

MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

MUNICIPALITY OF NORTH MIDDLESEX
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DECEMBER 31, 2018

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MANAGEMENT REPORT

December 31, 2018

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.

Jonathon Graham,
CAO/Director of Operations
November 6, 2019

Brian Ropp,
Mayor
November 6, 2019

INDEPENDENT AUDITOR'S REPORT

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Municipality of North Middlesex as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated 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 is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located on Davis Martindale LLP's website. This description forms part of our auditor's report.

https://www.davismartindale.com/auditors_report

London, Ontario
November 6, 2019

Chartered Professional Accountants
Licensed Public Accountants

MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
Financial Assets		
Cash	\$ 9,751,204	\$ 8,220,335
Short-term investments (note 3)	184,059	181,462
Taxes receivable	696,477	574,088
Accounts receivable	1,076,283	892,790
Long-term receivable (note 4)	<u>655,656</u>	<u>722,764</u>
	12,363,679	10,591,439
Financial Liabilities		
Accounts payable and accrued liabilities	1,826,457	1,755,850
Deposits	17,990	-
Deferred revenue - gas tax (schedule 2)	749,664	626,415
Deferred revenue - development charges (schedule 2)	557,929	543,210
Solid waste landfill closure and post-closure liability (note 6)	60,000	60,000
Long-term liabilities (note 7)	<u>1,501,414</u>	<u>1,856,257</u>
	<u>4,713,454</u>	<u>4,841,732</u>
Net Financial Assets	7,650,225	5,749,707
Commitments (note 9)		
Contingent Liabilities (note 13)		
Non-Financial Assets		
Tangible capital assets (schedule 1)	56,092,231	56,068,260
Prepaid expenses	<u>387,452</u>	<u>347,085</u>
	<u>56,479,683</u>	<u>56,415,345</u>
Accumulated Surplus	<u>\$ 64,129,908</u>	<u>\$ 62,165,052</u>

Approved on behalf of Council by:

Brian Ropp, Mayor

Jonathon Graham, CAO/Director of Operations

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, 2018

	2018	2017
Accumulated Surplus, Beginning of Year	\$ 62,165,052	\$ 60,614,078
Annual Surplus	<u>1,964,856</u>	<u>1,550,974</u>
Accumulated Surplus, End of Year	<u>\$ 64,129,908</u>	<u>\$ 62,165,052</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 FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget 2018	Actual 2018	Actual 2017
Revenues			
Taxation	\$ 7,166,148	\$ 7,276,975	\$ 6,667,482
User charges	3,102,223	3,350,348	3,363,886
Government grants	1,850,038	2,736,779	2,137,314
Other	<u>742,414</u>	<u>1,350,510</u>	<u>1,467,808</u>
Total Revenues	12,860,823	14,714,612	13,636,490
Expenditures			
General government	1,397,260	1,559,131	1,601,891
Protection to persons and property	1,903,476	1,905,350	1,891,926
Transportation services	3,090,157	3,828,706	3,608,992
Environmental services	2,939,157	3,327,141	3,122,862
Health services	95,222	26,698	36,546
Recreation and cultural services	1,166,659	1,258,296	1,259,389
Planning and development	<u>337,390</u>	<u>844,434</u>	<u>563,910</u>
Total Expenditures	<u>10,929,321</u>	<u>12,749,756</u>	<u>12,085,516</u>
Annual Surplus	<u>\$ 1,931,502</u>	<u>\$ 1,964,856</u>	<u>\$ 1,550,974</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 CHANGE IN
NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget 2018	Actual 2018	Actual 2017
Annual Surplus	\$ 1,931,502	\$ 1,964,856	\$ 1,550,974
Acquisition of tangible capital assets	(3,363,578)	(1,841,257)	(1,958,663)
Amortization of tangible capital assets	-	1,799,341	1,766,869
Change in prepaid expenses	-	(40,367)	19,806
Gain on disposal of assets	-	(109,255)	(14,458)
Proceeds on disposal of tangible assets	<u>-</u>	<u>127,200</u>	<u>36,797</u>
Increase in Net Financial Assets	(1,432,076)	1,900,518	1,401,325
Net Financial Assets, Beginning of Year	<u>5,749,707</u>	<u>5,749,707</u>	<u>4,348,382</u>
Net Financial Assets, End of Year	<u>\$ 4,317,631</u>	<u>\$ 7,650,225</u>	<u>\$ 5,749,707</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, 2018

