

MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014



MUNICIPALITY OF NORTH MIDDLESEX
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DECEMBER 31, 2014

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Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Municipality of North Middlesex, which comprise of the consolidated statement of financial position as at December 31, 2014 and the consolidated statement of accumulated surplus, consolidated statement of financial activities, consolidated statement of change in net financial assets, consolidated statement of cash flows, and the schedules of tangible capital assets and deferred revenues for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Municipality's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Municipality of North Middlesex as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

London, Ontario
August 14, 2015

Davis Martindale LLP


Chartered Accountants
Licensed Public Accountants



MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	2014	2013
Financial Assets		
Cash	\$ 3,702,226	\$ 4,348,534
Short-term investments (note 3)	451,988	469,162
Taxes receivable	605,580	510,285
Accounts receivable	897,347	987,605
Long-term receivable (note 4)	<u>1,243,325</u>	<u>1,395,339</u>
	6,900,466	7,710,925
Financial Liabilities		
Accounts payable and accrued liabilities	1,154,398	1,714,436
Deferred revenue - gas tax (schedule 2)	11,828	413,519
Deferred revenue - development charges (schedule 2)	440,937	463,768
Solid waste landfill closure and post-closure liability (note 6)	158,000	151,000
Long-term liabilities (note 7)	<u>3,348,371</u>	<u>2,606,928</u>
	<u>5,113,534</u>	<u>5,349,651</u>
Net Financial Assets	1,786,932	2,361,274
Commitments (note 11)		
Contingent Liabilities (note 13)		
Non-Financial Assets		
Tangible capital assets (schedule 1)	56,579,204	53,708,988
Assets held for sale	-	83,579
Prepaid expenses	<u>56,511</u>	<u>91,972</u>
	<u>56,635,715</u>	<u>53,884,539</u>
Accumulated Surplus	<u>\$ 58,422,647</u>	<u>\$ 56,245,813</u>

Approved on behalf of Council by:



 Don Shipway, Mayor



 Debbie Jonah, Acting Treasurer

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



MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
Accumulated Surplus, Beginning of Year	\$ 56,245,813	\$ 53,649,998
Annual Surplus	<u>2,176,834</u>	<u>2,595,815</u>
Accumulated Surplus, End of Year	<u>\$ 58,422,647</u>	<u>\$ 56,245,813</u>

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MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget 2014 (Unaudited)	Actual 2014	Actual 2013
Revenues			
Taxation	\$ 5,159,015	\$ 5,254,175	\$ 4,952,085
User charges	647,958	2,785,436	3,090,559
Government grants	3,903,700	3,970,445	4,258,955
Other	<u>370,350</u>	<u>1,050,684</u>	<u>571,918</u>
Total Revenues	10,081,023	13,060,740	12,873,517
Expenditures			
General government	1,258,767	1,518,297	1,181,005
Protection to persons and property	1,683,204	1,687,709	1,597,690
Transportation services	2,966,415	3,496,278	3,154,521
Environmental services	344,200	2,813,760	2,645,055
Health services	25,440	50,083	32,125
Recreation and cultural services	872,946	1,136,975	1,015,222
Planning and development	<u>169,120</u>	<u>180,804</u>	<u>652,084</u>
Total Expenditures	<u>7,320,092</u>	<u>10,883,906</u>	<u>10,277,702</u>
Annual Surplus	<u>\$ 2,760,931</u>	<u>\$ 2,176,834</u>	<u>\$ 2,595,815</u>

