Financial Statements

MIDDLESEX COUNTY LIBRARY BOARD

And Independent Auditor’s Report thereon

Year ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Members of Middlesex County Library Board

Opinion

We have audited the financial statements of Middlesex County Library Board (the Entity), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

September 25, 2026

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position
December 31, 2025, with comparative information for 2024

	2025	2024
Financial assets:		
Cash	$ 139,814	$ 143,649
Accounts receivable	6,636	13,586
Receivable from the County of Middlesex	1,270,162	1,027,841
	1,416,612	1,185,076
Financial liabilities:		
Accounts payable	245,863	335,677
Deferred revenue (note 8)	9,890	33,309
Employee future benefits (note 4)	221,600	198,500
Total liabilities	477,353	567,486
Net financial assets	939,259	617,590
Non-financial assets:		
Tangible capital assets (note 6)	1,965,755	2,036,744
Prepaid expenses	108,045	67,965
	2,073,800	2,104,709
Commitments (note 5)		
Accumulated surplus (note 3)	$ 3,013,059	$ 2,722,299

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Operations
Year ended December 31, 2025, with comparative information for 2024

	Budget 2025	2025	2024
Revenues:			
Grants:			
Government of Canada	$ –	$ 8,997	$ 7,163
Province of Ontario	633,723	719,584	634,344
County of Middlesex, contribution	5,888,979	5,888,979	5,545,420
	6,522,702	6,617,560	6,186,927
User charges:			
Fines, fees, rentals and donations	74,500	362,652	210,519
Loss on disposal of tangible capital assets	–	(795)	(2,501)
	6,597,202	6,979,417	6,394,945
Expenditures:			
Salaries	3,331,621	3,316,109	3,216,207
Rent	816,456	811,644	792,557
Employee benefits (note 4)	835,154	795,437	743,222
EarlyON (note 8)	520,109	579,545	506,888
Amortization	420,300	432,741	430,200
Development and automation	264,000	278,522	233,277
Books	240,000	225,729	243,958
Non - print materials	180,642	171,522	165,658
Insurance	46,300	43,707	41,037
Utilities and maintenance	19,500	20,139	18,563
Postage	4,000	6,474	3,818
COVID – 19 program	–	3,805	4,518
Legal services	5,000	3,283	–
	6,683,082	6,688,657	6,399,903
Annual surplus (deficit):	(85,880)	290,760	(4,958)
Accumulated surplus, beginning of year	2,722,299	2,722,299	2,727,257
Accumulated surplus, end of year	$ 2,636,419	$ 3,013,059	$ 2,722,299

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Changes in Net Financial Assets
Year ended December 31, 2025, with comparative information for 2024

	Budget 2025	2025	2024
Annual surplus (deficit)	$ (85,880)	$ 290,760	$ (4,958)
Acquisition of tangible capital assets	(427,520)	(362,547)	(452,479)
Amortization of tangible capital assets	420,300	432,741	430,200
Loss on disposal of tangible capital assets	–	795	2,501
Prepaid expenses	–	(40,080)	(28,351)
Change in net financial assets	(93,100)	321,669	(53,087)
Net financial assets, beginning of year	617,590	617,590	670,677
Net financial assets, end of year	$ 524,490	$ 939,259	$ 617,590

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Cash Flows
Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	$ 290,760	$ (4,958)
Items not involving cash:		
Amortization	432,741	430,200
Loss on disposal of tangible capital assets	795	2,501
Changes in non-cash operating working capital:		
Accounts receivable	6,950	5,042
Receivable from the County of Middlesex	(242,321)	115,268
Prepaid expenses	(40,080)	(28,351)
Accounts payable	(89,814)	26,313
Employee future benefits	23,100	21,900
	382,131	567,915
Investing activities:		
Acquisition of tangible capital assets	(362,547)	(452,479)
Financing activities:		
Deferred revenue	(23,419)	21,239
Increase (decrease) in cash	(3,835)	136,675
Cash, beginning of year	143,649	6,974
Cash, end of year	$ 139,814	$ 143,649

See accompanying notes to financial statements.

