

**MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**



MUNICIPALITY OF NORTH MIDDLESEX
INDEX TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

	Page
Independent Auditors' Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Accumulated Surplus	4
Consolidated Statement of Financial Activities	5
Consolidated Statement of Change in Net Financial Assets (Liabilities)	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 17
Schedule 1 - Schedule of Tangible Capital Assets	18
Schedule 2 - Schedule of Deferred Revenues	19
Independent Auditors' Report - Trust Funds	20 - 21
Trust Funds - Statement of Financial Position	22
Trust Funds - Statement of Accumulated Net Assets and Financial Activities	23
Notes to Trust Funds Financial Statements	24



INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of:
Municipality of North Middlesex

We have audited the accompanying consolidated financial statements of Municipality of North Middlesex, which comprise of the consolidated statement of financial position as at December 31, 2012 and the consolidated statement of accumulated surplus, consolidated statement of financial activities, consolidated statement of change in net financial assets (liabilities), consolidated statement of cash flows, and the schedules of tangible capital assets and deferred revenues for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Municipality's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Municipality of North Middlesex as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

London, Ontario
July 19, 2013

Davis Martindale LLP

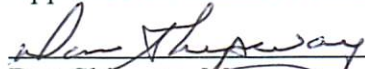
Chartered Accountants
Licensed Public Accountants



MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	2012	2011
Financial Assets		
Cash	\$ 3,191,327	\$ 1,480,803
Short-term investments (note 3)	464,104	362,387
Taxes receivable	518,137	472,061
Accounts receivable	686,960	673,869
Long-term receivable (note 4)	<u>1,557,133</u>	<u>1,761,001</u>
	6,417,661	4,750,121
Liabilities		
Accounts payable and accrued liabilities	887,628	623,888
Deferred revenue - gas tax (schedule 2)	593,613	386,864
Deferred revenue - development charges (schedule 2)	411,874	383,114
Solid waste landfill closure and post-closure liability (note 6)	144,000	137,000
Long-term liabilities (note 7)	<u>3,384,121</u>	<u>4,674,553</u>
	<u>5,421,236</u>	<u>6,205,419</u>
Net Financial Assets (Liabilities)	996,425	(1,455,298)
Non-Financial Assets		
Tangible capital assets (schedule 1)	52,573,236	52,951,944
Prepaid expenses	<u>80,337</u>	<u>113,199</u>
	<u>52,653,573</u>	<u>53,065,143</u>
Accumulated Surplus	<u>\$ 53,649,998</u>	<u>\$ 51,609,845</u>
Commitments (note 11)		
Contingent Liabilities (note 13)		

Approved on behalf of Council by:



 Don Shipway, Mayor



 Charles F. Daigle, Treasurer

The attached Independent Auditors' Report and notes are an integral part of these audited consolidated financial statements.



MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
Accumulated Surplus, Beginning of Year	\$ 51,609,845	\$ 49,241,540
Annual Surplus	<u>2,040,153</u>	<u>2,368,305</u>
Accumulated Surplus, End of Year	<u>\$ 53,649,998</u>	<u>\$ 51,609,845</u>

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MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
Revenues			
Taxation	\$ 4,685,770	\$ 4,719,569	\$ 4,468,098
User charges	2,742,741	2,669,943	2,755,190
Government grants	3,887,500	3,902,307	3,943,933
Other	<u>546,546</u>	<u>685,516</u>	<u>659,778</u>
Total Revenues	11,862,557	11,977,335	11,826,999
Expenditures			
General government	1,000,988	1,084,338	989,644
Protection to persons and property	1,590,987	1,531,792	1,492,414
Transportation services	2,820,179	3,283,054	3,203,084
Environmental services	2,450,977	2,650,028	2,378,358
Health services	52,201	55,660	43,421
Recreation and cultural services	867,793	1,046,645	1,067,049
Planning and development	<u>301,528</u>	<u>285,665</u>	<u>284,724</u>
Total Expenditures	<u>9,084,653</u>	<u>9,937,182</u>	<u>9,458,694</u>
Annual Surplus	<u>\$ 2,777,904</u>	<u>\$ 2,040,153</u>	<u>\$ 2,368,305</u>