	2018	2017 (note 17)
Cash Flows from Operating Activities		
Annual surplus	\$ 1,964,856	\$ 1,550,974
Items not requiring an outlay of cash:		
Amortization on tangible capital assets	1,799,341	1,766,869
Gain on disposal of assets	<u>(109,255)</u>	<u>(14,458)</u>
	3,654,942	3,303,385
Changes in non-cash working capital:		
Taxes receivable	(122,389)	86,498
Accounts receivable	(183,493)	(67,377)
Refundable deposits	17,990	-
Accounts payable and accrued liabilities	70,607	435,887
Deferred revenue	137,968	275,792
Prepaid expenses	<u>(40,367)</u>	<u>19,806</u>
	<u>(119,684)</u>	<u>750,606</u>
Net Cash Provided by Operating Activities	3,535,258	4,053,991
Cash Flows from Capital Activities		
Acquisition of tangible capital assets	(1,841,257)	(1,958,663)
Proceeds on disposal of tangible capital assets	<u>127,200</u>	<u>36,797</u>
Net Cash Used in Capital Activities	(1,714,057)	(1,921,866)
Cash Flows from Investing Activities		
Decrease in long-term receivable	67,108	148,733
Cash Flows from Financing Activities		
Repayment of long-term debt	<u>(354,843)</u>	<u>(471,251)</u>
Net Increase in Cash and Cash Equivalents	1,533,466	1,809,607
Cash and Cash Equivalents, Beginning of Year	<u>8,401,797</u>	<u>6,592,190</u>
Cash and Cash Equivalents, End of Year	<u>\$ 9,935,263</u>	<u>\$ 8,401,797</u>
Represented By:		
Cash	\$ 9,751,204	\$ 8,220,335
Short-term investments	<u>184,059</u>	<u>181,462</u>
	<u>\$ 9,935,263</u>	<u>\$ 8,401,797</u>
Supplemental Cash Flow Information		
Interest Paid	<u>\$ 36,735</u>	<u>\$ 46,007</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, 2018

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, 2018

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*

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated financial position. The revenue is recognized in the consolidated statement of activities in the year in which it is used for the specified purpose.

(iv) *Government Transfers*

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of activities as the stipulation liabilities are settled.

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, 2018

2. Significant Accounting Policies (continued)

b) Basis of Accounting (continued)

(v) *Revenue Recognition*

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporation amounts to be raised by local services, the requisition made by the County of Middlesex in respect of County services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Part of the assessment process are supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the municipality determines the taxes applicable and renders supplementary billings. Assessments and related property taxes are subject to appeal. Each year, management provides a best estimate of the effect of supplementary assessments and tax appeals on taxation revenue.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessment due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectible amounts.

The Municipality is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when grant monies have been received or are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made

Sales of service and other revenue is recognized when the amount is determinable, collectibility is assured and the service is provided.

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, 2018

2. Significant Accounting Policies (continued)

b) Basis of Accounting (continued)

(vi) 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.

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

	2018	2017
Sewer debentures receivable	\$ 627,737	\$ 672,251
Tile drain loan receivable	<u>27,919</u>	<u>50,513</u>
	655,656	722,764
Less: current portion	<u>63,732</u>	<u>67,107</u>
	<u>\$ 591,924</u>	<u>\$ 655,657</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.

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, 2018

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.

