

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Consolidated Financial Statements

December 31, 2021

MUNICIPALITY OF SOUTHWEST MIDDLESEX
Consolidated Financial Statements
For The Year Ended December 31, 2021

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements are the responsibility of the management of Municipality of Southwest Middlesex and have been prepared in accordance with Canadian accounting standards for public sector entities.

These consolidated financial statements include:

- Independent Auditors' Report
- Consolidated Statement of Financial Position
- Consolidated Statement of Operations and Accumulated Surplus
- Consolidated Statement of Change in Net Financial Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements
- Consolidated Schedule of Segment Disclosure

The Acting CAO, Treasurer and the CAO are responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing the consolidated financial statements before they are submitted to Council for approval.

The integrity and reliability of Municipality of Southwest Middlesex reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The consolidated financial statements have been audited on behalf of the Members of Council, Inhabitants and Ratepayers of Municipality of Southwest Middlesex by Graham Scott Enns LLP in accordance with Canadian generally accepted auditing standards.



Ms. Kristen McGill
Acting CAO, Treasurer

Glencoe, Ontario
August 24, 2022



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants, and Rate Payers of **Municipality of Southwest Middlesex**:

Opinion

We have audited the consolidated financial statements of **Municipality of Southwest Middlesex**, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net assets, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the Municipality's financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for public sector entities.

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 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 Canadian accounting standards for public sector entities, 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.

Auditors' 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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (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 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.

St. Thomas, Ontario

August 24, 2022

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

MUNICIPALITY OF SOUTHWEST MIDDLESEX

**Consolidated Statement of Financial Position
As At December 31, 2021**

	2021	2020
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash	5,532,236	7,701,177
Taxes receivable (Note 4)	1,183,946	1,014,528
Accounts receivable (Note 5)	3,385,431	1,794,330
Land held for resale	<u>99,902</u>	<u>99,902</u>
Total financial assets	<u>10,201,515</u>	<u>10,609,937</u>
FINANCIAL LIABILITIES		
Deferred revenue - obligatory reserve funds (Note 10)	1,359,876	672,596
Accounts payable and accrued liabilities	1,546,559	1,539,126
Landfill closure liability (Note 15)	2,792,599	1,445,597
Net long-term liabilities (Note 8)	<u>-</u>	<u>280,119</u>
Total financial liabilities	<u>5,699,034</u>	<u>3,937,438</u>
NET FINANCIAL ASSETS	<u>4,502,481</u>	<u>6,672,499</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	74,183,707	70,418,606
Work in process	103,133	1,620,208
Inventories and prepaid expenses	<u>131,943</u>	<u>111,445</u>
Total non-financial assets	<u>74,418,783</u>	<u>72,150,259</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>78,921,264</u>	<u>78,822,758</u>

The accompanying notes are an integral part of these consolidated financial statements.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Consolidated Statement of Operations and Accumulated Surplus For The Year Ended December 31, 2021

	Budget (Note 16) \$	Actual 2021 \$	Actual 2020 \$
REVENUES			
Property taxation	6,060,779	6,010,155	5,860,298
User charges	4,302,143	3,972,120	3,776,090
Government transfers - operational	1,226,675	1,447,168	1,374,760
Investment income	75,055	61,668	88,287
Penalties and interest on taxes	73,500	81,050	36,791
Other	<u>2,000</u>	<u>3,064</u>	<u>1,055</u>
Total revenues	<u>11,740,152</u>	<u>11,575,225</u>	<u>11,137,281</u>
EXPENSES			
General government	1,505,875	1,482,648	1,418,246
Protection to persons and property	1,812,533	1,794,722	1,808,319
Transportation services	3,205,780	3,158,859	3,041,351
Environmental	4,418,402	4,696,306	3,280,637
Health services	37,974	14,518	33,836
Recreation and cultural services	1,115,473	1,235,315	997,934
Planning and zoning	<u>260,759</u>	<u>311,445</u>	<u>227,913</u>
Total expenses (Note 17)	<u>12,356,796</u>	<u>12,693,813</u>	<u>10,808,236</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER			
	(616,644)	(1,118,588)	329,045
Government transfers related to capital	3,006,218	1,248,948	2,500,000
Obligatory and other contributions related to capital	-	-	210,000
Gain (loss) on disposal of tangible capital assets	<u>-</u>	<u>(31,854)</u>	<u>104,709</u>
	<u>3,006,218</u>	<u>1,217,094</u>	<u>2,814,709</u>
EXCESS REVENUE OVER EXPENSES	2,389,574	98,506	3,143,754
ACCUMULATED SURPLUS, BEGINNING OF YEAR	78,822,758	78,822,758	72,485,214
ADJUSTMENTS RELATED TO TRI-COUNTY WATER BOARD (NOTE 2)	<u>-</u>	<u>-</u>	<u>3,193,790</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 9)	<u>78,206,114</u>	<u>78,921,264</u>	<u>78,822,758</u>

