



**AUDIT COMMITTEE MEETING
Town Hall – Council Chambers
Monday, August 18, 2025
2:00pm**

AGENDA

1. Approval of the Agenda
2. Approval of the Draft Minutes from April 28, 2025
3. RFD 043-2025: Draft 2024-25 Financial Statements – Karen Kluska, Contract Accountant
4. Draft 2024-25 Audit Reports
 - 4.1 Audit Report – Edele Oakey and Lauren Vail, BDO
 - 4.2 Management Letter – Edele Oakey and Lauren Vail, BDO
 - 4.3 Draft Independence Letter – Edele Oakey and Lauren Vail, BDO
 - 4.4 RFD 044-2025: Audit Report and Management Letter – Ashley Crocker, CAO
5. New Business:
 - 5.1 Memo: Appointment of Auditor for 2025-2026 – Ashley Crocker, CAO
 - 5.2 Update on Audit Costs to Date – Ashley Crocker, CAO
6. Date for Next Meeting
7. Adjournment

A regular meeting of the Middleton Audit Committee was held at the Town Hall on Monday, April 28, 2025, at 10:30am.

PRESENT

Chairing the meeting, Councillor Bernadette Knapp, Councillor Sandra Fournier, Resident, Dao Bui (via Teams), Patricia Leslie, Finance Director Brigitte Stennett; and Recording Secretary, Sara Marceau, Lauren Vail, BDO Canada (via Teams) left at 10:46 am.

Regrets, CAO Ashley Crocker, Sylvester Atkinson, Edele Oakey

CALL TO ORDER

Chair Councillor Knapp called the meeting to order at 10:30am

1. APPROVAL OF AGENDA

250428.01 It was moved and seconded to approve the agenda as circulated. **Motion carried.**

2. APPROVAL OF THE MINUTES

250428.02 It was moved and seconded to approve the minutes of December 6, 2024, as presented. **Motion carried.**

3. NEW BUSINESS

3.1 Election of Chair

Chair Knapp called for nominations and Sandra Fournier was nominated and accepted the nomination.

- Chair Knapp called for nominations a 2nd time and there were no nominations
- Chair Knapp called for nominations a 3rd time and there were no nominations
- Sandra Fournier was acclaimed as Chair of the Audit Committee.

3.2 Election of Vice Chair

Councillor Knapp called for nominations and Patricia Leslie was nominated and accepted the nomination.

- Councillor Knapp called for nominations a 2nd time and there were no nominations
- Councillor Knapp called for nominations a 3rd time and there were no nominations
- Patricia Leslie was acclaimed as Vice Chair of the Audit Committee.

4. Audit Planning Report – BDO Canada

Lauren Vail from BDO Canada gave an overview of Audit Planning Report.

A few key takeaways were:

- Audit Timeline
- Final audit fieldwork, June 16-27, 2025
- Draft report to management for review, July 11, 2025
- Auditor's responsibilities: financial statements
- Auditor's responsibilities: fraud
- Significant and elevated risks and planned responses
- Elevated risks and planned responses
- Materiality
- How financial statements are audited
 - Scoping
 - Identify and assess risk
 - Design audit process
 - Obtain audit evidence
 - Form opinion
 - Communication

Councillor Knapp asked how many more meetings are scheduled before the one in July?

Director of Finance (DOF) Stennett stated that there are no additional meetings until July. Ideally, DOF Stennett would like to bring the item to the July Council meeting.

DOF Stennett proposed a meeting should be scheduled between July 11th and the July 21st Council meeting.

Action: DOF Stennett to request three suitable dates from BDO within July 11th to July 21st window.

5. DATE FOR NEXT MEETING

Next meeting to be determined.

6. ADJOURNMENT

Chair Fournier noted thanks to Management, staff, and auditors.

It was moved to adjourn at 10:54 am.

Councillor Bernadette Knapp, Chair

Sara Marceau, Recording Secretary

**REQUEST FOR DECISION
2024-2025 Consolidated Financial
Statements
RFD#: 043-2025**



To: Audit Committee and Town Council
From: Ashley Crocker, CAO and Karen Kluska, Contract Accountant
Date: August 18, 2025 and September 2, 2025
Subject: 2024-2025 Consolidated Financial Statements

Guiding Principles for Decision-Making

Accountability Transportation Diversity Sustainability Engaged Informed

References/Attachments

- Draft Audited Consolidated Financial Statements for 2024-2025

Legislation

- Financial Accounting and Reporting Manual (FRAM)
- *Municipal Government Act*

FRAM 4(1)(c) Audited Financial Statements Filing Requirements

Each year signed audited financial statements must be filed by the municipality or village with the Minister of Municipal Affairs by Sept 30th, the timeline outlined in Section 2(4) of this manual.

FRAM 3(1)(a)(iv) (D) Operating Reserve Fund:

Operating Fund Surplus to be Transferred – If the municipality’s operating fund statement of operations results in a surplus, the surplus shall be transferred to the operating reserve.

Recommendation

That Council approve the 2024-2025 Audited Financial Statements for the Town of Middleton, for the fiscal year ending March 31, 2025.

Background

The financial statement audit took place in July and went well. Staff and BDO worked together to ensure the financial statements were accurate and complete. The audit had originally been scheduled for June, but was pushed to July due to vacancy in the Director of Finance position.

REQUEST FOR DECISION
2024-2025 Consolidated Financial
Statements
RFD#: 043-2025



Financial Implications

Staff have transferred the 2024-2025 operating surplus of \$113,980 to the Operating Reserve. This can be used to help fund the original deficit that was projected for 2025-2026 of \$221,643. In the 2025-26 budget, staff estimated that the prior year surplus would be \$57,953, and the remaining \$163,691 would need to be pulled from the existing operating reserve. A higher-than-expected surplus in 2024-25 means that only \$107,663 will theoretically need to be pulled from the existing operating reserve.

Strategic Plan/Operating Plan Alignment

| Check Applicable | Strategic Priority Area | Comments |
|------------------|------------------------------|----------|
| | Environment | |
| | Infrastructure | |
| | Economy | |
| | Community | |
| X | Governance | |
| | Council Strategic Initiative | |

Alternatives

N/A

Community Engagement/Communication

N/A

CAO Comments

The CAO supports the recommendation of staff.

CAO Initials: AC

Target Decision Date: September 2, 2025

TOWN OF MIDDLETON

FINANCIAL STATEMENTS

MARCH 31, 2025

Draft - For Discussion Purposes

TOWN OF MIDDLETON
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

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TOWN OF MIDDLETON

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

Management’s Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Town of Middleton are the responsibility of the Town’s management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (“CPA”). A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management’s judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town’s management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada, LLP., independent auditors appointed by the Town. The accompanying Auditor’s Report outlines their responsibilities, the scope of their examination, and their opinion on the Town’s consolidated financial statements.

Mayor

<<Date>>

Chief Administrative Officer

<<Date>>

Draft - For Discussion Purposes

Independent Auditor's Report

To the Mayor and Council of Town of Middleton

Opinion

We have audited the consolidated financial statements of Town of Middleton (the Town), which comprise the consolidated statement of financial position as at March 31, 2025, the consolidated statements of operations changes in net financial assets and 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at March 31, 2025, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Town 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.

Other Matters

We draw attention to the fact that the supplementary information included in pages 28-48 does not form part of the financial statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express an opinion, a review conclusion or any other form of assurance on this supplementary information.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 Town'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 Town or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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.

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 Town'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 Town'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 consolidated 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 Town 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 consolidated 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.

Chartered Professional Accountants

Halifax, Nova Scotia
TBD, 2025

TOWN OF MIDDLETON

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2025

| | 2025 | | 2024 |
|---|------------------|------------------------------------|-----------------------------|
| | Budget | Actual | Actual |
| REVENUE | | | |
| Assessable property taxes | \$ 3,850,313 | \$ 3,850,737 | \$ 3,572,652 |
| Grants in lieu of taxes | 157,277 | 154,811 | 154,417 |
| Services provided to other governments | 205,977 | 153,557 | 119,379 |
| Sales of services | 47,200 | 50,506 | 50,441 |
| Other revenue from own sources | 58,770 | 215,046 | 272,165 |
| Unconditional transfers from other governments | 310,687 | 343,705 | 405,358 |
| Conditional transfers from other governments | 30,308 | 151,162 | 29,526 |
| Gain on disposal of tangible capital assets | - | - | 216,005 |
| Water utility | 893,755 | 1,455,181 | 726,563 |
| | <u>5,554,287</u> | <u>6,374,705</u> | <u>5,546,506</u> |
| EXPENSES | | | |
| General government services | 616,691 | 628,146 | 644,341 |
| Protective services | 1,525,761 | 1,248,704 | 1,044,569 |
| Transportation services | 983,445 | 971,018 | 1,019,724 |
| Environmental health services | 721,839 | 670,506 | 641,599 |
| Social services | - | - | 116,110 |
| Environmental development services | 212,432 | 186,110 | 286,471 |
| Recreation and cultural services | 461,913 | 421,587 | 418,472 |
| Education services | 413,508 | 453,583 | 413,508 |
| Water utility | 932,778 | 697,361 | 568,989 |
| | <u>5,868,367</u> | <u>5,277,015</u> | <u>5,153,783</u> |
| ANNUAL SURPLUS (DEFICIT) | \$ (314,080) | 1,097,690 | 392,723 |
| ACCUMULATED SURPLUS AT BEGINNING OF YEAR | | <u>13,965,826</u> | <u>13,573,103</u> |
| ACCUMULATED SURPLUS AT END OF YEAR | | <u><u>\$ 15,063,516</u></u> | <u><u>\$ 13,965,826</u></u> |

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

TOWN OF MIDDLETON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2025

| | 2025 | 2024 |
|---|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents (Note 2) | \$ 8,377,880 | \$ 8,226,200 |
| Taxes receivable, net of valuation allowance (Note 3) | 260,319 | 166,850 |
| Other receivables (Note 4) | 571,527 | 501,051 |
| | <u>9,209,726</u> | <u>8,894,101</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 911,253 | 783,255 |
| Accrued interest | 16,489 | 15,442 |
| Holdbacks payable | 88,555 | - |
| Deferred revenue (Note 5) | 4,957,729 | 5,322,346 |
| Long-term debt (Note 6) | 1,336,156 | 1,282,829 |
| Asset retirement obligation (Note 7) | 105,239 | 102,472 |
| Vested interest - Annapolis County | 12,168 | 12,168 |
| | <u>7,427,589</u> | <u>7,518,512</u> |
| NET ASSETS (page 7) | <u>1,782,137</u> | <u>1,375,589</u> |
| NON-FINANCIAL ASSETS | | |
| Work in progress | 1,801,963 | 734,039 |
| Tangible capital assets (Note 8) | 11,366,648 | 11,750,914 |
| Prepaid expenses | 112,768 | 105,284 |
| | <u>13,281,379</u> | <u>12,590,237</u> |
| ACCUMULATED SURPLUS | <u>\$ 15,063,516</u> | <u>\$ 13,965,826</u> |

Contingencies (Note 16)
Subsequent events (Note 19)

On behalf of the Town

_____ Mayor

_____ Chief Administrative Officer

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

TOWN OF MIDDLETON

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31, 2025

| | 2025 | | 2024 |
|---|-------------------|-----------------------------------|----------------------------|
| | Budget | Actual | Actual |
| ANNUAL SURPLUS | \$ (314,080) | \$ 1,097,690 | \$ 392,723 |
| Acquisition of tangible capital assets and work in progress | - | (1,351,144) | (455,283) |
| Amortization of tangible capital assets | 635,374 | 635,374 | 630,368 |
| Write down of capital assets | - | 32,112 | - |
| Proceeds sale of tangible capital assets | - | - | 243,427 |
| Gain on disposal of tangible capital assets | - | - | (216,005) |
| | <u>321,294</u> | <u>414,032</u> | <u>595,230</u> |
| Change in prepaid expenses | - | (7,484) | (6,015) |
| Increase in net assets | <u>\$ 321,294</u> | <u>406,548</u> | 589,215 |
| NET ASSETS, BEGINNING OF YEAR | | <u>1,375,589</u> | <u>786,374</u> |
| NET ASSETS, END OF YEAR | | <u><u>\$ 1,782,137</u></u> | <u><u>\$ 1,375,589</u></u> |

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

TOWN OF MIDDLETON

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT MARCH 31, 2025

| | 2025 | 2024 |
|---|---------------------|---------------------|
| | Actual | Actual |
| OPERATING TRANSACTIONS | | |
| Annual surplus | \$ 1,097,690 | \$ 392,723 |
| Net change in items not involving cash | | |
| Amortization of tangible capital assets | 635,374 | 630,368 |
| Accretion of asset retirement obligation | 2,767 | 2,694 |
| Write down of capital assets | 32,112 | - |
| Gain on disposal of capital assets | - | (216,005) |
| | <u>1,767,943</u> | <u>809,780</u> |
| Net change in working capital balances | | |
| Decrease (increase) in accounts receivable - taxes | (93,469) | (62,093) |
| Decrease (increase) in accounts receivable - other | (70,476) | (181,167) |
| Increase (decrease) in accounts payable and accrued liabilities | 127,998 | 391,490 |
| Increase (decrease) in holdbacks payable | 88,555 | - |
| Increase (decrease) in deferred revenue | (364,617) | 3,411,173 |
| Increase (decrease) in accrued interest | 1,047 | (1,274) |
| Decrease (increase) in prepaid expenses | (7,484) | (6,015) |
| | <u>1,449,497</u> | <u>4,361,894</u> |
| Cash provided by operating transactions | | |
| CAPITAL TRANSACTIONS | | |
| Purchase of work in progress | (1,100,036) | - |
| Purchase of tangible capital assets | (251,108) | (455,283) |
| Proceeds on disposal of tangible capital assets | - | 243,427 |
| | <u>(1,351,144)</u> | <u>(211,856)</u> |
| Cash applied to capital transactions | | |
| FINANCING TRANSACTIONS | | |
| Proceeds from issuance of long-term debt | 237,000 | - |
| Repayment of long-term debt | (183,673) | (225,573) |
| | <u>53,327</u> | <u>(225,573)</u> |
| Cash applied to financing transactions | | |
| INCREASE IN CASH AND CASH EQUIVALENTS | <u>151,680</u> | <u>3,924,465</u> |
| Cash and cash equivalents at beginning of year | <u>8,226,200</u> | <u>4,301,735</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 8,377,880</u> | <u>\$ 8,226,200</u> |

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

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Middleton have been prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants Canada.

