

MUNICIPALITY OF MIDDLESEX CENTRE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

**MUNICIPALITY OF MIDDLESEX CENTRE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Municipality of Middlesex Centre

Opinion

We have audited the accompanying financial statements of Municipality of Middlesex Centre (the "Municipality"), which comprise the Statement of Financial Position as at December 31, 2020, and Statements of Operations and Accumulated Surplus, Cash Flows and Change in Net Financial Assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Municipality of Middlesex Centre as at December 31, 2020 and its financial performance and its cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

June 23, 2021
London, Canada

Scrimgeour & Company
LICENSED PUBLIC ACCOUNTANT

**MUNICIPALITY OF MIDDLESEX CENTRE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020**

| | 2020 | 2019 |
|--|-----------------------|-----------------------|
| FINANCIAL ASSETS | | |
| Cash | \$ 43,082,917 | \$ 31,751,958 |
| Taxes receivable | 1,472,334 | 1,346,483 |
| Accounts receivable | 4,868,621 | 5,323,165 |
| Land held for resale | 120,000 | 120,000 |
| | 49,543,872 | 38,541,606 |
| LIABILITIES | | |
| Capital loan (note 10) | 9,780,000 | 13,344,000 |
| Accounts payable and accrued liabilities | 5,336,393 | 4,616,189 |
| Other current liabilities | 802,903 | 1,588,552 |
| Deferred revenue - obligatory reserve funds (note 7) | (7,285,830) | (11,496,467) |
| Employee benefits payable (note 14) | 730,472 | 746,333 |
| Long-term debt (note 8.a) | 19,583,687 | 20,840,114 |
| | 28,947,625 | 29,638,721 |
| NET FINANCIAL ASSETS (page 6) | 20,596,247 | 8,902,885 |
| NON-FINANCIAL ASSETS (note 1.d) | | |
| Tangible capital assets (note 1.g) (Schedule 1) | 223,899,126 | 216,066,240 |
| Capital work in progress | 6,076,851 | 12,935,982 |
| Prepaid expenditures | 163,632 | 125,981 |
| | 230,139,609 | 229,128,203 |
| ACCUMULATED SURPLUS (page 4) (note 9) | \$ 250,735,856 | \$ 238,031,088 |

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

**MUNICIPALITY OF MIDDLESEX CENTRE
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | Budget 2020 | Actual 2020 | Actual 2019 |
|--|-----------------------|-----------------------|-----------------------|
| REVENUE | | | |
| Property taxation | \$ 19,816,658 | \$ 19,805,495 | \$ 18,249,219 |
| User charges | 11,003,201 | 12,021,012 | 11,400,240 |
| Government grants (note 18) | 1,384,075 | 1,748,949 | 2,223,319 |
| Investment income | 134,491 | 566,242 | 460,249 |
| Penalty and interest on taxes | 228,060 | 242,007 | 234,861 |
| Other revenue | 76,700 | 53,397 | 177,226 |
| | 32,643,185 | 34,437,102 | 32,745,114 |
| EXPENDITURES | | | |
| General government | 2,269,767 | 2,373,319 | 1,982,021 |
| Protection to persons and property | 5,253,164 | 5,181,447 | 4,948,710 |
| Transportation services | 6,138,211 | 8,681,383 | 9,434,377 |
| Environmental services | 4,593,888 | 7,408,019 | 6,295,149 |
| Health services | 27,519 | 16,152 | 12,996 |
| Recreation and cultural development | 4,106,732 | 4,077,616 | 4,649,954 |
| Planning and development | 938,245 | 647,046 | 621,405 |
| | 23,327,526 | 28,384,982 | 27,944,612 |
| EXCESS OPERATING REVENUE OVER EXPENDITURES BEFORE OTHER | 9,315,659 | 6,052,120 | 4,800,502 |
| OTHER | | | |
| Developer, government and user contributions related to capital | 4,009,853 | 6,626,819 | 8,365,267 |
| Gain (loss) on disposal of tangible capital assets | 17,500 | 9,968 | (46,932) |
| Change in employee benefits payable (note 14) | - | 15,861 | (37,754) |
| | 4,027,353 | 6,652,648 | 8,280,581 |
| EXCESS OF REVENUE OVER EXPENDITURES | 13,343,012 | 12,704,768 | 13,081,083 |
| Accumulated surplus, beginning of year | 238,031,088 | 238,031,088 | 224,950,005 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 251,374,100 | \$ 250,735,856 | \$ 238,031,088 |