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MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF CHANGE IN
NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget 2014 (Unaudited)	Actual 2014	Actual 2013
Annual Surplus	\$ 2,760,931	\$ 2,176,834	\$ 2,595,815
Acquisition of tangible capital assets	(3,547,848)	(4,472,659)	(2,770,046)
Acquisition of assets held for sale	-	-	(57,716)
Amortization of tangible capital assets	-	1,628,751	1,549,277
Amortization of assets held for sale	-	-	10,044
Change in prepaid expenses	-	35,461	(11,635)
Loss (gain) on disposal of assets	-	(1,729)	12,368
Proceeds on disposal of tangible assets	<u>-</u>	<u>59,000</u>	<u>36,742</u>
Increase (Decrease) in Net Financial Assets	(786,917)	(574,342)	1,364,849
Net Financial Assets, Beginning of Year	<u>2,361,274</u>	<u>2,361,274</u>	<u>996,425</u>
Net Financial Assets, End of Year	<u>\$ 1,574,357</u>	<u>\$ 1,786,932</u>	<u>\$ 2,361,274</u>

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MUNICIPALITY OF NORTH MIDDLESEX
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
Cash Flows from Operating Activities		
Annual surplus	\$ 2,176,834	\$ 2,595,815
Items not requiring an outlay of cash:		
Amortization on tangible capital assets	1,628,751	1,549,277
Amortization on assets held for sale	-	10,044
Loss (gain) on disposal of assets	<u>(1,729)</u>	<u>12,368</u>
	3,803,856	4,167,504
Changes in non-cash working capital:		
Taxes receivable	(95,295)	7,852
Accounts receivable	90,258	(300,645)
Assets held for sale	83,579	(83,579)
Accounts payable and accrued liabilities	(560,038)	826,808
Deferred revenue	(424,522)	(128,201)
Solid waste landfill closure and post-closure liability	7,000	7,000
Prepaid expenses	<u>35,461</u>	<u>(11,635)</u>
	<u>(863,557)</u>	<u>317,600</u>
Net Cash Provided by Operating Activities	2,940,299	4,485,104
Cash Flows from Financing Activities		
Proceeds from long-term debt	1,500,000	-
Repayment of long-term debt	<u>(758,557)</u>	<u>(777,193)</u>
Net Cash Provided by (Used in) Financing Activities	741,443	(777,193)
Cash Flows from Investing Activities		
Acquisition of tangible capital assets	(4,472,659)	(2,770,046)
Acquisition of assets held for sale	-	(57,716)
Proceeds on disposal of tangible capital assets	59,000	36,742
Reclassification of tangible capital assets to assets held for sale	-	83,579
Disposal/transfer of assets held for sale	(83,579)	-
Decrease in long-term receivable	<u>152,014</u>	<u>161,795</u>
Net Cash Used in Investing Activities	<u>(4,345,224)</u>	<u>(2,545,646)</u>
Net Increase (Decrease) in Cash	(663,482)	1,162,265
Cash and Cash Equivalents, Beginning of Year	<u>4,817,696</u>	<u>3,655,431</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,154,214</u>	<u>\$ 4,817,696</u>
Represented By:		
Cash	\$ 3,702,226	\$ 4,348,534
Short-term investments	<u>451,988</u>	<u>469,162</u>
	<u>\$ 4,154,214</u>	<u>\$ 4,817,696</u>
Supplemental Cash Flow Information		
Interest Paid	<u>\$ 84,274</u>	<u>\$ 96,551</u>

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MUNICIPALITY OF NORTH MIDDLESEX
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

1. Nature of the Business

The Municipality of North Middlesex ("Municipality") is a municipality in the Province of Ontario, Canada. It was created on January 1, 2001 through the amalgamation of the Town of Parkhill, the Village of Ailsa Craig and the Townships of McGillvary, East Williams and West Williams. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

2. Significant Accounting Policies

The consolidated financial statements of the Municipality of North Middlesex are the representation of management, prepared in accordance with Canadian public sector accounting standards. The policies that are considered to be particularly significant are as follows:

a) Basis of Consolidation

(i) Reporting Entity

These consolidated financial statements reflect the assets, liabilities, sources of financing, expenditures and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are owned or controlled by the Municipality. All interfund assets and liabilities and sources of financing and expenditures have been eliminated, with the exception of loans or advances between reserve funds and any other fund of the Municipality and the resulting interest income and expenditures.