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

a. Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenses, and changes in accumulated surplus and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable to the Town for the administration of their financial affairs and resources and which are owned or controlled by the Town, namely:

- General operating and capital
- Water utility and capital
- Reserve funds

b. Basis of accounting

Revenues are recorded using the accrual basis of accounting as they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenditures are accounted for in the period the goods and services are acquired, and liability is incurred, or transfer is due.

Property tax revenue is based on assessments determined in accordance with Nova Scotia legislation. Tax rates are set annually. Taxation revenue is subject to appeal. Penalties and overdue taxes are recorded in the period levied.

Interest earned on investments in depreciation, or any other fund is recorded as revenue within the respective funds.

c. Fund balances

Funds within the consolidated financial statements consist of operating, capital, and reserve funds. Council approves certain amounts of the accumulated surplus to be set aside in reserves and reserve funds for future operating and capital purposes. Transfers between funds are recorded as adjustments to the appropriate fund balances within accumulated surplus.

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Tangible capital assets

Beginning April 1, 2009, 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 is amortized on a straight-line basis over their estimated useful lives as follows:

| Asset | Useful Life - Years |
|----------------------------------|----------------------------|
| Town General Capital | |
| Land Improvements | 25 |
| Buildings | 40 |
| Roads & Streets | 25 |
| Sidewalks | 25 |
| Lights | 25 |
| Sewer | 50 |
| Lagoons | 50 |
| Lift Stations | 25 |
| Machinery & Equipment | 4/5 |
| Vehicles | 5/10 |
| Water Utility | |
| Structures, Improvements & Wells | 25/75 |
| Equipment | 5/10 |
| Transmission | 75 |
| Distribution | 75 |
| Meters | 25 |
| Hydrants | 75 |
| Services | 50 |

i. Work in progress

Work in progress ("WIP") is recorded at cost and occurs with instances where a capital project is not complete as at year end. Costs include any costs applicable to tangible capital assets. The capital cost reported as WIP as at year end becomes capitalized to tangible capital asset cost when the project is subsequently complete. Assets under construction are not amortized until the asset is available for productive use.

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Contributions of tangible capital assets

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

ii. Leases

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

b. Depreciation - water utility

In accordance with the Nova Scotia Utility and Review Board regulations, the depreciation charges in the Water Operating Fund are transferred to a special bank account in the Water Capital Fund which is used to help fund replacement of existing plant and equipment or, subject to approval by the Utility and Review Board, to repay the principal of capital debt.

c. Revenue Recognition

Revenue from transactions with performance obligations is recognized when the Town satisfies the performance obligations, which occurs when control of the benefits associated with the promised goods or services has passed to the payor. Revenue from transactions with performance obligations consists of sales of goods and services, permits, licenses and rentals. Performance obligations may be satisfied at a point in time or over a period of time depending on the nature and timing of the goods and services sold.

Revenue from transactions without performance obligations is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources received or receivable and there is a past transaction or event that gives rise to the economic resources. The Town recognizes revenue from fines at a realizable value when a fine is issued.

Property tax billings are prepared by the Town based on assessment rolls issued by the Property Valuation Services Corporation. Tax rates are established annually by Council during the budget approval process. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments resulting from the appeal process are recognized when the results of the appeal process are known. Penalties on overdue taxes are recorded in the period levied.

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Revenue Recognition (continued)

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Investment income earned on surplus current funds, capital, and reserve funds are recorded as revenue in the period earned.

g. Financial instruments

The Town's financial instruments include cash and cash equivalents, temporary investments, receivables, payables and accruals, and long-term debt. Cash is measured at fair value. Accounts receivable, accounts payable and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

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

h. Valuation allowance - uncollected taxes and rates

The Town provides a valuation allowance for estimated losses that will be incurred in collecting outstanding receivables.

i. Use of estimates

The preparation of financial statements in conformity with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Such estimates include providing for doubtful accounts, asset retirement obligations, and the useful life of tangible capital assets, among others. Actual results could differ from these estimates.

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Budget

The budget figures contained in these financial statements were approved by Council on July 7, 2024, in its original fiscal plan. The budget figures contained in these financial statements have been adjusted to include amortization, transfers, and principal debt repayments, in accordance with Public Sector accounting requirements Note 17 outlines the original fiscal plan and the adjustments made to come to the budget figures shown in these consolidated financial statements.

k. Asset retirement obligation

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up of cash on hand and balances with the bank.

3. ACCOUNTS RECEIVABLE – TAXES

| | 2025 | 2024 |
|--|-------------------|-------------------|
| Balance, beginning of year | \$ 166,850 | \$ 104,757 |
| Current year's tax levy | 3,850,737 | 3,572,652 |
| Penalties and interest on taxes | 53,393 | 51,595 |
| | <u>4,070,980</u> | <u>3,729,004</u> |
| Less: | | |
| Collections | 3,790,108 | 3,540,394 |
| Write-offs, rebates and allowances | 20,553 | 21,760 |
| Balance, end of year | <u>260,319</u> | <u>166,850</u> |
| Valuation allowance | - | - |
| Balance, net of valuation allowance, end of year | <u>\$ 260,319</u> | <u>\$ 166,850</u> |

4. ACCOUNTS RECEIVABLE – OTHER

| | 2025 | 2024 |
|-----------------------------------|-------------------|-------------------|
| Harmonized sales tax | \$ 270,027 | \$ 172,363 |
| Water utility accounts receivable | 197,259 | 225,104 |
| Other receivables | 87,088 | 82,184 |
| Due from provincial government | 6,927 | 6,652 |
| Due from other local governments | 10,226 | 14,748 |
| | <u>\$ 571,527</u> | <u>\$ 501,051</u> |

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

5. DEFERRED REVENUE

| | 2025 | 2024 |
|---|---------------------|---------------------|
| Property taxes paid in advance | \$ 87,610 | \$ 70,417 |
| Sewer charges paid in advance | - | 90,619 |
| Planning deposits | 1,000 | 500 |
| Canada Community-Building Fund (CCBF), (previously Gas Tax) | 447,426 | 355,049 |
| Provincial grants | 3,066,318 | 3,465,052 |
| Deferred funding and contributions - Community Centre | 1,355,375 | 1,340,710 |
| | \$ 4,957,729 | \$ 5,322,346 |

6. LONG-TERM DEBT

| 2025 | MFC # | YEAR OF ISSUE | YEAR OF MATURITY | RATE % | TYPE | BALANCE 3/31/24 | ISSUED | REDEEMED | BALANCE 3/31/25 | INTEREST |
|----------------------|--------|---------------|------------------|----------------|--------|---------------------|-------------------|-------------------|---------------------|------------------|
| GENERAL | | | | | | | | | | |
| SEWERS | 33-A-1 | 2013 | 2028 | 1.330-3.489 | SERIAL | \$ 800,000 | \$ - | \$ 80,000 | \$ 720,000 | \$ 24,016 |
| BACKHOE | 35-A-1 | 2015 | 2025 | 1.011-2.786 | SERIAL | 22,783 | - | 11,394 | 11,389 | 368 |
| TRACKLESS | 36-A-1 | 2016 | 2026 | 1.150-2.925 | SERIAL | 27,900 | - | 9,300 | 18,600 | 563 |
| TRACTORS | 40-A-1 | 2020 | 2025 | 0.678-1.241 | SERIAL | 18,682 | - | 9,340 | 9,342 | 144 |
| SEWERS | 41-A-1 | 2021 | 2031 | 0.400-2.376 | SERIAL | 237,812 | - | 29,727 | 208,085 | 3,803 |
| 3-TON & DUMP TRUCK | 42-A-1 | 2024 | 2027 | 2.575 - 3.290% | SERIAL | 105,234 | - | 26,308 | 78,926 | 2,627 |
| 2 HALF-TON TRUCKS | 42-B-1 | 2024 | 2027 | 3.847 - 4.177% | SERIAL | 70,418 | - | 17,604 | 52,814 | 2,461 |
| BACKHOE | 44-A-1 | 2024 | 2027 | 3.847 - 4.177% | SERIAL | - | 237,000 | - | 237,000 | 9,205 |
| | | | | | | 1,282,829 | 237,000 | 183,673 | 1,336,156 | 43,187 |
| WATER UTILITY | | | | | | | | | | |
| | | | | | | - | - | - | - | - |
| | | | | | | \$ 1,282,829 | \$ 237,000 | \$ 183,673 | \$ 1,336,156 | \$ 43,187 |

| 2024 | MFC # | YEAR OF ISSUE | YEAR OF MATURITY | RATE % | TYPE | BALANCE 3/31/23 | ISSUED | REDEEMED | BALANCE 3/31/24 | INTEREST |
|----------------------|--------|---------------|------------------|----------------|--------|---------------------|-------------|-------------------|---------------------|------------------|
| GENERAL | | | | | | | | | | |
| SEWERS | 28-A-1 | 2008 | 2025 | 3.750-5.088 | SERIAL | \$ 27,900 | \$ - | \$ 27,900 | \$ - | \$ 384 |
| TRAFFIC LIGHTS | 33-A-1 | 2013 | 2025 | 1.330-3.489 | SERIAL | 14,000 | - | 14,000 | - | 52 |
| SEWERS | 33-A-1 | 2013 | 2025 | 1.330-3.489 | SERIAL | 880,000 | - | 80,000 | 800,000 | 28,300 |
| BACKHOE | 35-A-1 | 2015 | 2025 | 1.011-2.786 | SERIAL | 34,177 | - | 11,394 | 22,783 | 670 |
| TRACKLESS | 36-A-1 | 2016 | 2026 | 1.150-2.925 | SERIAL | 37,200 | - | 9,300 | 27,900 | 808 |
| TRACTORS | 40-A-1 | 2020 | 2025 | 0.678-1.241 | SERIAL | 28,022 | - | 9,340 | 18,682 | 245 |
| SEWERS | 41-A-1 | 2021 | 2031 | 0.400-2.376 | SERIAL | 267,539 | - | 29,727 | 237,812 | 4,049 |
| 3-TON & DUMP TRUCK | 42-A-1 | 2024 | 2027 | 2.575 - 3.290% | SERIAL | 131,542 | - | 26,308 | 105,234 | 3,385 |
| 2 HALF-TON TRUCKS | 42-B-1 | 2024 | 2027 | 3.847 - 4.177% | SERIAL | 88,022 | - | 17,604 | 70,418 | 3,201 |
| | | | | | | 1,508,402 | - | 225,573 | 1,282,829 | 41,095 |
| WATER UTILITY | | | | | | | | | | |
| | | | | | | - | - | - | - | - |
| | | | | | | \$ 1,508,402 | \$ - | \$ 225,573 | \$ 1,282,829 | \$ 41,095 |

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

7. ASSET RETIREMENT OBLIGATIONS

The Town owns and operates a building which may contain asbestos or other hazardous materials, which represent a health hazard upon demolition or renovation of the building, and there is a legal obligation to remove it in accordance with environmental regulations. Following the adoption of PS 3280 *Asset Retirement Obligations*, the Town recognized an obligation related to the removal and post-removal care of the materials in the building as estimated at April 1, 2022. The building is fully amortized, but still in productive use. Once an approved project plan is in place, the timing and amount of future cash flows can then be reasonably estimated and the corresponding liability for the asset updated to reflect the anticipated costs for removal and post removal care of hazardous materials. Estimated costs have been discounted to the present value using a discount rate of 2.7% per annum.

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

| | <u>2025</u> | <u>2024</u> |
|---|-------------------|-------------------|
| Asset retirement obligations, beginning of year | \$ 102,472 | \$ 99,778 |
| Accretion expense | 2,767 | 2,694 |
| Asset retirement obligations, end of year | <u>\$ 105,239</u> | <u>\$ 102,472</u> |

