

**MUNICIPALITY OF NORTH
MIDDLESEX**

Consolidated Financial Statements

December 31, 2020

Municipality of North Middlesex
Consolidated Financial Statements
For The Year Ended December 31, 2020

Table of Contents	PAGE
Management's Responsibility for Financial Reporting	1
Independent Auditors' Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 24
Consolidated Schedule of Segment Disclosure	25 - 26

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements are the responsibility of the management of **Municipality of North Middlesex** and have been prepared in accordance with Canadian accounting standards for public sector entities.

These consolidated financial statements include:

- Independent Auditors' Report
- Consolidated Statement of Financial Position
- Consolidated Statement of Operations and Accumulated Surplus
- Consolidated Statement of Changes in Net Financial Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements
- Consolidated Schedule of Segment Disclosure

The Chief Administrative Officer and the Director of Finance are responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing the consolidated financial statements before they are submitted to Council for approval.

The integrity and reliability of **Municipality of North Middlesex** reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The consolidated financial statements have been audited on behalf of the Members of Council, Inhabitants and Ratepayers of **Municipality of North Middlesex** by Graham Scott Enns LLP in accordance with Canadian generally accepted auditing standards.

Mr. Jonathon Graham LTD, C.E.T.
Chief Administrative Officer

Parkhill, Ontario
July 14, 2021



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of **Municipality of North Middlesex**, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Municipality's consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for public sector entities.

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 *Auditors' 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 the consolidated financial statements in accordance with Canadian accounting standards for public sector entities, 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.

Auditors' 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

The consolidated financial statements for the year ended December 31, 2019 were audited by another Chartered Professional Accounting firm.

St. Thomas, Ontario

July 14, 2021

Graham Scott Enns LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Municipality of North Middlesex

**Consolidated Statement of Financial Position
As At December 31, 2020**

	2020	(Notes 2 & 17) 2019
	<u>\$</u>	<u>\$</u>
<u>ASSETS</u>		
FINANCIAL ASSETS		
Cash	11,009,433	10,980,487
Short-term investments (Note 3)	194,711	187,089
Taxes receivable (Note 4)	987,571	886,936
Accounts receivable (Note 5)	2,533,533	2,214,030
Long-term receivable (Note 6)	<u>531,760</u>	<u>587,059</u>
	<u>15,257,008</u>	<u>14,855,601</u>
LIABILITIES		
Deferred revenue - obligatory reserve funds (Note 11)	2,100,312	1,754,601
Accounts payable and accrued liabilities	1,990,147	1,627,701
Solid waste landfill closure and post-closure liability (Note 12)	60,000	60,000
Accrued sick day liability (Note 17)	506,617	501,009
Deferred revenue	453,359	220,651
Long-term debt (Note 8)	<u>1,071,550</u>	<u>1,346,103</u>
	<u>6,181,985</u>	<u>5,510,065</u>
NET FINANCIAL ASSETS	<u>9,075,023</u>	<u>9,345,536</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	61,550,001	59,907,098
Prepaid expenses and inventory	<u>615,925</u>	<u>448,239</u>
	<u>62,165,926</u>	<u>60,355,337</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>71,240,949</u>	<u>69,700,873</u>

See accompanying notes to the financial statements

Municipality of North Middlesex

Consolidated Statement of Operations and Accumulated Surplus For The Year Ended December 31, 2020

	Budget (Note 14) \$	Actual 2020 \$	Actual 2019 \$ <i>(Notes 2 & 17)</i>
REVENUES			
Property taxation	8,470,577	8,263,088	7,779,079
Taxation from other governments	34,764	36,037	90,195
User charges	4,879,852	3,890,220	4,297,763
Government transfers:			
Federal	-	-	-
Provincial	1,532,923	1,700,615	2,169,040
Other municipalities	-	-	-
Fees and donations	581,548	1,304,735	974,641
Investment income	185,000	139,689	259,503
Penalties and interest on taxes	114,500	29,663	123,083
Gain on disposal of tangible capital assets	-	24,884	45,686
	<u>15,799,164</u>	<u>15,388,931</u>	<u>15,738,990</u>
EXPENSES			
General government	1,556,674	1,246,617	1,459,887
Protection to persons and property	2,300,994	2,103,552	1,940,785
Transportation services	3,971,703	3,753,839	3,825,690
Environmental services	4,837,789	4,127,950	3,999,319
Health services	67,138	49,335	37,683
Recreation and cultural services	1,310,541	1,069,694	1,212,343
Planning and development	330,984	1,497,868	2,318,082
	<u>14,375,823</u>	<u>13,848,855</u>	<u>14,793,789</u>
Total Expenses (Note 19)			
	<u>14,375,823</u>	<u>13,848,855</u>	<u>14,793,789</u>
ANNUAL SURPLUS	1,423,341	1,540,076	945,201
ACCUMULATED SURPLUS, BEGINNING OF YEAR	69,700,873	69,700,873	64,129,908
SICK DAY LIABILITY - UNFUNDED (NOTE 17)	-	-	(500,263)
NET ASSETS OF LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM (NOTE 2)	-	-	<u>5,126,027</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 9)	<u>71,124,214</u>	<u>71,240,949</u>	<u>69,700,873</u>