(ii) Accounting for County and School Board Transactions

The taxation, other revenues, expenditures, assets, and liabilities with respect to the operations of the school boards and the County of Middlesex are not reflected in the municipal fund balances of these consolidated financial statements. Over levies (under levies) are reported on the Consolidated Statement of Financial Position as "accounts payable and accrued liabilities" or "accounts receivable."

(iii) Trust Funds

Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the Trust Funds Statement of Financial Position.



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

2. Significant Accounting Policies (continued)

b) Basis of Accounting

(i) *Accrual Accounting*

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) *Tangible Capital Assets*

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis, over their useful lives as follows:

Buildings	30 to 75 years
Equipment	20 to 30 years
Fleet	7 to 20 years
Roads	35 to 100 years
Underground and other networks	75 years
Bridges and other structures	40 to 75 years

Amortization is calculated on a daily basis from the date of acquisition. Assets under construction are not amortized until the asset is available for productive use.

(iii) *Deferred Revenue*

The Municipality receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or service performed.

(vi) *Government Transfers*

Transfers are recognized in the consolidated financial statements as revenues in the period in which the event giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(v) *Use of Estimates*

The preparation of the consolidated financial statements of the company, in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of the revenues and expenses during the period. Actual results could differ from these estimates.

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



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

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

	2014	2013
Sewer debentures receivable	\$1,016,468	\$1,120,278
Tile drain loan receivable	<u>226,857</u>	<u>275,061</u>
	1,243,325	1,395,339
Less: current portion	<u>(158,768)</u>	<u>(152,015)</u>
	<u>\$1,084,557</u>	<u>\$1,243,324</u>

The sewer debentures receivable represents amounts owing from benefiting land owners for new water, sewer and storm drain lines installed on their property. These loans have terms of ten to forty years, at interest rates between 5.01% and 5.26%.

The tile drain loan receivable represents amounts owing from benefiting land owners for tile drains installed on their property. These loans have terms of ten years at interest rates between 6% and 8%.

5. Bank Overdraft

The Municipality has a revolving line of credit by way of an operating account overdraft. The credit facility bears interest at the bank's prime rate per annum, is due on demand with a limit of \$2,500,000.

6. Solid Waste Landfill Closure and Post-Closure Liability

In 2001, the Municipality implemented PSAB section 3270: Solid Waste Landfill Closure and Post-Closure Liability, which accounts for anticipated closure and post-closure costs for existing and closed landfill sites. This liability is the estimated cost to date, based on a volumetric basis, of the expenditures relating to those activities required when the site or phase stops accepting waste.

The Sanitary Closure costs include final cover and vegetation, and completing facilities for drainage control features, leachate monitoring, water quality monitoring, and monitoring and recovery of gas. Post-closure care activities include all activities related to monitoring the site once it can no longer accept waste, including acquisition of any additional land for buffer zones, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems and final cover.



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

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

Key assumptions in arriving at the liability value are:

	McGillvary Landfill	Parkhill Landfill
Expectation of landfill reaching capacity (based on initial measurement in 2001)	8-10 yrs	12-15 yrs
Initial closure costs (in 2001 dollars)	\$60,000	\$100,000
Ongoing monitoring costs (recorded as incurred)	\$4,000/yr	\$7,000/yr
Landfill liability accrued to date	<u>\$ 60,000</u>	<u>\$ 98,000</u>