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

8. TANGIBLE CAPITAL ASSETS

| | Cost 2024 | Additions | Disposal: | Cost 2025 | Accumulated Amortization 2024 | Amortization expense | Adjustment | Accumulated Amortization 2025 | Net Book Value |
|--------------------------------|----------------------|-------------------|-------------|----------------------|-------------------------------------|-------------------------|-------------|-------------------------------------|----------------------|
| Town general capital | | | | | | | | | |
| Land | \$ 454,077 | \$ - | \$ - | \$ 454,077 | \$ - | \$ - | \$ - | \$ - | \$ 454,077 |
| Land improvements | 824,356 | - | - | 824,356 | 476,644 | 25,872 | - | 502,516 | 321,840 |
| Buildings | 1,586,113 | 33,893 | - | 1,620,006 | 946,380 | 34,684 | - | 981,064 | 638,942 |
| Streets | 2,698,375 | - | - | 2,698,375 | 1,931,450 | 46,203 | - | 1,977,653 | 720,722 |
| Sidewalks | 717,189 | 12,632 | - | 729,821 | 412,027 | 21,025 | - | 433,052 | 296,769 |
| Sewer mains | 5,241,469 | 22,930 | - | 5,264,399 | 2,241,966 | 102,371 | - | 2,344,337 | 2,920,062 |
| Sewer plant | 3,915,826 | 34,606 | - | 3,950,432 | 2,091,303 | 142,471 | - | 2,233,774 | 1,716,658 |
| Sewer lagoons | 1,588,755 | - | - | 1,588,755 | 380,336 | 31,775 | - | 412,111 | 1,176,644 |
| Street lights | 725,590 | - | - | 725,590 | 348,630 | 34,235 | - | 382,865 | 342,725 |
| Equipment | 675,432 | 41,636 | - | 717,068 | 630,749 | 24,320 | - | 655,069 | 61,999 |
| Vehicles | 1,899,516 | 51,485 | - | 1,951,001 | 1,568,543 | 84,020 | - | 1,652,563 | 298,438 |
| | 20,326,698 | 197,182 | - | 20,523,880 | 11,028,028 | 546,976 | - | 11,575,004 | 8,948,876 |
| Water capital | | | | | | | | | |
| Working capital | 4,025 | - | - | 4,025 | - | - | - | - | 4,025 |
| Land & land rights | 387,408 | - | - | 387,408 | - | - | - | - | 387,408 |
| Structures & improvements | 743,086 | - | - | 743,086 | 424,276 | 28,054 | - | 452,330 | 290,756 |
| Equipment | 722,153 | 34,140 | - | 756,293 | 390,435 | 26,640 | - | 417,075 | 339,218 |
| Transmission mains | 319,141 | - | - | 319,141 | 175,886 | 4,149 | - | 180,035 | 139,106 |
| Distribution mains | 1,522,047 | - | - | 1,522,047 | 533,515 | 19,501 | - | 553,016 | 969,031 |
| Services | 173,420 | - | - | 173,420 | 95,456 | 3,468 | - | 98,924 | 74,496 |
| Meters | 124,889 | 11,628 | - | 136,517 | 99,838 | 2,111 | - | 101,949 | 34,568 |
| Hydants | 178,331 | 8,158 | - | 186,489 | 47,684 | 2,304 | - | 49,988 | 136,501 |
| Tools & equipment | 62,134 | - | - | 62,134 | 62,134 | - | - | 62,134 | - |
| Computer | 84,082 | - | - | 84,082 | 81,279 | 935 | - | 82,214 | 1,868 |
| Other | - | - | - | - | - | - | - | - | - |
| - Water rate study | 21,020 | - | - | 21,020 | 21,020 | - | - | 21,020 | - |
| - Water source protection plan | 61,825 | - | - | 61,825 | 19,794 | 1,236 | - | 21,030 | 40,795 |
| - Water system assessment | 10,469 | - | - | 10,469 | 10,469 | - | - | 10,469 | - |
| | 4,414,030 | 53,926 | - | 4,467,956 | 1,961,786 | 88,398 | - | 2,050,184 | 2,417,772 |
| | \$ 24,740,728 | \$ 251,108 | \$ - | \$ 24,991,836 | \$ 12,989,814 | \$ 635,374 | \$ - | \$ 13,625,188 | \$ 11,366,648 |

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

9. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus/(deficit) and reserve funds as follows:

| Fund balances | 2025 | 2024 |
|-------------------------------------|----------------------|----------------------|
| General operating fund | \$ - | \$ 264,638 |
| General capital fund | (3,400,980) | (3,621,066) |
| Water operating fund | 916,598 | 742,503 |
| | <u>(2,484,382)</u> | <u>(2,613,925)</u> |
| Reserve funds | | |
| Operating | 890,752 | 509,392 |
| Capital | | |
| Debenture | - | 5,017 |
| Equipment | - | 114,837 |
| General capital | 497,421 | 39 |
| Land sale - Elementary school | - | 104,639 |
| Land sale - Industrial park | - | 273,448 |
| Other capital | 281,603 | 217,707 |
| Recreation | - | 1,407 |
| Sewer | 703,040 | 626,124 |
| Water - depreciation | 275,895 | 234,346 |
| Water - Reservoir replacement | 304,022 | 441,712 |
| | <u>2,952,733</u> | <u>2,528,668</u> |
| Investment in capital assets | | |
| General capital fund | 10,889,580 | 11,292,717 |
| Water capital fund | 3,705,585 | 2,758,366 |
| | <u>14,595,165</u> | <u>14,051,083</u> |
| | <u>\$ 15,063,516</u> | <u>\$ 13,965,826</u> |

10. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, receivables, payables and accruals, deferred revenue, long-term debt, and other liabilities.

It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these consolidated financial statements. There have been no changes to interest or current risk in the current year.

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

10. FINANCIAL INSTRUMENTS (continued)

The Town is subject to credit risk with respect to its various receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The substantial number and diversity of taxpayers and customers minimizes the credit risk. Also, the *Municipal Government Act 1998 c.18,s.1*. section 134 provides that properties may be sold to recover tax arrears.

There have been no changes in credit risk in the current year. At year-end, the amounts outstanding for the Town's accounts receivable are as follows:

| | 2025 | | | 2024 | | |
|---------------|-------------------|---------------------------|-------------------|-------------------|---------------------------|-------------------|
| | Taxes receivable | Less impairment allowance | Total | Taxes receivable | Less impairment allowance | Total |
| Current | \$ 60,396 | \$ - | \$ 60,396 | \$ 45,622 | \$ - | \$ 45,622 |
| 31 to 60 days | - | - | - | - | - | - |
| 61 to 90 days | - | - | - | - | - | - |
| Over 90 days | 199,923 | - | 199,923 | 121,228 | - | 121,228 |
| | \$ 260,319 | \$ - | \$ 260,319 | \$ 166,850 | \$ - | \$ 166,850 |

| | 2025 | | | 2024 | | |
|---------------|-------------------|---------------------------|-------------------|-------------------|---------------------------|-------------------|
| | Other receivables | Less impairment allowance | Total | Other receivables | Less impairment allowance | Total |
| Current | \$ 521,957 | \$ - | \$ 521,957 | \$ 334,328 | \$ - | \$ 334,328 |
| 31 to 60 days | 1,448 | - | 1,448 | 41,638 | - | 41,638 |
| 61 to 90 days | 14,753 | - | 14,753 | 40,037 | - | 40,037 |
| Over 90 days | 33,369 | - | 33,369 | 85,048 | - | 85,048 |
| | \$ 571,527 | \$ - | \$ 571,527 | \$ 501,051 | \$ - | \$ 501,051 |

Liquidity risk is the risk that the Town will encounter problems in raising funds to meet its commitments at maturity. The Town is exposed to liquidity risk through its payables and accruals, other liabilities, and long-term debt. Management believes the Town has ample working capital to meet its short-term obligations and therefore the exposure to liquidity risk is low.

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

10. FINANCIAL INSTRUMENTS (continued)

There have been no changes in liquidity risk in the current year. The following table sets out the maturities of financial liabilities:

| | 2025 | | | |
|-------------------|---------------------|--------------------|-------------------|-------------------|
| | Within 6 months | 6 months to 1 year | 1 to 5 years | Over 5 years |
| Accounts payable | \$ 911,253 | \$ - | \$ - | \$ - |
| Accrued interest | 16,489 | - | - | - |
| Holdbacks payable | - | 88,555 | - | - |
| Long-term debt | 189,766 | 17,604 | 970,836 | 157,950 |
| | \$ 1,117,508 | \$ 106,159 | \$ 970,836 | \$ 157,950 |

| | 2024 | | | |
|------------------|-------------------|--------------------|---------------------|------------------|
| | Within 6 months | 6 months to 1 year | 1 to 5 years | Over 5 years |
| Accounts payable | \$ 783,255 | \$ - | \$ - | \$ - |
| Accrued interest | 15,442 | - | - | - |
| Long-term debt | 166,069 | 17,604 | 1,009,979 | 89,177 |
| | \$ 964,766 | \$ 17,604 | \$ 1,009,979 | \$ 89,177 |

11. AMOUNTS CONTRIBUTED FOR PROVINCIALLY MANDATED SERVICES

| | Budget | 2025 | 2024 |
|-----------------------|---------------------|---------------------|---------------------|
| Education services | \$ 413,508 | \$ 453,583 | \$ 413,508 |
| Police services | 989,678 | 940,095 | 785,054 |
| Assessment services | 22,818 | 22,818 | 22,479 |
| Social housing | - | - | 116,110 |
| Correctional services | - | - | 22,742 |
| | \$ 1,426,004 | \$ 1,416,496 | \$ 1,359,893 |

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

11. AMOUNTS CONTRIBUTED FOR PROVINCIALLY MANDATED SERVICES (continued)

a. Education services

The Town is required to make a mandatory contribution to fund the cost of educational services provided by the Annapolis Valley Regional Centre for Education. The contribution is set by provincial formula and is reflected as a separate item in the Consolidated Statement of Operations.

b. Police services

The Town is required to provide police services, which it does through a contract with the Royal Canadian Mounted Police, (RCMP). The payment is set based on the agreement between the Province and the RCMP and is included in protective services.

c. Assessment services

The Town is required to pay a share of the cost of operating the Property Valuation Services Corporation (PVSC) based on the total municipal assessment cost times the average of the Town's share of the Uniform Assessment and the Town's share of assessment accounts. This expense is included in general government services.

12. CONTRIBUTIONS TO BOARDS AND AUTHORITIES

In addition to any budgeted contributions, the Town shares in the deficits or surpluses of these Boards and Authorities, based on their sharing percentage. The Town's share of any deficit is required to be paid in the next fiscal year, while a surplus is to be included in the next year's estimates.

a. Annapolis Valley Regional Library – 1.68% interest

For the year ended March 31, 2025, the Town contributed \$12,300 (2024 - \$12,300) to the Regional Library Board as its share of the deficit.

b. Valley Region Solid Waste-Resource Management Authority –1.90% interest

For the year ended March 31, 2025, the Town contributed \$124,603 (2024 - \$122,525) to the Authority as its share of the capital and operating expenditures.

c. Valley Regional Enterprise Network – 4.1% interest

For the year ended March 31, 2025, the Town contributed \$12,182 (2024 - \$12,182) to the Board as its share of the capital and operating expenditures.

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

13. PENSION PLAN

All full-time employees are members of a defined contribution pension plan. The Town's obligation is to contribute 6% of employees' gross salary to the pension plan. During the year, the Town's required contribution was \$49,973 (2024 - \$47,212) to the plan.

14. REMUNERATION AND EXPENSES

The total remuneration and expenses of Town Council and the Chief Administrative Officer for the 12 months ended March 31, 2025:

| | <u>Remuneration</u> | <u>Expenses</u> | <u>Total</u> |
|---|---------------------|-----------------|--------------|
| Mayor Sylvester Atkinson | \$ 9,660 | \$ 842 | \$10,502 |
| Deputy Mayor / Mayor G. Smith | 13,843 | 1,425 | 15,268 |
| Councillor / Deputy Mayor G. Marshall | 10,774 | 82 | 10,856 |
| Councillor J. Archibald | 4,025 | 456 | 4,481 |
| Councillor J. Bartlett | 9,632 | 3,876 | 13,508 |
| Councillor M. Fairn | 5,434 | - | 5,434 |
| Councillor S. Fournier | 4,025 | 2,114 | 6,139 |
| Councillor B. Knapp | 9,632 | 52 | 9,684 |
| Councillor C. LeBlanc | 5,434 | 179 | 5,613 |
| Councillor D. Smith | 4,025 | - | 4,025 |
| Chief Administrative Officer - A. Crocker | 141,108 | 3,853 | 144,961 |

15. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2025, the Water Utility has an annual rate of return on the rate base of 8.199% (8.768% in 2024).

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

16. CONTINGENCIES

The Town guaranteed its share of several loans taken by Valley Region Solid Waste-Resource Management Authority (VWRMA), as follows:

| MFC # | Balance outstanding at 3/31/25 | | Town of Middleton Share | | |
|--------|-----------------------------------|------------------|-------------------------|---------------|-------|
| | | | Amount | % | |
| 37-A-1 | \$ | 399,096 | \$ | 7,982 | 2.00% |
| 38-A-1 | | 54,814 | | 1,107 | 2.02% |
| 41-A-1 | | 318,959 | | 6,315 | 1.98% |
| 42-A-1 | | 540,083 | | 10,694 | 1.98% |
| 44-A-1 | | 474,092 | | 8,060 | 1.70% |
| 45-A-1 | | 1,202,846 | | 23,215 | 1.93% |
| | \$ | <u>2,989,890</u> | \$ | <u>57,373</u> | |

The Town is exposed to potential economic impacts resulting from ongoing uncertainty surrounding tariff and trade policies implemented by the United States and Canada. Changes in tariffs, particularly those related to infrastructure, vehicles, and construction materials, could lead to increased costs for municipal projects, procurement delays, or disruptions in supply chains.

Subsequent to year-end, the Town was notified that a federal tariff of approximately \$150,000 would be levied on certain materials required for construction of the new reservoir. On August 8, 2025, an invoice of \$118,453 plus HST was received for tariffs related to some of the tank components clearing customs on July 31. The remaining tank components are in transit. The final tariff total is not expected to exceed the estimate.

The extent and duration of any future tariff changes remain uncertain. Management continues to monitor developments and assess the potential implications for the Town's financial position and operations.

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

17. SEGMENTED INFORMATION

The Town is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, police, public transit, roads, waste and recycling services, water supply and distribution, wastewater treatment, libraries, and recreation and cultural services. Segmented information has been prepared by major functional classification of activities provided, consistent with the Consolidated Statement of Operations and provincially legislated requirements. The major segments are as follows:

General government services: Activities that provide for the overall operation of the Town and that are common to, or affect, all the services provided by the Town. This includes the activities of the Mayor and Council, and the following administrative activities: human resources, legal services, finance and information, communications and technology, and the office of the Chief Administrative Officer.

Protective services: Activities that provide for the public safety of the inhabitants of the Town. This includes police and fire protection and other protective services such as by-law enforcement and protective inspections.

Transportation services: Activities related to public transportation including road transport. This includes public transportation services offered throughout the Town using buses. Other transportation activities include the planning, development and maintenance of roads, traffic operations, parking, snow and ice control and street lighting.

Environmental health services: Activities that provide environmentally regulated services. This includes the collection of garbage and other waste material and through the Middleton Water Commission, water supply and distribution and wastewater treatment.

Environmental development services: Activities that support and control the Town's physical and economic development. This includes activities related to land use planning, zoning and development, activities related to the development of the industrial park, promotion of tourism and activities that enhance local economic development.

Recreation and cultural services: Activities related to the Town's recreation facilities, including the swimming pool, arena, parks, playgrounds, and sports fields. Activities that provide for cultural facilities such as the library and related programs.