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MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF CHANGE IN
NET FINANCIAL ASSETS (LIABILITIES)
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
Annual Surplus	\$ 2,777,904	\$ 2,040,153	\$ 2,368,305
Acquisition of tangible capital assets	(1,016,580)	(1,191,178)	(36,354)
Amortization of tangible capital assets	-	1,554,704	1,558,477
Change in prepaid expenses	-	32,862	55,657
Gain on sale of tangible capital assets	-	(23,487)	(16,265)
Proceeds on disposal of tangible assets	<u>-</u>	<u>38,669</u>	<u>52,693</u>
Increase in Net Financial Assets	1,761,324	2,451,723	3,982,513
Net Financial Liabilities, Beginning of Year	<u>(1,455,298)</u>	<u>(1,455,298)</u>	<u>(5,437,811)</u>
Net Financial Assets (Liabilities), End of Year	<u>\$ 306,026</u>	<u>\$ 996,425</u>	<u>\$ (1,455,298)</u>

The attached Independent Auditors' Report and notes are an integral part of these audited consolidated financial statements.



MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
Cash Flows from Operating Activities		
Annual surplus	\$ 2,040,153	\$ 2,368,305
Items not requiring an outlay of cash:		
Amortization	1,554,704	1,558,477
Gain on disposal of tangible capital assets	<u>(23,487)</u>	<u>(16,265)</u>
	3,571,370	3,910,517
Changes in non-cash working capital:		
Taxes receivable	(46,076)	(12,189)
Accounts receivable	(12,634)	508,518
Accounts payable and accrued liabilities	263,283	(326,357)
Deferred revenue	235,509	262,584
Solid waste landfill closure and post-closure liability	7,000	7,000
Prepaid expenses	<u>32,862</u>	<u>55,657</u>
	<u>479,944</u>	<u>495,213</u>
Net Cash Provided by Operating Activities	4,051,314	4,405,730
Cash Flows from Financing Activities		
Repayment of long-term debt	(1,290,432)	(3,048,992)
Cash Flows from Investing Activities		
Acquisition of tangible capital assets	(1,191,178)	(36,354)
Proceeds on disposal of tangible capital assets	38,669	52,693
Decrease in long-term receivable	<u>203,868</u>	<u>169,148</u>
Net Cash Provided by (Used in) Investing Activities	<u>(948,641)</u>	<u>185,487</u>
Net Increase in Cash and Cash Equivalents	1,812,241	1,542,225
Cash and Cash Equivalents, Beginning of Year	<u>1,843,190</u>	<u>300,965</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,655,431</u>	<u>\$ 1,843,190</u>
Represented By:		
Cash	\$ 3,191,327	\$ 1,480,803
Short-term investments	<u>464,104</u>	<u>362,387</u>
	<u>\$ 3,655,431</u>	<u>\$ 1,843,190</u>
Supplemental Cash Flow Information		
Interest Paid	<u>\$ 120,047</u>	<u>\$ 156,792</u>

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MUNICIPALITY OF NORTH MIDDLESEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Nature of the Business

The Municipality of North Middlesex ("Municipality") is a municipality in the Province of Ontario, Canada. It was created on January 1, 2001 through the amalgamation of the Town of Parkhill, the Village of Ailsa Craig and the Townships of McGillvary, East Williams and West Williams. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

2. Significant Accounting Policies

The consolidated financial statements of the Municipality of North Middlesex are the representation of management, prepared in accordance with Canadian public sector accounting standards. The policies that are considered to be particularly significant are as follows:

a) Basis of Consolidation

(i) Reporting Entity

These consolidated financial statements reflect the assets, liabilities, sources of financing, expenditures and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. All interfund assets and liabilities and sources of financing and expenditures have been eliminated, with the exception of loans or advances between reserve funds and any other fund of the Municipality and the resulting interest income and expenditures.