7. Long-term Liabilities

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

	2014	2013
Demand loan bearing interest at 3.19%. Until demand, this loan is repayable in monthly blended principal and interest payments of \$10,631. Paid fully in the year.	\$ -	\$ 125,151
Loan issued by the County of Middlesex, non-interest bearing with annual principal payments of \$346,720. Paid fully in the year.	-	346,720
Loan issued by the County of Middlesex, non-interest bearing with annual principal payments of \$104,236 and maturing February 2019.	521,181	625,418
Loan issued by the County of Middlesex, non-interest bearing with annual principal payment of \$187,500 and maturing June 2022	1,500,000	-
Long-term debt issued by Ontario Infrastructure Programs at various rates on interest ranging from 5.01% to 5.26% with maturity dates ranging from November 2027 to November 2047.	1,100,333	1,234,578
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>226,857</u>	<u>275,061</u>
Long-term liabilities at the end of the year	<u>\$ 3,348,371</u>	<u>\$ 2,606,928</u>

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



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

7. Long-term Liabilities (continued)

b) Principal Payments Due

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

	2015 to 2019	Thereafter	Total
From general municipal revenues	\$ 1,458,681	\$ 562,500	\$ 2,021,181
From benefiting landowners	<u>738,014</u>	<u>589,176</u>	<u>1,327,190</u>
	<u>\$ 2,196,695</u>	<u>\$ 1,151,676</u>	<u>\$ 3,348,371</u>

c) The long-term liabilities in (a) issued in the name of the Municipality have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

8. Reserves

The total balance of reserves of \$6,390,670 (2013 - \$7,407,707) is made up of the following:

	2014	2013
Reserves set aside for specific purpose by Council:		
- North Middlesex working capital	\$2,171,244	\$1,833,368
- North Middlesex accessibility	246,044	3,013,030
- North Middlesex contingency	2,171,235	940,167
- North Middlesex economic development	3,550	-
- North Middlesex fire	425,084	263,884
- North Middlesex policing	200,506	222,432
- North Middlesex Canada Day	9,313	9,021
- North Middlesex office equipment	2,975	2,975
- North Middlesex building department equipment	7,500	7,500
- North Middlesex municipal drains	100,000	-
- North Middlesex water equipment	42,548	42,548
- North Middlesex roads	308,746	33,746
- North Middlesex arena	52,919	52,919
- Ward one sanitary and storm sewers	76,839	76,839
- Ward one Santa Claus parade	5,901	6,335
- Bridge reserve	<u>477,787</u>	<u>477,787</u>
	<u>6,302,191</u>	<u>6,982,551</u>

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



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

8. Reserves (continued)

	2014	2013
Reserve fund set aside by specific legislation:		
- Ward one hydro proceeds	80,392	233,034
- Ward two millennium fund (hydro sale)	-	61,593
- Ward two community centre fund	-	122,542
- Ward two Meadowgate Rd.	4,382	4,329
- Ward three recreation facilities	<u>3,705</u>	<u>3,658</u>
	<u>88,479</u>	<u>425,156</u>
Total Reserves and Reserve Funds	<u>\$6,390,670</u>	<u>\$7,407,707</u>

9. Municipal Fund Balances at the End of the Year

	2014	2013
For recovery from user charges	\$ (4,547,227)	\$ (4,954,461)
Invested in tangible capital assets	56,579,204	53,708,988
Invested in assets held for sale	-	83,579
Reserves (note 8)	<u>6,390,670</u>	<u>7,407,707</u>
	<u>\$58,422,647</u>	<u>\$56,245,813</u>

10. Trust Funds

Trust funds administered by the Municipality amounting to \$259,898 (2013 - \$251,848) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities."

11. Commitments

During the 2007 fiscal year, the Municipality entered into an agreement with the City of London for improvements to the water pipelines. The Municipality is currently in discussions with the City of London on the amount to be paid relating to the work performed.

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



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

12. Public Sector Salary Disclosure Act 1996

The Public Sector Salary Disclosure Act, 1996 (the “Act”) requires the disclosure of the salaries and benefits of employees in the public sector who are paid a salary of \$100,000 or more in a year. The Municipality complies with the Act by providing the information to the Ontario Ministry of Municipal Affairs and Housing for disclosure on the public website at www.fin.gov.on.ca.

