

**MUNICIPALITY OF NORTH MIDDLESEX**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**



**MUNICIPALITY OF NORTH MIDDLESEX**  
**INDEX TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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## MANAGEMENT REPORT

December 31, 2015

The accompanying financial statements are the responsibility of the management of the Municipality of North Middlesex. In management's opinion, these financial statements have been prepared in accordance with Canadian public sector accounting standards. Management has selected accounting principles and methods that are appropriate for the Municipality's circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements and any other supplementary information presented are consistent with that in the financial statements.

The Municipality maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate, that transactions are properly authorized and that the Municipality assets are properly accounted for and adequately safeguarded.

The financial statements have been examined by Davis Martindale LLP Chartered Professional Accountants, the external auditors of the Municipality. The responsibility of the external auditors is to express their opinion on whether the financial statements are fairly presented, in all material respects, in accordance with Canadian public sector accounting standards.

The members of Council is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Council meets periodically with management, as well with the external auditors to satisfy itself that each party is properly discharging its responsibilities with respect to internal controls and financial reporting. Davis Martindale LLP Chartered Professional Accountants have full and free access to the Council, with and without the presence of management.

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Marsha Paley,  
Chief Administrative Officer  
May 31, 2016

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Debbie Jonah,  
Acting Treasurer  
May 31, 2016



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Chartered Professional Accountants

## **INDEPENDENT AUDITOR'S 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, 2015 and the consolidated statement of accumulated surplus, consolidated statement of financial activities, consolidated statement of change in net financial assets, 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, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

London, Ontario  
May 31, 2016

*Davis Martindale LLP*

Chartered Professional Accountants  
Licensed Public Accountants



**MUNICIPALITY OF NORTH MIDDLESEX**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2015**

	<b>2015</b>	<b>2014</b>
<b>Financial Assets</b>		
Cash	\$ 4,800,114	\$ 3,702,226
Short-term investments (note 3)	358,852	451,988
Taxes receivable	720,188	605,580
Accounts receivable	734,778	897,347
Long-term receivable (note 4)	<u>1,032,817</u>	<u>1,243,325</u>
	7,646,749	6,900,466
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	1,555,874	1,154,398
Deferred revenue - gas tax (schedule 2)	204,613	11,828
Deferred revenue - development charges (schedule 2)	433,762	440,937
Solid waste landfill closure and post-closure liability (note 6)	60,000	158,000
Long-term liabilities (note 7)	<u>2,814,154</u>	<u>3,348,371</u>
	<u>5,068,403</u>	<u>5,113,534</u>
<b>Net Financial Assets</b>	2,578,346	1,786,932
<b>Commitments</b> (note 11)		
<b>Contingent Liabilities</b> (note 13)		
<b>Non-Financial Assets</b>		
Tangible capital assets (schedule 1)	56,877,825	56,579,204
Prepaid expenses	<u>83,292</u>	<u>56,511</u>
	<u>56,961,117</u>	<u>56,635,715</u>
<b>Accumulated Surplus</b>	<u>\$ 59,539,463</u>	<u>\$ 58,422,647</u>

**Approved on behalf of Council by:**

\_\_\_\_\_  
Don Shipway, Mayor

\_\_\_\_\_  
Debbie Jonah, Acting Treasurer

*The attached Independent Auditor's 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, 2015**

	<b>2015</b>	<b>2014</b>
<b>Accumulated Surplus, Beginning of Year</b>	\$ 58,422,647	\$ 56,245,813
<b>Annual Surplus</b>	<u>1,116,816</u>	<u>2,176,834</u>
<b>Accumulated Surplus, End of Year</b>	<u>\$ 59,539,463</u>	<u>\$ 58,422,647</u>

