

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Consolidated Financial Statements

December 31, 2024

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Consolidated Financial Statements

For The Year Ended December 31, 2024

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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 public sector accounting standards.

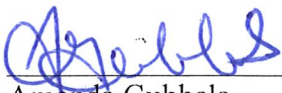
These consolidated financial statements include:

- 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 Chief Administrative Officer and Manager of Finance 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.



Amanda Gubbels
Chief Administrative Officer



Denice Williamson
Manager of Finance

Glencoe, Ontario
October 15, 2025



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, 2024, 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 consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2024, and the results of its operations and its cash flows for the year then ended 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 Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the 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

October 15, 2025

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Consolidated Statement of Financial Position As At December 31, 2024

	2024 \$	2023 \$
FINANCIAL ASSETS		
Cash	-	1,727,251
Taxes receivable (Note 4)	1,814,215	1,683,942
Accounts receivable (Note 5)	<u>4,411,510</u>	<u>3,403,635</u>
Total financial assets	<u>6,225,725</u>	<u>6,814,828</u>
FINANCIAL LIABILITIES		
Bank overdraft (Note 6)	344,332	-
Deferred revenue - obligatory reserve funds (Note 9)	1,804,050	1,745,301
Accounts payable and accrued liabilities	2,042,351	2,320,479
Asset retirement obligations - landfill closure (Note 16)	<u>4,967,918</u>	<u>4,786,048</u>
Total financial liabilities	<u>9,158,651</u>	<u>8,851,828</u>
NET FINANCIAL ASSETS (DEBT)	<u>(2,932,926)</u>	<u>(2,037,000)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	84,654,257	82,754,377
Inventories and prepaid expenses	<u>158,688</u>	<u>177,599</u>
Total non-financial assets	<u>84,812,945</u>	<u>82,931,976</u>
ACCUMULATED SURPLUS (NOTE 10)	81,880,019	80,894,976
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES)	<u>-</u>	<u>-</u>
	<u>81,880,019</u>	<u>80,894,976</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, 2024

	Budget (Note 17) \$	Actual 2024 \$	Actual 2023 \$
REVENUES			
Property taxation	7,076,113	7,060,893	6,679,602
User charges	4,231,471	4,273,962	3,716,726
Government transfers - operational	1,671,590	1,725,308	1,624,861
Interest	80,055	151,493	97,360
Penalties and interest on taxes	180,000	202,034	177,687
Other	-	8,844	54,391
Total revenues	<u>13,239,229</u>	<u>13,422,534</u>	<u>12,350,627</u>
EXPENSES			
General government	1,854,823	1,927,016	1,722,370
Protection to persons and property	2,097,346	2,030,547	2,009,955
Transportation services	4,361,162	3,911,529	3,731,800
Environmental	4,263,669	3,847,858	4,493,554
Health services	61,421	45,533	81,470
Recreation and cultural services	1,627,563	1,521,160	1,277,298
Planning and zoning	<u>216,129</u>	<u>230,559</u>	<u>260,233</u>
Total expenses (Note 19)	<u>14,482,113</u>	<u>13,514,202</u>	<u>13,576,680</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	(1,242,884)	(91,668)	(1,226,053)
Government transfers related to capital	1,351,955	1,165,333	2,330,946
Loss on disposal of tangible capital assets	<u>-</u>	<u>(88,622)</u>	<u>(344,917)</u>
	<u>1,351,955</u>	<u>1,076,711</u>	<u>1,986,029</u>
EXCESS REVENUE OVER EXPENSES	109,071	985,043	759,976
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>80,894,976</u>	<u>80,894,976</u>	<u>80,135,000</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 10)	<u><u>79,652,092</u></u>	<u><u>81,880,019</u></u>	<u><u>80,894,976</u></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, 2024