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

**MUNICIPALITY OF MIDDLESEX CENTRE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | 2020 | 2019 |
|--|----------------------|----------------------|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATIONS | | |
| Excess of revenue over expenditures (page 4) | \$ 12,704,768 | \$ 13,081,083 |
| Non- cash charges to operations | | |
| Amortization | 7,301,268 | 6,932,375 |
| Net change in non-cash working capital related to operations (A) | 4,458,024 | (1,757,966) |
| Cash provided by (used in) operating transactions | 24,464,060 | 18,255,492 |
| CAPITAL | | |
| Acquisition of tangible capital assets | (15,153,561) | (15,655,076) |
| Decrease (increase) in work in progress | 6,859,131 | 2,836,515 |
| Net disposal of tangible capital assets | 19,407 | 117,936 |
| Net change in prepaid expenditures | (37,651) | 97,888 |
| Cash provided by (used in) capital transactions | (8,312,674) | (12,602,737) |
| FINANCING | | |
| Advances (repayments) - long-term debt | (1,256,427) | (1,393,000) |
| Cash provided by (used in) financing transactions | (1,256,427) | (1,393,000) |
| Increase (decrease) in cash and cash equivalents | 14,894,959 | 4,259,755 |
| Cash and cash equivalents, beginning of year | 18,407,958 | 14,148,203 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 33,302,917 | \$ 18,407,958 |
| COMPRISED OF: | | |
| Cash | \$ 43,082,917 | \$ 31,751,958 |
| Capital loan | (9,780,000) | (13,344,000) |
| | \$ 33,302,917 | \$ 18,407,958 |

(A) Net change in non-cash working capital includes the net change in taxes, accounts receivable and accounts payable and accrued liabilities, other current liabilities, deferred revenue and employee benefits payable.

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

**MUNICIPALITY OF MIDDLESEX CENTRE
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | 2020 | 2019 |
|--|----------------------|---------------------|
| Excess of revenue over expenditures (page 4) | \$ 12,704,768 | \$ 13,081,083 |
| Amortization of tangible capital assets | 7,301,268 | 6,932,375 |
| Net disposal of tangible capital assets | 19,407 | 117,936 |
| Decrease (increase) in work in progress | 6,859,131 | 2,836,515 |
| Decrease (increase) in prepaid expenditures | (37,651) | 97,888 |
| Acquisition of tangible capital assets | (15,153,561) | (15,655,076) |
| Increase in net financial assets | 11,693,362 | 7,410,721 |
| Net financial assets, beginning of year | 8,902,885 | 1,492,164 |
| NET FINANCIAL ASSETS, END OF YEAR | \$ 20,596,247 | \$ 8,902,885 |

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

**MUNICIPALITY OF MIDDLESEX CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

The Municipality of Middlesex Centre 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. Significant accounting policies

The financial statements of the Municipality of Middlesex Centre ("the Municipality") are the representation of management prepared in accordance with Canadian public sector accounting standards.

The focus of these financial statements is on the financial position of the Municipality and changes thereto. The Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Net financial assets represents the financial position of the Municipality and is the difference between financial assets and liabilities. This information explains the Municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

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

a. Reporting entity

These financial statements reflect the financial assets, liabilities, operating revenues and expenditures and accumulated surpluses/deficits and changes in investment in tangible capital assets of the Municipality of Middlesex Centre and all committees of Council.

All interfund assets and liabilities and revenues and expenditures have been eliminated.

There are no local boards, joint local boards, municipal enterprises or utilities.

b. 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 statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

c. Trust funds

Trust funds and their related operations administered by the Municipality are not reported on these financial statements, but are reported separately on the Trust Fund Financial Statements.