Education services: Mandatory contributions to the Annapolis Valley Regional Centre for Education.

Water Utility: The Middleton Water Utility provides the delivery of drinking water through the supply, pumping, treatment, and distribution of water to its users.

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

17. SEGMENTED INFORMATION (continued)

Certain allocation methodologies are employed in the preparation of the segmented financial information. The General Operating Fund reports on municipal services that are funded primarily by property tax revenues. The Middleton Water Operating Fund reports on municipal services that are funded primarily by water rates.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

| CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE | General Government | Protective Services | Transport'n Services | Env. Health Services | Env. Develop't Services | Recreation and Cultural | Education | Water | 2025 | 2024 |
|---|---------------------|---------------------|----------------------|----------------------|-------------------------|-------------------------|---------------------|-------------------|---------------------|-------------------|
| REVENUE | | | | | | | | | | |
| Property taxes | \$ 3,238,398 | \$ 242,555 | \$ - | \$ 369,784 | \$ - | \$ - | \$ - | \$ - | \$ 3,850,737 | 3,572,652 |
| Grants in lieu of taxes | 130,888 | 23,923 | - | - | - | - | - | - | 154,811 | 154,417 |
| Services provided to other local governments | 4,622 | 68,935 | - | - | - | 80,000 | - | - | 153,557 | 119,379 |
| Sale of services | - | - | - | - | - | 50,506 | - | - | 50,506 | 50,441 |
| Other revenue from own sources | 204,318 | 4,740 | - | - | 5,988 | - | - | - | 215,046 | 272,165 |
| Unconditional transfers from other governments | 339,313 | - | - | - | - | 4,392 | - | - | 343,705 | 405,358 |
| Conditional trnsfrs from Federal or Provincial gov'ts | 107,313 | 1,000 | - | - | - | 42,849 | - | - | 151,162 | 29,526 |
| Water Utility | - | - | - | - | - | - | - | 1,455,181 | 1,455,181 | 726,563 |
| TOTAL REVENUE | 4,024,852 | 341,153 | - | 369,784 | 5,988 | 177,747 | - | 1,455,181 | 6,374,705 | 5,330,501 |
| EXPENDITURES | | | | | | | | | | |
| Salaries, wages and benefits | 360,805 | - | 405,711 | 68,437 | 124,004 | 221,209 | - | - | 1,180,166 | 1,245,339 |
| Operating costs | 246,704 | 1,229,265 | 350,946 | 297,533 | 61,665 | 166,864 | 453,583 | - | 2,806,560 | 2,746,181 |
| Interest on long-term debt | - | - | 15,367 | 27,818 | - | - | - | - | 43,185 | 41,096 |
| Amortization | 20,637 | 16,672 | 198,994 | 276,718 | 441 | 33,514 | - | - | 546,976 | 549,484 |
| Accretion | - | 2,767 | - | - | - | - | - | - | 2,767 | 2,694 |
| Water Utility | - | - | - | - | - | - | - | 697,361 | 697,361 | 568,989 |
| TOTAL EXPENDITURES | 628,146 | 1,248,704 | 971,018 | 670,506 | 186,110 | 421,587 | 453,583 | 697,361 | 5,277,015 | 5,153,783 |
| NET GAIN ON SALE OF TCA | - | - | - | - | - | - | - | - | - | 216,005 |
| SURPLUS (DEFICIT) | \$ 3,396,706 | \$ (907,551) | \$ (971,018) | \$ (300,722) | \$ (180,122) | \$ (243,840) | \$ (453,583) | \$ 757,820 | \$ 1,097,690 | \$ 392,723 |

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

18. BUDGET FIGURES

The Town budgets for rate setting purposes. The budgets include principal debt repayments, and transfers between funds, and do not include amortization (except for the Water Utility). The following adjustments to the annual surplus reconcile the operating budgets to the financial reporting presentation required under Canadian Public Sector Accounting Standards, (PSAS).

| | <u>2025</u> |
|--|---------------------|
| Approved budget surplus (deficit) for the year | |
| General operations | \$ 1,351 |
| Water Utility operations | \$ (39,023) |
| Approved budget surplus (deficit) for the year | <u>\$ (37,672)</u> |
| Elimination of: | |
| Transfers to (from) other funds | \$ 179,346 |
| Principal debt repayments | \$ 183,673 |
| Amortization of tangible capital assets | \$ (642,194) |
| Accretion of asset retirement obligation | \$ 2,767 |
| Net PSAS adjustments | <u>\$ (276,408)</u> |
| PSAS adjusted budget deficit per consolidated financial statements | <u>\$ (314,080)</u> |

TOWN OF MIDDLETON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2025

19. SUBSEQUENT EVENTS

Subsequent to year-end, the Town borrowed \$50,000 on MFC 45-A-1 to finance the purchase of a truck. The debenture is repayable over 10 years at interest rates between 2.72 and 4.086%.

Principal repayments required during the next five years and thereafter are as follows:

| | Existing debentures | MFC 45-A-1 | Total General Capital | Total Water Capital | Total |
|------------|------------------------|------------------|--------------------------|------------------------|---------------------|
| 2025/26 | \$ 207,370 | | \$ 207,370 | \$ - | \$ 207,370 |
| 2026/27 | 191,639 | 5,000 | 196,639 | - | 196,639 |
| 2027/28 | 182,343 | 5,000 | 187,343 | - | 187,343 |
| 2028/29 | 538,427 | 5,000 | 543,427 | - | 543,427 |
| 2029/30 | 58,427 | 5,000 | 63,427 | - | 63,427 |
| Thereafter | 157,950 | 30,000 | 187,950 | - | 187,950 |
| | <u>\$ 1,336,156</u> | <u>\$ 50,000</u> | <u>\$ 1,386,156</u> | <u>\$ -</u> | <u>\$ 1,386,156</u> |

Subsequent to year-end, on June 23, 2025, the Town of Middleton entered into an agreement to become a formal partner of Kings Transit Authority. This partnership agreement establishes Middleton as a funding and governance participant in the regional transit service. While the financial impact of the agreement will not affect the financial position as at March 31, 2025, it will result in future annual operating contributions and participation in capital funding decisions.

TOWN OF MIDDLETON

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GENERAL OPERATING FUND

AS AT MARCH 31, 2025
(UNAUDITED)

| | <u>2025</u> | <u>2024</u> |
|---|------------------|-------------------|
| ASSETS | | |
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | \$ 43,974 | \$ (649,170) |
| Taxes receivable (net of valuation allowance) | 260,319 | 166,850 |
| Other receivables | 87,088 | 82,184 |
| Harmonized sales tax | 137,643 | 143,093 |
| Due from provincial government | 6,927 | 6,652 |
| Due from other local governments | 10,226 | 14,748 |
| Due from own funds | 422,009 | 1,591,421 |
| | <u>968,186</u> | <u>1,355,778</u> |
| LIABILITIES | | |
| Bank indebtedness | - | - |
| Accounts payable | 727,048 | 664,764 |
| Other liabilities (tax sale surplus) | 16,992 | 16,992 |
| Due to federal government | 8,349 | 65,535 |
| Due to own funds, capital reserves | (18,495) | 267,755 |
| Accrued interest | 16,489 | 15,442 |
| Deferred revenue | 330,571 | 161,535 |
| | <u>1,080,954</u> | <u>1,192,023</u> |
| NET ASSETS | <u>(112,768)</u> | <u>163,755</u> |
| NON-FINANCIAL ASSETS | | |
| Prepaid expenses | <u>112,768</u> | <u>100,883</u> |
| SURPLUS | <u>\$ -</u> | <u>\$ 264,638</u> |

TOWN OF MIDDLETON

NON-CONSOLIDATED STATEMENT OF OPERATIONS GENERAL OPERATING FUND

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | | 2024 |
|--|---------------------|---------------------|-------------------|
| | Budget (Note 17) | Actual | Actual |
| REVENUE | | | |
| Assessable property taxes | \$ 3,436,805 | \$ 3,442,574 | \$ 3,203,952 |
| Grants in lieu of taxes | 157,277 | 154,811 | 154,417 |
| Services provided to other governments | 205,977 | 153,557 | 119,379 |
| Sales of services | 47,200 | 50,506 | 144,294 |
| Other revenue from own sources | 58,770 | 78,281 | 131,430 |
| Unconditional transfers from other governments | 310,687 | 343,705 | 405,358 |
| Conditional transfers from other governments | 30,308 | 53,543 | 29,526 |
| | <u>4,247,024</u> | <u>4,276,977</u> | <u>4,188,356</u> |
| EXPENSES | | | |
| General government services | 596,054 | 608,079 | 624,925 |
| Protective services | 1,506,322 | 1,504,446 | 1,287,749 |
| Transportation services | 784,451 | 772,356 | 819,134 |
| Environmental health services | 445,121 | 394,181 | 366,468 |
| Social services | - | - | 116,110 |
| Environmental development services | 211,991 | 185,669 | 286,030 |
| Recreation and cultural services | 428,399 | 424,369 | 398,995 |
| | <u>3,972,338</u> | <u>3,889,100</u> | <u>3,899,411</u> |
| NET REVENUE | <u>274,686</u> | <u>387,877</u> | <u>288,945</u> |
| FINANCING AND TRANSFERS | | | |
| Transfers to own reserves, funds and agencies | (273,335) | (652,515) | (291,645) |
| CHANGE IN FUND BALANCE | <u>\$ 1,351</u> | <u>\$ (264,638)</u> | <u>\$ (2,700)</u> |
| SURPLUS AT BEGINNING OF YEAR | | <u>264,638</u> | <u>267,338</u> |
| SURPLUS AT END OF YEAR | | <u>\$ -</u> | <u>\$ 264,638</u> |

TOWN OF MIDDLETON

NON-CONSOLIDATED SCHEDULE OF GENERAL OPERATING FUND REVENUES

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | | 2024 |
|--|---------------------|-------------------------|-----------------------|
| | Budget (Note 17) | Actual | Actual |
| REVENUE | | | |
| ASSESSABLE PROPERTY TAXES | | | |
| ASSESSABLE PROPERTY | | | |
| Residential | \$ 2,168,464 | \$ 2,170,284 | \$ 2,022,017 |
| Commercial property | 725,612 | 767,928 | 695,748 |
| Based on special tax agreements or legislation | 103,861 | 103,773 | 87,231 |
| | <u>2,997,937</u> | <u>3,041,985</u> | <u>2,804,996</u> |
| RESOURCE | | | |
| Taxable assessments | 5,584 | 5,584 | 4,907 |
| Forest property tax | 25 | 23 | 25 |
| Fire protection rate | 257,860 | 242,555 | 259,029 |
| | <u>263,469</u> | <u>248,162</u> | <u>263,961</u> |
| SPECIAL ASSESSMENTS | | | |
| Sewer | 428,161 | 369,784 | 382,353 |
| Bylaw enforcement lien | - | 50,839 | - |
| | <u>428,161</u> | <u>420,623</u> | <u>382,353</u> |
| SPECIAL ASSESSMENTS | | | |
| BUSINESS PROPERTY | | | |
| Based on revenues - Aliant | 9,001 | 8,590 | 8,655 |
| Nova Scotia Power Inc. - Grant in lieu of taxes | 745 | 745 | 716 |
| Nova Scotia Power Inc. - HST rebate | 16,000 | 13,071 | 15,128 |
| | <u>25,746</u> | <u>22,406</u> | <u>24,499</u> |
| OTHER TAXES | | | |
| Deed transfer tax | 135,000 | 162,981 | 141,651 |
| | <u>135,000</u> | <u>162,981</u> | <u>141,651</u> |
| LESS: EDUCATION EXPENDITURE AS A REDUCTION OF TAX REVENUE | | | |
| APPROPRIATION TO REGIONAL SCHOOL BOARD | (413,508) | (453,583) | (413,508) |
| TOTAL TAXES | <u>3,436,805</u> | <u>3,442,574</u> | <u>3,203,952</u> |
| GRANTS IN LIEU OF TAXES | | | |
| Federal government | 31,821 | 31,472 | 30,261 |
| Provincial government | | | |
| Provincial property and property of supported institutions | 101,533 | 99,416 | 124,156 |
| Fire protection | 23,923 | 23,923 | - |
| TOTAL GRANTS IN LIEU OF TAXES | <u>157,277</u> | <u>154,811</u> | <u>154,417</u> |

TOWN OF MIDDLETON

NON-CONSOLIDATED SCHEDULE OF GENERAL OPERATING FUND REVENUES (CONTINUED)

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | 2024 |
|---|---------------------|---------------------|
| | Budget (Note 17) | Actual |
| | | Actual |
| SERVICES PROVIDED TO OTHER GOVERNMENTS | | |
| Other local governments | 205,977 | 119,379 |
| TOTAL SERVICES PROVIDED TO OTHER GOVERNMENTS | 205,977 | 119,379 |
| SALES OF SERVICES | | |
| General government services | - | 35,107 |
| Transportation services | - | 58,827 |
| Recreation and cultural services | 47,200 | 50,360 |
| TOTAL SALES OF SERVICES | 47,200 | 144,294 |
| OTHER REVENUE FROM OWN SOURCES | | |
| Licenses and permits | 8,000 | 6,299 |
| Fines | 2,480 | 3,460 |
| Rentals | 5,983 | 45,009 |
| Return on investments | 257 | 16,819 |
| Penalties and interest on taxes | 40,000 | 51,595 |
| Miscellaneous | 2,050 | 8,248 |
| TOTAL OTHER REVENUE FROM OWN SOURCES | 58,770 | 131,430 |
| UNCONDITIONAL TRANSFERS FROM OTHER GOVERNMENTS | | |
| Provincial government | | |
| Service Nova Scotia and Municipal Relations | | |
| Municipal Grants Act - Equalization | 288,073 | 338,073 |
| Municipal Government Act - Farm property acreage | 908 | 879 |
| Other government | 21,706 | 66,406 |
| TOTAL UNCONDITIONAL TRANSFERS FROM OTHER GOVERNMENTS | 310,687 | 405,358 |
| CONDITIONAL TRANSFERS FROM OTHER GOVERNMENTS | | |
| Federal government | 4,308 | 3,526 |
| Provincial government | 26,000 | 26,000 |
| TOTAL CONDITIONAL TRANSFERS FROM OTHER GOVERNMENTS | 30,308 | 29,526 |
| TOTAL REVENUE | \$ 4,247,024 | \$ 4,188,356 |