The accompanying notes are an integral part of these consolidated financial statements.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

**Consolidated Statement of Change in Net Financial Assets
For The Year Ended December 31, 2021**

	Budget (Note 16) \$	Actual 2021 \$	Actual 2020 \$
ANNUAL SURPLUS	2,389,574	98,506	3,143,754
Acquisition of tangible capital assets and work in process	(3,983,964)	(3,983,964)	(2,341,410)
Amortization of tangible capital assets	1,704,084	1,704,084	1,714,791
Change in inventories and prepaid expenses	-	(20,498)	(9,955)
Gain on disposal of tangible capital assets	-	31,854	(104,709)
	<hr/>	<hr/>	<hr/>
CHANGE IN NET FINANCIAL ASSETS	109,694	(2,170,018)	2,402,471
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>6,672,499</u>	<u>6,672,499</u>	<u>4,270,028</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>6,782,193</u></u>	<u><u>4,502,481</u></u>	<u><u>6,672,499</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Consolidated Statement of Cash Flows For The Year Ended December 31, 2021

	2021	2020
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	98,506	3,143,754
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	1,704,084	1,714,791
Loss (gain) on disposal tangible capital assets	31,854	(104,709)
Change in landfill closure liability	<u>1,347,002</u>	<u>-</u>
	3,181,446	4,753,836
Change in non-cash assets and liabilities related to operations (Note 17 [b])	<u>(1,086,304)</u>	<u>928,970</u>
	<u>2,095,142</u>	<u>5,682,806</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets and work in process	(3,983,964)	(2,341,410)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>205,458</u>
	<u>(3,983,964)</u>	<u>(2,135,952)</u>
FINANCING ACTIVITIES		
Long-term debt repayment	<u>(280,119)</u>	<u>(367,046)</u>
NET CHANGE IN CASH	(2,168,941)	3,179,808
CASH, BEGINNING OF YEAR	<u>7,701,177</u>	<u>4,521,369</u>
CASH, END OF YEAR	<u><u>5,532,236</u></u>	<u><u>7,701,177</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

The Municipality of Southwest Middlesex (the "Municipality") is a lower-tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian accounting standards for public sector entities. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues, expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality.

Consolidated Entities

The Tri-County Water Board has been consolidated on a proportionate basis. They are proportionately consolidated based upon the water flow used by the Municipality in proportion to the entire flows provided by the joint board. This amounts to 24.72% (Note 2).

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 Operations and Financial Position.

Revenue Recognition

Revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured. Government grants and transfers are recognized in the financial statement as revenue in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligible criteria have been met, and reasonable estimates of the amounts can be made.

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.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tangible Capital Assets

i) 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:

Buildings	50 - 60 years
Leasehold improvements	Term of lease
Fleet	8 - 30 years
Streetlights	30 years
Equipment	5 - 30 years
Infrastructure - water	60 years
Infrastructure - sewer	50 - 60 years
Infrastructure - transportation	50 - 100years
Infrastructure storm sewers	80 years
Bridges and other structures	50 - 80 years

Amortization is charged for a half year in the year of acquisition and in the year of disposal.

ii) Leases

Lease are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risk 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 expense as incurred.

iii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

iv) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

v) Capital work in progress

Capital work in progress represents tangible capital asset projects that have not yet been completed by the year end therefore, are not amortized.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Revenues

In 2021 the Municipality received \$6,010,155 (2020 - \$5,860,298) in property tax revenues for municipal purposes. The authority to levy and collect property taxes is established under the Municipal Act 2001, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenue required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund costs of education on a Province-wide basis.

Taxation revenues are recorded at the time billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The Municipality may receive supplementary assessment rolls over the course of the year from MPAC that identify new or omitted assessments. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment value rising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenue (e.g. uncollectible amounts, write-offs, etc.).

Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amount for land acquisition and improvements to prepare the land for sale or servicing.

Deferred revenue

Grants and contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred, services performed, or the tangible capital assets are acquired.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for public sector entities requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. These estimates and assumptions are based on the best information and judgment and may differ significantly from actual results.

Budget

The Municipality's Council completes separate budget reviews for its operating and capital budget each year. The approved operating budget for 2021 is reflected on the Statement of Operations and Accumulated Surplus. For capital spending, budgets are set for individual projects and funding for these activities is determined annually and made by transfers from surplus funds and by application of applicable grants and other funds available to apply to capital projects.

Landfill closure and post-closure liability

The Municipality accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions using the best information available to management.

Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Employee Benefit Plans

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by the employees based on length of service and rates of pay. Employee benefits include post employment benefits. Post employment benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service period.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

2. COMPARATIVE FINANCIAL STATEMENTS

The Municipality restated the prior year figures to consolidate 24.72% of the operations of the Tri-County Water Board. This restatement increased the tangible capital assets, and the accumulated surplus amounts reported as at December 31, 2020. The 2020 annual surplus was decreased by \$115,475 for the loss reported by The Tri-County Water Board in 2020, but there was no impact on the operating surplus of the Municipality. The following changes were made to the prior year statement of financial position:

	<u>\$</u>
Accounts receivable	181,648
Accounts payable and accrued liabilities	<u>(6,158)</u>
Increase in net financial assets	175,490
Tangible capital assets, water infrastructure, cost	4,933,860
Tangible capital assets, water infrastructure, accumulated amortization	<u>(1,915,560)</u>
Increase in tangible capital assets	<u>3,018,300</u>
Increase in accumulated surplus	<u>3,193,790</u>

3. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$9,000 (2020 - \$8,958) have not been included in the Consolidated Statement of Financial Position nor have their operations have been included in the Consolidated Statement of Operations and Accumulated Surplus.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

4. TAXES RECEIVABLE

	2021	2020
	<u>\$</u>	<u>\$</u>
Current taxes receivable	450,840	559,006
Arrears taxes receivable	671,185	407,177
Penalties and interest	84,921	48,345
Allowance for doubtful accounts	<u>(23,000)</u>	<u>-</u>
	<u>1,183,946</u>	<u>1,014,528</u>

5. ACCOUNTS RECEIVABLE

	2021	2020
	<u>\$</u>	<u>\$</u>
Accounts receivable - trade and other	822,430	829,842
Government grants and funding - municipal, provincial, federal	1,234,249	-
Municipal drain work	860,732	778,984
Government remittances	<u>468,020</u>	<u>185,504</u>
	<u>3,385,431</u>	<u>1,794,330</u>

6. BANK INDEBTEDNESS

The Municipality has available \$1,500,000 of short-term financing, with interest at prime rate, with the Canadian Imperial Bank of Commerce. At year end, the balance drawn on this facility was \$nil (2020 - \$nil).