1. Significant accounting policies:

The financial statements of the Middlesex County Library Board (the "Board") are prepared by management in accordance with generally accepted accounting principles for organizations operating in the local government sector as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Government transfers:

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) Employee future benefits:

The Board has adopted the following policies for future benefits provided to both active and retired employees:

(i) Post-employment benefits:

The cost of termination benefits and compensated absences are recognized when the event that obligates the Board occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefits are determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees and expected health costs

Employee future benefit costs are discounted using the Board’s cost of long-term borrowing. The costs of workplace safety and insurance obligations are actuarially determined and are expensed.

1. Significant accounting policies (continued):

(c) Employee future benefits (continued):

(ii) Pension benefits:

The Board provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi- employer pension plan which operates as the Ontario Municipal Employees Retirement Fund, and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The fund is a contributory defined benefit pension plan. As this is a multi-employer plan, no liability is recorded on the Board's books.

The employer's contributions to a multi-employer, defined benefit plan are expensed as the obligations arise.

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

In addition, the Board's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(e) Non-financial assets:

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

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of an asset. The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Rate
Vehicle	3 – 15 years
Machine and equipment	3 – 15 years
Collections	5 – 15 years

(f) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the funding model and generally accepted accounting principles for local governments established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(g) Asset retirement obligations:

An asset retirement obligation is recognized when as at the financial reporting date, all of the following criteria are met:
(i) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
(ii) the past transaction or event giving rise to the liability has occurred;
(iii) it is expected that the future economic benefits will be given up; and
(iv) a reasonable estimate of the amount can be made.

Management has reviewed their tangible capital assets and is of the opinion that they do not have any assets that meet this obligation.

(h) Future accounting pronouncements:

Standards applicable for fiscal years beginning on or after April 1, 2026 (effective for the Board's fiscal year beginning on January 1, 2027):

The Conceptual Framework for Financial Reporting in the Public Sector – The new Conceptual Framework prescribes the nature, function and limits of financial accounting and reporting. It is the foundation on which PSAS are developed and professional judgment is applied.

It will replace the conceptual aspects of PS 1000 Financial Statement Concepts and PS 1100 Financial Statement Objectives.

1. Significant accounting policies (continued):

(h) Future accounting pronouncements (continued):

PS 1202 Financial Statement Presentation – The new standard provides updated guidance on the general and specific requirements for the presentation of information in general purpose financial statements. PS 1202 will replace current Section PS 1201 Financial Statement Presentation.

The impact of these standards on the Statements is not reasonably determinable at this time.

2. Trust funds:

Trust funds and their related operations administered by the Board amounting to $30,778 (2024 - $30,778) are not consolidated but are reported separately on the trust fund statement of continuity. They have not been included in the Statements of Financial Position or Operations.

3. Accumulated surplus:

Accumulated surplus consists of individual fund surpluses, reserves, and reserve funds as follows:

	2025	2024
Library Technology Replacement reserve fund	$ 406,858	$ 6,458
Murray Elliott reserve fund	75,124	73,832
Strathroy Library reserve fund	168,706	72,582
Friends of Strathroy Library reserve fund	36,738	36,106
Vehicle Replacement reserve fund	20,175	
	707,601	188,978
Surplus:		
Invested in tangible capital assets (note 7)	1,965,755	2,036,744
General revenue fund	323,543	41,285
Capital fund	260,226	670,715
Unfunded		
Future benefit cost liability	(221,600)	(198,500)
Vacation payable	(22,466)	(16,923)
Total surplus	2,305,458	2,533,321
Accumulated surplus	$ 3,013,059	$ 2,722,299

4. Employee future benefits:

(a) Pension plan:

During 2025, the Board contributed $283,167 (2024 - $271,622) to OMERS on behalf of its employees for current service. Contributions are included as an expenditure on the Statement of Operations.

(b) Health, dental and life insurance:

The Board provides certain employee future benefits such as health, dental and life insurance that will require funding in future periods.

The Board pays certain health care benefits on behalf of the retired employees. The Board recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was undertaken as at December 31, 2023, and it provided projected expense and liability disclosure information for the fiscal periods 2025.