See accompanying notes to the financial statements

Municipality of North Middlesex

**Consolidated Statement of Changes in Net Financial Assets
For The Year Ended December 31, 2020**

	Budget (Note 14) <u>\$</u>	Actual 2020 <u>\$</u>	<i>(Notes 2 & 17)</i> Actual 2019 <u>\$</u>
ANNUAL SURPLUS	1,423,341	1,540,076	945,201
Acquisition of tangible capital assets	(3,721,081)	(3,721,081)	(1,406,492)
Amortization of tangible capital assets	2,078,178	2,078,178	2,026,671
Proceeds on disposal of tangible capital assets	-	24,884	94,498
Change in prepaid expenses and inventory	-	(167,686)	(54,854)
Gain on disposal of tangible capital assets	<u>-</u>	<u>(24,884)</u>	<u>(45,686)</u>
CHANGE IN NET FINANCIAL ASSETS	(219,562)	(270,513)	1,559,338
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>9,345,536</u>	<u>9,345,536</u>	<u>7,786,198</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>9,125,974</u>	<u>9,075,023</u>	<u>9,345,536</u>

See accompanying notes to the financial statements

Municipality of North Middlesex

**Consolidated Statement of Cash Flows
For The Year Ended December 31, 2020**

		<i>(Notes 2 & 17)</i>
	2020	2019
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	1,540,076	945,201
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	2,078,178	2,026,671
Gain on disposal of tangible capital assets	<u>(24,884)</u>	<u>(45,686)</u>
	3,593,370	2,926,186
Change in non-cash items related to operations (Note 19[b])	<u>358,649</u>	<u>(58,849)</u>
	<u>3,952,019</u>	<u>2,867,337</u>
CAPITAL		
Acquisition of tangible capital assets	(3,721,081)	(1,406,492)
Proceeds on disposal of tangible capital assets	<u>24,884</u>	<u>94,498</u>
	<u>(3,696,197)</u>	<u>(1,311,994)</u>
INVESTING		
Proceeds from debentures and tile drain loans receivable	<u>55,299</u>	<u>68,598</u>
FINANCING		
Long-term debt repayment	<u>(274,553)</u>	<u>(391,630)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	36,568	1,232,311
OPENING CASH AND CASH EQUIVALENTS	<u>11,167,576</u>	<u>9,935,265</u>
CLOSING CASH AND CASH EQUIVALENTS	<u><u>11,204,144</u></u>	<u><u>11,167,576</u></u>
REPRESENTED BY:		
Cash	11,009,433	10,980,487
Short-term investment	<u>194,711</u>	<u>187,089</u>
	<u><u>11,204,144</u></u>	<u><u>11,167,576</u></u>

See accompanying notes to the financial statements

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

The Municipality of North Middlesex (the "Municipality") is a municipality in the Province of Ontario. It was created 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian accounting standards for public sector entities, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses 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.

Consolidated Entities

There are no organizations or local boards that are consolidated in these consolidated financial statements.

Proportionate Consolidation

The Lake Huron Area Primary Water Supply System has been consolidated on a proportionate basis. It is proportionately consolidated based upon the water flow used by the Municipality in proportion to the entire flows provided by the joint water board. This amounts to 2.93%.

Accounting for County and School Board Transactions

Although the Municipality collects taxation on behalf of the School Boards and the County of Middlesex, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Middlesex are not reflected in these statements.

Trust Funds

Trust funds and their related operations administered by the Municipality are not included in these consolidated financial statements.

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian accounting standards for public sector entities requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. These estimates and assumptions are based on the best information and judgment and may differ significantly from actual results.