TOWN OF MIDDLETON

NON-CONSOLIDATED SCHEDULE OF GENERAL OPERATING FUND EXPENDITURES

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | | 2024 |
|---|---------------------|------------------|------------------|
| | Budget (Note 17) | Actual | Actual |
| EXPENDITURES | | | |
| GENERAL GOVERNMENT SERVICES | | | |
| LEGISLATIVE | | | |
| Mayor remuneration | \$ 12,056 | \$ 11,592 | \$ 11,834 |
| Mayor expenses | 1,365 | 1,538 | 1,772 |
| Council remuneration | 44,186 | 40,935 | 43,149 |
| Council expenses | 4,104 | 4,965 | 2,991 |
| | <u>61,710</u> | <u>59,030</u> | <u>59,746</u> |
| GENERAL ADMINISTRATIVE | | | |
| Administrative | 96,040 | 83,685 | 85,186 |
| Financial management | 323,776 | 340,877 | 334,270 |
| Taxation | | | |
| Tax rebates | 21,851 | 20,503 | 21,760 |
| Transfer to Property Valuation Services Corporation | 22,818 | 22,818 | 22,479 |
| Other taxation | - | 50 | - |
| Common services | 36,095 | 33,270 | 80,878 |
| Other general administrative services | 14,250 | 20,259 | 14,015 |
| | <u>514,830</u> | <u>521,462</u> | <u>558,588</u> |
| DEBT CHARGES | | | |
| Other debt charges | 7,000 | 19,834 | 6,591 |
| | <u>7,000</u> | <u>19,834</u> | <u>6,591</u> |
| OTHER GENERAL GOVERNMENT SERVICES | | | |
| Elections and plebiscites | 12,514 | 7,753 | - |
| | <u>12,514</u> | <u>7,753</u> | <u>-</u> |
| TOTAL GENERAL GOVERNMENT SERVICES | <u>596,054</u> | <u>608,079</u> | <u>624,925</u> |
| PROTECTIVE SERVICES | | | |
| Police protection | 989,678 | 940,095 | 785,054 |
| Law enforcement - transfer to Correctional Services | - | - | 22,742 |
| Other | 59,273 | 50,363 | 51,290 |
| | <u>1,048,951</u> | <u>990,458</u> | <u>859,086</u> |
| Fire protection | | | |
| Water supply and hydrants | 257,860 | 274,755 | 259,029 |
| Other | 187,053 | 177,248 | 153,709 |
| | <u>444,913</u> | <u>452,003</u> | <u>412,738</u> |
| Emergency measures | 11,624 | 11,146 | 14,805 |
| Other protective services | 834 | 50,839 | 1,120 |
| TOTAL PROTECTIVE SERVICES | <u>1,506,322</u> | <u>1,504,446</u> | <u>1,287,749</u> |

TOWN OF MIDDLETON

NON-CONSOLIDATED SCHEDULE OF GENERAL OPERATING FUND EXPENDITURES (CONTINUED)

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | 2024 |
|---|---------------------|------------------|
| | Budget (Note 17) | Actual Actual |
| TRANSPORTATION SERVICES | | |
| Common services | 315,695 | 241,117 |
| Road transport | | 326,622 |
| Roads and streets | 380,005 | 442,736 |
| Street lighting | 31,234 | 33,118 |
| Traffic services | 20,649 | 20,018 |
| | <u>747,583</u> | <u>790,773</u> |
| Public transit | 21,500 | 20,000 |
| Debt charges | | |
| Debenture interest | 15,368 | 15,367 |
| | <u>15,368</u> | <u>8,361</u> |
| TOTAL TRANSPORTATION SERVICES | <u>784,451</u> | <u>819,134</u> |
| ENVIRONMENTAL HEALTH SERVICES | | |
| Administration | 11,889 | 11,809 |
| Sewage collection systems | 16,307 | 12,096 |
| Sewage lift stations | 35,936 | 25,710 |
| Sewage treatment and disposal | 192,365 | 185,617 |
| | <u>256,497</u> | <u>202,208</u> |
| Garbage and waste collection | 160,806 | 131,131 |
| Debt charges | | |
| Debenture interest | 27,818 | 27,818 |
| Term loan interest | - | - |
| | <u>27,818</u> | <u>32,733</u> |
| TOTAL ENVIRONMENTAL HEALTH SERVICES | <u>445,121</u> | <u>366,468</u> |
| SOCIAL SERVICES | | |
| Housing - deficit of Regional Housing Authority | - | 116,110 |
| | <u>-</u> | <u>116,110</u> |
| TOTAL SOCIAL SERVICES | <u>-</u> | <u>116,110</u> |

TOWN OF MIDDLETON

NON-CONSOLIDATED SCHEDULE OF GENERAL OPERATING FUND EXPENDITURES (CONTINUED)

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | | 2024 |
|--|---------------------|----------------------------|---------------------|
| | Budget (Note 17) | Actual | Actual |
| ENVIRONMENTAL DEVELOPMENT SERVICES | | | |
| Environmental planning and zoning | | | |
| Administration | 135,145 | 127,860 | 197,730 |
| Other community development | 58,921 | 38,313 | 60,532 |
| Industrial parks | 12,182 | 12,182 | 12,182 |
| | <u>206,248</u> | <u>178,355</u> | <u>270,444</u> |
| Other environmental development services - tourism | 5,222 | 6,903 | 15,237 |
| Other environmental development services | 521 | 411 | 349 |
| | <u>5,743</u> | <u>7,314</u> | <u>15,586</u> |
| TOTAL ENVIRONMENTAL DEVELOPMENT SERVICES | <u>211,991</u> | <u>185,669</u> | <u>286,030</u> |
| RECREATION AND CULTURAL SERVICES | | | |
| Recreation facilities | | | |
| Administration | 161,993 | 154,954 | 162,739 |
| Swimming pools | 13,059 | 12,913 | 12,937 |
| Skating rinks and arenas | 16,623 | 24,997 | 16,404 |
| Parks, playgrounds and sports fields | 158,787 | 159,658 | 151,925 |
| | <u>350,460</u> | <u>352,522</u> | <u>344,005</u> |
| Cultural buildings and facilities | | | |
| Library - local branch | 12,300 | 12,300 | 12,300 |
| Library - other | 17,939 | 19,953 | 18,669 |
| Other - museum commission | 18,500 | 15,347 | 3,500 |
| | <u>48,739</u> | <u>47,600</u> | <u>34,469</u> |
| Other recreation and cultural services | 29,200 | 24,247 | 20,521 |
| TOTAL RECREATION AND CULTURAL SERVICES | <u>428,399</u> | <u>424,369</u> | <u>398,995</u> |
| TOTAL EXPENDITURES | <u>\$ 3,972,338</u> | <u>\$ 3,889,100</u> | <u>\$ 3,899,411</u> |

TOWN OF MIDDLETON

NON-CONSOLIDATED SCHEDULE OF FINANCING AND TRANSFERS OF THE GENERAL OPERATING FUND

**YEAR ENDED MARCH 31, 2025
(UNAUDITED)**

| | 2025 | | 2024 |
|--|---------------------|--------------------------|-------------------|
| | Budget (Note 17) | Actual | Actual |
| FINANCING AND TRANSFERS | | | |
| TRANSFERS TO (FROM) OWN RESERVES, FUNDS AND AGENCIES | | | |
| Transfer to - general capital fund, retire Debenture principal | \$ 183,673 | \$ 183,673 | \$ 225,573 |
| Transfer to - general capital fund, retire SRF debt | 36,899 | 37,337 | 54,104 |
| Transfer to - reserve fund interest | 2,763 | 2,851 | 4,334 |
| Transfer to - reserve funds | 50,000 | 50,000 | 52,661 |
| | <u>273,335</u> | <u>273,861</u> | <u>336,672</u> |
| CHANGE IN EQUITY | | | |
| Transfer prior year surplus to operating reserve | - | 264,674 | - |
| Transfer current year surplus to operating reserve | - | 113,980 | - |
| Use of prior years' surplus | - | - | (45,027) |
| | | | <u>(45,027)</u> |
| TOTAL FINANCING AND TRANSFERS | <u>\$ 273,335</u> | <u>\$ 652,515</u> | <u>\$ 291,645</u> |

TOWN OF MIDDLETON

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE WATER UTILITY OPERATING FUND

AS AT MARCH 31, 2025
(UNAUDITED)

| | 2025 | 2024 |
|---|-------------------|-------------------|
| ASSETS | | |
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | \$ 647,758 | \$ 1,255,873 |
| Rates receivable (net of asset valuation of \$NIL (2024-\$NIL)) | 197,259 | 225,106 |
| Prepaid expenses | - | 4,401 |
| Harmonized sales tax | 132,384 | 29,270 |
| Due from general operating fund | (18,496) | 267,795 |
| Due from water capital fund | 201,184 | - |
| | <u>1,160,089</u> | <u>1,782,445</u> |
| LIABILITIES | | |
| Accounts payable | 158,864 | 35,964 |
| Due to general operating fund | 84,627 | - |
| Due to water capital fund | - | 1,003,978 |
| | <u>243,491</u> | <u>1,039,942</u> |
| SURPLUS | <u>\$ 916,598</u> | <u>\$ 742,503</u> |

TOWN OF MIDDLETON

NON-CONSOLIDATED SCHEDULE OF FINANCIAL ACTIVITIES OF THE WATER UTILITY OPERATING FUND

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | | 2024 |
|---|---------------------|-------------------|------------|
| | Budget (Note 17) | Actual | Actual |
| OPERATING REVENUE | | | |
| Metered sales | \$ 608,714 | \$ 624,365 | \$ 621,346 |
| Flat rate sales | 900 | 1,039 | 953 |
| Public fire protection | 276,410 | 275,755 | 278,602 |
| Sprinkler service | - | 3,050 | 3,350 |
| Other operational revenue | 6,720 | 4,703 | 18,416 |
| TOTAL OPERATING REVENUE | 892,745 | 908,912 | 922,667 |
| OPERATING EXPENDITURES | | | |
| Source of supply | 53,572 | 1,056 | 57,013 |
| Power and pumping | 79,876 | 56,548 | 53,720 |
| Water treatment | 45,318 | 52,421 | 45,123 |
| Transmission and distribution | 275,633 | 243,161 | 175,733 |
| Administration and general | 261,972 | 223,664 | 250,369 |
| Depreciation | 80,883 | 88,398 | 80,883 |
| Taxes | 45,576 | 45,421 | 44,809 |
| TOTAL OPERATING EXPENDITURES | 842,830 | 710,669 | 707,650 |
| NET OPERATING REVENUE | 49,915 | 198,243 | 215,017 |
| Non-operating revenue | | | |
| Other | 1,010 | 65,800 | 76,855 |
| Non-operating expenditures | | | |
| Transfer to Reservoir Reserve Fund | 89,948 | 89,948 | 89,948 |
| | 89,948 | 89,948 | 89,948 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | \$ (39,023) | 174,095 | 201,924 |
| SURPLUS AT BEGINNING OF YEAR | | 742,503 | 540,579 |
| SURPLUS AT END OF YEAR | | \$ 916,598 | \$ 742,503 |

TOWN OF MIDDLETON

SCHEDULE TO NON-CONSOLIDATED SCHEDULE OF FINANCIAL ACTIVITIES OF THE WATER UTILITY OPERATING FUND

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | | 2024 |
|--|---------------------|-------------------|-------------------|
| | Budget (Note 17) | Actual | Actual |
| SOURCE OF SUPPLY | | | |
| Supplies and expenses | \$ 53,203 | \$ 180 | \$ 56,899 |
| Maintenance of plant | 370 | 876 | 114 |
| | <u>53,572</u> | <u>1,056</u> | <u>57,013</u> |
| POWER AND PUMPING | | | |
| Power | 34,907 | 12,511 | 10,450 |
| Maintenance | 44,968 | 44,037 | 43,270 |
| | <u>79,876</u> | <u>56,548</u> | <u>53,720</u> |
| WATER TREATMENT | | | |
| Labour | 6,802 | - | 920 |
| Supplies and expenses | 35,979 | 51,049 | 43,596 |
| Maintenance of structures and improvements | 2,538 | 1,372 | 607 |
| | <u>45,318</u> | <u>52,421</u> | <u>45,123</u> |
| TRANSMISSION AND DISTRIBUTION | | | |
| Maintenance of mains | 148,998 | 165,373 | 129,323 |
| Maintenance of other distribution plant | 82,221 | 38,304 | 13,452 |
| Transportation expenses | 26,887 | 32,179 | 28,069 |
| Shop expenses | 17,527 | 7,305 | 4,889 |
| | <u>275,633</u> | <u>243,161</u> | <u>175,733</u> |
| ADMINISTRATION AND GENERAL | | | |
| Supervision | 168,243 | 95,556 | 164,036 |
| Consumer billing and accounting | 7,536 | 9,195 | 3,936 |
| Uncollectible accounts | 116 | 253 | - |
| Employee benefits | 12,073 | 12,073 | 11,802 |
| General office expenses | 47,836 | 67,469 | 42,696 |
| Audit | 8,871 | 17,071 | 7,390 |
| Other professional fees | - | 3,711 | - |
| Regulatory expense | 2,086 | 1,740 | 1,690 |
| Maintenance of general property | 2,175 | 2,720 | 12,426 |
| Miscellaneous general expenses | 13,036 | 13,876 | 6,393 |
| | <u>\$ 261,972</u> | <u>\$ 223,664</u> | <u>\$ 250,369</u> |