**MUNICIPALITY OF MIDDLESEX CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. Significant accounting policies continued

d. Non-financial assets

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

e. Land held for resale

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

f. Financial instruments

Financial instruments of the Municipality consist mainly of cash, accounts and taxes receivable. The carrying values of these financial assets approximate their fair values unless otherwise disclosed.

g. 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 costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|------------------------------|-----------------|
| Land improvements | 15 years |
| Buildings and fixtures | 10 to 50 years |
| Vehicles | 5 to 10 years |
| Machinery and equipment | 10 years |
| Water and waste | |
| Underground networks | 50 to 100 years |
| Wastewater facilities | 50 to 75 years |
| Water utility facilities | 50 to 75 years |
| Water utility infrastructure | 50 to 75 years |
| Transportation | |
| Roads | 10 to 50 years |
| Bridges and culverts | 25 to 75 years |

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

The Municipality has a capitalization threshold of \$5,000 to \$10,000 on capital assets depending on their classification, excluding land, which is always capitalized, so that individual assets of lesser value are expensed unless they are pooled because collectively they have a significant value. The capitalization threshold for pooled assets is \$25,000.

**MUNICIPALITY OF MIDDLESEX CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. Significant accounting policies continued

g. Tangible capital assets continued

i. Leases

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

ii. Contributions of tangible capital assets

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

h. Temporary investments

Temporary investments are recorded at cost. Market value approximates cost.

i. Deferred revenue

Grants, 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 expenses are incurred, services performed, or the tangible capital assets are acquired.

l. Accounting for County and School Board transactions

The Municipality is required to bill, collect and remit provincial education and upper tier taxation in respect of residential and other properties on behalf of the school boards and upper tier. The Municipality has no jurisdiction or control over the school board or upper tier's operations or their tax rate. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the County of Middlesex are not reflected in these financial statements.

**MUNICIPALITY OF MIDDLESEX CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. Significant accounting policies continued

m. Measurement uncertainty

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, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. Tax revenue

Property tax billings are prepared by the Municipality based on an assessment roll prepared by the Municipal Property Assessment Corporation. All assessed property values in the Municipality were reviewed and new values established based on a common valuation date which was used by the Municipality in computing the 2020 property tax bills. Property tax revenue and tax receivables are subject to appeals which may not have been heard yet. Any supplementary billing adjustments made necessary by the determination of such appeals will be recognized in the fiscal year they are determined and the effect shared with the County of Middlesex and the appropriate school boards.

3. Trust funds

Trust funds administered by the Municipality amounting to \$55,579 (2019 - \$54,829) have not been included in the financial statements.

4. Operations of School Boards and the County of Middlesex

Further to note 1.1, the taxation revenues of the school boards and County of Middlesex are comprised of the following:

| | School Boards | County |
|---------------------------|--------------------------|---------------|
| Taxation and user charges | \$ 7,827,205 | \$ 12,765,318 |
| Requisitions | \$ 7,827,205 | \$ 12,765,318 |

5. Investments

As at December 31, 2020, the Municipality did not hold any short-term investments.

**MUNICIPALITY OF MIDDLESEX CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

6. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of services and rates of pay. The amount contributed to OMERS for 2020 was \$503,600 (2019 - \$441,993) for current service and is included as an expenditure on the Statement of Operations and Accumulated Surplus. The Municipality had no obligation, as at December 31, 2020, under the past service provisions. The OMERS funding ratio for 2020 is 97.0% (2019 - 97.0%), with the goal of being fully funded by 2025.

7. Deferred revenue - obligatory reserve funds

A requirement of the Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Municipality are summarized as follows:

| | 2020 | 2019 |
|---------------------------------------|-----------------------|------------------------|
| Parkland | \$ 261,162 | \$ 248,522 |
| Federal Gas Tax | 447,139 | 1,009,825 |
| Ontario Community Infrastructure Fund | 674,566 | 281,174 |
| Safe Restart Fund | 80,000 | - |
| Development charges | (8,748,697) | (13,035,988) |
| | \$ (7,285,830) | \$ (11,496,467) |

The development charges are maintained as required by the Development Charges Act, 1997 (DCA) and spent as prescribed by the DCA on defined capital assets. The Municipality has borrowed money from future development charges to fund certain qualifying capital assets in advance of receiving the development charges as allowed under the DCA and these amounts are paid back, including the prescribed rate of interest.

