

**MUNICIPALITY OF NORTH MIDDLESEX  
CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**



**MUNICIPALITY OF NORTH MIDDLESEX**  
**INDEX TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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## 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, 2011 and the consolidated statement of accumulated surplus, consolidated statement of financial activities, consolidated statement of change in net financial liabilities, and consolidated statement of cash flows 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 generally accepted accounting principles, 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, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Davis Martindale LLP*

London, Ontario  
July 3, 2012

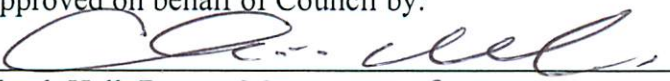
Chartered Accountants  
Licensed Public Accountants

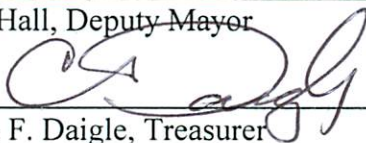


**MUNICIPALITY OF NORTH MIDDLESEX**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011**

	<b>2011</b>	<b>2010</b> (note 17)
<b>Financial Assets</b>		
Cash	\$ 1,480,803	\$ -
Short-term investments (note 3)	362,387	463,073
Taxes receivable	472,061	459,872
Accounts receivable	673,869	1,182,387
Long-term receivable (note 4)	<u>1,761,001</u>	<u>1,930,149</u>
	4,750,121	4,035,481
<b>Liabilities</b>		
Bank overdraft (note 5)	-	162,108
Accounts payable and accrued liabilities	623,888	950,245
Deferred revenue - gas tax	386,864	180,114
Deferred revenue - development charges (schedule 2)	383,114	327,280
Solid waste landfill closure and post-closure liability (note 6)	137,000	130,000
Long-term liabilities (note 7)	<u>4,674,553</u>	<u>7,723,545</u>
	<u>6,205,419</u>	<u>9,473,292</u>
<b>Net Financial Liabilities</b>	(1,455,298)	(5,437,811)
<b>Non-Financial Assets</b>		
Tangible capital assets (schedule 1)	52,951,944	54,510,495
Prepaid expenses	<u>113,199</u>	<u>168,856</u>
	<u>53,065,143</u>	<u>54,679,351</u>
<b>Accumulated Surplus</b>	<u>\$ 51,609,845</u>	<u>\$ 49,241,540</u>
<b>Commitments</b> (note 11)		
<b>Contingent Liabilities</b> (note 13)		

Approved on behalf of Council by:

  
 \_\_\_\_\_  
 Chuck Hall, Deputy 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, 2011**

	2011	2010 (note 17)
<b>Accumulated Surplus, Beginning of Year</b>	\$ 49,241,540	\$ 44,300,590
<b>Prior Period Restatement (note 17)</b>	<u>-</u>	<u>(258,325)</u>
<b>Restated Accumulated Surplus, Beginning of Year</b>	49,241,540	44,042,265
<b>Annual Surplus</b>	<u>2,368,305</u>	<u>5,199,275</u>
<b>Accumulated Surplus, End of Year</b>	\$ <u>51,609,845</u>	\$ <u>49,241,540</u>

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Budget 2011</b>	<b>Actual 2011</b>	<b>Actual 2010 (note 17)</b>
<b>Revenues</b>			
Taxation	\$ 4,376,530	\$ 4,468,098	\$ 4,299,178
User charges	2,634,350	2,755,190	2,693,971
Government grants	4,008,900	3,943,933	7,715,682
Other	<u>448,386</u>	<u>659,778</u>	<u>612,679</u>
<b>Total Revenues</b>	<b>11,468,166</b>	<b>11,826,999</b>	<b>15,321,510</b>
<b>Expenditures</b>			
General government	937,305	989,644	1,113,780
Protection to persons and property	1,638,995	1,492,414	1,334,324
Transportation services	2,771,231	3,203,084	3,367,116
Environmental services	2,297,541	2,378,358	2,692,181
Health services	46,850	43,421	52,811
Recreation and cultural services	874,661	1,067,049	1,177,671
Planning and development	<u>100,118</u>	<u>284,724</u>	<u>384,352</u>
<b>Total Expenditures</b>	<b><u>8,666,701</u></b>	<b><u>9,458,694</u></b>	<b><u>10,122,235</u></b>
<b>Annual Surplus</b>	<b><u>\$ 2,801,465</u></b>	<b><u>\$ 2,368,305</u></b>	<b><u>\$ 5,199,275</u></b>