	Budget (Note 17) <u>\$</u>	Actual 2024 <u>\$</u>	Actual 2023 <u>\$</u>
ANNUAL SURPLUS	109,071	985,043	759,976
Acquisition of tangible capital assets and work in process	(4,047,019)	(4,047,019)	(4,792,551)
Amortization of tangible capital assets	2,058,517	2,058,517	2,224,403
Proceeds on disposal of tangible capital assets	-	-	61,751
Change in inventories and prepaid expenses	-	18,911	53,691
Loss on disposal of tangible capital assets	-	88,622	344,917
Change in asset retirement obligation - landfill liability	<u>-</u>	<u>-</u>	<u>(693,403)</u>
CHANGE IN NET FINANCIAL ASSETS	(1,879,431)	(895,926)	(2,041,216)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>(2,037,000)</u>	<u>(2,037,000)</u>	<u>4,216</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>(3,916,431)</u></u>	<u><u>(2,932,926)</u></u>	<u><u>(2,037,000)</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, 2024

	2024	2023
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	985,043	759,976
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	2,058,517	2,224,403
Landfill closure and post-closure liability - expense	181,870	606,644
Loss on disposal tangible capital assets	<u>88,622</u>	<u>344,917</u>
	3,314,052	3,935,940
Change in non-cash assets and liabilities related to operations (Note 19 [b])	<u>(1,338,616)</u>	<u>2,319,447</u>
	<u>1,975,436</u>	<u>6,255,387</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets and work in process	(4,047,019)	(4,792,551)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>61,751</u>
	<u>(4,047,019)</u>	<u>(4,730,800)</u>
NET CHANGE IN CASH	(2,071,583)	1,524,587
CASH, BEGINNING OF YEAR	<u>1,727,251</u>	<u>202,664</u>
CASH (BANK INDEBTEDNESS), END OF YEAR	<u>(344,332)</u>	<u>1,727,251</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, 2024

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. CHANGE IN ACCOUNTING POLICIES

On January 1, 2024, the Municipality adopted accounting policies to conform to new standards issued under Canadian public sector accounting standards. The Municipality adopted the following standards which had the following impact:

- PS 3400 - Revenue - These standard may impact the timing of the revenue reported by the Municipality. There is no impact on the Municipality's financial reporting as a result of the adoption of this standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian public sector accounting standards. 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.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably 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.

Financial Instruments

The Municipality, upon initial recognition, classifies its financial instruments into two categories:

- i. fair value or;
- ii. cost or amortized cost;

Long-term debt is initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Transaction costs related to the issuance of long-term debt are capitalized and amortized over the term of the debt.

Other financial instruments including cash, accounts receivable, accounts payable and accrued liabilities are initially measured at fair value and subsequently measured at cost.

Investments are initially recorded at fair value and subsequently measured at fair value with the fair value determined as follows:

- i. Level 1 - Fair value measurements are those derived from quoted prices (in active markets);
- ii. Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- iii. Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable data (unobservable inputs).

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Revenues

In 2024 the Municipality received \$7,060,893 (2023 - \$6,679,602) 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, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and 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 2024 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.

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.

Asset Retirement Obligations

The Municipality may be exposed to obligations of remediation associated with their tangible capital assets. If a legal obligation exists of remediation for a tangible capital asset then the Municipality would be required to set up an estimated future cost and liability associated with these obligations. As at December 31, 2024, the Municipality has identified its landfills as asset retirement obligations. Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. These retirement obligations are set up using discounted cash flows and are amortized over the remaining life of the landfill. In addition the future liability is adjusted yearly with an accretion expense to balance the present value of the future liabilities cashflows.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Party Transactions

Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties.

Disclosure is made when the transaction or events between related parties occur at a value different from what would have been recorded if they were not related and the transaction could have a material financial impact on the consolidated financial statements.