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Budget 2015 (Unaudited)</b>	<b>Actual 2015</b>	<b>Actual 2014</b>
<b>Revenues</b>			
Taxation	\$ 5,637,061	\$ 5,786,974	\$ 5,254,175
User charges	2,825,634	2,874,448	2,785,436
Government grants	2,707,905	2,805,165	3,970,445
Other	<u>368,650</u>	<u>761,788</u>	<u>1,050,684</u>
<b>Total Revenues</b>	<b>11,539,250</b>	<b>12,228,375</b>	<b>13,060,740</b>
<b>Expenditures</b>			
General government	1,305,731	1,342,630	1,518,297
Protection to persons and property	1,707,938	1,687,814	1,687,709
Transportation services	2,922,100	3,250,313	3,496,278
Environmental services	2,340,516	2,831,870	2,813,760
Health services	69,000	37,673	50,083
Recreation and cultural services	899,036	1,111,799	1,136,975
Planning and development	<u>246,375</u>	<u>849,460</u>	<u>180,804</u>
<b>Total Expenditures</b>	<b><u>9,490,696</u></b>	<b><u>11,111,559</u></b>	<b><u>10,883,906</u></b>
<b>Annual Surplus</b>	<b><u>\$ 2,048,554</u></b>	<b><u>\$ 1,116,816</u></b>	<b><u>\$ 2,176,834</u></b>

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**CONSOLIDATED STATEMENT OF CHANGE IN**  
**NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Budget 2015 (Unaudited)</b>	<b>Actual 2015</b>	<b>Actual 2014</b>
<b>Annual Surplus</b>	\$ 2,048,554	\$ 1,116,816	\$ 2,176,834
Acquisition of tangible capital assets	(2,473,440)	(2,010,697)	(4,472,659)
Amortization of tangible capital assets	-	1,706,705	1,628,751
Change in prepaid expenses	-	(26,782)	35,461
Loss (gain) on disposal of assets	-	(40,628)	(1,729)
Proceeds on disposal of tangible assets	<u>-</u>	<u>46,000</u>	<u>59,000</u>
<b>Increase (Decrease) in Net Financial Assets</b>	(424,886)	791,414	(574,342)
<b>Net Financial Assets, Beginning of Year</b>	<u>1,786,932</u>	<u>1,786,932</u>	<u>2,361,274</u>
<b>Net Financial Assets, End of Year</b>	<u>\$ 1,362,046</u>	<u>\$ 2,578,346</u>	<u>\$ 1,786,932</u>

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Annual surplus	\$ 1,116,816	\$ 2,176,834
Items not requiring an outlay of cash:		
Amortization on tangible capital assets	1,706,705	1,628,751
Gain on disposal of assets	<u>(40,628)</u>	<u>(1,729)</u>
	2,782,893	3,803,856
Changes in non-cash working capital:		
Taxes receivable	(114,608)	(95,295)
Accounts receivable	162,569	90,258
Assets held for sale	-	83,579
Accounts payable and accrued liabilities	401,476	(560,038)
Deferred revenue	185,610	(424,522)
Solid waste landfill closure and post-closure liability	(98,000)	7,000
Prepaid expenses	<u>(26,782)</u>	<u>35,461</u>
	<u>510,265</u>	<u>(863,557)</u>
<b>Net Cash Provided by Operating Activities</b>	3,293,158	2,940,299
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term debt	-	1,500,000
Repayment of long-term debt	<u>(534,217)</u>	<u>(758,557)</u>
<b>Net Cash Provided by (Used in) Financing Activities</b>	(534,217)	741,443
<b>Cash Flows from Investing Activities</b>		
Acquisition of tangible capital assets	(2,010,697)	(4,472,659)
Proceeds on disposal of tangible capital assets	46,000	59,000
Reclassification of tangible capital assets to assets held for sale	-	(83,579)
Decrease in long-term receivable	<u>210,508</u>	<u>152,014</u>
<b>Net Cash Used in Investing Activities</b>	<u>(1,754,189)</u>	<u>(4,345,224)</u>
<b>Net Increase (Decrease) in Cash</b>	1,004,752	(663,482)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>4,154,214</u>	<u>4,817,696</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,158,966</u>	<u>\$ 4,154,214</u>
<b>Represented By:</b>		
Cash	\$ 4,800,114	\$ 3,702,226
Short-term investments	<u>358,852</u>	<u>451,988</u>
	<u>\$ 5,158,966</u>	<u>\$ 4,154,214</u>
<b>Supplemental Cash Flow Information</b>		
Interest Paid	<u>\$ 72,395</u>	<u>\$ 84,274</u>

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# MUNICIPALITY OF NORTH MIDDLESEX

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 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.

