1,120,447
Land improvements	129,443	-	-	129,443	70,211	5,822	-	76,033	53,410	59,232
Buildings	2,404,433	-	-	2,404,433	710,210	41,709	-	751,919	1,652,514	1,694,223
Fixtures, machinery, IT and equipment	1,122,077	220,933	-	1,343,010	903,214	56,022	-	959,236	383,774	218,863
Vehicles	3,070,695	56,023	(210,628)	2,916,090	1,672,019	136,955	210,628	1,598,346	1,317,744	1,398,676
Roads infrastructure	13,740,548	911,875	267,354	14,919,777	8,147,350	365,081	-	8,512,431	6,407,346	5,593,198
Landfill, bridges and culverts infrastructure	7,681,120	26,702	(41,400)	7,666,422	3,349,796	152,786	-	3,502,582	4,163,840	4,331,324
Street lights	424,242	-	-	424,242	390,692	9,585	-	400,277	23,965	33,550
Leased equipment	691,204	-	-	691,204	158,196	51,698	-	209,894	481,310	533,008
Construction in progress	325,492	-	(325,492)	-	-	-	-	-	-	325,492
	\$30,709,701	\$ 1,215,533	\$ (310,166)	\$31,615,068	\$15,401,688	\$ 819,658	\$ 210,628	\$16,010,718	\$15,604,350	\$15,308,013

In the period, the Municipality disposed of capital assets which were fully amortized at a historical cost value of \$210,628. Proceeds on this disposal was \$30,000.

The Corporation of the Municipality of Huron Shores
Segment Disclosures - Service Bundle

Schedule 2

Year ended December 31, 2025

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total
Expenditures									
Salaries and wages	\$ 870,412	\$ 164,561	\$ 459,002	\$ 112,212	\$ -	\$ -	\$ 77,679	\$ -	\$1,683,866
Materials, good and supplies	40,358	156,239	336,083	654	11,734	-	80,007	49,818	674,893
Contracted & general services	443,536	501,992	621,499	175,749	-	-	21,473	24,885	1,789,134
Rents and financial	137,687	100	1,411	-	-	-	-	9,029	148,227
Interest on long-term debt	-	2,617	13,621	-	-	-	-	-	16,238
Amortization expenses	22,921	99,960	607,542	37,779	629	-	46,825	4,002	819,658
External transfers	11,244	749	-	-	578,622	468,243	6,911	-	1,065,769
	1,526,158	926,218	2,039,158	326,394	590,985	468,243	232,895	87,734	6,197,785
Revenues									
Taxation	1,165,493	707,332	1,557,260	249,260	451,322	357,587	177,857	67,001	4,733,112
Federal grants	10,458	-	240,000	-	-	-	-	-	250,458
Provincial grants	1,460,000	40,000	534,374	50,241	-	-	8,244	-	2,092,859
Fees and user charges	9,266	58,365	112,085	53,124	-	-	32,456	-	265,296
Licenses, permits and rents	6,088	-	-	-	-	-	16,413	-	22,501
Interest and penalties on taxes	147,682	-	-	-	-	-	-	-	147,682
Interest and other	219,689	12,808	-	-	-	-	-	-	232,497
	3,018,676	818,505	2,443,719	352,625	451,322	357,587	234,970	67,001	7,744,405
Annual surplus (deficit)	\$1,492,518	\$ (107,713)	\$ 404,561	\$ 26,231	\$ (139,663)	\$ (110,656)	\$ 2,075	\$ (20,733)	\$1,546,620

The Corporation of the Municipality of Huron Shores
Segment Disclosures - Service Bundle