**MUNICIPALITY OF MIDDLESEX CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

8. Long-term debt

| | 2020 | 2019 |
|--|----------------------|---------------|
| a. The balance of long-term debt reported on the Statement of Financial Position is made up of the following: | | |
| Long-term debt issued by the Corporation at various rates of interest ranging from 0% to 4%, with maturity dates ranging from 2021 to 2034 | \$ 1,069,163 | \$ 1,194,216 |
| Long-term debt issued to Infrastructure Ontario at various rates of interest ranging from 3.36% to 3.72 % with maturity dates ranging from 2031 to 2042 | 16,528,628 | 17,599,420 |
| Long-term debt issued to the Federation of Canadian Municipalities at 4% interest with maturity in 2038 | 2,084,404 | 2,162,215 |
| Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drain loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is | (98,508) | (115,737) |
| Long-term debt, end of the year | \$ 19,583,687 | \$ 20,840,114 |

b. Debt to be retired over the next five years:

| | User Rates | Tax Rate |
|------|------------|-----------|
| 2021 | \$765,497 | \$488,114 |
| 2022 | \$743,399 | \$491,274 |
| 2023 | \$745,339 | \$494,677 |
| 2024 | \$747,357 | \$467,071 |
| 2025 | \$749,455 | \$470,855 |

c. Approval of the Ontario Municipal Board has been obtained for those pending issues of long-term liabilities and commitments to be financed by revenues beyond the term of Council and approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The principal and interest payments required to service these pending issues and commitments are within the debt repayment limit prescribed by the Ministry of Municipal Affairs.

**MUNICIPALITY OF MIDDLESEX CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

8. Long-term debt continued

d. The Municipality is contingently liable for long-term liabilities with respect to tile drainage loans, and for those for which the principal and interest had been assumed by other municipalities, school board and local boards, municipal enterprises, and utilities. The total amount outstanding as at December 31, 2020 is \$98,508 (2019 - \$115,737) and is not recorded on the Statement of Financial Position.

e. Interest paid on long-term liabilities for 2020 was \$749,535 (2019 - \$801,210).

9. Accumulated surplus

The accumulated surplus at the end of the year are comprised of the following:

| | 2020 | 2019 |
|--|-----------------------|----------------|
| Investment in non-financial assets (net of debt) | \$ 213,955,916 | \$ 211,668,680 |
| Employee benefits payable (note 14) | (730,472) | (746,333) |
| Reserves set aside for specific purpose | 1,682,123 | 1,682,123 |
| Reserve funds set aside for specific purpose | 35,828,289 | 25,426,618 |
| Accumulated surplus | \$ 250,735,856 | \$ 238,031,088 |

10. Capital loan

During 2018, the Municipality entered into a financing agreement with Ontario Infrastructure and Lands Corporation (OILC) for a floating rate capital loan up to a maximum of \$13,344,000 for five capital projects. It is anticipated that this loan will be repaid in full by 2022. As of December 31, 2020, \$9,780,000 (2019 - \$13,344,000) is outstanding. The Municipality repaid \$3,564,000 during 2020 as well as interest at a rate as determined by OILC as their cost of borrowing.

11. Budget figures

The Municipality's Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2020 is reflected on the Statement of Operations and Accumulated Surplus.

**MUNICIPALITY OF MIDDLESEX CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

12. Commitments

- a. On July 13, 1998, The Corporation of the City of London received a Notice of Transfer for the Lake Huron Primary Water System (the System). The final transfer order was effective September 15, 2000. Under the transfer order the works, properties and all assets, liabilities, rights and obligations of the system are conveyed, assigned and transferred to the City of London as Trustee. The Municipality is a member of the Lake Huron Water Supply System and represents approximately 1.29% of the total System. This percentage is based on the annual flows of water supplied during 2020. As long as the municipality is serviced by the System, it has a beneficial ownership interest in the System. The System is governed by a joint board of management of which one of the eleven representatives is from the Municipality. As at December 31, 2020, the Municipality's share of the System's accumulated surplus is \$2,364,214 which is not reflected in the accompanying financial statements.
- b. The Municipality contracts directly with the Ontario Provincial Police for policing services provided to the Municipality. The contract price, net of adjustments, for 2020 was \$2,326,740 (2019 - \$2,189,976).