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# MUNICIPALITY OF NORTH MIDDLESEX

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2015

#### 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.

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MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

**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.

**4. Long-term Receivable**

	2015	2014
Sewer debentures receivable	\$ 907,377	\$1,016,468
Tile drain loan receivable	<u>125,440</u>	<u>226,857</u>
	1,032,817	1,243,325
Less: current portion	<u>150,133</u>	<u>158,768</u>
	<u>\$ 882,684</u>	<u>\$1,084,557</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, 2015**

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

Key assumptions in arriving at the liability value are:

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

During the year, the Parkhill Landfill was officially closed and converted to a Transfer Station. The municipality incurred costs of \$33,112 in the current year to close the landfill. The remainder of the accrued landfill closure liability of \$64,888 was reversed in the current year.

**7. Long-term Liabilities**

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

	<b>2015</b>	<b>2014</b>
Loan issued by the County of Middlesex, non-interest bearing with annual principal payments of \$104,236 and maturing February 2019.	416,946	521,181
Loan issued by the County of Middlesex, non-interest bearing with annual principal payment of \$187,500 and maturing June 2022	1,312,500	1,500,000
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.	959,268	1,100,333
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>125,440</u>	<u>226,857</u>
Long-term liabilities at the end of the year	<u>\$ 2,814,154</u>	<u>\$ 3,348,371</u>

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**MUNICIPALITY OF NORTH MIDDLESEX**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**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:

	<b>2016 to 2020</b>	<b>Thereafter</b>	<b>Total</b>
From general municipal revenues	\$ 1,354,445	\$ 375,000	\$ 1,729,445
From benefiting landowners	<u>549,608</u>	<u>535,100</u>	<u>1,084,708</u>
	<u>\$ 1,904,053</u>	<u>\$ 910,100</u>	<u>\$ 2,814,153</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 \$7,403,472 (2014 - \$6,390,670) is made up of the following:

	<b>2015</b>	<b>2014</b>
<b>Reserves set aside for specific purpose by Council:</b>		
- North Middlesex working capital	\$2,226,244	\$2,171,244
- North Middlesex accessibility	121,044	246,044
- North Middlesex contingency	2,775,791	2,171,235
- North Middlesex economic development	-	3,550
- North Middlesex election	5,000	-
- North Middlesex street lights	10,000	-
- North Middlesex fire	612,534	425,084
- North Middlesex policing	200,506	200,506
- North Middlesex Canada Day	9,313	9,313
- North Middlesex office equipment	24,193	2,975
- North Middlesex building department equipment	15,457	7,500
- North Middlesex municipal drains	157,000	100,000
- North Middlesex water equipment	42,548	42,548
- North Middlesex roads	30,741	308,746
- North Middlesex arena	19,805	52,919
- Ward one sanitary and storm sewers	76,839	76,839
- Ward one Santa Claus parade	5,901	5,901
- Bridge reserve	328,869	477,787
- North Middlesex benefit stabilization reserve	<u>39,241</u>	<u>-</u>
	<u>6,701,026</u>	<u>6,302,191</u>

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**MUNICIPALITY OF NORTH MIDDLESEX**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**8. Reserves (continued)**

	<b>2015</b>	<b>2014</b>
<b>Reserve fund set aside by specific legislation:</b>		
- Ward one hydro proceeds	80,496	80,392
- North Middlesex building department capital contribution	208,655	-
- North Middlesex building department insurance	100,000	-
- North Middlesex building department revenue stabilization	208,655	-
- North Middlesex vibrancy fund	96,468	-
- Ward two Meadowgate Rd.	4,429	4,382
- Ward three recreation facilities	<u>3,743</u>	<u>3,705</u>
	<u>702,446</u>	<u>88,479</u>
<b>Total Reserves and Reserve Funds</b>	<b><u>\$7,403,472</u></b>	<b><u>\$6,390,670</u></b>