Inter-Entity Transactions

Transactions between related parties are recorded at carrying amounts with the exception of the following:

- i. Transactions in the normal course of business or with fair consideration are recorded at exchange amount;
- ii. Transfer of an asset or liability at nominal amounts or no consideration are recorded by the provider at carrying amounts and the recipient has the choice of either carrying amount or fair value;
- iii. Cost allocations are reported using the exchange amounts and revenues and expenses are reported on a gross basis;
- iv. Unallocated costs for the provision of goods or services maybe recorded by the provider at cost, fair value or another amount dictated by policy, accountability structure or budget practice.

3. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$9,360 (2023 - \$9,009) 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, 2024

4. TAXES RECEIVABLE

	2024	2023
	<u>\$</u>	<u>\$</u>
Current taxes receivable	860,874	623,044
Arrears taxes receivable	834,597	838,690
Penalties and interest	231,304	245,208
Allowance for doubtful accounts	<u>(112,560)</u>	<u>(23,000)</u>
	<u><u>1,814,215</u></u>	<u><u>1,683,942</u></u>

5. ACCOUNTS RECEIVABLE

	2024	2023
	<u>\$</u>	<u>\$</u>
Accounts receivable - trade and other	829,807	716,462
Government grants and funding - municipal, provincial, federal	313,026	431,438
Municipal drain work	2,117,672	1,343,917
Local improvement debentures, 5 - 20 years. 3% to 5.26%	756,830	603,373
Government remittances	<u>394,175</u>	<u>308,445</u>
	<u><u>4,411,510</u></u>	<u><u>3,403,635</u></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 \$390,671 (2023 - \$nil).

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2024

7. TANGIBLE CAPITAL ASSETS

December 31, 2024				
Cost	Opening	Additions	Disposals and Adjustments	Ending
<u>Infrastructure</u>				
Transportation infrastructure	43,879,905	1,399,639	(164,359)	45,115,185
Environmental infrastructure	38,449,028	235,324	-	38,684,352
Bridges and structures	3,314,076	-	-	3,314,076
Infrastructure Total	85,643,009	1,634,963	(164,359)	87,113,613
<u>General</u>				
Land	960,848	-	-	960,848
Landfills - ARO	693,405	-	-	693,405
Buildings	27,989,755	210,060	-	28,199,815
Equipment	3,270,572	484,186	-	3,754,758
Fleet	4,955,664	1,280,724	-	6,236,388
General Total	37,870,244	1,974,970	-	39,845,214
Work in progress	4,963	437,086	-	442,049
Total Cost	123,518,216	4,047,019	(164,359)	127,400,876
Accumulated Amortization				
	Opening	Amortization	Disposals and Adjustments	Ending
<u>Infrastructure</u>				
Transportation infrastructure	15,903,900	750,721	(75,737)	16,578,884
Environmental infrastructure	14,877,303	451,638	-	15,328,941
Bridges and structures	1,968,528	-	-	1,968,528
Infrastructure Total	32,749,731	1,202,359	(75,737)	33,876,353
<u>General</u>				
Landfills - ARO	222,479	-	-	222,479
Buildings	4,357,960	455,638	-	4,813,598
Equipment	1,162,781	166,285	-	1,329,066
Fleet	2,270,888	234,235	-	2,505,123
General Total	8,014,108	856,158	-	8,870,266
Total Accumulated Amortization	40,763,839	2,058,517	(75,737)	42,746,619
Net Book Value	Opening			Ending
<u>Infrastructure</u>				
Transportation infrastructure	27,976,005			28,536,301
Water system infrastructure	23,571,725			23,355,411
Wastewater system infrastructure	1,345,548			1,345,548
	52,893,278			53,237,260
<u>General</u>				
Land	960,848			960,848
Land improvements	470,926			470,926
Buildings	23,631,795			23,386,217
Machinery and equipment	2,107,791			2,425,692
Vehicles	2,684,776			3,731,265
	29,856,136			30,974,948
Work in progress	4,963			442,049
Total Net Book Value	82,754,377			84,654,257