TOWN OF MIDDLETON

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GENERAL CAPITAL FUND

AS AT MARCH 31, 2025
(UNAUDITED)

| | 2025 | 2024 |
|---|---------------------|---------------------|
| ASSETS | | |
| FINANCIAL ASSETS | | |
| Due from reserve funds | \$ 21,337 | \$ 66,280 |
| | <u>21,337</u> | <u>66,280</u> |
| LIABILITIES | | |
| Due to general operating fund | 297,397 | 527,855 |
| Loans from reserve funds | 46,139 | 83,477 |
| Long-term debt (Note 6) | 1,336,156 | 1,282,829 |
| Asset retirement obligation (Note 5) | 105,239 | 102,472 |
| Vested interest - Annapolis County | 12,168 | 12,168 |
| | <u>1,797,099</u> | <u>2,008,801</u> |
| NET DEBT | <u>(1,775,762)</u> | <u>(1,942,521)</u> |
| NON-FINANCIAL ASSETS | | |
| Work in progress | 315,501 | 315,501 |
| Capital assets, at cost (Note 7) | 20,523,878 | 20,326,698 |
| Accumulated allowance for amortization (Note 7) | (11,575,003) | (11,028,027) |
| | <u>9,264,376</u> | <u>9,614,172</u> |
| | <u>\$ 7,488,614</u> | <u>\$ 7,671,651</u> |
| SURPLUS (DEFICIT) | \$ (3,400,980) | \$ (3,621,066) |
| INVESTMENT IN CAPITAL ASSETS (Note 7) | 10,889,594 | 11,292,717 |
| TOTAL FUND BALANCE | <u>\$ 7,488,614</u> | <u>\$ 7,671,651</u> |

TOWN OF MIDDLETON

NON-CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES OF THE GENERAL CAPITAL FUND

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | 2024 |
|--|-----------------------|-----------------------|
| REVENUE | | |
| Interest income | \$ - | \$ 2 |
| Capital grant revenue - other local | 20,793 | - |
| Proceeds from sale of assets | - | 243,427 |
| | 20,793 | 243,429 |
| EXPENDITURES | | |
| Tangible capital purchases (includes work in progress) | 197,180 | 324,611 |
| Accretion of asset retirement obligation | 2,767 | 2,694 |
| | (179,154) | (83,876) |
| FINANCING AND TRANSFERS | | |
| Proceeds on issuance of debt | 237,000 | - |
| Redeem long term debt | (183,673) | (225,573) |
| Transfers from (to) own reserves, funds and agencies | | |
| Transfer from sewer capital reserve | - | 8,265 |
| Transfer from operating, retire short-term debt | 37,337 | 69,989 |
| Transfer from operating, retire long-term debt | 183,673 | 225,573 |
| Transfer from gas tax reserve | 76,825 | - |
| Transfer from operating reserve, capital expenditures | 22,204 | 12,554 |
| Transfer from/(to) other reserves | 25,874 | (154,095) |
| Total net transfers | 345,913 | 162,286 |
| TOTAL FINANCING AND TRANSFERS | 399,240 | (63,287) |
| CHANGE IN FUND BALANCE | 220,086 | (147,163) |
| SURPLUS (DEFICIT) AT BEGINNING OF YEAR | (3,621,066) | (3,473,903) |
| SURPLUS (DEFICIT) AT END OF YEAR | \$ (3,400,980) | \$ (3,621,066) |

TOWN OF MIDDLETON

NON-CONSOLIDATED SCHEDULE OF INVESTMENT IN CAPITAL ASSETS OF THE GENERAL CAPITAL FUND

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | 2024 |
|--|----------------------|----------------------|
| BALANCE, BEGINNING OF YEAR | \$ 11,292,717 | \$ 11,319,439 |
| Add: | | |
| Tangible capital purchases (includes work in progress) | 197,180 | 324,611 |
| Debentures redeemed | 183,673 | 225,573 |
| Gain on disposal of tangible capital assets | - | 216,005 |
| | 380,853 | 766,189 |
| Deduct: | | |
| Proceeds from sale of assets | - | 243,427 |
| Proceeds on issuance of debt | 237,000 | - |
| Depreciation of capital assets | 546,976 | 549,484 |
| | 783,976 | 792,911 |
| | (403,123) | (26,722) |
| BALANCE, END OF YEAR | \$ 10,889,594 | \$ 11,292,717 |

TOWN OF MIDDLETON

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE WATER UTILITY CAPITAL FUND

AS AT MARCH 31, 2025
(UNAUDITED)

| | 2025 | 2024 |
|---|---------------------|---------------------|
| ASSETS | | |
| FINANCIAL ASSETS | | |
| Cash - depreciation reserve | \$ 225,834 | \$ 203,432 |
| Cash - special reserve | 3,252,400 | 3,816,816 |
| Due from town general fund | 17,127 | - |
| Due from water operating fund | (201,182) | 1,003,978 |
| | <u>3,294,179</u> | <u>5,024,226</u> |
| LIABILITIES | | |
| Due to town general fund | - | 995,530 |
| Holdbacks payable | 88,555 | - |
| Deferred grant revenue | 2,824,357 | 3,465,052 |
| | <u>2,912,912</u> | <u>4,460,582</u> |
| NET DEBT | <u>381,267</u> | <u>563,644</u> |
| NON-FINANCIAL ASSETS | | |
| Work in progress | 1,486,462 | 418,538 |
| Capital assets (Note 6) | 4,467,958 | 4,414,029 |
| Accumulated allowance for amortization (Note 6) | (2,050,185) | (1,961,786) |
| | <u>3,904,235</u> | <u>2,870,781</u> |
| | <u>\$ 4,285,502</u> | <u>\$ 3,434,425</u> |
| INVESTMENT IN CAPITAL ASSETS | <u>3,705,585</u> | <u>2,758,367</u> |
| DEPRECIATION RESERVE FUND | <u>275,895</u> | <u>234,346</u> |
| SPECIAL RESERVE FUND | <u>304,022</u> | <u>441,712</u> |
| TOTAL FUND BALANCE | <u>\$ 4,285,502</u> | <u>\$ 3,434,425</u> |

TOWN OF MIDDLETON

NON-CONSOLIDATED SCHEDULE OF FINANCIAL ACTIVITIES OF THE WATER UTILITY INVESTMENT IN CAPITAL ASSETS

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| BALANCE, BEGINNING OF YEAR | \$ 2,758,367 | \$ 2,729,281 |
| Add: | | |
| Transfer from Depreciation Reserve for Capital Asset purchases | 55,362 | 49,969 |
| Transfer from Reservoir Reserve for Capital Asset purchases | 1,012,366 | - |
| Transfer from Town general capital reserve, capital expenditures | - | 60,000 |
| Proceeds from sale of assets | - | - |
| | 1,067,728 | 109,969 |
| Deduct: | | |
| Depreciation of capital assets | 88,398 | 80,883 |
| Write-down of assets | 32,112 | - |
| | 120,510 | 80,883 |
| Change in Investment in Capital Assets | 947,218 | 29,086 |
| BALANCE, END OF YEAR | \$ 3,705,585 | \$ 2,758,367 |

TOWN OF MIDDLETON

NON-CONSOLIDATED SCHEDULE OF FINANCIAL ACTIVITIES OF THE WATER UTILITY DEPRECIATION RESERVE FUND

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | 2024 |
|--|-------------------|-------------------|
| BALANCE, BEGINNING OF YEAR | \$ 234,346 | \$ 196,396 |
| Add: | | |
| Depreciation | 88,398 | 80,883 |
| Interest earned | 8,513 | 7,036 |
| | 96,911 | 87,919 |
| Deduct: | | |
| Use of Depreciation Reserve for capital expenditures | 55,362 | 49,969 |
| | 41,549 | 37,950 |
| BALANCE, END OF YEAR | \$ 275,895 | \$ 234,346 |
| Composed of: | | |
| Cash in bank | \$ 225,834 | \$ 203,432 |
| Due from Water Operating Fund | 50,061 | 30,914 |
| | \$ 275,895 | \$ 234,346 |

TOWN OF MIDDLETON

NON-CONSOLIDATED SCHEDULE OF FINANCIAL ACTIVITIES OF THE WATER UTILITY SPECIAL RESERVOIR RESERVE FUND

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | 2024 |
|---|-------------------|-------------------|
| BALANCE, BEGINNING OF YEAR | \$ 441,712 | \$ 351,418 |
| Add: | | |
| Interest earned | 144,033 | 346 |
| Transfer to Reservoir Reserve | 89,948 | 89,948 |
| Capital grant revenue | 640,695 | - |
| | 874,676 | 90,294 |
| Less: | | |
| Use of Reservoir Reserve for capital expenditures | 1,012,366 | - |
| | (137,690) | 90,294 |
| BALANCE, END OF YEAR | \$ 304,022 | \$ 441,712 |
| Composed of: | | |
| Cash in bank | \$ 3,252,400 | \$ 3,816,816 |
| Due (to)/from water operating fund | (35,466) | 89,948 |
| Holdbacks payable | (88,555) | - |
| Deferred grant revenue | (2,824,357) | (3,465,052) |
| | \$ 304,022 | \$ 441,712 |

TOWN OF MIDDLETON

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE RESERVE FUNDS

AS AT MARCH 31, 2025
(UNAUDITED)

| | <u>2025</u> | <u>2024</u> |
|-------------------------------|---------------------|---------------------|
| ASSETS | | |
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | \$ 4,207,915 | \$ 3,599,213 |
| Loans to general capital fund | 46,136 | 83,474 |
| | <u>\$ 4,254,051</u> | <u>\$ 3,682,687</u> |
| LIABILITIES | | |
| Due to general capital fund | \$ 21,337 | \$ 66,280 |
| Due to operating fund | 57,113 | 68,077 |
| | <u>78,450</u> | <u>134,357</u> |
| SURPLUS | <u>4,175,601</u> | <u>3,548,330</u> |
| | <u>\$ 4,254,051</u> | <u>\$ 3,682,687</u> |

Draft - For Discussion Purposes

TOWN OF MIDDLETON

NON-CONSOLIDATED SCHEDULE OF FINANCIAL ACTIVITIES OF THE RESERVE FUNDS

YEAR ENDED MARCH 31, 2025
(UNAUDITED)

| | 2025 | | | 2024 |
|--|----------------------|---------------------|---------------------|---------------------|
| | General Operating | General Capital | Total | Total |
| REVENUE | | | | |
| Federal government - gas tax | \$ - | \$ 154,324 | \$ 154,324 | \$ 156,699 |
| Interest - bank | 24,824 | 126,820 | 151,644 | 150,099 |
| Public donations | - | 14,665 | 14,665 | 6,793 |
| | 24,824 | 295,809 | 320,633 | 313,591 |
| EXPENDITURES | | | | |
| Bank charges | - | - | - | 40 |
| NET REVENUE | 24,824 | 295,809 | 320,633 | 313,551 |
| FINANCING AND TRANSFERS | | | | |
| Transfers from (to) own reserves, funds and agencies | | | | |
| General operating | 378,654 | 50,000 | 428,654 | (19,025) |
| General capital | (22,204) | (102,663) | (124,867) | 144,014 |
| Water capital | - | - | - | (60,000) |
| General operating, interest | 86 | 2,765 | 2,851 | 4,334 |
| TOTAL FINANCING AND TRANSFERS | 356,536 | (49,898) | 306,638 | 69,323 |
| CHANGE IN FUND BALANCE | 381,360 | 245,911 | 627,271 | 382,874 |
| SURPLUS (DEFICIT) AT BEGINNING OF YEAR | 509,392 | 3,038,938 | 3,548,330 | 3,165,456 |
| SURPLUS (DEFICIT) AT END OF YEAR | \$ 890,752 | \$ 3,284,849 | \$ 4,175,601 | \$ 3,548,330 |

TOWN OF MIDDLETON

**NON-CONSOLIDATED DETAIL SCHEDULE OF FINANCIAL ACTIVITIES
AND BALANCES OF THE RESERVE FUNDS
YEAR ENDED MARCH 31, 2025
(UNAUDITED)**

| 2024-25 | Equipment | Debenture | Industrial Park Land sale surplus | Recreation | Sewer | Elementary School Land sale surplus | General Capital | Operating | CCBF (Gas Tax) | Fire Capital | Community Centre & Fire Hall | Total |
|-----------------------------------|------------|-----------|---|------------|------------|---|--------------------|--------------|-------------------|--------------|------------------------------------|--------------|
| Opening Balance | \$ 114,837 | \$ 5,017 | \$ 273,448 | \$ 1,407 | \$ 626,124 | \$ 104,639 | \$ - | \$ 509,392 | \$ 355,049 | \$ 2,612 | \$ 1,555,805 | \$ 3,548,330 |
| Grant income | - | - | - | - | - | - | - | - | 154,324 | - | - | 154,324 |
| Donations | - | - | - | - | - | - | - | - | - | - | 14,665 | 14,665 |
| Interest income - bank | - | - | - | - | 26,916 | - | 18,406 | 24,824 | 14,879 | 111 | 66,508 | 151,644 |
| Interest income - interfund loans | - | - | - | - | - | - | 2,765 | 86 | - | - | - | 2,851 |
| Interfund account transfers | (114,837) | (5,017) | (273,448) | (1,407) | - | (104,639) | 499,364 | - | (16) | - | - | - |
| Transfers in/(out) from Operating | - | - | - | - | 50,000 | - | - | 378,654 | - | - | - | 428,654 |
| Transfers in/(out) to Capital | - | - | - | - | - | - | (23,114) | (22,204) | (76,826) | (2,723) | - | (124,867) |
| Closing Balance | \$ - | \$ - | \$ - | \$ - | \$ 703,040 | \$ - | \$ 497,421 | \$ 890,752 | \$ 447,410 | \$ - | \$ 1,636,978 | \$ 4,175,601 |
| Composed of: | | | | | | | | | | | | |
| Cash in bank | \$ - | \$ - | \$ - | \$ - | \$ 711,305 | \$ - | \$ 431,273 | \$ 1,039,684 | \$ 385,952 | \$ 2,723 | \$ 1,636,978 | \$ 4,207,915 |
| Due (to)/from Operating | - | - | - | - | - | - | - | (134,274) | 77,161 | - | - | (57,113) |
| Due (to)/from Capital | - | - | - | - | (8,265) | - | 20,012 | (14,658) | (15,703) | (2,723) | - | (21,337) |
| Loans receivable from Capital | - | - | - | - | - | - | 46,136 | - | - | - | - | 46,136 |
| | \$ - | \$ - | \$ - | \$ - | \$ 703,040 | \$ - | \$ 497,421 | \$ 890,752 | \$ 447,410 | \$ - | \$ 1,636,978 | \$ 4,175,601 |

