

MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017



MUNICIPALITY OF NORTH MIDDLESEX
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DECEMBER 31, 2017

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MANAGEMENT REPORT

December 31, 2017

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 are 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.

Nandini Syed

Nandini Syed,
Director of Financial and Administrative Services
May 9, 2018

Don Shipway

Don Shipway,
Mayor
May 9, 2018



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, 2017 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

London, Ontario
May 9, 2018

Davis Martindale LLP

Chartered Professional Accountants
Licensed Public Accountants



MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016
Financial Assets		
Cash	\$ 8,220,335	\$ 6,230,222
Short-term investments (note 3)	181,462	361,968
Taxes receivable	574,088	660,586
Accounts receivable	892,790	825,413
Long-term receivable (note 4)	<u>722,764</u>	<u>871,497</u>
	10,591,439	8,949,686
Financial Liabilities		
Accounts payable and accrued liabilities	1,755,850	1,319,963
Deferred revenue - gas tax (schedule 2)	626,415	407,037
Deferred revenue - development charges (schedule 2)	543,210	486,796
Solid waste landfill closure and post-closure liability (note 6)	60,000	60,000
Long-term liabilities (note 7)	<u>1,856,257</u>	<u>2,327,508</u>
	<u>4,841,732</u>	<u>4,601,304</u>
Net Financial Assets	5,749,707	4,348,382
Commitments (note 9)		
Contingent Liabilities (note 13)		
Non-Financial Assets		
Tangible capital assets (schedule 1)	56,068,260	55,898,805
Prepaid expenses	<u>347,085</u>	<u>366,891</u>
	<u>56,415,345</u>	<u>56,265,696</u>
Accumulated Surplus	<u>\$ 62,165,052</u>	<u>\$ 60,614,078</u>

Approved on behalf of Council by:

Don Shipway, Mayor

Nandini Syed, Director of Financial and Administrative Services

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, 2017

	2017	2016
Accumulated Surplus, Beginning of Year	\$ 60,614,078	\$ 59,539,463
Annual Surplus	<u>1,550,974</u>	<u>1,074,615</u>
Accumulated Surplus, End of Year	<u>\$ 62,165,052</u>	<u>\$ 60,614,078</u>

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MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget 2017 (Unaudited)	Actual 2017	Actual 2016
Revenues			
Taxation	\$ 6,580,558	\$ 6,667,482	\$ 6,193,130
User charges	3,034,072	3,363,886	3,339,643
Government grants	1,984,200	2,137,314	2,491,381
Other	<u>716,185</u>	<u>1,467,808</u>	<u>801,339</u>
Total Revenues	12,315,015	13,636,490	12,825,493
Expenditures			
General government	1,462,333	1,601,891	1,578,861
Protection to persons and property	1,825,282	1,891,926	1,718,496
Transportation services	2,954,039	3,608,992	3,440,975
Environmental services	2,777,988	3,122,862	3,001,700
Health services	85,935	36,546	61,170
Recreation and cultural services	1,052,834	1,259,389	1,304,819
Planning and development	<u>290,100</u>	<u>563,910</u>	<u>644,857</u>
Total Expenditures	<u>10,448,511</u>	<u>12,085,516</u>	<u>11,750,878</u>
Annual Surplus	<u>\$ 1,866,504</u>	<u>\$ 1,550,974</u>	<u>\$ 1,074,615</u>

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MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF CHANGE IN
NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget 2017 (Unaudited)	Actual 2017	Actual 2016
Annual Surplus	\$ 1,866,504	\$ 1,550,974	\$ 1,074,615
Acquisition of tangible capital assets	(1,229,438)	(1,958,663)	(769,621)
Amortization of tangible capital assets	-	1,766,869	1,748,597
Change in prepaid expenses	-	19,806	(283,599)
Gain on disposal of assets	-	(14,458)	(33,706)
Proceeds on disposal of tangible assets	<u>-</u>	<u>36,797</u>	<u>33,750</u>
Increase in Net Financial Assets	637,066	1,401,325	1,770,036
Net Financial Assets, Beginning of Year	<u>4,348,382</u>	<u>4,348,382</u>	<u>2,578,346</u>
Net Financial Assets, End of Year	<u>\$ 4,985,448</u>	<u>\$ 5,749,707</u>	<u>\$ 4,348,382</u>