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2024

7. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2023				
Cost	Opening	Additions	Disposals and Adjustments	Ending
<u>Infrastructure</u>				
Transportation infrastructure	43,927,173	201,238	(248,506)	43,879,905
Environmental infrastructure	38,207,093	436,249	(194,314)	38,449,028
Bridges and structures	<u>3,314,076</u>	<u>-</u>	<u>-</u>	<u>3,314,076</u>
Infrastructure Total	<u>85,448,342</u>	<u>637,487</u>	<u>(442,820)</u>	<u>85,643,009</u>
<u>General</u>				
Land	960,848	-	-	960,848
Landfills - ARO	693,405	-	-	693,405
Buildings	20,596,253	7,393,502	-	27,989,755
Equipment	2,771,312	559,428	(60,168)	3,270,572
Fleet	<u>5,029,416</u>	<u>114,340</u>	<u>(188,092)</u>	<u>4,955,664</u>
General Total	<u>30,051,234</u>	<u>8,067,270</u>	<u>(248,260)</u>	<u>37,870,244</u>
Work in progress	<u>3,917,169</u>	<u>4,963</u>	<u>(3,917,169)</u>	<u>4,963</u>
Total Cost	<u>119,416,745</u>	<u>8,709,720</u>	<u>(4,608,249)</u>	<u>123,518,216</u>
Accumulated Amortization				
	Opening	Amortization	Disposals and Adjustments	Ending
<u>Infrastructure</u>				
Transportation infrastructure	15,518,330	451,432	(65,862)	15,903,900
Water system infrastructure	13,987,897	889,406	-	14,877,303
Bridges and structures	<u>1,915,831</u>	<u>52,697</u>	<u>-</u>	<u>1,968,528</u>
Infrastructure Total	<u>31,422,058</u>	<u>1,393,535</u>	<u>(65,862)</u>	<u>32,749,731</u>
<u>General</u>				
Land - ARO	-	222,479	-	222,479
Buildings	4,070,826	287,134	-	4,357,960
Machinery and equipment	1,108,077	105,665	(50,961)	1,162,781
Fleet	<u>2,222,885</u>	<u>215,590</u>	<u>(167,587)</u>	<u>2,270,888</u>
General Total	<u>7,401,788</u>	<u>830,868</u>	<u>(218,548)</u>	<u>8,014,108</u>
Total Accumulated Amortization	<u>38,823,846</u>	<u>2,224,403</u>	<u>(284,410)</u>	<u>40,763,839</u>
Net Book Value	Opening			Ending
<u>Infrastructure</u>				
Transportation infrastructure	28,408,843			27,976,005
Water system infrastructure	24,219,196			23,571,725
Wastewater system infrastructure	<u>1,398,245</u>			<u>1,345,548</u>
	54,026,284			52,893,278
<u>General</u>				
Land	960,848			960,848
Land improvements	693,405			470,926
Buildings	16,525,427			23,631,795
Machinery and equipment	1,663,235			2,107,791
Vehicles	<u>2,806,531</u>			<u>2,684,776</u>
	<u>22,649,446</u>			<u>29,856,136</u>
Work in progress	<u>3,917,169</u>			<u>4,963</u>
Total Net Book Value	<u>80,592,899</u>			<u>82,754,377</u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2024

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:

	2024	2023
	\$	\$
Total long-term liabilities incurred by the Municipality and outstanding at the end of the year	202,572	193,799
Tile drainage loans assumed by the individual	(202,572)	(193,799)
Total long-term liabilities at the end of the year	-	-

- 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, 2024 is \$202,572 (2023 - \$193,799) 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, 2024

9. DEFERRED REVENUE

The balances in the deferred revenue (obligatory reserve funds) of the Municipality are summarized below:

	2024	2023
	<u>\$</u>	<u>\$</u>
OCIF funding	1,394,173	1,538,780
Canada Community Building Fund	231,189	40,150
Building department	<u>178,688</u>	<u>166,371</u>
	<u>1,804,050</u>	<u>1,745,301</u>