Tax Revenues

In 2020, the Municipality received \$8,299,125 (2019 - \$7,869,274) in property tax revenues for municipal purposes. The authority to levy and collect property taxes is established under the Municipal Act 2001, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenue required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund costs of education on a Province-wide basis.

Taxation revenues are recorded at the time billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The Municipality may receive supplementary assessment rolls over the course of the year from MPAC that identify new or omitted assessments. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment value rising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenue (e.g. uncollectible amounts, write-offs, etc.).

Interest and penalties are charged on overdue property taxes.

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Revenue and Deferred Revenue

Revenue, excluding property taxes, is recognized when the amount is determinable, collectibility is assured and the service is provided. More specifically, the Municipality recognizes the following major types of revenue:

- i. User fees include fees related to rental of recreation facilities, building permits, and fees for sewer and water usage.
- ii. Development charges charged on new or significant construction improvements and are reported as an obligatory deferred revenue until the condition for its usage fulfilled, at which point is brought into revenue.
- iii. Government transfers are recognized in the consolidated financial statements as revenues in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined. Any amount received but restricted is recorded as deferred revenue and recognized as revenue in the period in which the resources are used for the purpose specified.

In addition, the Municipality periodically receives senior government capital funding in the form of infrastructure grants and receives ongoing funding from both senior levels of government as a result of an allocation of the gas tax funds.

Investments

Investments, consisting of one fund pooled bond securities, are recorded at cost plus accrued interest. Investment income earned on available funds is reported as revenue in the period earned. When required by funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

- i. 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 estimated useful lives as follows:

Building and components	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 daily basis from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use.

- ii. Contributions of tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.
- iii. Works of art and cultural and historic assets are not recorded as assets in these financial statements.
- iv. Interest is not capitalized with the acquisition or construction of a tangible capital asset.
- v. Leased tangible capital assets are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.
- vi. Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefit Plans

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by the employees based on the length of service and pay rates. Employee benefits include post employment benefits. Post employment benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service period.

Environmental Provisions and Contaminated Sites

The Municipality may be exposed to litigation or other costs of remediation due to contaminated properties in its jurisdiction. A liability for remediation is recognized in the consolidated financial statements when an environmental standard exists, contamination exceeds the standard, the government is responsible for the remediation and a reasonable estimate of the liability can be made. As at December 31, 2020 there were no properties that the Municipality was responsible to remedy and as such no liability has been accrued.

Recent Accounting Pronouncements

PSAB released a standard related to Financial Instruments (PS 3450). The standard applies to all local governments for fiscal years beginning on or after April 1, 2022. The standard applies to all types of financial instruments. The new standard requires that equity and derivative instruments be measured at fair value, with changes in value being recorded in the statement of remeasurement gains/losses. The standard gives the option of cost/amortized cost vs. fair value of remaining instruments, which is elected upon by the government organization. The Municipality has not yet determined what, if any, financial reporting implications may arise from this standard.

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

2. COMPARATIVE FINANCIAL STATEMENTS

The Municipality restated the prior year figures to consolidate 2.93% of the operations of the Lake Huron Area Primary Water Supply System. This restatement increased the opening financial assets and liabilities, non-financial assets and the accumulated surplus and reserves reported at January 1, 2019. The 2019 annual surplus was increased by \$109,270 for the surplus reported by the Lake Huron Area Primary Water Supply System, but there was no impact on the operating surplus of the Municipality. The following amounts were amounts that were consolidated as at January 1, 2019:

	<u>\$</u>
Accounts receivable	930,041
Accounts payable and accrued liabilities	(57,487)
Long-term debt	<u>(236,319)</u>
Increase in net financial assets	636,235
Prepays	5,933
Tangible capital assets, water infrastructure, cost	6,406,415
Tangible capital assets, water infrastructure, accumulated amortization	<u>(1,922,556)</u>
Increase in non-financial assets	<u>4,489,792</u>
Increase in accumulated surplus	<u>5,126,027</u>
Represented by:	
Reserves	642,168
Invested in tangible capital assets	<u>4,483,859</u>
	<u>5,126,027</u>

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.