(ii) Accounting for County and School Board Transactions

The taxation, other revenues, expenditures, assets, and liabilities with respect to the operations of the school boards and the County of Middlesex are not reflected in the municipal fund balances of these consolidated financial statements. Over levies (under levies) are reported on the Consolidated Statement of Financial Position as "accounts payable and accrued liabilities" or "accounts receivable."

(iii) Trust Funds

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the Trust Funds Statement of Financial Position.



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

2. Significant Accounting Policies (continued)

b) Basis of Accounting

(i) *Accrual Accounting*

Revenues 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.

(ii) *Tangible Capital Assets*

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

Buildings	30 to 75 years
Equipment	20 to 30 years
Fleet	7 to 20 years
Roads	35 to 100 years
Underground and other networks	75 years
Bridges and other structures	40 to 75 years

Amortization is calculated on a daily basis from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use.

(iii) *Deferred Revenue*

The Municipality receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or service performed.

(vi) *Government Transfers*

Transfers are recognized in the consolidated financial statements as revenues in the period in which the event 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.

(v) *Use of Estimates*

The preparation of the consolidated financial statements of the company, in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of the revenues and expenses during the period. Actual results could differ from these estimates.

The attached Independent Auditors' Report and notes are an integral part of these audited consolidated financial statements.



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

3. Short-term Investments

The short-term investments are recorded at their cost plus accrued interest and consist primarily of bonds with AAA rating and guaranteed investment certificates. These investments have maturity dates of less than one year.

4. Long-term Receivable

	2012	2011
Sewer debentures receivable	\$1,188,773	\$1,279,614
Tile drain loan receivable	<u>368,360</u>	<u>481,387</u>
	1,557,133	1,761,001
Less: current portion	<u>(148,846)</u>	<u>(201,897)</u>
	<u>\$1,408,287</u>	<u>\$1,559,104</u>

The sewer debentures receivable represents amounts owing from benefiting land owners for new water, sewer and storm drain lines installed on their property. These loans have terms of ten to forty years, at interest rates between 5.01% and 5.26%.

The tile drain loan receivable represents amounts owing from benefiting land owners for tile drains installed on their property. These loans have terms of ten years at interest rates between 6% and 8%.

5. Bank Overdraft

The Municipality has a revolving line of credit by way of an operating account overdraft. The credit facility bears interest at the bank's prime rate per annum, is due on demand with a limit of \$2,500,000.

6. Solid Waste Landfill Closure and Post-Closure Liability

In 2001, the Municipality implemented PSAB section 3270: Solid Waste Landfill Closure and Post-Closure Liability, which accounts for anticipated closure and post-closure costs for existing and closed landfill sites. This liability is the estimated cost to date, based on a volumetric basis, of the expenditures relating to those activities required when the site or phase stops accepting waste.

The Sanitary Closure costs include final cover and vegetation, and completing facilities for drainage control features, leachate monitoring, water quality monitoring, and monitoring and recovery of gas. Post-closure care activities include all activities related to monitoring the site once it can no longer accept waste, including acquisition of any additional land for buffer zones, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems and final cover.

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MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

6. Solid Waste Landfill Closure and Post-Closure Liability (continued)

Key assumptions in arriving at the liability value are:

	McGillvary Landfill	Parkhill Landfill
Expectation of landfill reaching capacity (based on initial measurement in 2001)	8-10 yrs	12-15 yrs
Initial closure costs (in 2001 dollars)	\$60,000	\$100,000
Ongoing monitoring costs (recorded as incurred)	\$4,000/yr	\$4,000/yr
Landfill liability accrued to date	<u>\$ 60,000</u>	<u>\$ 84,000</u>

7. Long-term Liabilities

a) Long-term liabilities reported on the Consolidated Statement of Financial Position are comprised as follows:

	2012	2011
Demand loan bearing interest at 3.19%. Until demand, this loan is repayable in monthly blended principal and interest payments of \$10,631. Matures December, 2014.	\$ 246,664	\$ 364,391
Demand loan bearing interest at prime. Loan was repaid during the year.	-	490,838
Loan issued by the County of Middlesex, non-interest bearing with annual principal payments of \$346,720 and maturing August, 2014.	693,440	1,040,160
Loan issued by the County of Middlesex, non-interest bearing with annual principal payments of \$104,236 and maturing February, 2019.	729,654	833,890
Long-term debt issued by Ontario Infrastructure Programs at various rates on interest ranging from 5.01% to 5.26% with maturity dates ranging from November, 2027 to November, 2047.	1,346,004	1,463,887
Long-term debt issued by Ontario Community Driven Development Project at various rates of interest ranging from 6% to 8% with maturity dates ranging from January, 2014 to May, 2022.	<u>368,359</u>	<u>481,387</u>
Long-term liabilities at the end of the year	<u>\$ 3,384,121</u>	<u>\$ 4,674,553</u>

The attached Independent Auditors' Report and notes are an integral part of these audited consolidated financial statements.



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

7. Long-term Liabilities (continued)

b) Principal Payments Due

Of the net long-term liabilities reported in (a) of this note, the following principal payments are required, as follows:

	2013 to 2017	Thereafter	Total
From general municipal revenues	\$ 521,181	\$ 208,473	\$ 729,654
From benefiting landowners	<u>1,907,421</u>	<u>747,046</u>	<u>2,654,467</u>
	<u>\$ 2,428,602</u>	<u>\$ 955,519</u>	<u>\$ 3,384,121</u>

c) The long-term liabilities in (a) issued in the name of the Municipality have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

8. Reserves

The total balance of reserves of \$5,650,015 (2011 - \$3,454,642) is made up of the following:

	2012	2011
Reserves set aside for specific purpose by Council:		
- North Middlesex working capital	\$1,549,324	\$1,549,324
- North Middlesex accessibility	3,013,030	820,500
- North Middlesex contingency	-	144,000
- North Middlesex fire	160,884	60,884
- North Middlesex policing	179,154	160,181
- North Middlesex Canada Day	6,969	7,958
- North Middlesex Christmas decorations	-	5,000
- North Middlesex roads	68,446	76,946
- North Middlesex arena	43,000	-
- Ward one sanitary and storm sewers	76,839	76,839
- Ward one Santa Claus parade	7,006	5,736
- Ward four working capital	<u>71,643</u>	<u>71,643</u>
	5,176,295	2,979,011
Reserve fund set aside by specific legislation:		
- Ward one hydro proceeds	283,929	272,898
- Ward two millennium fund (hydro sale)	60,846	71,078
- Ward two community centre fund	121,074	119,792
- Ward two Meadowgate Rd.	4,276	4,231
- Ward three recreation facilities	<u>3,595</u>	<u>7,632</u>
	<u>473,720</u>	<u>475,631</u>
Total Reserves and Reserve Funds	<u>\$5,650,015</u>	<u>\$3,454,642</u>

The attached Independent Auditors' Report and notes are an integral part of these audited consolidated financial statements.



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

9. Municipal Fund Balances at the End of the Year

	2012	2011
For recovery from user charges	\$ (4,573,253)	\$ (4,801,927)
Invested in tangible capital assets	52,573,236	52,951,944
Reserves (note 8)	<u>5,650,015</u>	<u>3,454,642</u>
	<u>\$53,649,998</u>	<u>\$51,604,659</u>

10. Trust Funds

Trust funds administered by the Municipality amounting to \$244,848 (2011 - \$234,848) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities."

11. Commitments

The Municipality entered into an agreement during the 2004 fiscal year with the Municipality of Lucan Biddulph to pay \$7,500 per year for a period of ten years for user fees relating to the Lucan Community Centre.