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>

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, 2018

7. Long-term Liabilities

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

	2018	2017
Loan issued by the County of Middlesex, non-interest bearing with annual principal payments of \$104,236 and maturing February 2019.	\$ 104,236	\$ 208,473
Loan issued by the County of Middlesex, non-interest bearing with annual principal payment of \$187,500 and maturing June 2022	750,000	937,500
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.	619,259	659,771
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>27,919</u>	<u>50,513</u>
Long-term liabilities at the end of the year	<u>\$ 1,501,414</u>	<u>\$ 1,856,257</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:

	From General Municipal Revenues	From Benefiting Landowners	Total
December 31, 2019	\$ 291,736	\$ 59,572	\$ 351,308
December 31, 2020	187,500	52,507	240,007
December 31, 2021	187,500	48,833	236,333
December 31, 2022	187,500	51,401	238,901
December 31, 2023	-	52,283	52,283
Thereafter	<u>-</u>	<u>382,582</u>	<u>382,582</u>
	<u>\$ 854,236</u>	<u>\$ 647,178</u>	<u>\$ 1,501,414</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.

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, 2018

8. Trust Funds

Trust funds administered by the Municipality amounting to \$285,747 (2017 - \$278,987) 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.

MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

11. Reserves

The total balance of reserves of \$12,077,513 (2017 - \$11,106,929) is made up of the following:

	2018	2017
Reserves set aside for specific purpose by Council:		
- North Middlesex working capital	\$ 2,208,973	\$ 2,226,244
- North Middlesex accessibility	166,558	146,044
- North Middlesex contingency	4,242,904	3,651,143
- North Middlesex economic development	143,265	100,000
- North Middlesex election	25,000	15,000
- North Middlesex street lights	10,000	10,000
- North Middlesex fire	1,166,164	930,564
- North Middlesex policing	200,506	200,506
- North Middlesex Canada Day	9,313	9,313
- North Middlesex office equipment	(1,329)	10,644
- North Middlesex building department equipment	82,276	115,457
- North Middlesex municipal drains	157,000	157,000
- North Middlesex water equipment	789,082	427,219
- North Middlesex roads	280,922	428,844
- North Middlesex arena	89,388	60,488
- 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	103,640
- North Middlesex tax rate stabilization reserve	209,973	180,315
- North Middlesex asset replacement reserve	172,925	172,925
- North Middlesex emergency preparedness reserve	200,000	200,000
- North Middlesex insurance reserve	100,000	100,000
- North Middlesex green initiatives reserve	<u>100,000</u>	<u>100,000</u>
	11,177,442	10,066,228

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, 2018

11. Reserves (continued)

	2018	2017
Reserve fund set aside by specific legislation:		
- Ward one hydro proceeds	62,299	82,299
- 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	352,660	473,290
- Ward two Meadowgate Rd.	4,472	4,472
- Ward three recreation facilities	<u>67</u>	<u>67</u>
	<u>900,071</u>	<u>1,040,701</u>
Total Reserves and Reserve Funds	<u>\$12,077,513</u>	<u>\$11,106,929</u>

12. Municipal Fund Balances at the End of the Year

	2018	2017
For reduction in general taxation	\$ -	\$ (770,441)
For recovery from user charges	(4,039,836)	(4,239,696)
Invested in tangible capital assets	56,092,231	56,068,260
Reserves (note 11)	<u>12,077,513</u>	<u>11,106,929</u>
	<u>\$64,129,908</u>	<u>\$62,165,052</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, 2018, the Municipality has accrued sick day benefits totaling \$43,651 (2017 - \$41,167) and is contingently liable for an additional 2,021 accumulated sick days with an associated cost, based on current pay rates, of \$500,263 (2017 - \$523,077).

MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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.

	2018		2017	
	Interest sensitive	Non-interest sensitive	Interest sensitive	Non-interest sensitive
Short-term investments (note 3)	\$ -	\$ 184,059	\$ -	\$ 181,462
Long-term receivable (note 4)	-	655,656	-	722,764
Long-term liabilities (note 7)	-	(1,501,414)	-	(1,856,257)
	<u>\$ -</u>	<u>\$ (661,699)</u>	<u>\$ -</u>	<u>\$ (952,031)</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 \$167,809 (2017 - \$167,034) and are matched by employee contributions in a similar amount.