**9. Municipal Fund Balances at the End of the Year**

	<b>2015</b>	<b>2014</b>
For recovery from user charges	\$ (4,741,834)	\$ (4,547,227)
Invested in tangible capital assets	56,877,825	56,579,204
Reserves (note 8)	<u>7,403,472</u>	<u>6,390,670</u>
	<b><u>\$59,539,463</u></b>	<b><u>\$58,422,647</u></b>

**10. Trust Funds**

Trust funds administered by the Municipality amounting to \$265,798 (2014 - \$259,898) 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**

During the 2014 fiscal year, the Municipality entered into agreements with the Ontario Clean Water Association to maintain, operate and service the water distribution system and wastewater system in North Middlesex. The agreements specifies the Municipality will cover the operational fees at cost plus a fixed management fee of \$88,964 yearly, subject to an annual inflation adjustment. The current agreements with the Ontario Clean Water Association are set to expire in 2021.

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## MUNICIPALITY OF NORTH MIDDLESEX

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED DECEMBER 31, 2015

##### **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](http://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 are accrued based on a five year average usage in the Municipality's financial statements, the remaining accumulated sick days are not accrued 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.

As of December 31, 2015, the Municipality has accrued sick day benefits totaling \$36,771 (2014 - \$39,758) and is contingently liable for an additional 2,080 accumulated sick days with an associated cost, based on current pay rates, of \$484,277 (2014 - \$449,694).

##### **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.

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**MUNICIPALITY OF NORTH MIDDLESEX**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**14. Financial Instruments (continued)**

*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.

	2015		2014	
	Interest sensitive	Non-interest sensitive	Interest sensitive	Non-interest sensitive
Short-term investments (note 3)	\$ -	\$ 358,852	\$ -	\$ 451,988
Long-term receivable (note 4)	-	1,032,817	-	1,243,325
Long-term liabilities (note 7)	-	(2,814,154)	-	(3,348,371)
	\$ -	\$(1,422,485)	\$ -	\$(1,653,058)

**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 \$129,512 (2014 - \$135,449) 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 services - 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

*The attached Independent Auditor's 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, 2015**

**16. Segment Reporting - continued**

**REVENUES 2015**

	<b>Taxation</b>	<b>User Charges</b>	<b>Government Grants</b>	<b>Other</b>	<b>Total</b>
General government	\$ 5,786,974	\$ 112,299	\$ 2,629,172	\$ 220,108	\$ 8,748,553
Protection services	-	140,084	27,898	-	167,982
Transportation services	-	14,546	77,079	-	91,625
Environmental services	-	1,978,920	-	364,064	2,342,984
Health services	-	22,977	-	18,372	41,349
Recreation and cultural services	-	435,335	-	36,897	472,232
Planning and development	-	170,287	71,016	122,347	363,650
<b>Total</b>	<b><u>\$ 5,786,974</u></b>	<b><u>\$ 2,874,448</u></b>	<b><u>\$ 2,805,165</u></b>	<b><u>\$ 761,788</u></b>	<b><u>\$12,228,375</u></b>

**REVENUES 2014**

	<b>Taxation</b>	<b>User Charges</b>	<b>Government Grants</b>	<b>Other</b>	<b>Total</b>
General government	\$ 5,254,175	\$ 79,879	\$ 3,269,380	\$ 244,252	\$ 8,847,686
Protection services	-	100,587	24,228	-	124,815
Transportation services	-	158,388	607,775	15,907	782,070
Environmental services	-	1,917,732	-	343,987	2,261,719
Health services	-	22,152	-	14,866	37,018
Recreation and cultural services	-	409,224	-	10,883	420,107
Planning and development	-	97,474	69,062	420,789	587,325
<b>Total</b>	<b><u>\$ 5,254,175</u></b>	<b><u>\$ 2,785,436</u></b>	<b><u>\$ 3,970,445</u></b>	<b><u>\$ 1,050,684</u></b>	<b><u>\$13,060,740</u></b>