MUNICIPALITY OF NORTH MIDDLESEX

**Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2020**

4. TAXES RECEIVABLE

	2020	2019
	<u>\$</u>	<u>\$</u>
Current taxes receivable	492,541	528,693
Arrears taxes receivable	401,462	268,859
Penalties and interest	<u>93,568</u>	<u>89,384</u>
	<u>987,571</u>	<u>886,936</u>

5. ACCOUNTS RECEIVABLE

	2020	2019
	<u>\$</u>	<u>\$</u>
Accounts receivable	1,543,734	1,269,722
Water and sewer user fees	522,590	531,873
Recoverable municipal drains	199,446	246,238
Government remittances	<u>267,763</u>	<u>166,197</u>
	<u>2,533,533</u>	<u>2,214,030</u>

6. LONG-TERM RECEIVABLE

	2020	2019
	<u>\$</u>	<u>\$</u>
Sewer debentures receivable	531,760	580,944
Tile drain loan receivable	<u>-</u>	<u>6,114</u>
	<u>531,760</u>	<u>587,058</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% and current portion expected to be collected in the next year is \$49,000.

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 of between 6% and 8%.

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

7. TANGIBLE CAPITAL ASSETS

December 31, 2020			Disposals and	
Cost	Opening	Additions	Adjustments	Ending
<u>Infrastructure</u>				
Linear - Roadways	24,033,368	861,808	-	24,895,176
Linear - Underground and other networks	29,857,939	95,199	-	29,953,138
Linear - Bridges and other structures	<u>5,705,423</u>	<u>-</u>	<u>-</u>	<u>5,705,423</u>
Infrastructure Total	<u>59,596,730</u>	<u>957,007</u>	<u>-</u>	<u>60,553,737</u>
<u>General</u>				
Land and land improvements	1,160,541	24,776	-	1,185,317
Buildings	23,898,506	-	-	23,898,506
Equipment	5,100,337	243,199	-	5,343,536
Fleet	<u>3,376,418</u>	<u>657,596</u>	<u>(270,277)</u>	<u>3,763,737</u>
General Total	<u>33,535,802</u>	<u>925,571</u>	<u>(270,277)</u>	<u>34,191,096</u>
Work in progress	<u>-</u>	<u>1,838,503</u>	<u>-</u>	<u>1,838,503</u>
Total Cost	<u>93,132,532</u>	<u>3,721,081</u>	<u>(270,277)</u>	<u>96,583,336</u>
Accumulated Amortization				
	Opening	Amortization	Disposals and	Ending
			Adjustments	
<u>Infrastructure</u>				
Linear - Roadways	10,704,562	643,542	-	11,348,104
Linear - Underground and other networks	9,796,223	530,845	-	10,327,068
Linear - Bridges and other structures	<u>2,873,063</u>	<u>93,716</u>	<u>-</u>	<u>2,966,779</u>
Infrastructure Total	<u>23,373,848</u>	<u>1,268,103</u>	<u>-</u>	<u>24,641,951</u>
<u>General</u>				
Buildings	5,213,488	361,903	-	5,575,391
Equipment	2,413,214	266,353	-	2,679,567
Fleet	<u>2,224,884</u>	<u>181,819</u>	<u>(270,277)</u>	<u>2,136,426</u>
General Total	<u>9,851,586</u>	<u>810,075</u>	<u>(270,277)</u>	<u>10,391,384</u>
Total Accumulated Amortization	<u>33,225,434</u>	<u>2,078,178</u>	<u>(270,277)</u>	<u>35,033,335</u>
Net Book Value				
	Opening			Ending
<u>Infrastructure</u>				
Linear - Roadways	13,328,806			13,547,072
Linear - Underground and other networks	20,061,716			19,626,070
Linear - Bridges and other structures	<u>2,832,360</u>			<u>2,738,644</u>
	36,222,882			35,911,786
<u>General</u>				
Land and land improvements	1,160,541			1,185,317
Buildings	18,685,018			18,323,115
Equipment	2,687,123			2,663,969
Fleet	<u>1,151,534</u>			<u>1,627,311</u>
	23,684,216			23,799,712
Work in progress	<u>-</u>			<u>1,838,503</u>
Total Net Book Value	<u>59,907,098</u>			<u>61,550,001</u>