| 2023-24 | Equipment | Debenture | Industrial Park Land sale surplus | Recreation | Sewer | Elementary School Land sale surplus | General Capital | Operating | CCBF (Gas Tax) | Fire Capital | Community Centre & Fire Hall | Total |
|-------------------------------------|------------|-----------|---|------------|------------|---|--------------------|------------|-------------------|--------------|------------------------------------|--------------|
| Opening Balance | \$ 65,060 | \$ 4,782 | \$ 190,219 | \$ 1,407 | \$ 557,217 | \$ 127,722 | \$ - | \$ 551,182 | \$ 188,981 | \$ 2,490 | \$ 1,476,396 | \$ 3,165,456 |
| Grant income | - | - | - | - | - | - | - | - | 156,699 | - | - | 156,699 |
| Donations | - | - | - | - | - | - | - | - | - | - | 6,793 | 6,793 |
| Interest income - bank | 1,593 | 235 | 8,263 | - | 27,172 | 3,666 | - | 27,063 | 9,369 | 122 | 72,616 | 150,099 |
| Interest income - interfund loans | 226 | - | 3,259 | - | - | 677 | - | 172 | - | - | - | 4,334 |
| Bank charge | - | - | - | - | - | (40) | - | - | - | - | - | (40) |
| Transfers in/(out) from Operating | - | - | - | - | 50,000 | - | - | (69,025) | - | - | - | (19,025) |
| Transfers in/(out) to Capital | 47,958 | - | 131,707 | - | (8,265) | (27,386) | - | - | - | - | - | 144,014 |
| Transfers in/(out) to Water Capital | - | - | (60,000) | - | - | - | - | - | - | - | - | (60,000) |
| Closing Balance | \$ 114,837 | \$ 5,017 | \$ 273,448 | \$ 1,407 | \$ 626,124 | \$ 104,639 | \$ - | \$ 509,392 | \$ 355,049 | \$ 2,612 | \$ 1,555,805 | \$ 3,548,330 |
| Composed of: | | | | | | | | | | | | |
| Cash in bank | \$ 42,299 | \$ 5,017 | \$ 320,200 | \$ 1,445 | \$ 634,389 | \$ 100,955 | \$ - | \$ 581,458 | \$ 355,033 | \$ 2,612 | \$ 1,555,805 | \$ 3,599,213 |
| Due (to)/from Operating | (66) | - | (865) | (38) | - | (331) | - | (66,793) | 16 | - | - | (68,077) |
| Due (to)/from Capital | 67,870 | - | (97,209) | - | (8,265) | (19,787) | - | (8,889) | - | - | - | (66,280) |
| Loans receivable from Capital | 4,734 | - | 51,322 | - | - | 23,802 | - | 3,616 | - | - | - | 83,474 |
| | \$ 114,837 | \$ 5,017 | \$ 273,448 | \$ 1,407 | \$ 626,124 | \$ 104,639 | \$ - | \$ 509,392 | \$ 355,049 | \$ 2,612 | \$ 1,555,805 | \$ 3,548,330 |



**BDO Canada Final Audit Presentation regarding
the Financial Statements for the year ended
March 31, 2025**

Audit Committee

August 18, 2025



Audit at a Glance

Unadjusted Differences
None noted during the year.

Materiality

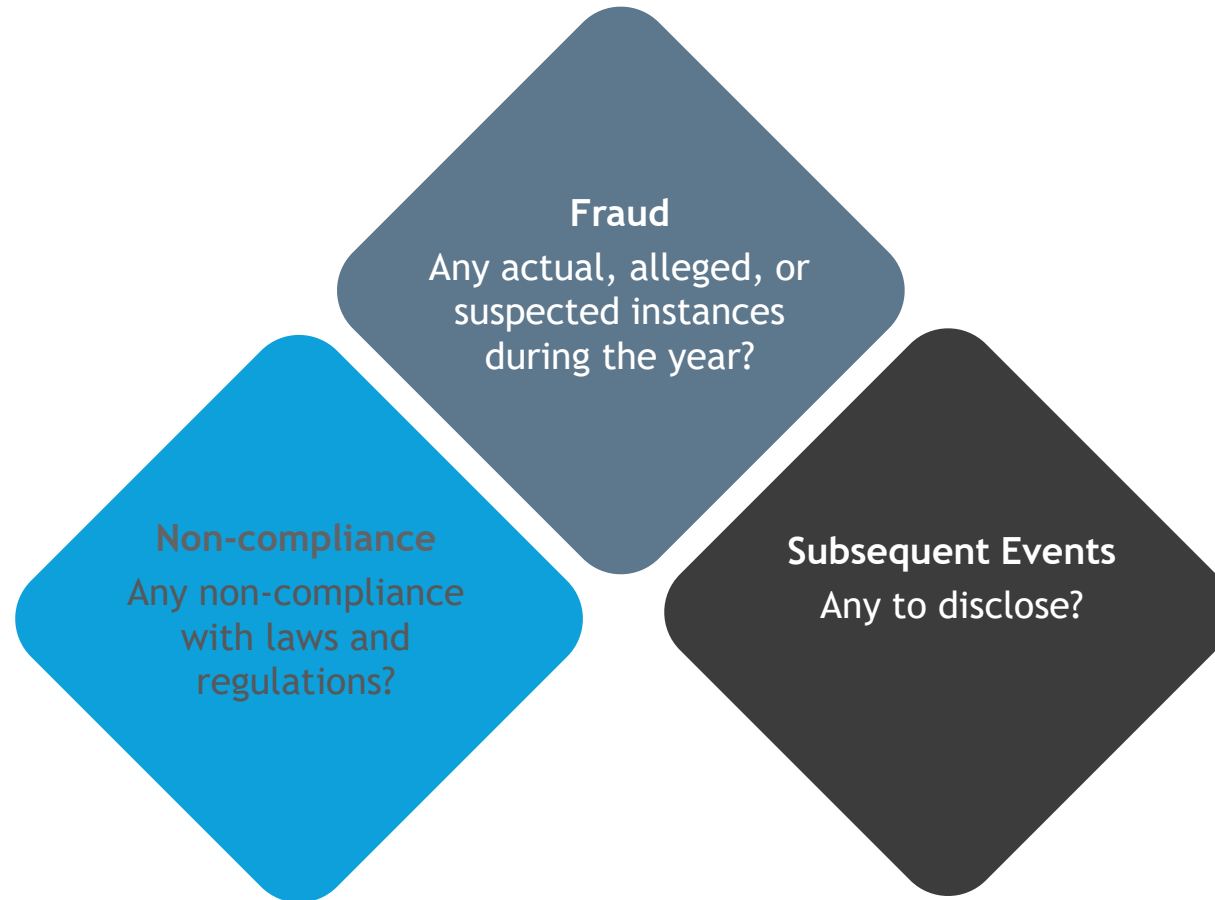
M: \$175,000
PM: \$145,000
T: \$8.750



Public Sector Insights
Appendix I



Final Inquiries of the Those Charged with Governance





Remaining Audit Procedures

Council Approval of
Financial Statements

Subsequent Events
Update



Legal Update

Representation Letter

Audit Risks and Findings

- Management Override of Controls (SRMM)



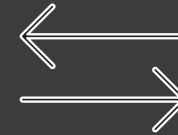
No findings

Improper Recognition of Expenses (RMM)



No findings

Recognition of Government Transfers (RMM)



No findings



Audit Report and Internal Controls



Independent Auditor's Report

Unmodified opinion

Internal Control Matters

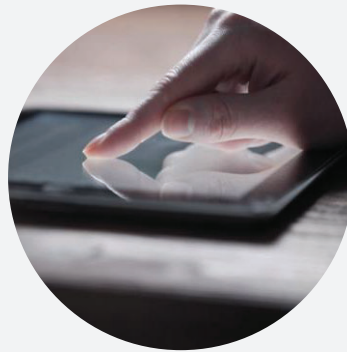
No significant deficiencies



Appendix I

Public Sector Insights

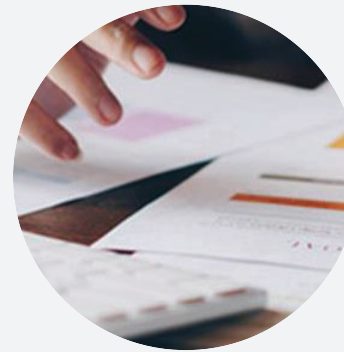
Key changes to financial reporting



When the rules of reporting change, you may need to fine-tune how to present financial statements and govern the organization.

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NEXT STEPS



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BDO Canada LLP
6940 Mumford Road
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Halifax, Nova Scotia
B3L 0B7

August 18, 2025

Town of Middleton
131 Commercial Street
P.O. Box 340
Middleton, NS B0S 1P0

Attention: Ms. Ashley Crocker, CAO

Dear Ms. Crocker,

During the course of our audit of the consolidated financial statements ("financial statements") of Town of Middleton for the year ended March 31, 2025, we identified matters which may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of any material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

The responsibility for producing financial statements and ensuring adequate internal controls and sound business practices is the responsibility of the Board of Directors through management and is a part of management's overall responsibility for the ongoing activities of the municipality. Policies and procedures developed by the municipality to safeguard its assets and to provide reasonable assurance that errors and irregularities or illegal acts are promptly identified, must be properly monitored to ensure that all staff are complying with the guidelines provided. Where we determined, from our testing, that there exists a need for improvement in existing systems of internal control or if we detected that the municipality's staff are not complying with the critical accounting policies and procedures provided by management, we increased our year-end testing of account balances to ensure that audit risk was kept to an appropriately low level.

The comments and concerns expressed herein did not have a material effect on the municipality's financial statements and, as such, our opinion thereon was without reservation. However, in order for the municipality to ensure the safeguarding of its assets and the accuracy of its records, we believe our comments and concerns should be taken into consideration by management. Our comments are not intended to reflect upon the honesty or competence of the municipality's employees.

The matters we have identified are discussed in Appendix 1.

This communication is prepared solely for the information of management and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the cooperation and assistance which we received during the course of our audit from Karen Kluska, Brian Lamb, Dayle Crook and Cecelia Meek.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.



Yours truly,

Lauren Vail, CPA, CA
Partner
BDO Canada LLP
Chartered Professional Accountants

Draft - For Discussion Purposes



Appendix 1

User Access Report

During audit planning, we noted there was no formal policy in place for review of the user access rights to Diamond and other program applications. We recommend the Town implement a policy whereby user access reports are extracted for Diamond (Microsoft DGP) by IT support and forwarded to the Director of Finance and CAO at least twice per year (September/March). An assessment should be performed by the Town's finance team to ensure that only authorized users have access, and that access privileges are limited to only those necessary to fulfill their job description.

Login for front desk users

It was identified during planning that front-desk staff use the same login credentials. That is, whoever is covering the front desk person for lunches, breaks or for extended periods such as vacations, share a single login. We recommend that each user at the front-desk should have their own credentials. The generic front desk login should only be used as necessary as it enables individuals to post incorrect or misleading information to the GL and not be easily identifiable.

Management response:

Subsequent to year-end, Management conducted a review of user access permissions associated with the Front Desk user account. As a result, access has been limited exclusively to cash receipting functions. This measure is intended to mitigate the risk of errors in general ledger postings. Management considers this to be an effective compensating control and the most operationally appropriate solution for the Town.

Admin Access

The CAO has admin rights to Diamond software. Superuser admin access for members of staff that review and approve accounting entries creates a lack of segregation of duties and provides Management with the ability to override controls. Because IT has administrative access to the accounting software, members of the Finance Department should not have superuser access.

Management response:

Management has subsequently removed administrative rights from the CAO's Diamond account. Matter resolved satisfactorily.



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TOWN OF MIDDLETON

REPORT TO MEMBERS OF THE AUDIT COMMITTEE

FOR THE YEAR ENDING MARCH 31, 2025

August 18, 2025

Dear Members of the Audit Committee:

Our report is designed to highlight and explain key issues which we believe to be relevant to the audit, including audit risks, the nature, extent, timing, and results of our audit work and the terms of our engagement, including fees. This report forms a significant part of our overall communication strategy with the Members of the Audit Committee and is designed to promote effective two-way communication throughout the audit process so that we may both share timely information. We are communicating only those matters of governance interest that come to our attention as a result of the performance of the audit. We are not required to design audit procedures for the specific purpose of identifying matters of governance interest.

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Members of the Audit Committee in fulfilling its responsibilities.

This report has been prepared solely for the use of the Members of the Audit Committee and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

Terms of Reference

Our overall responsibility is to form and express an opinion on the consolidated financial statements based on our audit procedures. The consolidated financial statements are prepared by management, with oversight by those charged with governance. The audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities. The scope of our work, as confirmed in our engagement letter, and a summary of our proposed fees are set out below.

Engagement Objectives

- ▶ Forming and expressing an audit opinion on the consolidated financial statements.
- ▶ Present significant findings to the Members of the Audit Committee including key audit and accounting issues, any significant deficiencies in internal control and any other significant matters arising from our work.
- ▶ Provide timely and constructive management letters. This will include deficiencies in internal control identified during our audit.
- ▶ Consult regarding accounting and reporting matters are requested throughout the year.
- ▶ Work with management towards the timely issuance of consolidated financial statements.



Audit Strategy

Our overall audit strategy involved extensive partner and manager involvement in all aspects of the planning and execution of the audit and was based on our overall understanding of the Town of Middleton.