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

7. TANGIBLE CAPITAL ASSETS

December 31, 2021			Disposals and	
Cost	Opening	Additions	Adjustments	Ending
<u>Infrastructure</u>				
Transportation infrastructure	42,067,357	450,752	(34,338)	42,483,771
Environmental infrastructure	35,893,808	1,707,649	(28,874)	37,572,583
Bridges and structures	<u>3,353,561</u>	-	-	<u>3,353,561</u>
Infrastructure Total	<u>81,314,726</u>	<u>2,158,401</u>	<u>(63,212)</u>	<u>83,409,915</u>
<u>General</u>				
Land	960,848	-	-	960,848
Buildings	17,080,497	3,075,474	-	20,155,971
Equipment	2,331,277	180,770	(19,760)	2,492,287
Fleet	<u>4,442,460</u>	<u>86,394</u>	<u>(64,017)</u>	<u>4,464,837</u>
General Total	<u>24,815,082</u>	<u>3,342,638</u>	<u>(83,777)</u>	<u>28,073,943</u>
Total Cost	<u>106,129,808</u>	<u>5,501,039</u>	<u>(146,989)</u>	<u>111,483,858</u>
Accumulated Amortization				
	Opening	Amortization	Disposals and	Ending
			Adjustments	
<u>Infrastructure</u>				
Transportation infrastructure	14,836,667	441,607	(6,868)	15,271,406
Environmental infrastructure	12,438,050	779,299	(24,490)	13,192,859
Bridges and structures	<u>1,861,615</u>	<u>44,990</u>	-	<u>1,906,605</u>
Infrastructure Total	<u>29,136,332</u>	<u>1,265,896</u>	<u>(31,358)</u>	<u>30,370,870</u>
<u>General</u>				
Buildings	3,725,304	165,114	-	3,890,418
Equipment	959,392	82,800	(19,760)	1,022,432
Fleet	<u>1,890,174</u>	<u>190,274</u>	<u>(64,017)</u>	<u>2,016,431</u>
General Total	<u>6,574,870</u>	<u>438,188</u>	<u>(83,777)</u>	<u>6,929,281</u>
Total Accumulated Amortization	<u>35,711,202</u>	<u>1,704,084</u>	<u>(115,135)</u>	<u>37,300,151</u>
Net Book Value				
	Opening			Ending
<u>Infrastructure</u>				
Transportation infrastructure	27,230,690			27,212,365
Water system infrastructure	23,455,758			24,379,724
Wastewater system infrastructure	<u>1,491,946</u>			<u>1,446,956</u>
	52,178,394			53,039,045
<u>General</u>				
Land	960,848			960,848
Buildings	13,355,193			16,265,553
Machinery and equipment	1,371,885			1,469,855
Vehicles	<u>2,552,286</u>			<u>2,448,406</u>
	18,240,212			21,144,662
Total Net Book Value	<u>70,418,606</u>			<u>74,183,707</u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

**Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2021**

7. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2020			Disposals and	
Cost	Opening	Additions	Adjustments	Ending
<u>Infrastructure</u>				
Transportation infrastructure	41,859,654	305,355	(97,652)	42,067,357
Environmental infrastructure	35,798,647	95,161	-	35,893,808
Bridges and structures	<u>3,353,561</u>	<u>-</u>	<u>-</u>	<u>3,353,561</u>
Infrastructure Total	<u>81,011,862</u>	<u>400,516</u>	<u>(97,652)</u>	<u>81,314,726</u>
<u>General</u>				
Land	960,848	-	-	960,848
Buildings	16,965,205	115,292	-	17,080,497
Equipment	2,196,068	154,580	(19,371)	2,331,277
Fleet	<u>4,383,032</u>	<u>165,199</u>	<u>(105,771)</u>	<u>4,442,460</u>
General Total	<u>24,505,153</u>	<u>435,071</u>	<u>(125,142)</u>	<u>24,815,082</u>
Total Cost	<u>105,517,015</u>	<u>835,587</u>	<u>(222,794)</u>	<u>106,129,808</u>
Accumulated Amortization	Opening	Amortization	Disposals and	Ending
			Adjustments	
<u>Infrastructure</u>				
Transportation infrastructure	14,471,649	437,268	(72,250)	14,836,667
Water system infrastructure	11,790,792	647,258	-	12,438,050
Bridges and structures	<u>1,815,917</u>	<u>45,698</u>	<u>-</u>	<u>1,861,615</u>
Infrastructure Total	<u>28,078,358</u>	<u>1,130,224</u>	<u>(72,250)</u>	<u>29,136,332</u>
<u>General</u>				
Buildings	3,429,386	295,918	-	3,725,304
Machinery and equipment	880,993	95,018	(16,619)	959,392
Fleet	<u>1,729,689</u>	<u>193,631</u>	<u>(33,146)</u>	<u>1,890,174</u>
General Total	<u>6,040,068</u>	<u>584,567</u>	<u>(49,765)</u>	<u>6,574,870</u>
Total Accumulated Amortization	<u>34,118,426</u>	<u>1,714,791</u>	<u>(122,015)</u>	<u>35,711,202</u>
Net Book Value	Opening			Ending
<u>Infrastructure</u>				
Transportation infrastructure	27,388,005			27,230,690
Water system infrastructure	24,007,855			23,455,758
Wastewater system infrastructure	<u>1,537,644</u>			<u>1,491,946</u>
	52,933,504			52,178,394
<u>General</u>				
Land	960,848			960,848
Buildings	13,535,819			13,355,193
Machinery and equipment	1,315,075			1,371,885
Vehicles	<u>2,653,343</u>			<u>2,552,286</u>
	18,465,085			18,240,212
Total Net Book Value	<u>71,398,589</u>			<u>70,418,606</u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