13. Contingent liability

Landfill post-closure costs

The Municipality has closed the one landfill site they own and expense any post-closure costs in the year they occur.

Development agreement

The Municipality is currently working with a developer on a cost sharing agreement for services required for the development to be completed. The costs of these services have been estimated by the Municipality's staff and are reflected in these financial statements. The Municipality has not received documentation of actual costs which may vary significantly from these estimates.

**MUNICIPALITY OF MIDDLESEX CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

14. Employee Benefits Payable

| | 2020 | 2019 |
|---------------------------------------|-------------------|-------------------|
| Workplace Safety and Insurance (WSIB) | \$ 683,486 | \$ 695,561 |
| Post-retirement benefits | 46,986 | 50,772 |
| | \$ 730,472 | \$ 746,333 |

Workplace Safety and Insurance (WSIB)

The Municipality transferred from Schedule 2 to Schedule 1 classification under the Workplace Safety and Insurance Act effective January 1, 2013. The Municipality contracted with an independent third party to provide a valuation of this liability based on the Municipality's specific circumstances. This valuation estimated the Municipality's actuarial obligation as at December 31, 2020 at \$683,486 (2019 - \$695,561). This amount will be recovered from future taxation as payments are made against this obligation.

The significant assumptions used in the actuarial valuations are as follows:

| | |
|-------------------------------------|-------|
| Municipality's borrowing rate | 4.00% |
| Inflation rate | 1.75% |
| Discount rate | 2.25% |
| Weighted average of WSIB benefits | 1.01% |
| Administration fees charged by WSIB | 30.0% |

Post-retirement benefits

The Municipality contracted with an independent third party to provide a valuation of post-retirement benefits for eligible employees. Eligibility requires the employee to be full-time, permanent employees who retire on an OMERS pension with at least 10 year of service with the Municipality. Benefits are provided to the earlier of age 65 or death. The actuarial estimate of this amount as of December 31, 2020 is \$46,986 (2019 - \$50,772).

15. Public sector salary disclosure

There were seven employees paid a salary, as defined in the Public Sector Disclosure Act, 1996 of \$100,000 or more.

**MUNICIPALITY OF MIDDLESEX CENTRE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

16. Contaminated sites

The Canadian public sector accounting standard 3510 requires municipalities to evaluate sites owned by the municipality for potential contamination. This standard requires the Municipality to disclose the liability, if any, related to remediation of such sites. The Municipality has determined they do not own properties that meet this criterion and therefore no accrual is required.

17. Segmented information

Segmented information is presented on Schedule 2. The Municipality is a diversified municipality and provides a wide range of services to its citizens including fire, police, through a contracted service described in note 12, transportation, water, wastewater and waste disposal and community services, including recreation and planning. The general government segment includes such functions as finance, council and administrative services.

18. Significant event

In March 2020, the Province of Ontario declared a state of emergency in response to the COVID-19 virus. The Municipality has followed the Provincial directions regarding essential services and as a result has had to close some of its services. During the year ended December 31, 2020, the Municipality recognized revenue from the Safe Restart Fund of \$397,200 which is reflected in government grants. It is unclear the total financial impact the COVID-19 virus will have on the Municipality. Council and staff continue to monitor the situation.

19. Comparative balances

Certain comparative balances have been reclassified to conform with the current year's financial statement presentation.