10. ACCUMULATED SURPLUS

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

	2024	2023
	<u>\$</u>	<u>\$</u>
SURPLUS		
General revenue fund	641,076	964,244
Invested in tangible capital assets	84,654,257	82,754,377
Reserves (Note 11)	6,279,579	6,158,067
Reserve funds (water)	4,065,463	3,691,293
Reserve funds (sewer)	<u>818,444</u>	<u>765,666</u>
	96,458,819	94,333,647
AMOUNTS TO BE RECOVERED		
Landfill closure and post-closure costs (Note 16)	(4,967,918)	(4,786,048)
Unfunded capital	<u>(9,610,882)</u>	<u>(8,652,623)</u>
ACCUMULATED SURPLUS	<u>81,880,019</u>	<u>80,894,976</u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2024

11. RESERVE SUMMARY

	2024	2023
	<u>\$</u>	<u>\$</u>
Working Capital	500,000	500,000
Public Works - Equipment Replacement	567,679	632,818
Elections	15,000	3,250
Tax Rate Stabilization	1,126,887	1,036,249
Fire Hydrants	77,770	77,770
Cemeteries	31,367	31,367
Projects Carried Forward	208,326	365,991
Street Light Replacements	25,333	33,333
Public Works Construction	910,170	1,103,782
Grants	45,941	45,941
Sidewalks	22,877	129,266
Cash in Lieu - Parkland	11,803	2,763
Efficiency Funding	66,789	71,061
Glencoe Childcare	71,339	179,435
Economic Development	144,000	-
Landfills	1,579,480	969,522
Glencoe Recreation	185,308	358,394
Fire Equipment Replacement	241,753	181,788
Glencoe Fire Hall Replacement	34,387	24,304
Logan Little Batting Cage Memorial Fund	1,657	1,652
Wardsville Fire Hall	200,867	200,183
Seniors Without Walls	4,032	4,018
Canada Day	4,474	4,459
Former Appin Park Board	1,472	1,537
Comprehensive Library	151,232	149,717
Dog Park	15,168	15,117
Wardsville Kin Day	649	647
Arena	<u>33,819</u>	<u>33,703</u>
Total reserves	<u><u>6,279,579</u></u>	<u><u>6,158,067</u></u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2024

12. 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, 2024, and the results of this valuation disclosed actuarial liabilities of \$142.5 billion in respect of benefits accrued for service with actuarial assets at that date of \$139.6 billion leaving an actuarial deficit of \$2.9 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 2024 was approximately \$196,000 (2023 - \$171,000).

13. OPERATIONS OF THE SCHOOL BOARDS AND COUNTY OF MIDDLESEX

During 2024, 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	1,429,722	3,164,683
Share of payments in lieu of taxes	<u>63,957</u>	<u>19,321</u>
Amounts requisitioned	<u>1,493,679</u>	<u>3,184,004</u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2024

14. 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 reasonably determined. Claim provisions are reported as a liability in the consolidated statement of financial position.

15. 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, 2024 the Municipality has identified two (2023 - two) sites that may need remediation in the future. The Municipality is in the process of evaluating these sites, but 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, 2024

16. ASSET RETIREMENT OBLIGATIONS - LANDFILL CLOSURE

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 \$1,209,000 (2023 - \$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 \$4,967,918 (2023 - \$4,786,048) 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 2.90% (2023 - 3.90%) and a discount rate of 4.50% (2023 - 5.25%).

As of December 31, 2024, the Municipality has contributed \$1,579,481 (2023 - \$969,525) to a reserve fund for these closure and monitoring costs.