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**16. Segment Reporting - continued**

**EXPENDITURES 2015**

	<b>Salaries and Wages</b>	<b>Materials</b>	<b>Contracted Services</b>	<b>Other</b>	<b>Total</b>
General government	\$ 728,527	\$ 278,646	\$ 129,367	\$ 206,090	\$ 1,342,630
Protection services	294,812	194,675	979,607	218,720	1,687,814
Transportation services	703,344	1,437,389	171,637	937,943	3,250,313
Environmental services	135,532	932,567	1,254,067	509,704	2,831,870
Health services	30,169	3,704	3,800	-	37,673
Recreation and cultural services	423,176	453,348	93,435	141,840	1,111,799
Planning and development	<u>48,828</u>	<u>8,296</u>	<u>779,183</u>	<u>13,153</u>	<u>849,460</u>
Total	<u>\$ 2,364,388</u>	<u>\$ 3,308,625</u>	<u>\$ 3,411,096</u>	<u>\$ 2,027,450</u>	<u>\$11,111,559</u>

**EXPENDITURES 2014**

	<b>Salaries and Wages</b>	<b>Materials</b>	<b>Contracted Services</b>	<b>Other</b>	<b>Total</b>
General government	\$ 718,168	\$ 417,331	\$ 190,263	\$ 192,535	\$ 1,518,297
Protection services	263,822	180,156	1,023,223	220,508	1,687,709
Transportation services	732,108	1,677,488	194,872	891,810	3,496,278
Environmental services	193,868	867,477	1,160,945	591,470	2,813,760
Health services	23,168	5,510	21,347	58	50,083
Recreation and cultural services	397,228	439,332	109,474	190,941	1,136,975
Planning and development	<u>25,036</u>	<u>8,096</u>	<u>132,602</u>	<u>15,070</u>	<u>180,804</u>
Total	<u>\$ 2,353,398</u>	<u>\$ 3,595,390</u>	<u>\$ 2,832,726</u>	<u>\$ 2,102,392</u>	<u>\$10,883,906</u>