8. NET LONG-TERM LIABILITIES

- a) The balance of net long-term liabilities reported on the Consolidated Statement of Financial Position consists of the following:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the Municipality and outstanding at the end of the year	258,912	449,552
Tile drainage loans assumed by the individual	<u>(258,912)</u>	<u>(169,433)</u>
Total long-term liabilities at the end of the year	<u>-</u>	<u>280,119</u>

- b) All long-term liabilities issued on or before December 31, 1992 have received approval of the Ontario Municipal Board. Long-term liabilities issued after January 31, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- c) The long-term debt of the Municipality is interest free.
- d) The Municipality is contingently liable for municipal debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2021 is \$258,912 (2020 - \$169,433) and is not recorded on the Consolidated Statement of Financial Position.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

9. ACCUMULATED SURPLUS

The accumulated surplus consists of individual fund surplus and reserves as follows:

	2021	2020
	<u>\$</u>	<u>\$</u>
SURPLUS		
General revenue fund	970,864	510,083
Invested in tangible capital assets	74,183,707	70,418,606
Reserves	7,345,019	9,241,554
Reserve funds set aside for specific purpose by legislation, regulation or agreement	<u>3,037,044</u>	<u>3,244,166</u>
	85,536,634	83,414,409
AMOUNTS TO BE RECOVERED		
Landfill closure and post-closure costs (Note 15)	(2,792,599)	(1,445,597)
Unfunded capital	(3,822,771)	(2,865,935)
Net long-term debt	<u>-</u>	<u>(280,119)</u>
ACCUMULATED SURPLUS	<u><u>78,921,264</u></u>	<u><u>78,822,758</u></u>

10. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

The balances in the obligatory reserve funds of the Municipality are summarized below:

	2021	2020
	<u>\$</u>	<u>\$</u>
OCIF funding	824,823	474,721
Federal gas tax	510,680	154,290
Safe restart funding	<u>24,373</u>	<u>43,585</u>
	<u><u>1,359,876</u></u>	<u><u>672,596</u></u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

11. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf 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. Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits the members have earned to date. The most recent actuarial valuation of the Plan was conducted December 31, 2021, and the results of this valuation disclosed actuarial liabilities of \$120.7 billion in respect of benefits accrued for service with actuarial assets at that date of \$117.6 billion leaving an actuarial deficit of \$3.1 billion.

Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Municipality does not recognize any share of the OMERS Pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS for 2021 was approximately \$116,236 (2020 - \$133,212).

12. OPERATIONS OF THE SCHOOL BOARDS AND COUNTY OF MIDDLESEX

During 2021, requisitions were made by the School Boards and the County of Middlesex requiring the Municipality to collect taxes and payments in lieu of property taxes on their behalf. The Municipality has no jurisdiction or control over the operations of these entities nor setting of their tax rates. Therefore, the taxation, other revenue and expenditures, assets and liabilities with respect to the operations of the School Board and the County of Middlesex are not reflect in these consolidated financial statements. The amounts collected and remitted are summarized below:

	School Boards \$	County \$
Taxation	1,378,431	2,761,541
Share of payments in lieu of taxes	<u>64,008</u>	<u>19,321</u>
Amounts requisitioned	<u><u>1,442,439</u></u>	<u><u>2,780,862</u></u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

13. CONTINGENT LIABILITIES

From time to time, the Municipality is subject to claims and lawsuits that arise in the ordinary course of business. These claims may be covered by the Municipality's insurance up to a maximum amount per occurrence. In the opinion of management, any litigation, if successful would not have a material impact on the financial position of the Municipality.

Estimated costs to settle claims are based on available information and projections of estimated future expenses developed based on the Municipality's historical experience. Claims are reported as an operating expense in the year of the loss, where the costs are deemed to be likely and can be reasonable determined. Claim provisions are reported as a liability in the consolidated statement of financial position.