The benefit obligation continuity is as follows:

	2025	2024
Accrued benefit obligation, January 1	$ 210,800	$ 187,600
Current period benefit cost	28,000	26,900
Post-employment benefit interest expenditure	8,600	7,500
Benefits paid	(12,200)	(11,200)
Accrued benefit obligation, December 31	235,200	210,800
Unamortized actuarial loss	(13,600)	(12,300)
Liability for benefits	$ 221,600	$ 198,500

Post retirement and sick leave benefits expenses are as follows:

	2025	2024
Current period benefit cost	$ 28,000	$ 26,900
Amortization of actuarial loss (gain)	(1,300)	(1,300)
Post-employment benefit interest expenditure	8,600	7,500
	$ 35,300	$ 33,100

4. Employee future benefits (continued):

(b) Health, dental and life insurance (continued):

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

	2025	2024
Discount rate	4.3%	4.3%
Rate of compensation increase	3.0%	3.0%
Dental & other Extended Health Care cost increases	4.0%	4.0%
Extended Health Care cost increases	6.92% for 2025 then reducing by 0.17% per year until 2044 when the ultimate rate of 3.83% is reached	7.09% for 2024 then reducing by 0.17% per year until 2044 when the ultimate rate of 3.83% is reached

5. Commitments:

The Board has entered into commitments for rent and leases expiring at various dates prior to 2036. The future minimum annual payments are estimated to be as follows:

2026	$ 345,477
2027	352,386
2028	359,434
2029	231,300
2030	218,937
Thereafter	1,035,469
	$ 2,543,003

6. Tangible capital assets:

	Vehicle	Collections	Machine and equipment	2025 Total	2024 Total
Cost:					
Balance, beginning of year	$ 66,365	$ 3,330,786	$ 1,043,867	$ 4,441,018	$ 4,395,940
Additions during the year	-	275,147	87,400	362,547	452,479
Disposals during the year	-	(278,853)	(29,929)	(308,782)	(407,401)
Total	66,365	3,327,080	1,101,338	4,494,783	4,441,018
Accumulated amortization:					
Balance, beginning of year	4,148	1,659,694	740,432	2,404,274	2,378,974
Amortization during the year	8,295	313,107	111,339	432,741	430,200
Disposals during the year	-	(278,853)	(29,134)	(307,987)	(404,900)
Total	12,443	1,693,948	822,637	2,529,028	2,404,274
Net book value	$ 53,922	$ 1,633,132	$ 278,701	$ 1,965,755	$ 2,036,744

7. Financial instruments and risk management:

The Library's activities expose it to a range of financial risks arising from its financial instruments. These risks include credit risk and liquidity risk. Management manages these risks through the annual budget process, internal controls, financial planning and ongoing monitoring. The following describes the Library's exposure to these risks as at December 31, 2025.

(a) Credit risk:

Credit risk is the risk of financial loss to the Library if a counterparty to a financial instrument fails to meet its contractual obligations. The Library is exposed to credit risk through its cash and financial receivables. A significant portion of the Library's financial receivables is due from the County of Middlesex.

7. Financial instruments and risk management (continued):

(a) Credit risk (continued):

The carrying amounts of financial assets represent the Library's maximum exposure to credit risk as at December 31, 2025. Management believes the Library's exposure to credit risk is low due to the nature of its counterparties, including the County of Middlesex, and the absence of any significant concentration of credit risk from other sources.

Financial Receivables	2025	2024
Middlesex County receivable	1,270,162	1,027,841
Other financial receivables	6,636	13,586
Total	$1,276,798	$1,041,427

(b) Liquidity risk

Liquidity risk is the risk that the Library will encounter difficulty in meeting its financial obligations as they become due. The Library is exposed to liquidity risk primarily through its accounts payable and accrued liabilities. The Library had no outstanding long-term debt as at December 31, 2025.

The Library manages liquidity risk through its annual budget process, regular monitoring of cash balances, and maintaining sufficient cash resources to meet its financial obligations as they become due.

Management believes the Library has sufficient liquidity to meet its financial obligations as they become due. There were no significant changes in the Library's exposure to liquidity risk from the prior year.

8. EarlyON Child and Family Centres funding:

Ontario’s EarlyON Child and Family Centres funding (EarlyON) is a funding issued by the Ministry of Education. The EarlyON programs and services provide opportunities for children from birth to 6 years of age to participate in play and inquiry-based programs, and support parents and caregivers in their roles. EarlyON centres offer free, high-quality drop-in programs, support families seeking convenient, accessible, play-based learning activities with their children.

During 2025, the Board received new funding of $578,037 (2024 - $492,797). At December 31, 2025, nil (2024 - $24,147) was recorded as deferred revenue.