	2024	2023
	<u>\$</u>	<u>\$</u>
Opening balance of asset retirement obligations	4,786,048	3,486,001
Additions	309,389	693,403
Accretion expense (recovery)	<u>(127,519)</u>	<u>606,644</u>
Closing balance of asset retirement obligations	<u>4,967,918</u>	<u>4,786,048</u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2024

17. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2024 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	7,076,113	-	7,076,113
User charges	3,814,265	417,206	4,231,471
Government transfers	1,671,590	-	1,671,590
Government transfers - Capital	1,351,955	-	1,351,955
Investment income	80,055	-	80,055
Penalties and interest on taxes	180,000	-	180,000
Other	-	-	-
Reserve transfers and long-term debt proceeds	<u>701,218</u>	<u>(701,218)</u>	<u>-</u>
Total revenues	<u>14,875,196</u>	<u>(284,012)</u>	<u>14,591,184</u>
EXPENSES			
General government	1,793,678	61,145	1,854,823
Fire and police protection	2,198,249	(100,903)	2,097,346
Transportation services	4,974,752	(613,590)	4,361,162
Environmental	3,661,279	602,390	4,263,669
Health services	61,421	-	61,421
Recreation and cultural services	1,955,221	(327,658)	1,627,563
Planning and zoning	<u>230,596</u>	<u>(14,467)</u>	<u>216,129</u>
Total expenses	<u>14,875,196</u>	<u>(393,083)</u>	<u>14,482,113</u>
BUDGETED ANNUAL SURPLUS	<u>-</u>	<u>109,071</u>	<u>109,071</u>

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2024

18. FINANCIAL INSTRUMENTS

Risks and Concentrations

The Municipality is exposed to various risks through its financial instruments. The following analysis provides a measure of the Municipality's risk exposure and concentrations at the balance sheet date.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

As the Municipality has no investments, long-term debt, or foreign currency transactions, it is management's opinion that the Municipality is not exposed to significant price, currency, or interest rate risks.

Liquidity Risk

Liquidity risk is the risk that a Municipality will encounter difficulty in meeting obligations associated with financial liabilities. The Municipality is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Municipality doesn't believe that liquidity risk is a significant risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Municipality's main credit risks relate to its accounts receivable and taxes receivable. The Municipality manages this risk by monitoring active receivable balances and forces tax sale on properties considered unrecoverable.

At year end, the Municipality had approximately \$78,700 (2023 - \$28,500), excluding government grants and taxes, in accounts receivable over 90 days of which the Municipality has deemed no allowance is necessary. Of the tax balances, \$685,000 or 36% (2023 - \$632,000 or 37%) are due from (6) (2023 - (5)) properties. The balances of taxes and utility receivables (water and sewer) are collectible from the property owner and the Municipality is able to force tax sale on properties to recover. In some instances the property owner may challenge property values which will in impact future recovery of taxes and potential repayments to the property owners. The Municipality actively monitors these assessment challenges and provides provisions when reasonable estimates can be made. At year end the Municipality has provided an allowance of \$nil (2023 - \$nil) for these assessment challenges and \$112,000 (2023 - \$23,000) in potential uncollectible tax assessments.

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2024

19. SUPPLEMENTARY INFORMATION:

	2024	2023
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Materials	5,827,641	5,938,288
Salaries, wages and employee benefits	3,324,230	2,905,904
Contracted services	2,234,593	2,442,107
Amortization	2,058,517	2,224,402
Transfer to others	<u>69,221</u>	<u>65,979</u>
	<u>13,514,202</u>	<u>13,576,680</u>
 [b] Change in non-cash assets and liabilities related to operations:		
Taxes receivable	(130,273)	(227,323)
Accounts receivable	(1,007,875)	1,382,854
Inventories and prepaid expenses	18,911	53,691
Land held for resale	-	66,601
Accounts payable and accrued liabilities	(278,128)	93,236
Deferred revenue	<u>58,749</u>	<u>950,388</u>
	<u>(1,338,616)</u>	<u>2,319,447</u>

