

**MUNICIPALITY OF SOUTHWEST MIDDLESEX**

**Consolidated Financial Statements**

**December 31, 2022**

**MUNICIPALITY OF SOUTHWEST MIDDLESEX**  
**Consolidated Financial Statements**  
**For The Year Ended December 31, 2022**

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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 CAO and the Treasurer 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.

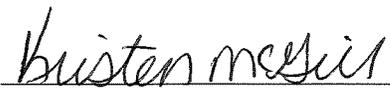
The integrity and reliability of Municipality of Southwest Middlesex reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the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



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Mr. Mike Henry  
CAO



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Ms. Kristen McGill  
Treasurer

Glencoe, Ontario  
August 23, 2023



**GRAHAM SCOTT ENNS** LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

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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, 2022, 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, 2022, 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 23, 2023**

*Graham Scott Enns LLP*

**CHARTERED PROFESSIONAL ACCOUNTANTS**

**Licensed Public Accountants**

# MUNICIPALITY OF SOUTHWEST MIDDLESEX

## Consolidated Statement of Financial Position As At December 31, 2022

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	2022	2021
	<u>\$</u>	<u>\$</u>
<b>FINANCIAL ASSETS</b>		
Cash	202,664	5,532,236
Taxes receivable (Note 3)	1,456,619	1,183,946
Accounts receivable (Note 4)	4,786,489	3,385,431
Land held for resale	<u>66,601</u>	<u>99,902</u>
<b>Total financial assets</b>	<u><b>6,512,373</b></u>	<u><b>10,201,515</b></u>
<b>FINANCIAL LIABILITIES</b>		
Deferred revenue - obligatory reserve funds (Note 9)	794,913	1,359,876
Accounts payable and accrued liabilities	2,227,243	1,546,559
Landfill closure liability (Note 14)	<u>3,486,001</u>	<u>2,792,599</u>
<b>Total financial liabilities</b>	<u><b>6,508,157</b></u>	<u><b>5,699,034</b></u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u><b>4,216</b></u>	<u><b>4,502,481</b></u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 6)	75,982,325	74,183,707
Work in process	3,917,169	103,133
Inventories and prepaid expenses	<u>231,290</u>	<u>131,943</u>
<b>Total non-financial assets</b>	<u><b>80,130,784</b></u>	<u><b>74,418,783</b></u>
<b>ACCUMULATED SURPLUS (NOTE 8)</b>	<u><b>80,135,000</b></u>	<u><b>78,921,264</b></u>

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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, 2022**

	Budget (Note 15) \$	Actual 2022 \$	Actual 2021 \$
<b>REVENUES</b>			
Property taxation	6,485,066	6,313,217	6,010,155
User charges	3,795,588	4,088,707	3,972,120
Government transfers - operational	1,377,698	1,358,597	1,447,168
Investment income	80,197	87,442	61,668
Penalties and interest on taxes	147,000	162,430	81,050
Other	-	17,805	3,064
Total revenues	<u>11,885,549</u>	<u>12,028,198</u>	<u>11,575,225</u>
<b>EXPENSES</b>			
General government	1,575,806	1,614,278	1,482,648
Protection to persons and property	1,833,038	1,834,020	1,794,722
Transportation services	3,539,954	3,549,925	3,158,859
Environmental	4,226,756	4,013,989	4,696,306
Health services	38,991	44,907	14,518
Recreation and cultural services	1,182,069	1,051,429	1,235,315
Planning and zoning	335,886	296,914	311,445
Total expenses (Note 16)	<u>12,732,500</u>	<u>12,405,462</u>	<u>12,693,813</u>
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER</b>	(846,951)	(377,264)	(1,118,588)
Government transfers related to capital	3,484,486	1,615,934	1,248,948
Contributed tangible capital assets	-	303,400	-
Gain (loss) on disposal of tangible capital assets	-	(328,334)	(31,854)
	<u>3,484,486</u>	<u>1,591,000</u>	<u>1,217,094</u>
<b>EXCESS REVENUE OVER EXPENSES</b>	2,637,535	1,213,736	98,506
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>78,921,264</u>	<u>78,921,264</u>	<u>78,822,758</u>
<b>ACCUMULATED SURPLUS, END OF YEAR (NOTE 8)</b>	<u>78,074,313</u>	<u>80,135,000</u>	<u>78,921,264</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, 2022