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 CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
Cash Flows from Operating Activities		
Annual surplus	\$ 1,550,974	\$ 1,074,615
Items not requiring an outlay of cash:		
Amortization on tangible capital assets	1,766,869	1,748,597
Gain on disposal of assets	<u>(14,458)</u>	<u>(33,706)</u>
	3,303,385	2,789,506
Changes in non-cash working capital:		
Taxes receivable	86,498	59,602
Accounts receivable	(67,377)	(90,635)
Accounts payable and accrued liabilities	435,887	(235,911)
Deferred revenue	275,792	255,458
Prepaid expenses	<u>19,806</u>	<u>(283,599)</u>
	<u>750,606</u>	<u>(295,085)</u>
Net Cash Provided by Operating Activities	4,053,991	2,494,421
Cash Flows from Financing Activities		
Repayment of long-term debt	(471,251)	(486,646)
Cash Flows from Investing Activities		
Acquisition of tangible capital assets	(1,958,663)	(769,621)
Proceeds on disposal of tangible capital assets	36,797	33,750
Decrease in long-term receivable	<u>148,733</u>	<u>161,320</u>
Net Cash Used in Investing Activities	<u>(1,773,133)</u>	<u>(574,551)</u>
Net Increase in Cash and Cash Equivalents	1,809,607	1,433,224
Cash and Cash Equivalents, Beginning of Year	<u>6,592,190</u>	<u>5,158,966</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,401,797</u>	<u>\$ 6,592,190</u>
Represented By:		
Cash	\$ 8,220,335	\$ 6,230,222
Short-term investments	<u>181,462</u>	<u>361,968</u>
	<u>\$ 8,401,797</u>	<u>\$ 6,592,190</u>
Supplemental Cash Flow Information		
Interest Paid	<u>\$ 46,007</u>	<u>\$ 58,109</u>

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, 2017

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 McGillivray, 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.

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, 2017

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.

(iv) *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 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, 2017

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

	2017	2016
Sewer debentures receivable	\$ 672,251	\$ 792,734
Tile drain loan receivable	<u>50,513</u>	<u>78,763</u>
	722,764	871,497
Less: current portion	<u>67,107</u>	<u>148,732</u>
	<u>\$ 655,657</u>	<u>\$ 722,765</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, 2017

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

Key assumptions in arriving at the liability value are:

	McGillvary Landfill
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>

7. Long-term Liabilities

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

	2017	2016
Loan issued by the County of Middlesex, non-interest bearing with annual principal payments of \$104,236 and maturing February 2019.	\$ 208,473	\$ 312,709
Loan issued by the County of Middlesex, non-interest bearing with annual principal payment of \$187,500 and maturing June 2022	937,500	1,125,000
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.	659,771	811,036
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>50,513</u>	<u>78,763</u>
Long-term liabilities at the end of the year	<u>\$ 1,856,257</u>	<u>\$ 2,327,508</u>

b) Principal Payments Due

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

	2018 to 2022	Thereafter	Total
From general municipal revenues	\$ 1,145,973	\$ -	\$ 1,145,973
From benefiting landowners	<u>275,420</u>	<u>434,864</u>	<u>710,284</u>
	<u>\$ 1,421,393</u>	<u>\$ 434,864</u>	<u>\$ 1,856,257</u>

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MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

7. Long-term Liabilities (continued)

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. Trust Funds

Trust funds administered by the Municipality amounting to \$278,987 (2016 - \$274,062) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities."

9. 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 specify 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.

10. 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.

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, 2017

11. Reserves

The total balance of reserves of \$11,106,929 (2016 - \$9,193,607) is made up of the following:

	2017	2016
Reserves set aside for specific purpose by Council:		
- North Middlesex working capital	\$ 2,226,244	\$ 2,226,244
- North Middlesex accessibility	146,044	121,044
- North Middlesex contingency	3,651,143	2,841,469
- North Middlesex economic development	100,000	-
- North Middlesex election	15,000	10,000
- North Middlesex street lights	10,000	10,000
- North Middlesex fire	930,564	788,243
- North Middlesex policing	200,506	200,506
- North Middlesex Canada Day	9,313	9,313
- North Middlesex office equipment	10,644	19,337
- North Middlesex building department equipment	115,457	15,457
- North Middlesex municipal drains	157,000	157,000
- North Middlesex water equipment	427,219	60,865
- North Middlesex roads	428,844	303,310
- North Middlesex arena	60,488	18,689
- Ward one sanitary and storm sewers	346,648	346,648
- Ward one Santa Claus parade	6,124	6,124
- Bridge reserve	328,869	328,869
- North Middlesex benefit stabilization reserve	39,241	39,241
- North Middlesex capital project reserve	103,640	200,000
- North Middlesex tax rate stabilization reserve	180,315	150,658
- North Middlesex asset replacement reserve	172,925	200,000
- North Middlesex emergency preparedness reserve	200,000	100,000
- North Middlesex insurance reserve	100,000	100,000
- North Middlesex green initiatives reserve	<u>100,000</u>	<u>100,000</u>
	10,066,228	8,353,017
Reserve fund set aside by specific legislation:		
- Ward one hydro proceeds	82,299	82,298
- North Middlesex building department capital contribution	171,918	171,918
- North Middlesex building department insurance	100,000	100,000
- North Middlesex building department revenue stabilization	208,655	208,655
- North Middlesex vibrancy fund	473,290	273,179
- Ward two Meadowgate Rd.	4,472	4,472
- Ward three recreation facilities	<u>67</u>	<u>68</u>
	1,040,701	840,590
Total Reserves and Reserve Funds	<u>\$ 11,106,929</u>	<u>\$ 9,193,607</u>

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, 2017

12. Municipal Fund Balances at the End of the Year

	2017	2016
For reduction in general taxation	\$ (770,441)	\$ -
For recovery from user charges	(4,239,696)	(4,478,334)
Invested in tangible capital assets	56,068,260	55,898,805
Reserves (note 11)	<u>11,106,929</u>	<u>9,193,607</u>
	<u>\$62,165,052</u>	<u>\$60,614,078</u>

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, 2017, the Municipality has accrued sick day benefits totaling \$41,167 (2016 - \$50,687) and is contingently liable for an additional 2,112 accumulated sick days with an associated cost, based on current pay rates, of \$523,077 (2016 - \$493,647).

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.

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, 2017

14. Financial Instruments (continued)

	2017		2016	
	Interest sensitive	Non-interest sensitive	Interest sensitive	Non-interest sensitive
Short-term investments (note 3)	\$ -	\$ 181,462	\$ -	\$ 361,968
Long-term receivable (note 4)	-	722,764	-	871,497
Long-term liabilities (note 7)	-	(1,856,257)	-	(2,327,508)
	<u>\$ -</u>	<u>\$ (952,031)</u>	<u>\$ -</u>	<u>\$ (1,094,043)</u>

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 \$167,034 (2016 - \$151,117) 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, 2017

16. Segment Reporting - continued

REVENUES 2017

	Taxation	User Charges	Government Grants	Other	Total
General government	\$ 6,667,482	\$ 82,013	\$ 1,927,857	\$ 213,161	\$ 8,890,513
Protection services	-	229,978	21,502	-	251,480
Transportation services	-	7,624	134,794	-	142,418
Environmental services	-	2,307,468	-	592,713	2,900,181
Health services	-	36,120	-	12,480	48,600
Recreation and cultural services	-	410,285	9,900	8,950	429,135
Planning and development	<u>-</u>	<u>290,398</u>	<u>43,261</u>	<u>640,504</u>	<u>974,163</u>
Total	<u>\$ 6,667,482</u>	<u>\$ 3,363,886</u>	<u>\$ 2,137,314</u>	<u>\$ 1,467,808</u>	<u>\$13,636,490</u>

REVENUES 2016

	Taxation	User Charges	Government Grants	Other	Total
General government	\$ 6,193,130	\$ 83,855	\$ 2,271,258	\$ 201,524	\$ 8,749,767
Protection services	-	189,313	21,318	-	210,631
Transportation services	-	8,125	-	-	8,125
Environmental services	-	2,241,791	74,633	487,731	2,804,155
Health services	-	41,615	-	16,220	57,835
Recreation and cultural services	-	479,441	-	12,500	491,941
Planning and development	<u>-</u>	<u>295,503</u>	<u>124,172</u>	<u>83,364</u>	<u>503,039</u>
Total	<u>\$ 6,193,130</u>	<u>\$ 3,339,643</u>	<u>\$ 2,491,381</u>	<u>\$ 801,339</u>	<u>\$12,825,493</u>