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, 2018

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

17. Comparative Figures

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

MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

16. Segment Reporting - continued

REVENUES 2018

	Taxation	User Charges	Government Grants	Other	Total
General government	\$ 7,276,975	\$ 79,718	\$ 1,717,936	\$ 373,659	\$ 9,448,288
Protection services	-	138,117	25,477	-	163,594
Transportation services	-	4,244	101,644	-	105,888
Environmental services	-	2,313,634	594,791	597,526	3,505,951
Health services	-	29,689	-	13,021	42,710
Recreation and cultural services	-	500,496	-	-	500,496
Planning and development	-	<u>284,450</u>	<u>296,931</u>	<u>366,304</u>	<u>947,685</u>
Total	<u>\$ 7,276,975</u>	<u>\$ 3,350,348</u>	<u>\$ 2,736,779</u>	<u>\$ 1,350,510</u>	<u>\$14,714,612</u>

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>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>

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, 2018

16. Segment Reporting - continued

EXPENDITURES 2018

	Salaries and Wages	Materials	Contracted Services	Other	Total
General government	\$ 927,339	\$ 244,528	\$ 124,799	\$ 262,465	\$ 1,559,131
Protection services	324,682	272,584	1,091,937	216,147	1,905,350
Transportation services	848,252	1,824,930	140,245	1,015,279	3,828,706
Environmental services	136,552	1,138,877	1,496,593	555,119	3,327,141
Health services	17,622	6,586	2,490	-	26,698
Recreation and cultural services	536,139	463,959	97,302	160,896	1,258,296
Planning and development	<u>174,651</u>	<u>35,181</u>	<u>631,572</u>	<u>3,030</u>	<u>844,434</u>
Total	<u>\$ 2,965,237</u>	<u>\$ 3,986,645</u>	<u>\$ 3,584,938</u>	<u>\$ 2,212,936</u>	<u>\$12,749,756</u>

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>

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, 2018

	Land and Land Improvements	Buildings	Equipment	Fleet
Cost				
Balance, beginning of year	\$ 983,264	\$ 23,692,548	\$ 4,478,247	\$ 2,851,860
Additions during the year	3,803	139,309	575,304	402,687
Disposals during the year	<u>-</u>	<u>-</u>	<u>(311,915)</u>	<u>-</u>
Balance, end of year	987,067	23,831,857	4,741,636	3,254,547
Accumulated Amortization				
Balance, beginning of year	-	4,497,567	2,383,084	2,066,682
Amortization for the year	-	355,667	260,305	167,302
Disposals during the year	<u>-</u>	<u>-</u>	<u>(293,970)</u>	<u>-</u>
Balance, end of year	<u>-</u>	<u>4,853,234</u>	<u>2,349,419</u>	<u>2,233,984</u>
Net Book Value	<u>\$ 987,067</u>	<u>\$ 18,978,623</u>	<u>\$ 2,392,217</u>	<u>\$ 1,020,563</u>

	Roads	Underground and Other Networks	Bridges and Other Structures	2018 Total	2017 Total
Cost					
Balance, beginning of year	\$ 23,296,652	\$ 23,362,127	\$ 5,544,470	\$ 84,209,168	\$ 82,454,252
Additions during the year	647,851	-	72,303	1,841,257	1,958,663
Disposals during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(311,915)</u>	<u>(203,747)</u>
Balance, end of year	23,944,503	23,362,127	5,616,773	85,738,510	84,209,168
Accumulated Amortization					
Balance, beginning of year	9,439,502	7,031,945	2,722,128	28,140,908	26,555,447
Amortization for the year	631,720	310,349	73,998	1,799,341	1,766,869
Disposals during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(293,970)</u>	<u>(181,408)</u>
Balance, end of year	<u>10,071,222</u>	<u>7,342,294</u>	<u>2,796,126</u>	<u>29,646,279</u>	<u>28,140,908</u>
Net Book Value	<u>\$ 13,873,281</u>	<u>\$ 16,019,833</u>	<u>\$ 2,820,647</u>	<u>\$ 56,092,231</u>	<u>\$ 56,068,260</u>

The total cost of tangible capital assets includes \$118,165 (2017 - \$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, 2018