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>2011</b>	<b>2010</b> (note 17)
<b>Annual Surplus</b>	\$ 2,368,305	\$ 5,199,275
Acquisition of tangible capital assets	(36,354)	(4,992,110)
Amortization of tangible capital assets	1,558,477	1,504,026
Change in prepaid expenses	55,657	(17,754)
Gain on sale of tangible capital assets	(16,265)	(36,190)
Proceeds on disposal of tangible assets	52,693	95,943
Write-down of tangible capital assets	<u>-</u>	<u>46,854</u>
<b>Decrease in Net Financial Liabilities</b>	3,982,513	1,800,044
<b>Net Financial Liabilities, Beginning of Year</b>	<u>(5,437,811)</u>	<u>(7,237,855)</u>
<b>Net Financial Liabilities, End of Year</b>	<u>\$ (1,455,298)</u>	<u>\$ (5,437,811)</u>

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011	2010 (note 17)
<b>Cash Flows from Operating Activities</b>		
Annual surplus	\$ 2,368,305	\$ 5,199,275
Items not requiring an outlay of cash:		
Amortization	1,558,477	1,504,026
Write down of tangible capital assets	-	46,854
Gain on disposal of tangible capital assets	<u>(16,265)</u>	<u>(36,190)</u>
	3,910,517	6,713,965
Changes in non-cash working capital:		
Taxes receivable	(12,189)	46,099
Accounts receivable	508,518	(584,777)
Accounts payable and accrued liabilities	(326,357)	(760,225)
Deferred revenue	262,584	(117,265)
Solid waste landfill closure and post-closure liability	7,000	13,000
Prepaid expenses	<u>55,657</u>	<u>(17,754)</u>
	<u>495,213</u>	<u>(1,420,922)</u>
<b>Net Cash Provided by Operating Activities</b>	4,405,730	5,293,043
<b>Cash Flows from Financing Activities</b>		
Repayment of long-term debt	(3,048,992)	(1,086,235)
<b>Cash Flows from Investing Activities</b>		
Acquisition of tangible capital assets	(36,354)	(4,992,110)
Proceeds on disposal of tangible capital assets	52,693	95,943
Decrease in long-term receivable	<u>169,148</u>	<u>41,934</u>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>185,487</u>	<u>(4,854,233)</u>
<b>Net Increase (Decrease) in Cash</b>	1,542,225	(647,425)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>300,965</u>	<u>948,390</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,843,190</u>	<u>\$ 300,965</u>
<b>Represented By:</b>		
Cash (Bank overdraft)	\$ 1,480,803	\$ (162,108)
Short-term investments	<u>362,387</u>	<u>463,073</u>
	<u>\$ 1,843,190</u>	<u>\$ 300,965</u>
<b>Supplemental Cash Flow Information</b>		
Interest Paid	<u>\$ 64,100</u>	<u>\$ 92,201</u>

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**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 generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Those 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, 2011**

**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 generally accepted accounting principles, 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, 2011

**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**

	2011	2010
Sewer debentures receivable	\$1,279,614	\$1,366,026
Tile drain loan receivable	<u>481,387</u>	<u>564,123</u>
	1,761,001	1,930,149
Less: current portion	<u>(228,939)</u>	<u>(188,527)</u>
	<u>\$1,532,062</u>	<u>\$1,741,622</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.



**MUNICIPALITY OF NORTH MIDDLESEX**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

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

Key assumptions in arriving at the liability value are:

	<b>McGillvary Landfill</b>	<b>Parkhill Landfill</b>
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>\$ 77,000</u>

**7. Long-term Liabilities**

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

	<b>2011</b>	<b>2010</b>
Total long-term liabilities issued by the Municipality, including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to:	\$ 4,674,553	\$ 7,723,545
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is:	<u>(481,387)</u>	<u>(564,123)</u>
Net long-term liabilities at the end of the year	<u>\$ 4,193,166</u>	<u>\$ 7,159,422</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:

	<b>2012 to 2016</b>	<b>Thereafter</b>
From general municipal revenues	\$ 2,416,570	\$ 312,709
From benefiting landowners	<u>973,331</u>	<u>971,943</u>
	<u>\$ 3,389,901</u>	<u>\$ 1,284,652</u>