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, 2017

16. Segment Reporting - continued

EXPENDITURES 2017

	Salaries and Wages	Materials	Contracted Services	Other	Total
General government	\$ 841,266	\$ 362,704	\$ 149,632	\$ 248,289	\$ 1,601,891
Protection services	385,674	227,435	1,056,190	222,627	1,891,926
Transportation services	799,958	1,724,325	102,058	982,651	3,608,992
Environmental services	155,825	1,109,731	1,299,729	557,577	3,122,862
Health services	23,125	10,981	2,440	-	36,546
Recreation and cultural services	510,347	510,164	80,314	158,564	1,259,389
Planning and development	<u>159,364</u>	<u>17,968</u>	<u>381,853</u>	<u>4,725</u>	<u>563,910</u>
Total	<u>\$ 2,875,559</u>	<u>\$ 3,963,308</u>	<u>\$ 3,072,216</u>	<u>\$ 2,174,433</u>	<u>\$12,085,516</u>

EXPENDITURES 2016

	Salaries and Wages	Materials	Contracted Services	Other	Total
General government	\$ 841,030	\$ 318,718	\$ 210,049	\$ 209,064	\$ 1,578,861
Protection services	328,135	188,335	982,769	219,257	1,718,496
Transportation services	783,236	1,448,974	242,175	966,590	3,440,975
Environmental services	131,465	1,005,970	1,294,644	569,621	3,001,700
Health services	26,058	20,595	14,517	-	61,170
Recreation and cultural services	492,860	501,180	156,331	154,448	1,304,819
Planning and development	<u>94,689</u>	<u>31,392</u>	<u>511,151</u>	<u>7,625</u>	<u>644,857</u>
Total	<u>\$ 2,697,473</u>	<u>\$ 3,515,164</u>	<u>\$ 3,411,636</u>	<u>\$ 2,126,605</u>	<u>\$11,750,878</u>

The attached Independent Auditor's 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, 2017

	Land and Land Improvements	Buildings	Equipment	Fleet
Cost				
Balance, beginning of year	\$ 983,264	\$ 22,845,790	\$ 4,331,860	\$ 2,845,604
Additions during the year	-	846,758	260,066	36,673
Disposals during the year	<u>-</u>	<u>-</u>	<u>(113,679)</u>	<u>(30,417)</u>
Balance, end of year	983,264	23,692,548	4,478,247	2,851,860
Accumulated Amortization				
Balance, beginning of year	-	4,148,563	2,236,116	1,913,170
Amortization for the year	-	408,655	249,175	173,062
Disposals during the year	<u>-</u>	<u>(59,651)</u>	<u>(102,207)</u>	<u>(19,550)</u>
Balance, end of year	<u>-</u>	<u>4,497,567</u>	<u>2,383,084</u>	<u>2,066,682</u>
Net Book Value	<u>\$ 983,264</u>	<u>\$ 19,194,981</u>	<u>\$ 2,095,163</u>	<u>\$ 785,178</u>

	Roads	Underground and Other Networks	Bridges and Other Structures	2017 Total	2016 Total
Cost					
Balance, beginning of year	\$ 22,715,820	\$ 23,362,127	\$ 5,369,787	\$ 82,454,252	\$ 81,776,487
Additions during the year	580,832	-	234,334	1,958,663	769,621
Disposals during the year	<u>-</u>	<u>-</u>	<u>(59,651)</u>	<u>(203,747)</u>	<u>(91,856)</u>
Balance, end of year	23,296,652	23,362,127	5,544,470	84,209,168	82,454,252
Accumulated Amortization					
Balance, beginning of year	8,825,094	6,721,596	2,710,908	26,555,447	24,898,662
Amortization for the year	614,408	310,349	11,220	1,766,869	1,748,597
Disposals during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(181,408)</u>	<u>(91,812)</u>
Balance, end of year	<u>9,439,502</u>	<u>7,031,945</u>	<u>2,722,128</u>	<u>28,140,908</u>	<u>26,555,447</u>
Net Book Value	<u>\$ 13,857,150</u>	<u>\$ 16,330,182</u>	<u>\$ 2,822,342</u>	<u>\$ 56,068,260</u>	<u>\$ 55,898,805</u>

The total cost of tangible capital assets includes \$718,388 worth of projects that are under construction in which no amortization has been taken.