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	Budget (Note 15) \$	Actual 2022 \$	Actual 2021 \$
<b>ANNUAL SURPLUS</b>	2,637,535	<b>1,213,736</b>	98,506
Acquisition of tangible capital assets and work in process	(7,416,591)	<b>(7,416,591)</b>	(3,983,964)
Amortization of tangible capital assets	1,779,003	<b>1,779,003</b>	1,704,084
Contributed tangible capital assets	-	<b>(303,400)</b>	-
Change in inventories and prepaid expenses	-	<b>(99,347)</b>	(20,498)
Gain on disposal of tangible capital assets	-	<b>328,334</b>	31,854
<b>CHANGE IN NET FINANCIAL ASSETS</b>	(3,000,053)	<b>(4,498,265)</b>	(2,170,018)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>4,502,481</u>	<u><b>4,502,481</b></u>	<u>6,672,499</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>1,502,428</u>	<u><b>4,216</b></u>	<u>4,502,481</u>

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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, 2022

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	2022	2021
	<u>\$</u>	<u>\$</u>
<b>OPERATING ACTIVITIES</b>		
Annual surplus	1,213,736	98,506
<b>Add (deduct) items not involving cash:</b>		
Amortization of tangible capital assets	1,779,003	1,704,084
Contributed tangible capital assets	(303,400)	-
Loss on disposal tangible capital assets	328,334	31,854
Change in landfill closure liability	<u>693,402</u>	<u>1,347,002</u>
	3,711,075	3,181,446
Change in non-cash assets and liabilities related to operations (Note 16 [b])	<u>(1,624,056)</u>	<u>(1,086,304)</u>
	<u>2,087,019</u>	<u>2,095,142</u>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets and work in process	<u>(7,416,591)</u>	<u>(3,983,964)</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt repayment	<u>-</u>	<u>(280,119)</u>
<b>NET CHANGE IN CASH</b>	<b>(5,329,572)</b>	<b>(2,168,941)</b>
<b>CASH, BEGINNING OF YEAR</b>	<u>5,532,236</u>	<u>7,701,177</u>
<b>CASH, END OF YEAR</b>	<u><u>202,664</u></u>	<u><u>5,532,236</u></u>

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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, 2022

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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%.

#### **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.

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# MUNICIPALITY OF SOUTHWEST MIDDLESEX

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2022

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### 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, 2022

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Tax Revenues**

In 2022 the Municipality received \$6,313,217 (2021 - \$6,010,155) 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, 2022

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### 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 2022 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.

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# MUNICIPALITY OF SOUTHWEST MIDDLESEX

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2022

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### 2. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$9,009 (2021 - \$9,000) 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.

### 3. TAXES RECEIVABLE

	2022	2021
	<u>\$</u>	<u>\$</u>
Current taxes receivable	642,491	450,840
Arrears taxes receivable	672,117	671,185
Penalties and interest	165,011	84,921
Allowance for doubtful accounts	<u>(23,000)</u>	<u>(23,000)</u>
	<u><u>1,456,619</u></u>	<u><u>1,183,946</u></u>

### 4. ACCOUNTS RECEIVABLE

	2022	2021
	<u>\$</u>	<u>\$</u>
Accounts receivable - trade and other	935,295	803,629
Government grants and funding - municipal, provincial, federal	1,448,157	1,234,249
Municipal drain work	1,017,405	860,732
Local improvement debentures, 5 - 20 years	506,891	18,801
Government remittances	<u>878,741</u>	<u>468,020</u>
	<u><u>4,786,489</u></u>	<u><u>3,385,431</u></u>