We performed a risk based audit which allows us to focus our audit effort on higher risk areas and other areas of concern for management and the Members of the Audit Committee.

To assess risk accurately, we gained a detailed understanding of Town of Middleton's business and the environment it operates in. This allowed us to identify, assess and respond to the risks of material misstatement.

To identify, assess and respond to risk, we obtained an understanding of the system of internal control in place in order to consider the adequacy of these controls as a basis for the preparation of the consolidated financial statements, to determine whether adequate accounting records have been maintained and to assess the adequacy of these controls and records as a basis upon which to design and undertake our audit testing.

Based on our risk assessment, we designed an appropriate audit strategy to obtain sufficient assurance to enable us to report on the consolidated financial statements.

We chose audit procedures that we believed were the most effective and efficient to reduce audit risk to an acceptable low level. The procedures are a combination of testing the operating effectiveness of internal controls (when appropriate), substantive analytical procedures and other tests of detailed transactions.

Having planned our audit, we performed audit procedures, maintaining an appropriate degree of professional skepticism, in order to collect evidence to support our audit opinion.

Risks and Planned Audit Responses

Based on our knowledge of the Town of Middleton's business, our past experience, and knowledge gained from management and you, we identified the following financial statement areas with significant risks; those risks of material misstatement that, in our judgment, required special consideration.

These risks arose mainly because of the complexity of the accounting rules, the extent of estimation and judgment involved in the valuation of these financial statement areas, and the existence of new accounting pronouncements that affect them.

| Financial statement areas | Risks noted | Audit findings |
|--|--|---|
| <p>Management override of controls</p> | <p>Management is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. For the Town’s management team in particular, the following incentives are applicable:</p> <ul style="list-style-type: none"> • The Director of Finance approves all manual journal entries prepared by the accounting staff and maintains the FS spreadsheet. No additional approval is required. The Director of Finance could therefore post high-level entries without approval that could be erroneous or fraudulent. • The Town’s goal is to align actual figures with budgeted figures. Because entries posted by the Director of Finance are not subject to another level of approval, entries could be made to help financial statements appear in alignment with budget. | <p>BDO performed the following audit procedures:</p> <ul style="list-style-type: none"> • Walkthrough of the design and implementation of controls within the Town; • Tested entries with debits to revenue, those which contain miscellaneous or blank descriptions, entries by different user IDs, credits to purchases and a roll of the trial balance to ensure completeness. • Performed procedures with inherent unpredictability. • No instances of management override of control were noted. |



Materiality

Misstatements, including omitted financial statement disclosures, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Judgments about materiality are made in light of surrounding circumstances and include an assessment of both quantitative and qualitative factors and can be affected by the size or nature of a misstatement, or a combination of both.

For purposes of our audit, preliminary materiality was set at \$175,000 for the year ended March 31, 2025.

There were no uncorrected misstatements identified during our audit to the Members of the Audit Committee, other than those which we determined to be “clearly trivial”. Misstatements are considered to be clearly trivial for purposes of the audits when they are inconsequential both individually and in aggregate.

We encouraged management to correct any misstatements identified throughout the audit process.

Independence

Our annual communication confirming our independence is included as an Appendix. Except as noted in the Appendix, we are not aware of any relationships between the entity and us that, in our professional judgment, may reasonably be thought to bear on our independence to date.

Auditor’s Considerations of Possible Fraud and Illegal Activities

We are responsible for planning and performing the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements, whether caused by error or fraud, by:

- ▶ Identifying and assessing the risks of material misstatement due to fraud;
- ▶ Obtaining sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- ▶ Responding appropriately to fraud or suspected fraud identified during the audit.

The likelihood of not detecting a material misstatement resulting from fraud is higher than the likelihood of not detecting a material misstatement resulting from error because fraud may involve collusion as well as sophisticated and carefully organized schemes designed to conceal it.

During the audit, we performed risk assessment procedures and related activities to obtain an understanding of the entity and its environment, including the Entity’s internal control, to obtain information for use in identifying the risks of material misstatement due to fraud and made inquiries of management regarding:

- ▶ Management’s assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;
- ▶ Management’s process for identifying and responding to the risks of fraud in the Entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist;

- ▶ Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in Town of Middleton; and
- ▶ Management's communication, if any, to employees regarding its view on business practices and ethical behaviour.

In response to our risk assessment and our inquiries of management, we performed procedures to address the assessed risks, which may have included:

- ▶ Inquired of management, the Members of the Audit Committee, and others related to any knowledge of fraud, suspected fraud or alleged fraud;
- ▶ Performed disaggregated analytical procedures and consider unusual or unexpected relationships identified in the planning of our audit;
- ▶ Incorporated an element of unpredictability in the selection of the nature, timing and extent of our audit procedures; and
- ▶ Performed additional required procedures to address the risk of management's override of controls including:
 - Testing internal controls designed to prevent and detect fraud;
 - Testing the appropriateness of a sample of adjusting journal entries and other adjustments for evidence of the possibility of material misstatement due to fraud;
 - Reviewing accounting estimates for biases that could result in material misstatements due to fraud, including a retrospective review of significant prior years' estimates; and
 - Evaluated the business rationale for significant unusual transactions.

Adjusted and Unadjusted Differences

There were no unadjusted differences noted during the course of the audit, except for those that were clearly trivial. There was one adjusted difference identified during the audit, which was corrected by Management.

Significant Findings, Accounting Policies, Estimates and Judgments

Management is responsible for determining the significant accounting policies. The choice of different accounting policy alternatives can have a significant effect on the financial position and results of operations of the Town. The application of those policies often involves significant estimates and judgments by management.

Our comments below are intended to provide you with some thoughts on the qualitative aspects of the significant accounting policies chosen by management, and the significant estimates and judgements made by management, so that you can assess the appropriateness of management's choices.

We are of the view that nothing has come to our attention that indicates that the significant accounting policies, estimates and judgments made by management are not reasonable in the context of the financial statements taken as a whole.



Management Representations

During the course of the audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base the audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

Management's representations included, but were not limited to:

- ▶ matters communicated in discussions with us, whether solicited or unsolicited;
- ▶ matters communicated electronically to us;
- ▶ schedules, analyses and reports prepared by the entity, and management's notations and comments thereon, whether or not in response to a request by us;
- ▶ internal and external memoranda or correspondence;
- ▶ minutes of meetings of the Board of Directors or similar bodies such as audit committees and compensation committees;
- ▶ a signed copy of the consolidated financial statements; and
- ▶ a representation letter from management.

Upon request, we will provide you a copy of the management representation letter, which summarizes the representations we have requested from management.

We wish to express our appreciation for the cooperation we received during the audit from Town of Middleton's management and staff who have assisted us in carrying out our work. We would be pleased to discuss with you the contents of this report and any other matters that you consider appropriate.

Yours truly,

Lauren Vail, CPA, CA
Partner
BDO Canada LLP

Chartered Professional Accountants



APPENDIX: INDEPENDENCE



Tel: (902) 444-5540
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BDO Canada LLP
6940 Mumford Rd
Suite 510
Halifax, Nova Scotia
B3L 0B7

August 18, 2025

Members of the Audit Committee
Town of Middleton
131 Commercial Street
P.O. Box 340
Middleton, NS B0S 1P0

Dear Members of the Audit Committee:

At the core of the provision of external audit services is the concept of independence. We are communicating all relationships between BDO Canada LLP and its related entities and the Town of Middleton and its related entities that, in our professional judgment, may reasonably be thought to have influenced our independence during the audit.

In determining which relationships to report, we have considered the applicable legislation and relevant rules of professional conduct and related interpretations prescribed by the appropriate provincial institute/order covering such matters as the following:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the audit.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are aware of the following relationships between the Entity and us that, in our professional judgment, may reasonably be thought to have influenced our independence. The following relationships represent matters that have occurred from December 6, 2024 to August 18, 2025.

- We have provided assistance in the preparation of the financial statements, including adjusting journal entries and/or bookkeeping services. These services created a self-review threat to our independence since we subsequently expressed an opinion on whether the financial statements presented fairly, in all material respects, the financial position, results of operations and cash flows of the organization in accordance with Public Sector Accounting Standards ("PSAS").
- We, therefore, required that the following safeguards be put in place related to the above:
 - Management prepared the financial statements.
 - Management provided us with a trial balance prior to completion of our audit.
 - Management created the source data for all the accounting entries.
 - Management developed any underlying assumptions required with respect to the accounting treatment and measurement of the entries.
 - Management reviewed advice and comments provided and undertook their own



analysis considering the Town's circumstances and generally accepted accounting principles.

- Management reviewed and approved all journal entries prepared by us, as well as changes to financial statement presentation and disclosure.
- Someone other than the preparer reviewed the proposed journal entries and financial statements.

We hereby confirm that we are independent with respect to the entity within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Nova Scotia as of August 18, 2025.

This communication is intended solely for the use of the Members of the Audit Committee of the Town of Middleton, management and others with the entity and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

**REQUEST FOR DECISION
2024-2025 Audit Report and
Management Letter
RFD#: 044-2025**



To: Audit Committee
From: Ashley Crocker, CAO
Date: August 18, 2025
Subject: 2024-2025 Audit Report and Management Letter

Guiding Principles for Decision-Making

Accountability Transportation Diversity Sustainability Engaged Informed

References/Attachments

- BDO Audit Report 2024-2025
- BDO Management Letter 2024-2025

Legislation

- Financial Accounting and Reporting Manual (FRAM)
- *Municipal Government Act*

FRAM 4(2)(c) Filing Requirements

Each year, the auditor's report shall be filed by the municipality or village with the Minister of Municipal Affairs by Sept 30th, the timeline outlined in Section 2(4) of this manual.

FRAM 4(3)(d) Filing Requirements

Each year, the management and internal control letter must be filed by the municipality or village with the Minister of Municipal Affairs by Sept 30th, the timeline outlined in Section 2(4) of this manual.

Recommendation

That the Audit Committee accept the 2024-2025 Audit Report as presented.

That the Audit Committee accept the 2024-2025 Management Letter as presented.

**REQUEST FOR DECISION
2024-2025 Audit Report and
Management Letter
RFD#: 044-2025**



Background

Management worked with BDO to address the items listed on the Management Letter.

Financial Implications

N/A

Strategic Plan/Operating Plan Alignment

| Check Applicable | Strategic Priority Area | Comments |
|------------------|------------------------------|----------|
| | Environment | |
| | Infrastructure | |
| | Economy | |
| | Community | |
| X | Governance | |
| | Council Strategic Initiative | |

Alternatives

N/A

Community Engagement/Communication

N/A

CAO Comments

The CAO supports the recommendation of staff.

CAO Initials: AC

Target Decision Date: September 2, 2025

MEMO

2025-2026 Auditor Appointment



To: Audit Committee
From: Ashley Crocker, CAO
Date: August 18, 2025
Subject: 2025-2026 Auditor Appointment

Guiding Principles for Decision-Making

Accountability Transportation Diversity Sustainability Engaged Informed

References/Attachments

- N/A

Legislation

- *Municipal Government Act*

Municipal Government Act: Section 256 (1) Auditor and financial report required

A commission shall annually appoint a registered municipal auditor to be its auditor.

Recommendation

N/A

Background

In the fall of 2022, the Town posted an RFQ on the provincial procurement site for the provision of audit services. The tender closed on December 9, 2022 and on December 19, 2022 Council awarded the tender to BDO Canada for a 3-year term, covering the audits of fiscal years 2022-2023, 2023-2024 and 2024-2025. There was no extension clause in the contract. Therefore, the Town cannot appoint an auditor for 2025-2026 at this time.

Staff will need to re-post an RFQ on the provincial procurement site for auditing services this fall. This has been communicated to BDO. This time, staff will post for a 5-year term instead of a 3-year term, and provisions will be included in the contract that allow it to be extended for a certain time period if both parties agree.

Responses to the RFQ and staff's recommendation will be presented to the Audit Committee. The Audit Committee will recommend to Council which auditor to appoint and award the contract to.

MEMO

2025-2026 Auditor Appointment



Financial Implications

Unknown at this time, until responses to the RFQ are received.

Strategic Plan/Operating Plan Alignment

| Check Applicable | Strategic Priority Area | Comments |
|------------------|------------------------------|----------|
| | Environment | |
| | Infrastructure | |
| | Economy | |
| | Community | |
| X | Governance | |
| | Council Strategic Initiative | |

Alternatives

N/A

Community Engagement/Communication

N/A

BDO Canada LLP

Invoicing Re: Audit 2024-2025

| Date | Invoice No. | Description | Subtotal | Disbursements | Admin/Tech Fee | HST | Total | Balance |
|---|-------------|--|--------------|---------------|----------------|-------------|-----------------------------|--------------|
| March 31, 2025 | CINV3341391 | Interim Billing for the audit of the March 31, 2025 financial statements. | \$ 5,000.00 | \$ - | \$ 350.00 | \$ 802.50 | \$ 6,152.50 | \$ 6,152.50 |
| July 31, 2025 | CINV3552489 | Second interim billing for the audit of the March 31, 2025 financial statements. | \$ 15,000.00 | \$ 171.00 | \$ 1,050.00 | \$ 2,270.94 | \$ 18,491.94 | \$ 24,644.44 |
| <i>FEE ESTIMATION per engagement letter dated January 31, 2024 and AUDIT COST Proposed Fees</i> | | | \$ 28,000.00 | \$ - | \$ 1,960.00 | \$ 4,194.40 | \$ 34,154.40 | |
| Over (under) budget | | | | | | | <u>\$ (9,509.96)</u> | |
| <i>FEE ESTIMATION per engagement letter dated January 31, 2024 and AUDIT COST Proposed Fees</i> | | | | | | | \$ 28,000.00 | |
| <i>Administration Fee</i> | | | | | | | \$ 1,960.00 | |

Note: Delays in providing the complete list of agreed upon working papers/schedules to BDO will result in additional fees as follows:

- (a) 1 week delay - additional 10% of estimated fees*
- (b) 1 month delay- additional 20% of estimated fees*