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**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. Reserves**

The total balance of reserves of \$3,454,642 (2010 - \$1,579,227) is made up of the following:

	<b>2011</b>	<b>2010</b>	
<b>Reserves set aside for specific purpose by Council:</b>			
- North Middlesex working capital	\$1,549,324	\$ 799,324	750,000+
- North Middlesex accessibility	820,500	-	320,500+
- North Middlesex contingency	144,000	-	
- North Middlesex fire	60,884	-	
- North Middlesex policing	160,181	131,992	
- North Middlesex Canada Day	7,958	6,016	
- North Middlesex Christmas decorations	5,000	-	
- North Middlesex roads	76,946	-	
- Ward one sanitary and storm sewers	76,839	76,839	
- Ward one Santa Claus parade	5,736	7,830	
- Ward three working capital	-	2,087	
- Ward four working capital	<u>71,643</u>	<u>71,643</u>	
	2,979,011	1,095,731	
<b>Reserve fund set aside by specific legislation:</b>			
- Ward one hydro proceeds	272,898	275,399	-
- Ward two millennium fund (hydro sale)	71,078	73,800	-
- Ward two community centre fund	119,792	118,542	-
- Ward two Meadowgate Rd.	4,231	4,187	-
- Ward three recreation facilities	<u>7,632</u>	<u>11,568</u>	-
	<u>475,631</u>	<u>483,496</u>	
<b>Total Reserves and Reserve Funds</b>	<b><u>\$3,454,642</u></b>	<b><u>\$1,579,227</u></b>	
Ward four parkland	38,747		
Ward five parkland	243		

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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

	<b>2011</b>	<b>2010</b>
For recovery from taxation	\$ -	\$ (1,003,596)
For recovery from user charges	(4,796,741)	(5,844,585)
Invested in tangible capital assets	52,951,944	54,510,495
Reserves (note 8)	<u>3,454,642</u>	<u>1,579,227</u>
	<u><b>\$51,609,845</b></u>	<u><b>\$49,241,541</b></u>

**10. Trust Funds**

Trust funds administered by the Municipality amounting to \$234,848 (2010 - \$229,223) 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](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 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, 2011**

**13. Contingent Liabilities (continued)**

As of December 31, 2011, the Municipality is contingently liable for a total of 1,800 accumulated sick days with an associated cost, based on current pay rates, of \$376,726.

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.

	<b>2011</b>		<b>2010</b>	
	<b>Interest sensitive</b>	<b>Non-interest sensitive</b>	<b>Interest sensitive</b>	<b>Non-interest sensitive</b>
Short-term investments (note 3)	\$ -	\$ 362,388	\$ -	\$ 463,073
Long-term receivable (note 4)	-	1,841,182	-	1,931,803
Long-term liabilities (note 7)	<u>(490,838)</u>	<u>(4,183,695)</u>	<u>(3,718,144)</u>	<u>(4,005,401)</u>
	<u>\$ (490,838)</u>	<u>\$ (1,980,125)</u>	<u>\$ (3,718,144)</u>	<u>\$ (1,610,525)</u>

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**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 (2010 - \$92,153) and are matched by employee contributions in a similar amount.

**16. Comparative Figures**

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

**17. Prior Period Adjustment**

The prior period adjustment is in respect of deferred revenues and includes the AMO Gas Tax Funding which was unspent as at December 31, 2010 and development charge reserve funds which were included in reserve funds. The error resulted in understated liabilities and overstated accumulated surplus of \$507,394. The comparative financial statements have been restated and as a result, deferred revenue increased by \$507,394, accumulated surplus decreased by \$507,394 as at December 31, 2010. Government grants decreased by \$180,114; user charges decreased by \$67,065; and other revenue decreased by \$1,890 for the year ended December 31, 2010. As the classification of development charge reserve funds was allocated to reserve funds and not deferred revenue in periods prior to January 1, 2010, this has resulted in a decrease in the opening accumulated surplus of \$258,325.