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**SCHEDULE 1 - SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Land and Land Improvements		Buildings		Equipment		Fleet	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Cost</b>								
Balance, beginning of year	\$ 894,343	\$ 894,343	\$ 22,623,700	\$ 22,623,700	\$ 3,684,859	\$ 3,684,859	\$ 2,557,110	\$ 2,557,110
Additions during the year	-	-	243,834	243,834	821,907	821,907	273,359	273,359
Disposals during the year	-	-	-	-	(244,551)	(244,551)	(8,353)	(8,353)
Balance, end of year	\$ 894,343	\$ 894,343	\$ 22,867,534	\$ 22,867,534	\$ 4,262,215	\$ 4,262,215	\$ 2,822,116	\$ 2,822,116
<b>Accumulated Amortization</b>								
Balance, beginning of year	-	-	3,506,022	3,506,022	2,011,645	2,011,645	1,607,006	1,607,006
Amortization for the year	-	-	345,653	345,653	219,929	219,929	179,129	179,129
Disposals during the year	-	-	-	-	(244,551)	(244,551)	(2,982)	(2,982)
Balance, end of year	-	-	\$ 3,851,675	\$ 3,851,675	\$ 1,987,023	\$ 1,987,023	\$ 1,783,153	\$ 1,783,153
<b>Net Book Value</b>								
Balance, beginning of year	\$ 894,343	\$ 894,343	\$ 19,015,859	\$ 19,015,859	\$ 2,275,192	\$ 2,275,192	\$ 1,038,963	\$ 1,038,963
Additions during the year	-	-	243,834	243,834	821,907	821,907	273,359	273,359
Disposals during the year	-	-	-	-	(244,551)	(244,551)	(2,982)	(2,982)
Balance, end of year	\$ 894,343	\$ 894,343	\$ 19,259,713	\$ 19,259,713	\$ 2,852,548	\$ 2,852,548	\$ 1,309,340	\$ 1,309,340
<b>Accumulated Amortization</b>								
Balance, beginning of year	7,640,612	7,640,612	6,100,340	6,100,340	2,573,865	2,573,865	23,439,490	23,439,490
Amortization for the year	583,928	583,928	310,056	310,056	68,010	68,010	1,706,705	1,628,751
Disposals during the year	-	-	-	-	-	-	(247,533)	(38,140)
Balance, end of year	\$ 8,224,540	\$ 8,224,540	\$ 6,410,396	\$ 6,410,396	\$ 2,641,875	\$ 2,641,875	\$ 24,898,662	\$ 23,439,490
<b>Cost</b>								
Balance, beginning of year	\$ 21,665,702	\$ 23,313,526	\$ 5,279,454	\$ 80,018,694	\$ 80,018,694	\$ 75,557,867	\$ 80,018,694	\$ 75,557,867
Additions during the year	532,663	48,601	90,333	2,010,697	2,010,697	4,516,306	4,516,306	4,516,306
Disposals during the year	-	-	-	(252,904)	(252,904)	(55,479)	(55,479)	(55,479)
Balance, end of year	\$ 22,198,365	\$ 23,362,127	\$ 5,369,787	\$ 81,776,487	\$ 80,018,694	\$ 80,018,694	\$ 80,018,694	\$ 80,018,694
<b>Accumulated Amortization</b>								
Balance, beginning of year	7,640,612	6,100,340	2,573,865	23,439,490	23,439,490	21,848,879	23,439,490	21,848,879
Amortization for the year	583,928	310,056	68,010	1,706,705	1,706,705	1,628,751	1,628,751	1,628,751
Disposals during the year	-	-	-	(247,533)	(247,533)	(38,140)	(38,140)	(38,140)
Balance, end of year	\$ 8,224,540	\$ 6,410,396	\$ 2,641,875	\$ 24,898,662	\$ 24,898,662	\$ 23,439,490	\$ 23,439,490	\$ 23,439,490
<b>Net Book Value</b>								
Balance, beginning of year	\$ 13,973,825	\$ 16,951,731	\$ 2,727,912	\$ 56,877,825	\$ 56,877,825	\$ 56,579,204	\$ 56,579,204	\$ 56,579,204
Additions during the year	-	310,056	68,010	1,706,705	1,706,705	1,628,751	1,628,751	1,628,751
Disposals during the year	-	-	-	(247,533)	(247,533)	(38,140)	(38,140)	(38,140)
Balance, end of year	\$ 13,973,825	\$ 16,951,731	\$ 2,727,912	\$ 56,877,825	\$ 56,877,825	\$ 56,579,204	\$ 56,579,204	\$ 56,579,204

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*The attached Independent Auditor's 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, 2015**

**DEVELOPMENT CHARGES**

	<b>Balance Beginning of Year</b>	<b>Development Charges Collected</b>	<b>Interest Income</b>	<b>Disbursements</b>	<b>Balance End of Year</b>
Roads and structures	\$ 35,984	\$ 6,637	\$ 398	\$ -	\$ 43,019
Wastewater	337,952	21,867	2,945	-	362,764
Stormwater	10,708	1,460	113	-	12,281
Water	12,923	1,768	137	-	14,828
Recreation	<u>43,370</u>	<u>-</u>	<u>619</u>	<u>43,119</u>	<u>870</u>
Total	<u>\$ 440,937</u>	<u>\$ 31,732</u>	<u>\$ 4,212</u>	<u>\$ 43,119</u>	<u>\$ 433,762</u>

Development charge funds are levies against land to pay for increased capital costs required because of an 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**

	<b>Balance Beginning of Year</b>	<b>Gas Tax Collected</b>	<b>Interest Income</b>	<b>Disbursements</b>	<b>Balance End of Year</b>
Federal and provincial gas tax	<u>\$ 11,828</u>	<u>\$ 192,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,613</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.