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

7. TANGIBLE CAPITAL ASSETS (CONTINUED)

December 31, 2019			Disposals and	
Cost	Opening	Additions	Adjustments	Ending
<u>Infrastructure</u>				
Linear - Roadways	23,944,503	88,865	-	24,033,368
Linear - Underground and other networks	29,768,542	89,397	-	29,857,939
Linear - Bridges and other structures	<u>5,616,773</u>	<u>88,650</u>	-	<u>5,705,423</u>
Infrastructure Total	<u>59,329,818</u>	<u>266,912</u>	-	<u>59,596,730</u>
<u>General</u>				
Land and land improvements	987,067	173,474	-	1,160,541
Buildings	23,831,857	66,649	-	23,898,506
Equipment	4,741,636	578,443	(219,742)	5,100,337
Fleet	<u>3,254,547</u>	<u>321,014</u>	<u>(199,143)</u>	<u>3,376,418</u>
General Total	<u>32,815,107</u>	<u>1,139,580</u>	<u>(418,885)</u>	<u>33,535,802</u>
Work in progress	-	-	-	-
Total Cost	<u>92,144,925</u>	<u>1,406,492</u>	<u>(418,885)</u>	<u>93,132,532</u>
Accumulated Amortization				
	Opening	Amortization	Disposals and Adjustments	Ending
<u>Infrastructure</u>				
Linear - Roadways	10,071,222	633,340	-	10,704,562
Linear - Underground and other networks	9,264,850	531,373	-	9,796,223
Linear - Bridges and other structures	<u>2,796,126</u>	<u>76,937</u>	-	<u>2,873,063</u>
Infrastructure Total	<u>22,132,198</u>	<u>1,241,650</u>	-	<u>23,373,848</u>
<u>General</u>				
Buildings	4,853,234	360,254	-	5,213,488
Equipment	2,349,419	235,692	(171,897)	2,413,214
Fleet	<u>2,233,984</u>	<u>189,075</u>	<u>(198,175)</u>	<u>2,224,884</u>
General Total	<u>9,436,637</u>	<u>785,021</u>	<u>(370,072)</u>	<u>9,851,586</u>
Total Accumulated Amortization	<u>31,568,835</u>	<u>2,026,671</u>	<u>(370,072)</u>	<u>33,225,434</u>
Net Book Value				
	Opening			Ending
<u>Infrastructure</u>				
Linear - Roadways	13,873,281			13,328,806
Linear - Underground and other networks	20,503,692			20,061,716
Linear - Bridges and other structures	<u>2,820,647</u>			<u>2,832,360</u>
	37,197,620			36,222,882
<u>General</u>				
Land and land improvements	987,067			1,160,541
Buildings	18,978,623			18,685,018
Equipment	2,392,217			2,687,123
Fleet	<u>1,020,563</u>			<u>1,151,534</u>
	23,378,470			23,684,216
Work in progress	-			-
Total Net Book Value	<u>60,576,090</u>			<u>59,907,098</u>

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

8. LONG-TERM DEBT

- a) The balance of long-term debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2020	2019
	<u>\$</u>	<u>\$</u>
Loan issued by the County of Middlesex, non-interest bearing with annual principal repayment of \$187,500 and maturing June 2022	375,000	562,500
Loan 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	531,760	576,624
Loans issued to the Lake Huron Primary Water Supply, rates ranging from 1.4% to 3.8%, with maturity dates ranging from September 2022 to March 2027	164,790	200,865
Loans issued by Ontario Community Driven Development Project, repaid in year	-	6,114
	<u>1,071,550</u>	<u>1,346,103</u>

Principal repayments are summarized as follows:

	<u>User Fees</u>	<u>Tax Revenue</u>	<u>Benefiting Landowners</u>	<u>Total</u>
2021	36,955	187,500	47,064	271,519
2022	37,601	187,500	49,683	274,784
2023	32,413	-	52,283	84,696
2024	27,886	-	55,019	82,905
2025	28,298	-	57,898	86,196
Thereafter	<u>1,637</u>	<u>-</u>	<u>269,813</u>	<u>271,450</u>
Total	<u>164,790</u>	<u>375,000</u>	<u>531,760</u>	<u>1,071,550</u>

- b) All long-term debt issued on or before December 31, 1992 have received approval of the Ontario Municipal Board. Long-term debt issued after January 31, 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 and Housing.
- c) Interest expense on long-term debt in 2020 amounted to \$38,362 (2019 - \$37,844).

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

9. ACCUMULATED SURPLUS

The accumulated surplus balance is comprised of current fund, capital fund, balances in reserves and discretionary reserve funds, unfunded liabilities to be recovered in the future and investment in tangible capital assets.