**18. 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

*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, 2011

18. Segment Reporting - continued

REVENUES 2011

	Taxation	User Charges	Government Grants	Other	Total
General government	\$ 4,468,098	\$ 69,878	\$ 3,788,609	\$ 128,702	\$ 8,455,287
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	-	15,470	-	29,893	45,363
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>

REVENUES 2010

	Taxation	User Charges	Government Grants	Other	Total
General government	\$ 4,299,178	\$ 97,769	\$ 3,732,007	\$ 177,870	\$ 8,306,824
Protection services	-	115,458	26,842	-	142,300
Transportation services	-	400	426,239	3,500	430,139
Environmental services	-	2,117,322	25,000	214,196	2,356,518
Health services	-	18,950	-	20,735	39,685
Recreation and cultural services	-	334,926	3,411,560	131,733	3,878,219
Planning and development	-	9,146	94,034	64,645	167,825
Total	<u>\$ 4,299,178</u>	<u>\$ 2,693,971</u>	<u>\$ 7,715,682</u>	<u>\$ 612,679</u>	<u>\$15,321,510</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, 2011

18. Segment Reporting - continued

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	250,186	838,515	659,935	629,722	2,378,358
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>\$ 2,229,773</u>	<u>\$ 3,152,123</u>	<u>\$ 2,026,372</u>	<u>\$ 2,050,426</u>	<u>\$ 9,458,694</u>

EXPENDITURES 2010

	Salaries and Wages	Materials	Contracted Services	Other	Total
General government	\$ 521,654	\$ 316,383	\$ 120,091	\$ 155,652	\$ 1,113,780
Protection services	203,071	195,105	737,648	198,500	1,334,324
Transportation services	848,264	1,543,295	129,375	846,182	3,367,116
Environmental services	211,928	1,089,474	691,737	699,042	2,692,181
Health services	8,523	19,576	24,581	131	52,811
Recreation and cultural services	337,577	510,550	149,344	180,200	1,177,671
Planning and development	<u>60,933</u>	<u>6,381</u>	<u>284,338</u>	<u>32,700</u>	<u>384,352</u>
Total	<u>\$ 2,191,950</u>	<u>\$ 3,680,764</u>	<u>\$ 2,137,114</u>	<u>\$ 2,112,407</u>	<u>\$10,122,235</u>

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**MUNICIPALITY OF NORTH MIDDLESEX**  
**SCHEDULE 1 - SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	2011				
	Land and Land Improvements	Buildings	Equipment	Fleet	
<b>Cost</b>					
Balance, beginning of year	\$ 885,385	\$ 17,940,578	\$ 3,042,200	\$ 2,378,185	
Additions during the year	8,958	-	-	18,337	
Disposals during the year	-	-	-	(84,949)	
Balance, end of year	<u>894,343</u>	<u>17,940,578</u>	<u>3,042,200</u>	<u>2,311,573</u>	
<b>Accumulated Amortization</b>					
Balance, beginning of year	-	2,349,088	1,336,896	1,267,070	
Amortization for the year	-	280,154	220,349	167,010	
Disposals during the year	-	-	-	(48,521)	
Balance, end of year	<u>-</u>	<u>2,629,242</u>	<u>1,557,245</u>	<u>1,385,559</u>	
<b>Net Book Value</b>	<u>\$ 894,343</u>	<u>\$ 15,311,336</u>	<u>\$ 1,484,955</u>	<u>\$ 926,014</u>	
		<b>Underground and Other Networks</b>	<b>Bridges and Other Structures</b>	<b>2011 Total</b>	<b>2010 Total</b>
	<b>Roads</b>				
<b>Cost</b>					
Balance, beginning of year	\$ 19,650,300	\$ 23,077,458	\$ 5,221,482	\$ 72,195,588	\$ 67,811,340
Additions during the year	9,059	-	-	36,354	4,992,110
Disposals during the year	-	-	-	(84,949)	(607,862)
Balance, end of year	<u>19,659,359</u>	<u>23,077,458</u>	<u>5,221,482</u>	<u>72,146,993</u>	<u>72,195,588</u>
<b>Accumulated Amortization</b>					
Balance, beginning of year	5,538,331	4,884,707	2,309,001	17,685,093	16,682,322
Amortization for the year	518,522	306,720	65,722	1,558,477	1,504,026
Disposals during the year	-	-	-	(48,521)	(501,255)
Balance, end of year	<u>6,056,853</u>	<u>5,191,427</u>	<u>2,374,723</u>	<u>19,195,049</u>	<u>17,685,093</u>
<b>Net Book Value</b>	<u>\$ 13,602,506</u>	<u>\$ 17,886,031</u>	<u>\$ 2,846,759</u>	<u>\$ 52,951,944</u>	<u>\$ 54,510,495</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 DEVELOPMENT CHARGES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	\$ 10,440	\$ 9,120	\$ 121	\$ -	\$ 19,681
Wastewater	230,377	35,925	2,688	-	268,990
Stormwater	4,950	3,639	58	825	7,822
Water	4,902	3,623	57	-	8,582
Recreation	<u>76,611</u>	<u>1,375</u>	<u>609</u>	<u>556</u>	<u>78,039</u>
Total	<u>\$ 327,280</u>	<u>\$ 53,682</u>	<u>\$ 3,533</u>	<u>\$ 1,381</u>	<u>\$ 383,114</u>