12. Public Sector Salary Disclosure Act 1996

The Public Sector Salary Disclosure Act, 1996 (the "Act") requires the disclosure of the salaries and benefits of employees in the public sector who are paid a salary of \$100,000 or more in a year. The Municipality complies with the Act by providing the information to the Ontario Ministry of Municipal Affairs and Housing for disclosure on the public website at www.fin.gov.on.ca.

13. Contingent Liabilities

As part of the Municipality's employee compensation package, employees are allocated a yearly allowance of sick days. These sick days can be carried forward indefinitely and the employees are only compensated for these days if they are sick. The costs associated with the accumulated sick days have not been accrued in the Municipality's financial statements as the future payment of these costs is contingent on the employees' health. The Municipality's obligation with respect to accumulated sick days ends when the individual discontinues employment with the Municipality.



MUNICIPALITY OF NORTH MIDDLESEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

13. Contingent Liabilities (continued)

As of December 31, 2012, the Municipality is contingently liable for a total of 1,961 accumulated sick days with an associated cost, based on current pay rates, of \$426,922.

The Municipality is currently the subject of a Ministry of Environment investigation with respect to possible violations of the Safe Water Drinking Act and Ontario Water Resources Act. There is a possibility that the investigation will result in charges. The number of charges and potential fines are presently unknown, but it is estimated that in the event of a conviction, fines would not exceed \$30,000 and are more likely to be under \$20,000 regardless of the number of charges and convictions.

14. Financial Instruments

Fair Value

Management estimates that the fair values of all financial assets and liabilities are not materially different from their carrying values.

Credit Risk

Credit risk is the risk that a counter party will fail to discharge its obligation to the organization reducing the expected cash inflow from the Municipality's assets recorded at the balance sheet date. Credit risk can be concentrated in debtors that are similarly affected by economic or other conditions. The Municipality has assessed that there are no significant concentrations of credit risk.

Interest Rate Risk

The following table identifies the Municipality's financial assets and liabilities which are sensitive to interest rate movements and those which are non-interest rate sensitive as they are either non-interest bearing or bear interest at fixed rates. The Municipality does not currently hold any financial instruments that mitigate either of these risks.

	2012		2011	
	Interest sensitive	Non-interest sensitive	Interest sensitive	Non-interest sensitive
Short-term investments (note 3)	\$ -	\$ 464,104	\$ -	\$ 362,387
Long-term receivable (note 4)	-	1,557,134	-	1,761,001
Long-term liabilities (note 7)	-	(3,384,121)	(490,838)	(4,183,715)
	<u>\$ -</u>	<u>\$ (1,362,883)</u>	<u>\$ (490,838)</u>	<u>\$ (2,060,327)</u>

The attached Independent Auditors' Report and notes are an integral part of these audited consolidated financial statements.



MUNICIPALITY OF NORTH MIDDLESEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

15. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS") plan, a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit. Employer contributions for current service amounted to \$113,790 (2011 - \$113,790) and are matched by employee contributions in a similar amount.

16. Segment Reporting

The Municipality has identified segments by major function. The segments and activities performed by the segments are as follows:

- General government - general administration
- Protection to persons - police and fire protection
- Transportation services - public works
- Environmental services - water and sewer administration and waste management
- Health services - cemetery administration and public health
- Recreation and cultural services - recreation facilities
- Planning and development - municipal planning and development



MUNICIPALITY OF NORTH MIDDLESEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

16. Segment Reporting - continued

REVENUES 2012

	Taxation	User Charges	Government Grants	Other	Total
General government	\$ 4,719,569	\$ 58,516	\$ 3,830,491	\$ 164,586	\$ 8,773,162
Protection services	-	96,825	23,260	-	120,085
Transportation services	-	1,578	4,346	-	5,924
Environmental services	-	2,071,157	25,000	168,882	2,265,039
Health services	-	25,453	-	13,865	39,318
Recreation and cultural services	-	381,977	-	172,238	554,215
Planning and development	-	34,438	19,210	165,944	219,592
Total	<u>\$ 4,719,569</u>	<u>\$ 2,669,944</u>	<u>\$ 3,902,307</u>	<u>\$ 685,515</u>	<u>\$11,977,335</u>