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
Operating - general fund	275,463	274,342
Invested in tangible capital assets	61,550,001	59,907,097
Capital fund	(514,702)	(2,931,524)
Benefiting land owners	(3,275,451)	(2,255,886)
Reserves and reserve funds	<u>13,712,255</u>	<u>15,207,853</u>
	71,747,566	70,201,882
AMOUNTS TO BE RECOVERED		
Accrued liability - sick day benefit (Note 17)	<u>(506,617)</u>	<u>(501,009)</u>
ACCUMULATED SURPLUS	<u><u>71,240,949</u></u>	<u><u>69,700,873</u></u>

RESERVES AND RESERVE FUNDS CONSIST OF THE FOLLOWING:

	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
Reserves and reserve funds set aside for specific purposes by Council:		
- for working capital and rate stabilization (reserve)	4,981,836	3,607,642
- for protection services (reserve)	3,152,837	1,716,670
- for capital purposes (reserve)	905,101	1,617,018
- for contingency purposes (reserve)	-	4,060,630
- for building and vibrancy (reserve funds)	1,620,880	1,361,125
- for water and sewer purposes (reserve)	<u>3,051,601</u>	<u>2,844,768</u>
Total reserves	<u><u>13,712,255</u></u>	<u><u>15,207,853</u></u>

10. 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.

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

11. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Professional Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded. The balances in the obligatory reserve funds of the Municipality are summarized below:

	2020	2019
	<u>\$</u>	<u>\$</u>
Development charges	645,131	533,349
Gasoline tax	1,384,349	1,178,576
Parkland	<u>70,832</u>	<u>42,676</u>
	<u><u>2,100,312</u></u>	<u><u>1,754,601</u></u>

12. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The Ontario Environmental and Protection Act sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites.

The estimated liability of \$60,000 (2019 - \$60,000) represents the estimate closure and monitoring costs of the Municipality's landfill and waste transfer station. The Municipality has prepared a post closure plan for the landfill, and will be obtaining an evaluation of post closure costs and monitoring costs of the landfill and waste transfer station. The liability was last evaluated in 2001 as an estimate for any future costs of post-closure activities. Management is not able to provide any significant estimate on the expected liability of this future evaluation.

13. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year, an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits the members have earned to date. The most recent actuarial valuation of the Plan was conducted December 31, 2020, and the results of this valuation disclosed actuarial liabilities of \$113 billion in respect of benefits accrued for service with actuarial assets at that date of \$109.8 billion leaving an actuarial deficit of \$3.2 billion.

Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Municipality does not recognize any share of the OMERS Pension surplus or deficit in these consolidated financial statements. The amount contributed to OMERS for 2020 was \$156,490 (2019 - \$157,456).

MUNICIPALITY OF NORTH MIDDLESEX

**Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2020**

14. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2020 is reflected on the consolidated statement of operations. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. These adjustments include reserve transfers, capital expenditures, amortization and debt financing and repayment.

	Approved Budget \$	Adjustments \$	PSAB Budget \$
REVENUES			
Property taxation	8,470,577	-	8,470,577
Taxation from other governments	34,764	-	34,764
User charges	4,158,077	721,775	4,879,852
Transfer payments:			
Provincial	1,532,923	-	1,532,923
Fees and donations	581,548	-	581,548
Investment income	185,000	-	185,000
Penalties and interest on taxes	<u>114,500</u>	<u>-</u>	<u>114,500</u>
 Total Revenues	 <u>15,077,389</u>	 <u>721,775</u>	 <u>15,799,164</u>
EXPENSES			
General government	2,845,557	(1,288,883)	1,556,674
Protection to persons and property	2,703,196	(402,202)	2,300,994
Transportation services	3,404,234	567,469	3,971,703
Environmental services	4,554,112	283,677	4,837,789
Health services	67,138	-	67,138
Recreation and cultural services	1,187,168	123,373	1,310,541
Planning and development	<u>315,984</u>	<u>15,000</u>	<u>330,984</u>
 Total Expenses	 <u>15,077,389</u>	 <u>(701,566)</u>	 <u>14,375,823</u>
 BUDGETED ANNUAL SURPLUS	 <u><u>-</u></u>	 <u><u>1,423,341</u></u>	 <u><u>1,423,341</u></u>

15. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$311,165 (2019 - \$300,815) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

16. OPERATION OF SCHOOL BOARDS AND THE COUNTY OF MIDDLESEX

During 2020, requisitions were made by the school boards and the County of Middlesex requiring the municipality to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards \$	County \$
Taxation	2,050,373	3,894,389
Share of payments in lieu of taxes	<u>-</u>	<u>16,383</u>
Amounts requisitioned	<u>2,050,373</u>	<u>3,910,772</u>

17. ACCRUED SICK DAY LIABILITY

As part of the Municipality's employee compensation package, employees are allocated a yearly allowance of sick days. These unused sick days can be carried forward indefinitely. The Municipality's obligation with respect to accumulated sick days ends when the individual discontinues employment with the Municipality.