*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, 2011 and the statements of the accumulated net assets 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 generally accepted accounting principles, 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, 2011, and its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles.

London, Ontario  
July 3, 2012

*Davis Martindale LLP*

Chartered Accountants  
Licensed Public Accountants



**MUNICIPALITY OF NORTH MIDDLESEX**  
**TRUST FUNDS - STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011**

	Parkhill Monument Fund	Cemetery Care & Maintenance Fund	West Williams Cemetery Fund	East Williams Cemetery Fund	McGillvary Cemetery Nursery Fund	Mt. Pleasant Cemetery Fund	2011 Total	2010 Total
<b>Assets</b>								
Cash	\$ 6,050	\$ 15,219	\$ 8,470	\$ 3,511	\$ -	\$ -	\$ 33,250	\$ 27,806
Interest receivable	29	330	208	-	23	6	596	974
Investments (note 2)	<u>11,205</u>	<u>149,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,401</u>	<u>241,318</u>
	<u>\$ 17,284</u>	<u>\$ 164,745</u>	<u>\$ 8,678</u>	<u>\$ 3,511</u>	<u>\$ 23</u>	<u>\$ 6</u>	<u>\$ 194,247</u>	<u>\$ 270,098</u>
<b>Liabilities</b>								
Due to (from) general	\$ (11,253)	\$ 4,542	\$ (25,799)	\$ (3,579)	\$ (2,902)	\$ (1,610)	\$ (40,601)	\$ 40,875
<b>Accumulated Net Assets</b>	<u>28,537</u>	<u>160,203</u>	<u>34,477</u>	<u>7,090</u>	<u>2,925</u>	<u>1,616</u>	<u>234,848</u>	<u>229,223</u>
	<u>\$ 17,284</u>	<u>\$ 164,745</u>	<u>\$ 8,678</u>	<u>\$ 3,511</u>	<u>\$ 23</u>	<u>\$ 6</u>	<u>\$ 194,247</u>	<u>\$ 270,098</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, 2011**

	Parkhill Monument Fund	Cemetery Care & Maintenance Fund	West Williams Cemetery Fund	East Williams Cemetery Fund	McGillvary Cemetery Nursery Fund	Mt. Pleasant Fund	2011 Total	2010 Total
<b>Balance, Beginning of Year</b>	\$ 26,637	\$ 157,103	\$ 33,852	\$ 7,090	\$ 2,925	\$ 1,616	\$ 229,223	\$ 217,123
<b>Revenues</b>								
Sale of plots	-	3,100	-	-	-	-	3,100	8,700
Monument fees	1,900	-	-	-	-	-	1,900	2,500
Sylvan fees	-	-	625	-	-	-	625	900
Interest	<u>619</u>	<u>4,685</u>	<u>473</u>	<u>37</u>	<u>41</u>	<u>11</u>	<u>5,866</u>	<u>6,054</u>
	2,519	7,785	1,098	37	41	11	11,491	18,154
<b>Expenditures</b>								
Maintenance	<u>619</u>	<u>4,685</u>	<u>473</u>	<u>37</u>	<u>41</u>	<u>11</u>	<u>5,866</u>	<u>6,054</u>
<b>Balance, End of Year</b>	<u>\$ 28,537</u>	<u>\$ 160,203</u>	<u>\$ 34,477</u>	<u>\$ 7,090</u>	<u>\$ 2,925</u>	<u>\$ 1,616</u>	<u>\$ 234,848</u>	<u>\$ 229,223</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, 2011**

**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%.

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