REVENUES 2011

	Taxation	User Charges	Government Grants	Other	Total
General government	\$ 4,468,098	\$ 69,718	\$ 3,788,609	\$ 128,702	\$ 8,455,127
Protection services	-	112,327	25,153	-	137,480
Transportation services	-	2,287	7,409	-	9,696
Environmental services	-	2,136,224	25,000	205,321	2,366,545
Health services	-	15,630	-	29,893	45,523
Recreation and cultural services	-	371,274	3,076	23,256	397,606
Planning and development	-	47,730	94,686	272,606	415,022
Total	<u>\$ 4,468,098</u>	<u>\$ 2,755,190</u>	<u>\$ 3,943,933</u>	<u>\$ 659,778</u>	<u>\$11,826,999</u>

The attached Independent Auditors' Report and notes are an integral part of these audited consolidated financial statements.



MUNICIPALITY OF NORTH MIDDLESEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

16. Segment Reporting - continued

EXPENDITURES 2012

	Salaries and Wages	Materials	Contracted Services	Other	Total
General government	\$ 657,808	\$ 225,740	\$ 98,679	\$ 102,111	\$ 1,084,338
Protection services	235,297	197,604	885,804	213,088	1,531,793
Transportation services	691,008	1,601,996	114,625	875,425	3,283,054
Environmental services	155,724	930,222	658,357	605,841	2,350,144
Health services	29,028	17,344	9,159	131	55,662
Recreation and cultural services	390,087	428,460	101,213	126,885	1,046,645
Planning and development	<u>47,879</u>	<u>4,537</u>	<u>205,300</u>	<u>27,949</u>	<u>285,665</u>
Total	<u>\$ 2,206,831</u>	<u>\$ 3,405,903</u>	<u>\$ 2,073,137</u>	<u>\$ 1,951,430</u>	<u>\$ 9,637,301</u>

EXPENDITURES 2011

	Salaries and Wages	Materials	Contracted Services	Other	Total
General government	\$ 563,688	\$ 221,956	\$ 101,077	\$ 102,923	\$ 989,644
Protection services	242,759	154,364	889,675	205,616	1,492,414
Transportation services	748,123	1,489,127	80,460	885,374	3,203,084
Environmental services	160,486	792,188	641,537	629,722	2,223,933
Health services	18,407	16,544	8,340	130	43,421
Recreation and cultural services	363,622	426,666	84,327	192,434	1,067,049
Planning and development	<u>42,988</u>	<u>4,951</u>	<u>202,558</u>	<u>34,227</u>	<u>284,724</u>
Total	<u>\$ 2,140,073</u>	<u>\$ 3,105,796</u>	<u>\$ 2,007,974</u>	<u>\$ 2,050,426</u>	<u>\$ 9,304,269</u>

The attached Independent Auditors' Report and notes are an integral part of these audited consolidated financial statements.