**MUNICIPALITY OF MIDDLESEX CENTRE
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | Land and Land Improvements | Buildings | Fleet | Equipment | Infrastructure Roads | Storm Sewers | Wastewater | Water | 2020 Total | 2019 Total |
|--|-------------------------------|----------------------|---------------------|---------------------|-------------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| COST | | | | | | | | | | |
| Balance, beginning of year | \$ 9,627,550 | \$ 75,790,799 | \$ 12,205,613 | \$ 3,483,370 | \$ 120,704,972 | \$ 30,208,589 | \$ 31,064,035 | \$ 43,663,894 | \$ 326,748,822 | \$ 312,121,901 |
| Add: | | | | | | | | | | |
| Additions during the year | 157,031 | 6,249,885 | 682,099 | 171,165 | 3,196,300 | 916,512 | 3,521,750 | 258,819 | 15,153,561 | 15,655,076 |
| Less: | | | | | | | | | | |
| Disposals during the year | - | - | (80,644) | (49,791) | - | - | - | - | (130,435) | (1,028,155) |
| Balance, end of year | 9,784,581 | 82,040,684 | 12,807,068 | 3,604,744 | 123,901,272 | 31,125,101 | 34,585,785 | 43,922,713 | 341,771,948 | 326,748,822 |
| ACCUMULATED AMORTIZATION | | | | | | | | | | |
| Balance, beginning of year | 37,630 | 17,591,870 | 5,188,936 | 1,831,536 | 64,372,098 | 6,169,559 | 6,665,883 | 8,825,070 | 110,682,582 | 104,660,426 |
| Add: | | | | | | | | | | |
| Amortization during the year | 37,641 | 1,672,510 | 839,086 | 300,875 | 2,988,352 | 384,123 | 505,990 | 572,691 | 7,301,268 | 6,932,375 |
| Less: | | | | | | | | | | |
| Disposals during the year | - | - | (67,561) | (43,467) | - | - | - | - | (111,028) | (910,219) |
| Balance, end of year | 75,271 | 19,264,380 | 5,960,461 | 2,088,944 | 67,360,450 | 6,553,682 | 7,171,873 | 9,397,761 | 117,872,822 | 110,682,582 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 9,709,310 | \$ 62,776,304 | \$ 6,846,607 | \$ 1,515,800 | \$ 56,540,822 | \$ 24,571,419 | \$ 27,413,912 | \$ 34,524,952 | \$ 223,899,126 | \$ 216,066,240 |

This schedule is provided for information purposes only.

**MUNICIPALITY OF MIDDLESEX CENTRE
SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | General Government | Protective Services | Transportation | Environmental | Health | Recreation and Culture | Planning and Development | Total |
|---|-------------------------------|--------------------------------|-----------------------|----------------------|--------------------|-----------------------------------|-------------------------------------|---------------------|
| REVENUE | | | | | | | | |
| Taxation | \$19,805,495 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$19,805,495 |
| User fees | 309,058 | 1,426,146 | 112,723 | 8,184,372 | 600 | 1,715,935 | 272,178 | 12,021,012 |
| Government grants | 1,615,520 | 6,222 | 13,377 | - | - | 31,448 | 82,382 | 1,748,949 |
| Investment income | 565,086 | - | - | - | 1,156 | - | - | 566,242 |
| Penalty and interest on taxes | 242,007 | - | - | - | - | - | - | 242,007 |
| Other | 54,748 | 2,672 | 3,444,896 | 2,955,785 | - | 208,877 | 39,067 | 6,706,045 |
| | 22,591,914 | 1,435,040 | 3,570,996 | 11,140,157 | 1,756 | 1,956,260 | 393,627 | 41,089,750 |
| EXPENDITURES | | | | | | | | |
| Salaries and benefits | 1,361,107 | 1,506,179 | 1,976,633 | 786,800 | 300 | 1,551,813 | 172,046 | 7,354,878 |
| Goods and services | 922,592 | 3,279,338 | 3,006,476 | 4,361,840 | 15,852 | 1,667,738 | 475,000 | 13,728,836 |
| Amortization | 89,620 | 395,930 | 3,698,274 | 2,259,379 | - | 858,065 | - | 7,301,268 |
| | 2,373,319 | 5,181,447 | 8,681,383 | 7,408,019 | 16,152 | 4,077,616 | 647,046 | 28,384,982 |
| EXCESS REVENUE OVER EXPENDITURES | \$20,218,595 | \$ (3,746,407) | \$ (5,110,387) | \$ 3,732,138 | \$ (14,396) | \$ (2,121,356) | \$ (253,419) | \$12,704,768 |

This schedule is provided for information purposes only.