14. CONTAMINATED SITES

The Municipality may be exposed to litigation or other costs of remediation due to contaminated properties in it's jurisdiction. A liability for remediation is recognized in the financial statements when an environmental standard exists, contamination exceeds the standard, the government is responsible for the remediation and a reasonable estimate of the liability can be made. As at December 31, 2021 the Municipality has identified two (2020 - two) sites that may need remediation in the future. The Municipality is in the process of evaluating these sites, but at is unable to determine a reasonable estimate for any potential liabilities or contingencies.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

15. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The Municipality owns two landfill sites, Limerick and Trillium. The Limerick site was closed during 2018, and in 2020 the Municipality received approval from the Ministry of the Environment, Conservation and Parks ("Ministry") of the Environmental Compliance Approval ("ECA") submitted by the Municipality. The estimate for the closure cost of the Limerick site is \$900,000. It is anticipated that a portion of these closure costs will be recovered from participating municipalities. The Municipality continues to work with the Ministry to meet their deadlines and evaluate any additional costs.

The Trillium site is operating as a transfer station currently. The Municipality has submitted and is awaiting approval of a Design and Operations Plan, which includes a closure report to the Ministry. The estimate for the closure costs of the Trillium site is \$2,400,000.

The Municipality has accrued \$2,792,599 (2020 - \$1,445,597) in the Statement of Financial Position based on a estimate for the closure and monitoring of both sites received in 2021. The estimates for closure of the sites and monitoring are presented a present value based on an inflation rate of 4.0% and a discount rate of 5.0%.

As of December 31, 2021, the Municipality has contributed to a reserve fund for Trillium of \$469,549 (2020 - \$394,944) and for Limerick \$220,309 (2020 - \$164,837).

MUNICIPALITY OF SOUTHWEST MIDDLESEX

**Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2021**

16. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2021 is reflected on the statement of operations. Budget figures have been reclassified for the purposes of these consolidated financial statements to comply with PSAB reporting requirements. These adjustments include reserve transfers, capital expenditures, amortization and debt financing and repayment.

	Approved Budget \$	Adjustments \$	PSAB Budget \$
REVENUES			
Property taxation	6,060,779	-	6,060,779
User charges	4,302,143	-	4,302,143
Government transfers	1,226,675	-	1,226,675
Government transfers - Capital	3,006,218	-	3,006,218
Investment income	75,055	-	75,055
Penalties and interest on taxes	73,500	-	73,500
Other	2,000	-	2,000
Reserve transfers and long-term debt proceeds	<u>444,989</u>	<u>(444,989)</u>	<u>-</u>
Total revenues	<u>15,191,359</u>	<u>(444,989)</u>	<u>14,746,370</u>
EXPENSES			
General government	1,510,903	(5,028)	1,505,875
Fire and police protection	1,930,196	(117,663)	1,812,533
Transportation services	3,620,014	(414,234)	3,205,780
Environmental	4,128,544	289,858	4,418,402
Health services	37,974	-	37,974
Recreation and cultural services	3,689,730	(2,574,257)	1,115,473
Planning and zoning	<u>273,998</u>	<u>(13,239)</u>	<u>260,759</u>
Total expenses	<u>15,191,359</u>	<u>(2,834,563)</u>	<u>12,356,796</u>
BUDGETED ANNUAL SURPLUS	<u><u>-</u></u>	<u><u>2,389,574</u></u>	<u><u>2,389,574</u></u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

**Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2021**

17. SUPPLEMENTARY INFORMATION:

	2021	2020
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Contracted services	2,238,401	2,140,115
Salaries, wages and employee benefits	2,592,491	2,610,533
Amortization	1,704,086	1,714,791
Materials	6,100,940	4,286,896
Transfer to others	<u>57,895</u>	<u>55,901</u>
	<u>12,693,813</u>	<u>10,808,236</u>
[b] Change in non-cash assets and liabilities related to operations:		
Taxes receivable	(169,418)	29,709
Accounts receivable	(1,591,101)	176,085
Inventories and prepaid expenses	(20,498)	(9,995)
Accounts payable and accrued liabilities	7,433	311,664
Deferred revenue - obligatory reserve funds	<u>687,280</u>	<u>421,507</u>
	<u>(1,086,304)</u>	<u>928,970</u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2021

18. SIGNIFICANT EVENT

During and subsequent to year end, the Municipality was exposed to economic risks associated with the coronavirus pandemic. These risks are beyond the Municipality's control. The overall impact of these risks cannot be identified at this time but could impact the Municipality's operations, future net surplus, cash flows and financial condition. The Municipality has experienced the following impacts:

- The Municipality temporarily waived interest and penalty charges on tax and utility payments due from its residents. The Municipality is unsure of the resulting overall impact on future cash flows or on the valuation of the year end receivable balances;