MUNICIPALITY OF NORTH MIDDLESEX

SCHEDULE 1 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012					2011 Total
	Land and Land Improvements	Buildings	Equipment	Fleet	Underground and Other Networks	
Cost						
Balance, beginning of year	\$ 894,343	\$ 17,940,578	\$ 3,042,200	\$ 2,311,573		\$ 72,195,588
Additions during the year	-	22,026	282,417	294,474		36,354
Disposals during the year	-	-	(114,800)	(42,778)		(84,949)
Balance, end of year	<u>894,343</u>	<u>17,962,604</u>	<u>3,209,817</u>	<u>2,563,269</u>		<u>72,146,993</u>
Accumulated Amortization						
Balance, beginning of year	-	2,629,244	1,557,245	1,385,559		17,685,093
Amortization for the year	-	278,184	219,611	155,894		1,558,477
Disposals during the year	-	-	(111,874)	(30,522)		(48,521)
Balance, end of year	<u>-</u>	<u>2,907,428</u>	<u>1,664,982</u>	<u>1,510,931</u>		<u>19,195,049</u>
Net Book Value	<u>\$ 894,343</u>	<u>\$ 15,055,176</u>	<u>\$ 1,544,835</u>	<u>\$ 1,052,338</u>		<u>\$ 52,951,944</u>
Cost						
Balance, beginning of year	\$ 19,654,554	\$ 23,077,459	\$ 5,221,482	\$ 72,142,189		\$ 72,195,588
Additions during the year	479,779	112,482	-	1,191,178		36,354
Disposals during the year	(8,058)	(3,715)	-	(169,351)		(84,949)
Balance, end of year	<u>20,126,275</u>	<u>23,186,226</u>	<u>5,221,482</u>	<u>73,164,016</u>		<u>72,146,993</u>
Accumulated Amortization						
Balance, beginning of year	6,052,047	5,191,427	2,374,723	19,190,245		17,685,093
Amortization for the year	526,853	308,260	65,902	1,554,704		1,558,477
Disposals during the year	(8,058)	(3,715)	-	(154,169)		(48,521)
Balance, end of year	<u>6,570,842</u>	<u>5,495,972</u>	<u>2,440,625</u>	<u>20,590,780</u>		<u>19,195,049</u>
Net Book Value	<u>\$ 13,555,433</u>	<u>\$ 17,690,254</u>	<u>\$ 2,780,857</u>	<u>\$ 52,573,236</u>		<u>\$ 52,951,944</u>

The attached Independent Auditors' Report and notes are an integral part of these audited consolidated financial statements.



MUNICIPALITY OF NORTH MIDDLESEX
SCHEDULE 2 - SCHEDULE OF DEFERRED REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2012

DEVELOPMENT CHARGES

	Balance Beginning of Year	Development Charges Collected	Interest Income	Disbursements	Balance End of Year
Roads and structures	\$ 19,681	\$ 5,220	\$ 247	\$ -	\$ 25,148
Wastewater	268,990	15,382	2,746	-	287,118
Stormwater	7,822	1,650	75	-	9,547
Water	8,582	1,634	75	-	10,291
Recreation	<u>78,039</u>	<u>-</u>	<u>1,731</u>	<u>-</u>	<u>79,770</u>
Total	<u>\$ 383,114</u>	<u>\$ 23,886</u>	<u>\$ 4,874</u>	<u>\$ -</u>	<u>\$ 411,874</u>

Development charge funds are levies against land to pay for increased capital costs required because of increased need for services arising from development of the area. These funds have been deferred in accordance with the Development Charges Act, 1997.

GAS TAX

	Balance Beginning of Year	Gas Tax Collected	Interest Income	Disbursements	Balance End of Year
Federal and provincial gas tax	<u>\$ 386,864</u>	<u>\$ 206,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,613</u>

Gas tax funds are received from the Association of Municipalities of Ontario (AMO) and are restricted for the purpose of investing in Environmentally Sustainable Municipal Infrastructure (ESMI) projects and Capacity Building projects as outlined in the funding agreement.

The attached Independent Auditors' Report and notes are an integral part of these audited consolidated financial statements.





INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of:
Municipality of North Middlesex

We have audited the accompanying financial statements of the trust funds of the Municipality of North Middlesex, which comprise of the statement of financial position as at December 31, 2012 and the statements of the accumulated net assets and financial activities for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the trust funds of the Municipality of North Middlesex as at December 31, 2012, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.