DEVELOPMENT CHARGES

	Balance Beginning of Year	Development Charges Collected	Interest Income	Disbursements	Balance End of Year
Roads and structures	\$ 55,700	\$ 613	\$ 995	\$ -	\$ 57,308
Wastewater	442,323	4,015	7,159	-	453,497
Stormwater	18,540	486	311	-	19,337
Water	21,740	481	376	-	22,597
Recreation	<u>4,907</u>	<u>-</u>	<u>283</u>	<u>-</u>	<u>5,190</u>
Total	\$ <u>543,210</u>	\$ <u>5,595</u>	\$ <u>9,124</u>	\$ <u>-</u>	\$ <u>557,929</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>626,415</u>	\$ <u>212,064</u>	\$ <u>12,829</u>	\$ <u>101,644</u>	\$ <u>749,664</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.

INDEPENDENT AUDITOR'S REPORT

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

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, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the trust funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the trust funds or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on Davis Martindale LLP's website. This description forms part of our auditor's report.
https://www.davismartindale.com/auditors_report

London, Ontario
November 6, 2019

Chartered Professional Accountants
Licensed Public Accountants

MUNICIPALITY OF NORTH MIDDLESEX

TRUST FUNDS - STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	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	2018 Total	2017 Total
Assets									
Cash	\$ 8,232	\$ 22,169	\$ 15,237	\$ 3,820	\$ -	\$ -	\$ -	\$ 49,458	\$ 43,966
Due from general	7,280	-	-	3,270	-	-	4,789	15,339	4,364
Interest receivable	815	6,698	1,171	-	40	23	-	8,747	3,883
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>273,001</u>
	<u>\$ 37,327</u>	<u>\$ 239,867</u>	<u>\$ 52,687</u>	<u>\$ 7,090</u>	<u>\$ 3,029</u>	<u>\$ 1,756</u>	<u>\$ 4,789</u>	<u>\$ 346,545</u>	<u>\$ 325,214</u>
Liabilities									
Due to general	\$ -	\$ 58,814	\$ 1,740	\$ -	\$ 104	\$ 140	\$ -	\$ 60,798	\$ 46,227
Net Assets	<u>37,327</u>	<u>181,053</u>	<u>50,947</u>	<u>7,090</u>	<u>2,925</u>	<u>1,616</u>	<u>4,789</u>	<u>285,747</u>	<u>278,987</u>
	<u>\$ 37,327</u>	<u>\$ 239,867</u>	<u>\$ 52,687</u>	<u>\$ 7,090</u>	<u>\$ 3,029</u>	<u>\$ 1,756</u>	<u>\$ 4,789</u>	<u>\$ 346,545</u>	<u>\$ 325,214</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, 2018

	Parkhill Monument Fund	Cemetery Care & Maintenance Fund	West Williams Cemetery Fund	East Williams Cemetery Fund	McGillvary Cemetery			2018 Total	2017 Total
					Nursery Fund	Mt. Pleasant Fund	St. Marys Fund		
Balance, Beginning 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>
Revenues									
Sale of plots	-	2,000	750	-	-	-	-	2,750	3,200
Monument fees	2,500	-	150	-	-	-	250	2,900	1,125
Sylvan fees	-	-	100	-	-	-	-	100	600
Beautification Revenue	440	-	570	-	-	-	-	1,010	-
Interest	<u>640</u>	<u>5,570</u>	<u>1,131</u>	<u>68</u>	<u>69</u>	<u>40</u>	<u>-</u>	<u>7,518</u>	<u>5,517</u>
	3,580	7,570	2,701	68	69	40	250	14,278	10,442
Expenditures									
Maintenance	<u>640</u>	<u>5,570</u>	<u>1,131</u>	<u>68</u>	<u>69</u>	<u>40</u>	<u>-</u>	<u>7,518</u>	<u>5,517</u>
Balance, End of Year	\$ <u>37,327</u>	\$ <u>181,053</u>	\$ <u>50,947</u>	\$ <u>7,090</u>	\$ <u>2,925</u>	\$ <u>1,616</u>	\$ <u>4,789</u>	\$ <u>285,747</u>	\$ <u>278,987</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, 2018

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 June 2019 and bear interest at an average rate of 2.41%. The prior year investments were in various amounts and matured during the current year and yielded interest at an average rate of 1.67%.

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