### 5. 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 (2021 - \$nil).

# MUNICIPALITY OF SOUTHWEST MIDDLESEX

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2022

### 6. TANGIBLE CAPITAL ASSETS

December 31, 2022			Disposals and	
Cost	Opening	Additions	Adjustments	Ending
<b><u>Infrastructure</u></b>				
Transportation infrastructure	42,483,771	1,970,917	(527,515)	43,927,173
Environmental infrastructure	37,572,583	634,510	-	38,207,093
Bridges and structures	<u>3,353,561</u>	<u>-</u>	<u>(39,485)</u>	<u>3,314,076</u>
<b>Infrastructure Total</b>	<u>83,409,915</u>	<u>2,605,427</u>	<u>(567,000)</u>	<u>85,448,342</u>
<b><u>General</u></b>				
Land	960,848	-	-	960,848
Buildings	20,155,971	440,282	-	20,596,253
Equipment	2,492,287	295,666	(16,641)	2,771,312
Fleet	<u>4,464,837</u>	<u>564,579</u>	<u>-</u>	<u>5,029,416</u>
<b>General Total</b>	<u>28,073,943</u>	<u>1,300,527</u>	<u>(16,641)</u>	<u>29,357,829</u>
<b>Total Cost</b>	<u>111,483,858</u>	<u>3,905,954</u>	<u>(583,641)</u>	<u>114,806,171</u>
<b>Accumulated Amortization</b>				
	Opening	Amortization	Disposals and	Ending
			Adjustments	
<b><u>Infrastructure</u></b>				
Transportation infrastructure	15,271,406	448,107	(201,183)	15,518,330
Environmental infrastructure	13,192,859	795,038	-	13,987,897
Bridges and structures	<u>1,906,605</u>	<u>48,711</u>	<u>(39,485)</u>	<u>1,915,831</u>
<b>Infrastructure Total</b>	<u>30,370,870</u>	<u>1,291,856</u>	<u>(240,668)</u>	<u>31,422,058</u>
<b><u>General</u></b>				
Buildings	3,890,418	195,048	(14,640)	4,070,826
Equipment	1,022,432	85,645	-	1,108,077
Fleet	<u>2,016,431</u>	<u>206,454</u>	<u>-</u>	<u>2,222,885</u>
<b>General Total</b>	<u>6,929,281</u>	<u>487,147</u>	<u>(14,640)</u>	<u>7,401,788</u>
<b>Total Accumulated Amortization</b>	<u>37,300,151</u>	<u>1,779,003</u>	<u>(255,308)</u>	<u>38,823,846</u>
<b>Net Book Value</b>				
	Opening			Ending
<b><u>Infrastructure</u></b>				
Transportation infrastructure	27,212,365			28,408,843
Water system infrastructure	24,379,724			24,219,196
Wastewater system infrastructure	<u>1,446,956</u>			<u>1,398,245</u>
	53,039,045			54,026,284
<b><u>General</u></b>				
Land	960,848			960,848
Buildings	16,265,553			16,525,427
Machinery and equipment	1,469,855			1,663,235
Vehicles	<u>2,448,406</u>			<u>2,806,531</u>
	21,144,662			21,956,041
<b>Total Net Book Value</b>	<u>74,183,707</u>			<u>75,982,325</u>

# MUNICIPALITY OF SOUTHWEST MIDDLESEX

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2022

### 6. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2021			Disposals and	
Cost	Opening	Additions	Adjustments	Ending
<b><u>Infrastructure</u></b>				
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>
<b>Infrastructure Total</b>	<u>81,314,726</u>	<u>2,158,401</u>	<u>(63,212)</u>	<u>83,409,915</u>
<b><u>General</u></b>				
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>
<b>General Total</b>	<u>24,815,082</u>	<u>3,342,638</u>	<u>(83,777)</u>	<u>28,073,943</u>
<b>Total Cost</b>	<u>106,129,808</u>	<u>5,501,039</u>	<u>(146,989)</u>	<u>111,483,858</u>
<b>Accumulated Amortization</b>				
	Opening	Amortization	Disposals and	Ending
			Adjustments	
<b><u>Infrastructure</u></b>				
Transportation infrastructure	14,836,667	441,607	(6,868)	15,271,406
Water system 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>
<b>Infrastructure Total</b>	<u>29,136,332</u>	<u>1,265,896</u>	<u>(31,358)</u>	<u>30,370,870</u>
<b><u>General</u></b>				
Buildings	3,725,304	165,114	-	3,890,418
Machinery and 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>
<b>General Total</b>	<u>6,574,870</u>	<u>438,188</u>	<u>(83,777)</u>	<u>6,929,281</u>
<b>Total Accumulated Amortization</b>	<u>35,711,202</u>	<u>1,704,084</u>	<u>(115,135)</u>	<u>37,300,151</u>
<b>Net Book Value</b>				
	Opening			Ending
<b><u>Infrastructure</u></b>				
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
<b><u>General</u></b>				
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
<b>Total Net Book Value</b>	<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, 2022

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### 7. NET LONG-TERM LIABILITIES

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

	<b>2022</b>	2021
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the Municipality and outstanding at the end of the year	<b>229,114</b>	258,912
Tile drainage loans assumed by the individual	<u>(229,114)</u>	<u>(258,912)</u>
Total long-term liabilities at the end of the year	<u><u>-</u></u>	<u><u>-</u></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 Municipality is contingently liable for municipal debt with respect to tile drainage loans. The total amount outstanding as at December 31, 2022 is \$229,114 (2021 - \$258,912) 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, 2022**