London, Ontario
July 19, 2013

Davis Martindale LLP

Chartered Accountants
Licensed Public Accountants



MUNICIPALITY OF NORTH MIDDLESEX

TRUST FUNDS - STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	Parkhill Monument Fund	Cemetery Care & Maintenance Fund	West Williams Cemetery Fund	East Williams Cemetery Fund	McGillvary Cemetery Nursery Fund	Mt. Pleasant Fund	2012 Total	2011 Total
Assets								
Cash	\$ 1,165	\$ 4,074	\$ 3,626	\$ 3,548	\$ -	\$ -	\$ 12,413	\$ 33,250
Interest receivable	461	1,195	782	-	63	37	2,538	596
Investments (note 2)	<u>32,205</u>	<u>199,195</u>	<u>36,279</u>	<u>-</u>	<u>2,925</u>	<u>1,697</u>	<u>272,301</u>	<u>160,401</u>
	<u>\$ 33,831</u>	<u>\$ 204,464</u>	<u>\$ 40,687</u>	<u>\$ 3,548</u>	<u>\$ 2,988</u>	<u>\$ 1,734</u>	<u>\$ 287,252</u>	<u>\$ 194,247</u>
Liabilities								
Due to (from) general	\$ 4,194	\$ 40,461	\$ 1,110	\$ (3,542)	\$ 63	\$ 118	\$ 42,404	\$ (40,601)
Accumulated Net Assets	<u>29,637</u>	<u>164,003</u>	<u>39,577</u>	<u>7,090</u>	<u>2,925</u>	<u>1,616</u>	<u>244,848</u>	<u>234,848</u>
	<u>\$ 33,831</u>	<u>\$ 204,464</u>	<u>\$ 40,687</u>	<u>\$ 3,548</u>	<u>\$ 2,988</u>	<u>\$ 1,734</u>	<u>\$ 287,252</u>	<u>\$ 194,247</u>

The attached Independent Auditors' Report and notes are an integral part of these audited financial statements.



MUNICIPALITY OF NORTH MIDDLESEX
TRUST FUNDS - STATEMENT OF ACCUMULATED NET ASSETS
AND FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Parkhill Monument Fund	Cemetery Care & Maintenance Fund	West Williams Cemetery Fund	East Williams Cemetery Fund	McGillvary Cemetery Nursery Fund	Mt. Pleasant Fund	2012 Total	2011 Total
Balance, Beginning of Year	\$ 28,537	\$ 160,203	\$ 34,477	\$ 7,090	\$ 2,925	\$ 1,616	\$ 234,848	\$ 229,223
Revenues								
Sale of plots	-	3,800	-	-	-	-	3,800	3,100
Monument fees	1,100	-	-	-	-	-	1,100	1,900
Sylvan fees	-	-	5,100	-	-	-	5,100	625
Interest	<u>758</u>	<u>4,862</u>	<u>846</u>	<u>38</u>	<u>66</u>	<u>38</u>	<u>6,608</u>	<u>5,866</u>
	1,858	8,662	5,946	38	66	38	16,608	11,491
Expenditures								
Maintenance	<u>758</u>	<u>4,862</u>	<u>846</u>	<u>38</u>	<u>66</u>	<u>38</u>	<u>6,608</u>	<u>5,866</u>
Balance, End of Year	<u>\$ 29,637</u>	<u>\$ 164,003</u>	<u>\$ 39,577</u>	<u>\$ 7,090</u>	<u>\$ 2,925</u>	<u>\$ 1,616</u>	<u>\$ 244,848</u>	<u>\$ 234,848</u>

The attached Independent Auditors' Report and notes are an integral part of these audited financial statements.



MUNICIPALITY OF NORTH MIDDLESEX
NOTES TO TRUST FUNDS FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Accounting Policies

Basis of Accounting

Capital receipts and income are reported on the accrual basis of accounting.

Expenditures are reported on the cash basis.

2. Investments

The investments of the trust are stated at cost plus accrued interest. These funds are invested in term deposits or guaranteed investment certificates. The investments are in various amounts, with maturity dates of one to five years and bear interest at an average rate of 2.43%.