The prior period amounts were restated to report these amounts as a liability on the statement of financial position. The result of this restatement was a decrease in opening net financial assets at January 1, 2019 of \$500,263, an increase in the accrued sick day liability and a decrease in surplus by amounts to be recovered by future amounts of \$501,009 at December 31, 2019, and an increase in the 2019 surplus of \$746.

As of December 31, 2020, the Municipality is liable for approximately 2,357 (2019 - 2,128) of accumulated sick days with an associated cost, based on current pay rates, of approximately \$506,617 (2019 - \$501,009).

18. CONTINGENT LIABILITIES

As at December 31, 2020 certain legal actions may be pending against the Municipality. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that ultimate disposition of these matters will not materially exceed the amounts recorded in these consolidated financial statements.

Estimated costs to settle claims are based on available information and projections of estimated future expenses developed based on the Municipality's historical experience. Claims are reported as an operating expense in the year of the loss, where the costs are deemed to be likely and can be reasonably determined. Claim provisions are reported as a liability in the consolidated statement of financial position.

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

19. SUPPLEMENTARY INFORMATION:

	2020	2019
	<u>\$</u>	<u>\$</u>
[a] Current fund expenses by object:		
Contracted services	4,712,765	5,208,083
Materials	3,905,852	4,326,022
Salaries, wages and employees benefits	2,823,386	2,767,104
Amortization	2,078,178	2,026,671
Rents and financial expenses	290,312	428,065
Long-term debt interest	<u>38,362</u>	<u>37,844</u>
	<u>13,848,855</u>	<u>14,793,789</u>
[b] Cash flow information:		
Taxes receivable	(100,635)	(190,459)
Accounts receivable	(319,503)	(196,120)
Inventories and prepaid expenses	(167,686)	(54,848)
Accounts payable and accrued liabilities	362,446	(285,827)
Deferred revenue - general	232,708	220,651
Accrued sick day liability	5,608	746
Deferred revenue - obligatory reserve funds	<u>345,711</u>	<u>447,008</u>
	<u>358,649</u>	<u>(58,849)</u>

20. SIGNIFICANT EVENT

During the year end, the Municipality was exposed to economic risks associated with the coronavirus pandemic. These risks are beyond the Municipality's control. The impact of these risks cannot be identified at this time but could impact the Municipality's operations, future net surplus, cash flows and financial condition.

21. COMPARATIVE FIGURES

Certain comparative figures presented in the financial statements have been reclassified to conform to the presentation adopted in the current year.

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

22. SEGMENTED INFORMATION

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, roads, sewer and water. For management reporting purposes the Government's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provided, are as follows.

General government services

This segment includes a number of support functions that are responsible for maintenance of buildings, Mayor and Council, the Clerk's department, Treasury Department and Human Resources Department.

Protection services

This segment includes the Conservation authorities, building services, police and fire services. This segment is to ensure the safety and property of citizens and enforce the law.

Transportation services

This segment is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of parking and open space, and street lighting.

Environmental services

This segment includes waste management and the water and wastewater department which provides drinking water to citizens of the municipality, as well as, collection and treatment of wastewater. This department is responsible for the operation and maintenance of both systems in accordance with government regulations under the Safe Drinking Water Act and other pieces of legislation.

Health services

This segment includes the cemetery and medical facilities.

MUNICIPALITY OF NORTH MIDDLESEX

Notes to the Consolidated Financial Statements For The Year Ended December 31, 2020

22. SEGMENTED INFORMATION

Recreation services

This segment includes the parks and recreation department. It manages public services that contribute to neighbourhood development and sustainability through the provision of parks, recreation and leisure services. It provides public services that contribute to healthy communities through partnerships, promotion, prevention and protection.

Planning and development services

This segment includes the planning, property and development departments provides. It manages urban development for business interest, environmental concerns, heritage matters, local neighbourhoods and the downtown through city planning, community development, and parks planning. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development through its economic development programs.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure and Schedule of Segment Disclosure.