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, 2017

DEVELOPMENT CHARGES

	Balance Beginning of Year	Development Charges Collected	Interest Income	Disbursements	Balance End of Year
Roads and structures	\$ 49,513	\$ 5,656	\$ 531	\$ -	\$ 55,700
Wastewater	402,359	36,502	3,462	-	442,323
Stormwater	15,520	2,862	158	-	18,540
Water	18,388	3,160	192	-	21,740
Recreation	<u>1,016</u>	<u>3,750</u>	<u>141</u>	<u>-</u>	<u>4,907</u>
Total	\$ <u>486,796</u>	\$ <u>51,930</u>	\$ <u>4,484</u>	\$ <u>-</u>	\$ <u>543,210</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

	Balance Beginning of Year	Gas Tax Collected	Interest Income	Disbursements	Balance End of Year
Federal and provincial gas tax	\$ <u>407,037</u>	\$ <u>206,008</u>	\$ <u>13,370</u>	\$ <u>-</u>	\$ <u>626,415</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 Auditor's Report and notes are an integral part of these audited consolidated financial statements.





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, 2017 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, 2017, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.

London, Ontario
May 9, 2018

Chartered Professional Accountants
Licensed Public Accountants



MUNICIPALITY OF NORTH MIDDLESEX

TRUST FUNDS - STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	Parkhill Monument Fund	Cemetery Care & Maintenance Fund	West Williams Cemetery Fund	East Williams Cemetery Fund	Nursery Fund	McGillvary Cemetery Mt. Pleasant Fund	St. Marys Fund	2017 Total	2016 Total
Assets									
Cash	\$ 6,526	\$ 19,666	\$ 14,022	\$ 3,752	\$ -	\$ -	\$ -	\$ 43,966	\$ 38,497
Due from general	-	-	-	-	-	-	4,364	4,364	14,729
Interest receivable	299	3,013	508	-	40	23	-	3,883	3,359
Investments (note 2)	<u>21,000</u>	<u>211,000</u>	<u>36,279</u>	<u>-</u>	<u>2,989</u>	<u>1,733</u>	<u>-</u>	<u>273,001</u>	<u>272,301</u>
	<u>\$ 27,825</u>	<u>\$ 233,679</u>	<u>\$ 50,809</u>	<u>\$ 3,752</u>	<u>\$ 3,029</u>	<u>\$ 1,756</u>	<u>\$ 4,364</u>	<u>\$ 325,214</u>	<u>\$ 328,886</u>
Liabilities									
Due to general	\$ (6,562)	\$ 54,626	\$ 1,432	\$ (3,338)	\$ 104	\$ 140	\$ (175)	\$ 46,227	\$ 54,824
Net Assets	<u>34,387</u>	<u>179,053</u>	<u>49,377</u>	<u>7,090</u>	<u>2,925</u>	<u>1,616</u>	<u>4,539</u>	<u>278,987</u>	<u>274,062</u>
	<u>\$ 27,825</u>	<u>\$ 233,679</u>	<u>\$ 50,809</u>	<u>\$ 3,752</u>	<u>\$ 3,029</u>	<u>\$ 1,756</u>	<u>\$ 4,364</u>	<u>\$ 325,214</u>	<u>\$ 328,886</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, 2017

	Parkhill Monument Fund	Cemetery Care & Maintenance Fund	West Williams Cemetery Fund	East Williams Cemetery Fund	McGillvary Cemetery			2017 Total	2016 Total
					Nursery Fund	Mt. Pleasant Fund	St. Marys Fund		
Balance, Beginning of Year	\$ 33,337	\$ 175,853	\$ 48,777	\$ 7,090	\$ 2,925	\$ 1,616	\$ 4,464	\$ 274,062	\$ 265,798
Transfer of Equity	-	-	-	-	-	-	-	-	4,364
Adjusted Balance, Beginning of Year	33,337	175,853	48,777	7,090	2,925	1,616	4,464	274,062	270,162
Revenues									
Sale of plots	-	3,200	-	-	-	-	-	3,200	1,900
Monument fees	1,050	-	-	-	-	-	75	1,125	850
Sylvan fees	-	-	600	-	-	-	-	600	1,150
Interest	478	4,048	861	41	56	33	-	5,517	4,193
	1,528	7,248	1,461	41	56	33	75	10,442	8,093
Expenditures									
Maintenance	478	4,048	861	41	56	33	-	5,517	4,193
Balance, End of Year	<u>\$ 34,387</u>	<u>\$ 179,053</u>	<u>\$ 49,377</u>	<u>\$ 7,090</u>	<u>\$ 2,925</u>	<u>\$ 1,616</u>	<u>\$ 4,539</u>	<u>\$ 278,987</u>	<u>\$ 274,062</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, 2017

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 dates of March 2017 and April 2017 and bear interest at an average rate of 1.67%. The prior year investments were in various amounts and matured during the current year and yielded interest at an average rate of 1.45%.

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