20. 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, 2024

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	39,076	2,053,994	3,650,497	340,252	61,421	829,677	85,976	7,060,893
Sales of services and regulatory fees	220,001	161,261	14,419	3,244,734	-	407,344	226,202	4,273,961
Government transfers - operational	993,783	20,217	-	566,292	-	120,175	24,842	1,725,309
Government transfers and obligatory funds - capital	-	-	1,165,333	-	-	-	-	1,165,333
Other	355,322	-	-	3,020	-	3,000	1,029	362,371
Gain (loss) on disposal of tangible capital assets	-	-	(88,622)	-	-	-	-	(88,622)
	<u>1,608,182</u>	<u>2,235,472</u>	<u>3,576,294</u>	<u>4,154,298</u>	<u>61,421</u>	<u>1,360,196</u>	<u>338,049</u>	14,499,245
EXPENSES								
Salaries, wages and employees benefits	1,203,317	332,895	1,013,229	-	3,882	661,206	109,701	3,324,230
Materials	662,555	274,044	2,081,797	2,142,211	41,651	504,527	120,856	5,827,641
Contracted services, rents and financial	-	1,207,363	-	1,019,096	-	8,134	-	2,234,593
External transfers	-	69,221	-	-	-	-	-	69,221
Amortization	<u>61,145</u>	<u>147,023</u>	<u>816,506</u>	<u>686,551</u>	<u>-</u>	<u>347,292</u>	<u>-</u>	2,058,517
	<u>1,927,017</u>	<u>2,030,546</u>	<u>3,911,532</u>	<u>3,847,858</u>	<u>45,533</u>	<u>1,521,159</u>	<u>230,557</u>	13,514,202
ANNUAL SURPLUS (DEFICIT)	<u>(318,835)</u>	<u>204,926</u>	<u>(335,238)</u>	<u>306,440</u>	<u>15,888</u>	<u>(160,963)</u>	<u>107,492</u>	985,043

MUNICIPALITY OF SOUTHWEST MIDDLESEX

Consolidated Schedule of Segment Disclosure For The Year Ended December 31, 2023

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation Services \$	Planning and Development Services \$	Total \$
REVENUES								
Taxation and local improvements	138,583	1,902,489	3,086,016	623,788	44,213	774,274	110,239	6,679,602
Sales of services and regulatory fees	129,552	170,896	8,243	2,996,325	-	229,179	182,531	3,716,726
Government transfers - operational	1,011,843	13,798	-	464,879	-	115,655	18,686	1,624,861
Government transfers and obligatory funds - capital	148,845	-	112,689	84,820	-	1,984,592	-	2,330,946
Other	279,638	-	-	2,482	-	33,551	13,767	329,438
Gain (loss) on disposal of tangible capital assets	-	-	(344,917)	-	-	-	-	(344,917)
	<u>1,559,616</u>	<u>2,087,183</u>	<u>2,749,342</u>	<u>4,087,474</u>	<u>44,213</u>	<u>1,152,659</u>	<u>325,223</u>	14,336,656
EXPENSES								
Salaries, wages and employees benefits	1,021,760	244,590	976,204	-	7,564	527,463	128,323	2,905,904
Materials	652,816	309,364	1,960,005	2,350,972	73,906	459,315	131,910	5,938,288
Contracted services, rents and financial	-	1,257,116	-	1,175,389	-	9,602	-	2,442,107
External transfers	-	65,979	-	-	-	-	-	65,979
Amortization	<u>47,795</u>	<u>132,904</u>	<u>795,591</u>	<u>967,194</u>	<u>-</u>	<u>280,918</u>	<u>-</u>	2,224,402
	<u>1,722,371</u>	<u>2,009,953</u>	<u>3,731,800</u>	<u>4,493,555</u>	<u>81,470</u>	<u>1,277,298</u>	<u>260,233</u>	13,576,680
ANNUAL SURPLUS (DEFICIT)	<u>(162,755)</u>	<u>77,230</u>	<u>(982,458)</u>	<u>(406,081)</u>	<u>(37,257)</u>	<u>(124,639)</u>	<u>64,990</u>	759,976