Municipality of North Middlesex

**Consolidated Schedule of Segment Disclosure
For The Year Ended December 31, 2020**

	General Government \$	Protection \$	Transportation \$	Environmental \$	Health \$	Recreation \$	Planning & Development \$	Consolidated \$
REVENUES								
Taxation	1,071,768	2,227,271	2,961,439	503,757	67,138	1,136,768	330,984	8,299,125
User fees	32,825	-	-	2,779,215	-	356,405	721,775	3,890,220
Government transfers	1,472,792	-	-	123,311	-	1,545	102,967	1,700,615
Fees and donations	99,270	233,261	12,841	472,220	30,675	-	456,468	1,304,735
Interest and other	<u>136,984</u>	<u>6,234</u>	<u>18,650</u>	<u>-</u>	<u>2,841</u>	<u>-</u>	<u>29,527</u>	<u>194,236</u>
	<u>2,813,639</u>	<u>2,466,766</u>	<u>2,992,930</u>	<u>3,878,503</u>	<u>100,654</u>	<u>1,494,718</u>	<u>1,641,721</u>	<u>15,388,931</u>
EXPENSES								
Salaries, wages and employees benefits	686,159	435,695	838,487	237,350	39,301	430,819	155,575	2,823,386
Long-term debt interest expense	-	-	-	37,995	-	-	367	38,362
Materials	204,902	170,312	1,741,806	1,398,683	6,126	375,230	8,793	3,905,852
Contracted services	273,767	1,231,905	159,757	1,638,297	992	89,781	1,318,266	4,712,765
Rents and financial services	6,612	191,917	3,555	70,355	2,917	91	14,865	290,312
Amortization	<u>75,177</u>	<u>73,723</u>	<u>1,010,234</u>	<u>745,271</u>	<u>-</u>	<u>173,773</u>	<u>-</u>	<u>2,078,178</u>
	<u>1,246,617</u>	<u>2,103,552</u>	<u>3,753,839</u>	<u>4,127,951</u>	<u>49,336</u>	<u>1,069,694</u>	<u>1,497,866</u>	<u>13,848,855</u>
ANNUAL SURPLUS (DEFICIT)	<u>1,567,022</u>	<u>363,214</u>	<u>(760,909)</u>	<u>(249,448)</u>	<u>51,318</u>	<u>425,024</u>	<u>143,855</u>	<u>1,540,076</u>

Municipality of North Middlesex

**Consolidated Schedule of Segment Disclosure
For The Year Ended December 31, 2019**

	General Government \$	Protection \$	Transportation \$	Environmental \$	Health \$	Recreation \$	Planning & Development \$	Consolidated \$
REVENUES								
Taxation	1,388,171	1,868,661	2,849,864	482,061	37,515	1,021,016	221,986	7,869,274
User fees	45,124	-	-	2,164,723	-	552,199	1,535,717	4,297,763
Government transfers	1,978,151	-	-	123,463	-	-	67,426	2,169,040
Fees and donations	39,357	189,015	10,736	404,257	28,625	-	302,651	974,641
Interest and other	<u>343,153</u>	<u>-</u>	<u>78,530</u>	<u>-</u>	<u>7,510</u>	<u>(32,845)</u>	<u>31,924</u>	<u>428,272</u>
	<u>3,107,650</u>	<u>2,057,676</u>	<u>2,782,070</u>	<u>3,174,504</u>	<u>58,630</u>	<u>1,606,060</u>	<u>2,159,704</u>	<u>15,738,990</u>
EXPENSES								
Salaries, wages and employees benefits	812,779	321,771	817,395	145,531	23,073	484,098	162,457	2,767,104
Long-term debt interest expense	-	-	-	36,357	-	-	1,487	37,844
Materials	171,146	190,048	1,917,946	1,516,021	12,090	487,441	31,330	4,326,022
Contracted services	223,956	1,131,639	100,425	1,547,791	2,520	85,058	2,116,694	5,208,083
Rents and financial services	180,290	225,203	10,365	6,093	-	-	6,114	428,065
Amortization	<u>71,716</u>	<u>72,124</u>	<u>979,559</u>	<u>747,526</u>	<u>-</u>	<u>155,746</u>	<u>-</u>	<u>2,026,671</u>
	<u>1,459,887</u>	<u>1,940,785</u>	<u>3,825,690</u>	<u>3,999,319</u>	<u>37,683</u>	<u>1,212,343</u>	<u>2,318,082</u>	<u>14,793,789</u>
ANNUAL SURPLUS (DEFICIT)	<u>1,647,763</u>	<u>116,891</u>	<u>(1,043,620)</u>	<u>(824,815)</u>	<u>20,947</u>	<u>393,717</u>	<u>(158,378)</u>	<u>945,201</u>