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Chartered Professional Accountants

## INDEPENDENT AUDITOR'S 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, 2015 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, 2015, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.

London, Ontario  
May 31, 2016

*Davis Martindale LLP*

Chartered Professional Accountants  
Licensed Public Accountants





MUNICIPALITY OF NORTH MIDDLESEX

TRUST FUNDS - STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	Parkhill Cemetery		West Williams	East Williams	McGillvary Cemetery		2015	2014
	Monument	Care & Maintenance	Cemetery	Cemetery	Nursery	Mt. Pleasant	Total	Total
	Fund	Fund	Fund	Fund	Fund	Fund		
<b>Assets</b>								
Cash	\$ 4,195	\$ 14,218	\$ 11,988	\$ 3,676	\$ -	\$ -	\$ 34,077	\$ 27,950
Due from general	7,179	109,228	-	3,414	-	-	119,821	-
Interest receivable	213	507	367	-	29	17	1,133	2,538
Investments (note 2)	<u>21,000</u>	<u>50,000</u>	<u>36,279</u>	<u>-</u>	<u>2,925</u>	<u>1,697</u>	<u>111,901</u>	<u>272,302</u>
	<u>\$ 32,587</u>	<u>\$ 173,953</u>	<u>\$ 48,634</u>	<u>\$ 7,090</u>	<u>\$ 2,954</u>	<u>\$ 1,714</u>	<u>\$ 266,932</u>	<u>\$ 302,790</u>
<b>Liabilities</b>								
Due to general	\$ -	\$ -	\$ 1,007	\$ -	\$ 29	\$ 98	\$ 1,134	\$ 42,892
<b>Net Assets</b>	<u>32,587</u>	<u>173,953</u>	<u>47,627</u>	<u>7,090</u>	<u>2,925</u>	<u>1,616</u>	<u>265,798</u>	<u>259,898</u>
	<u>\$ 32,587</u>	<u>\$ 173,953</u>	<u>\$ 48,634</u>	<u>\$ 7,090</u>	<u>\$ 2,954</u>	<u>\$ 1,714</u>	<u>\$ 266,932</u>	<u>\$ 302,790</u>

The attached Independent Auditor's 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, 2015**

	Parkhill Monument Fund	Cemetery Care & Maintenance Fund	West Williams Cemetery Fund	East Williams Cemetery Fund	McGillvary Cemetery Nursery Fund	Mt. Pleasant Cemetery Fund	2015 Total	2014 Total
<b>Balance, Beginning of Year</b>	\$ 31,287	\$ 170,703	\$ 46,277	\$ 7,090	\$ 2,925	\$ 1,616	\$ 259,898	\$ 251,848
<b>Revenues</b>								
Sale of plots	-	3,250	-	-	-	-	3,250	3,900
Monument fees	1,300	-	-	-	-	-	1,300	650
Sylvan fees	-	-	1,350	-	-	-	1,350	3,500
Interest	<u>525</u>	<u>3,888</u>	<u>558</u>	<u>39</u>	<u>35</u>	<u>20</u>	<u>5,065</u>	<u>6,438</u>
	1,825	7,138	1,908	39	35	20	10,965	14,488
<b>Expenditures</b>								
Maintenance	<u>525</u>	<u>3,888</u>	<u>558</u>	<u>39</u>	<u>35</u>	<u>20</u>	<u>5,065</u>	<u>6,438</u>
<b>Balance, End of Year</b>	<u>\$ 32,587</u>	<u>\$ 173,953</u>	<u>\$ 47,627</u>	<u>\$ 7,090</u>	<u>\$ 2,925</u>	<u>\$ 1,616</u>	<u>\$ 265,798</u>	<u>\$ 259,898</u>

*The attached Independent Auditor's 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, 2015**

**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 guaranteed investment certificates, with the maturity date of April 2016 and bear interest at 1.45%. The prior year investments were in various amounts and matured during the current year and yielded interest at an average rate of 2.43%.