Schedule 3

Year ended December 31, 2024

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total
Expenditures									
Salaries and wages	\$ 824,096	\$ 165,505	\$ 433,709	\$ 113,355	\$ -	\$ -	\$ 87,604	\$ -	\$1,624,269
Materials, good and supplies	63,568	129,437	188,933	853	9,871	-	63,992	162,742	619,396
Contracted & general services	400,196	479,133	780,188	223,891	-	-	15,080	65,206	1,963,694
Rents and financial	118,648	167	723	82,433	-	-	-	15,692	217,663
Interest on long-term debt	-	2,617	13,621	-	-	-	-	-	16,238
Amortization expenses	11,988	112,545	592,427	37,718	627	-	66,984	4,002	826,291
External transfers	7,800	749	-	3,992	526,466	475,960	-	-	1,014,967
	1,426,296	890,153	2,009,601	462,242	536,964	475,960	233,660	247,642	6,282,518
Revenues									
Taxation	999,405	623,728	1,408,123	323,892	376,250	333,504	163,725	173,521	4,402,148
Federal grants	24,805	-	330,000	-	-	-	-	-	354,805
Provincial grants	1,384,936	-	130,854	62,950	-	-	10,232	-	1,588,972
Fees and user charges	16,597	25,376	49,743	114,454	3,268	-	74,663	-	284,101
Licenses, permits and rents	27,185	-	-	-	-	-	-	-	27,185
Interest and other	405,590	-	-	-	-	-	-	-	405,590
	2,858,518	649,104	1,918,720	501,296	379,518	333,504	248,620	173,521	7,062,801
Annual surplus (deficit)	\$1,432,222	\$ (241,049)	\$ (90,881)	\$ 39,054	\$ (157,446)	\$ (142,456)	\$ 14,960	\$ (74,121)	\$ 780,283



Independent Auditors' Report

To the Management of The Corporation of the Municipality of Huron Shores:

Opinion

We have audited the financial statements of the Trust Funds of The Corporation of the Municipality of Huron Shores (the Trust), which comprise the Statement of Financial Position as at December 31, 2025, a statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Funds of The Corporation of the Municipality of Huron Shores as at December 31, 2025, and the results of its operations in accordance with Canadian public sector accounting standards.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust 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 these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the 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 Trust'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 Trust or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Trust'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 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.

As part of an audit in accordance with Canadian generally accepted auditing standards, We exercise professional judgement 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 Trust'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 managements' 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 Trust'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 the auditor's report. However, future events or conditions may cause the Trust to cease as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.



Stefanizzi Professional Corporation
Chartered Professional Accountant, authorized to practice public accounting by
The Chartered Professional Accountants of Ontario
Sault Ste. Marie, Ontario
May 27, 2026

The Corporation of the Municipality of Huron Shores
Trust Funds
Statement of Financial Position

As at December 31,

	OHRP	Perpetual Care	Actual 2025	Actual 2024
Financial assets				
Cash	\$ -	\$ 66,226	\$ 66,226	\$ 60,042
Loans receivable	2,428	-	2,428	2,428
Due from municipality	-	-	-	2,518
	<u>\$ 2,428</u>	<u>\$ 66,226</u>	<u>\$ 68,654</u>	<u>\$ 64,988</u>
Financial liabilities				
Due to cemetery operating fund	\$ -	\$ 1,052	\$ 1,052	\$ 126
Fund balances	<u>2,428</u>	<u>65,174</u>	<u>67,602</u>	<u>64,862</u>
	<u>\$ 2,428</u>	<u>\$ 66,226</u>	<u>\$ 68,654</u>	<u>\$ 64,988</u>

The Corporation of the Municipality of Huron Shores
Trust Funds
Statement of Continuity

Year ended December 31, (with comparative figures for the prior year)

	OHRP	Perpetual Care	Actual 2025	Actual 2024
Balance, beginning of year	\$ 2,428	\$ 62,434	\$ 64,862	\$ 59,592
Cash receipts				
Interest earned	-	1,235	1,235	1,571
Perpetual care receipts	-	2,740	2,740	5,270
	-	3,975	3,975	6,841
Expenditures				
Contribution to Operating Account	-	1,235	1,235	1,571
Balance, end of year	\$ 2,428	\$ 65,174	\$ 67,602	\$ 64,862

The Corporation of the Municipality of Huron Shores
Trust Funds
Notes to Financial Statements

December 31, 2025

1. **Summary of significant accounting policies**

Management responsibility

The financial statements of The Corporation of the Municipality of Huron Shores Trust Funds are the representation of management prepared in accordance with Public Sector Accounting Standards (PSAS). Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations.

Basis of accounting

Revenue and expenditures 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.