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**8. ACCUMULATED SURPLUS**

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

	<b>2022</b>	2021
	<u>\$</u>	<u>\$</u>
<b>SURPLUS</b>		
General revenue fund	<b>806,224</b>	970,864
Invested in tangible capital assets	<b>75,982,325</b>	74,183,707
Reserves	<b>6,956,034</b>	7,345,019
Reserve funds set aside for specific purpose by legislation, regulation or agreement (water and sewer)	<u><b>4,104,239</b></u>	<u>3,037,044</u>
	<b>87,848,822</b>	85,536,634
<b>AMOUNTS TO BE RECOVERED</b>		
Landfill closure and post-closure costs (Note 14)	<b>(3,486,001)</b>	(2,792,599)
Unfunded capital	<u><b>(4,227,821)</b></u>	<u>(3,822,771)</u>
<b>ACCUMULATED SURPLUS</b>	<u><b>80,135,000</b></u>	<u>78,921,264</u>

**9. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS**

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

	<b>2022</b>	2021
	<u>\$</u>	<u>\$</u>
OCIF funding	<b>794,913</b>	824,823
Canada Community Building Fund	-	510,680
Safe restart funding	<u>-</u>	<u>24,373</u>
	<u><b>794,913</b></u>	<u>1,359,876</u>

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# MUNICIPALITY OF SOUTHWEST MIDDLESEX

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2022

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### 10. 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, 2022, and the results of this valuation disclosed actuarial liabilities of \$128.8 billion in respect of benefits accrued for service with actuarial assets at that date of \$122.1 billion leaving an actuarial deficit of \$6.7 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 2022 was approximately \$128,310 (2021 - \$116,236).

### 11. OPERATIONS OF THE SCHOOL BOARDS AND COUNTY OF MIDDLESEX

During 2022, 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	1,386,599	2,780,460
Share of payments in lieu of taxes	<u>63,957</u>	<u>19,321</u>
Amounts requisitioned	<u><u>1,450,556</u></u>	<u><u>2,799,781</u></u>

# MUNICIPALITY OF SOUTHWEST MIDDLESEX

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2022

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### 12. 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.

### 13. CONTAMINATED SITES

The Municipality may be exposed to litigation or other costs of remediation due to contaminated properties in its 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, 2022 the Municipality has identified two (2021 - 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, 2022

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### 14. 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 was required to be closed by 2024, but ceased operations during 2022. 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 \$3,486,001 (2021 - \$2,792,599) 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, 2022, the Municipality has contributed to a reserve fund for Trillium of \$629,450 (2021 - \$469,549) and for Limerick \$277,225 (2021 - \$220,309).

# MUNICIPALITY OF SOUTHWEST MIDDLESEX

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2022

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### 15. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2022 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 \$
<b>REVENUES</b>			
Property taxation	6,485,066	-	6,485,066
User charges	3,438,910	356,678	3,795,588
Government transfers	1,377,698	-	1,377,698
Government transfers - Capital	3,484,486	-	3,484,486
Investment income	79,055	1,142	80,197
Penalties and interest on taxes	147,000	-	147,000
Other	-	-	-
Reserve transfers and long-term debt proceeds	<u>269,937</u>	<u>(269,937)</u>	<u>-</u>
Total revenues	<u>15,282,152</u>	<u>87,883</u>	<u>15,370,035</u>
<b>EXPENSES</b>			
General government	1,529,495	46,311	1,575,806
Fire and police protection	1,890,290	(57,252)	1,833,038
Transportation services	5,236,625	(1,696,671)	3,539,954
Environmental	2,489,264	1,737,492	4,226,756
Health services	38,991	-	38,991
Recreation and cultural services	3,747,965	(2,565,896)	1,182,069
Planning and zoning	<u>349,522</u>	<u>(13,636)</u>	<u>335,886</u>
Total expenses	<u>15,282,152</u>	<u>(2,549,652)</u>	<u>12,732,500</u>
<b>BUDGETED ANNUAL SURPLUS</b>	<u>-</u>	<u>2,637,535</u>	<u>2,637,535</u>

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# MUNICIPALITY OF SOUTHWEST MIDDLESEX

## Notes to the Consolidated Financial Statements For The Year Ended December 31, 2022

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### 16. SUPPLEMENTARY INFORMATION:

	2022	2021
	<u>\$</u>	<u>\$</u>
<b>[a] Current fund expenditures by object:</b>		
Materials	5,550,829	6,100,940
Salaries, wages and employee benefits	2,789,229	2,592,491
Contracted services	2,225,366	2,238,401
Amortization	1,779,003	1,704,086
Transfer to others	<u>61,035</u>	<u>57,895</u>
	<u>12,405,462</u>	<u>12,693,813</u>
<b>[b] Change in non-cash assets and liabilities related to operations:</b>		
Taxes receivable	(272,673)	(169,418)
Accounts receivable	(1,401,058)	(1,591,101)
Inventories and prepaid expenses	(99,347)	(20,498)
Land held for resale	33,301	-
Accounts payable and accrued liabilities	680,684	7,433
Deferred revenue - obligatory reserve funds	<u>(564,963)</u>	<u>687,280</u>
	<u>(1,624,056)</u>	<u>(1,086,304)</u>

### 17. 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.

**MUNICIPALITY OF SOUTHWEST MIDDLESEX**

**Consolidated Schedule of Segment Disclosure  
For The Year Ended December 31, 2022**

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	<b>Total \$</b>
<b>REVENUES</b>								
Taxation and local improvements	202,216	1,726,535	2,824,723	547,044	38,991	764,786	208,922	<b>6,313,217</b>
Sales of services and regulatory fees	259,261	147,292	9,773	3,255,659	-	176,389	240,333	<b>4,088,707</b>
Government transfers - operational	1,007,145	17,305	-	227,060	-	108,285	(1,198)	<b>1,358,597</b>
Government transfers and obligatory funds - capital	148,845	-	1,467,089	-	-	-	-	<b>1,615,934</b>
Other	254,802	-	303,400	1,016	-	-	11,859	<b>571,077</b>
Gain (loss) on disposal of tangible capital assets	-	-	(326,333)	-	-	(2,001)	-	<b>(328,334)</b>
	<u>1,723,424</u>	<u>1,891,132</u>	<u>2,811,563</u>	<u>4,030,779</u>	<u>38,991</u>	<u>1,047,459</u>	<u>459,916</u>	<b><u>13,619,198</u></b>
<b>EXPENSES</b>								
Salaries, wages and employees benefits	1,016,854	240,742	890,424	-	10,145	470,752	160,312	<b>2,789,229</b>
Materials	551,113	266,144	1,875,668	2,314,104	34,762	372,434	136,604	<b>5,550,829</b>
Contracted services, rents and financial	-	1,157,189	-	1,049,538	-	18,639	-	<b>2,225,366</b>
External transfers	-	61,035	-	-	-	-	-	<b>61,035</b>
Amortization	46,311	108,910	783,832	650,346	-	189,604	-	<b>1,779,003</b>
	<u>1,614,278</u>	<u>1,834,020</u>	<u>3,549,924</u>	<u>4,013,988</u>	<u>44,907</u>	<u>1,051,429</u>	<u>296,916</u>	<b><u>12,405,462</u></b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>109,146</u>	<u>57,112</u>	<u>(738,361)</u>	<u>16,791</u>	<u>(5,916)</u>	<u>(3,970)</u>	<u>163,000</u>	<b><u>1,213,736</u></b>

**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 \$	<b>Total \$</b>
<b>REVENUES</b>								
Taxation and local improvements	254,877	1,781,896	2,192,195	827,234	37,974	765,046	150,933	<b>6,010,155</b>
Sales of services and regulatory fees	167,100	138,873	8,725	3,267,029	-	171,424	218,969	<b>3,972,120</b>
Government transfers - operational	1,229,481	9,775	-	64,973	-	104,691	38,247	<b>1,447,167</b>
Government transfers and obligatory funds - capital	-	-	64,699	1,184,249	-	-	-	<b>1,248,948</b>
Other	138,278	-	-	674	-	-	6,831	<b>145,783</b>
Gain (loss) on disposal of tangible capital assets	-	-	(31,854)	-	-	-	-	<b>(31,854)</b>
	<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>	<b><u>12,792,319</u></b>
<b>EXPENSES</b>								
Salaries, wages and employees benefits	1,000,471	193,568	840,640	-	4,089	424,817	128,906	<b>2,592,491</b>
Materials	437,205	215,508	1,546,747	3,068,610	10,429	639,902	182,539	<b>6,100,940</b>
Contracted services, rents and financial	-	1,231,412	-	993,088	-	13,901	-	<b>2,238,401</b>
External transfers	-	57,895	-	-	-	-	-	<b>57,895</b>
Amortization	44,972	96,339	771,472	634,608	-	156,695	-	<b>1,704,086</b>
	<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>	<b><u>12,693,813</u></b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<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>	<b><u>98,506</u></b>