19. SEGMENTED INFORMATION

Segmented information is presented in the attached Schedule of Segmented Disclosure. The Municipality is a diversified municipality and provides a wide range of services to its citizens including police, fire, transportation, environmental, including water, wastewater and garbage collection and disposal and community services, including recreation and planning. The general government segment includes such functions as finance, council, and administrative offices.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the 2021 financial statement presentation.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

**Consolidated Schedule of Segment Disclosure
For The Year Ended December 31, 2021**

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	254,877	1,781,896	2,192,195	827,234	37,974	765,046	150,933	6,010,155
Sales of services and regulatory fees	167,100	138,873	8,725	3,267,029	-	171,424	218,969	3,972,120
Government transfers - operational	1,229,481	9,775	-	64,973	-	104,691	38,247	1,447,167
Government transfers and obligatory funds - capital	-	-	64,699	1,184,249	-	-	-	1,248,948
Other	138,278	-	-	674	-	-	6,831	145,783
Gain (loss) on disposal of tangible capital assets	-	-	(31,854)	-	-	-	-	(31,854)
	<u>1,789,736</u>	<u>1,930,544</u>	<u>2,169,066</u>	<u>4,159,910</u>	<u>37,974</u>	<u>1,041,161</u>	<u>414,980</u>	<u>12,792,319</u>
EXPENSES								
Salaries, wages and employees benefits	1,000,471	193,568	840,640	-	4,089	424,817	128,906	2,592,491
Materials	437,205	215,508	1,546,747	3,068,610	10,429	639,902	182,539	6,100,940
Contracted services, rents and financial	-	1,231,412	-	993,088	-	13,901	-	2,238,401
External transfers	-	57,895	-	-	-	-	-	57,895
Amortization	44,972	96,339	771,472	634,608	-	156,695	-	1,704,086
	<u>1,482,648</u>	<u>1,794,722</u>	<u>3,158,859</u>	<u>4,696,306</u>	<u>14,518</u>	<u>1,235,315</u>	<u>311,445</u>	<u>12,693,813</u>
ANNUAL SURPLUS (DEFICIT)	<u>307,088</u>	<u>135,822</u>	<u>(989,793)</u>	<u>(536,396)</u>	<u>23,456</u>	<u>(194,154)</u>	<u>103,535</u>	<u>98,506</u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

**Consolidated Schedule of Segment Disclosure
For The Year Ended December 31, 2020**

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	311,669	1,598,928	2,179,526	869,314	33,836	800,667	66,358	5,860,298
Sales of services and regulatory fees	166,322	183,620	9,563	3,100,439	-	143,861	172,285	3,776,090
Government transfers - operational	1,129,339	24,423	-	73,314	-	103,963	43,721	1,374,760
Government transfers and obligatory funds - capital	-	-	210,000	-	-	2,500,000	-	2,710,000
Other	120,542	-	-	296	-	-	5,295	126,133
Gain (loss) on disposal of tangible capital assets	<u>162,485</u>	<u>-</u>	<u>(57,776)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,709</u>
	<u>1,890,357</u>	<u>1,806,971</u>	<u>2,131,313</u>	<u>4,043,363</u>	<u>33,836</u>	<u>1,048,491</u>	<u>287,659</u>	<u>13,951,990</u>
EXPENSES								
Salaries, wages and employees benefits	982,437	163,391	787,773	-	3,159	557,132	116,641	2,610,533
Materials	393,882	230,027	1,484,755	1,744,457	30,677	291,826	111,272	4,286,896
Contracted services, rents and financial	-	1,261,867	-	864,307	-	13,941	-	2,140,115
External transfers	-	55,901	-	-	-	-	-	55,901
Amortization	<u>41,927</u>	<u>97,133</u>	<u>768,823</u>	<u>671,873</u>	<u>-</u>	<u>135,035</u>	<u>-</u>	<u>1,714,791</u>
	<u>1,418,246</u>	<u>1,808,319</u>	<u>3,041,351</u>	<u>3,280,637</u>	<u>33,836</u>	<u>997,934</u>	<u>227,913</u>	<u>10,808,236</u>
ANNUAL SURPLUS (DEFICIT)	<u>472,111</u>	<u>(1,348)</u>	<u>(910,038)</u>	<u>762,726</u>	<u>-</u>	<u>50,557</u>	<u>59,746</u>	<u>3,143,754</u>