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, 2014, the Municipality has accrued sick day benefits totaling \$39,758 (2013 - \$50,336) and is contingently liable for an additional 1,916 accumulated sick days with an associated cost, based on current pay rates, of \$449,694 (2013 - \$472,236).

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.



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

14. Financial Instruments (continued)

Interest Rate Risk

The following table identifies the Municipality's financial assets and liabilities which are sensitive to interest rate movements and those which are non-interest rate sensitive as they are either non-interest bearing or bear interest at fixed rates. The Municipality does not currently hold any financial instruments that mitigate either of these risks.

	2014		2013	
	Interest sensitive	Non-interest sensitive	Interest sensitive	Non-interest sensitive
Short-term investments (note 3)	\$ -	\$ 451,988	\$ -	\$ 469,162
Long-term receivable (note 4)	-	1,243,325	-	1,395,339
Long-term liabilities (note 7)	-	(3,348,371)	-	(2,606,928)
	<u>\$ -</u>	<u>\$(1,653,058)</u>	<u>\$ -</u>	<u>\$(742,427)</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 \$135,449 (2013 - \$146,144) and are matched by employee contributions in a similar amount.

16. Segment Reporting

The Municipality has identified segments by major function. The segments and activities performed by the segments are as follows:

- General government - general administration
- Protection services - police and fire protection
- Transportation services - public works
- Environmental services - water and sewer administration and waste management
- Health services - cemetery administration and public health
- Recreation and cultural services - recreation facilities
- Planning and development - municipal planning and development

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



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

16. Segment Reporting - continued

REVENUES 2014

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

REVENUES 2013

	Taxation	User Charges	Government Grants	Other	Total
General government	\$ 4,952,085	\$ 181,110	\$ 3,789,765	\$ 245,148	\$ 9,168,108
Protection services	-	566,591	25,163	-	591,754
Transportation services	-	7,700	403,377	7,500	418,577
Environmental services	-	1,860,609	-	259,799	2,120,408
Health services	-	22,300	-	15,229	37,529
Recreation and cultural services	-	413,333	-	390	413,723
Planning and development	-	<u>38,916</u>	<u>40,650</u>	<u>43,852</u>	<u>123,418</u>
Total	<u>\$ 4,952,085</u>	<u>\$ 3,090,559</u>	<u>\$ 4,258,955</u>	<u>\$ 571,918</u>	<u>\$ 12,873,517</u>

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



MUNICIPALITY OF NORTH MIDDLESEX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

16. Segment Reporting - continued

EXPENDITURES 2014

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

EXPENDITURES 2013

	Salaries and Wages	Materials	Contracted Services	Other	Total
General government	\$ 664,836	\$ 226,396	\$ 134,557	\$ 155,216	\$ 1,181,005
Protection services	255,086	218,994	889,602	234,008	1,597,690
Transportation services	670,400	1,507,667	115,024	861,430	3,154,521
Environmental services	408,385	939,003	697,104	600,563	2,645,055
Health services	29,432	(2,137)	4,700	130	32,125
Recreation and cultural services	402,033	397,611	87,423	128,155	1,015,222
Planning and development	<u>8,501</u>	<u>38,018</u>	<u>589,693</u>	<u>15,872</u>	<u>652,084</u>
Total	<u>\$ 2,438,673</u>	<u>\$ 3,325,552</u>	<u>\$ 2,518,103</u>	<u>\$ 1,995,374</u>	<u>\$ 10,277,702</u>

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MUNICIPALITY OF NORTH MIDDLESEX

SCHEDULE 1 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Land and Land Improvements	Buildings	Equipment	Fleet	Assets Under Construction
Cost					
Balance, beginning of year	\$ 894,343	\$ 18,251,017	\$ 3,281,285	\$ 2,526,884	\$ 1,161,901
Additions during the year	-	4,372,683	451,655	32,555	(1,161,901)
Disposals during the year	-	-	(48,081)	(2,329)	-
Balance, end of year	<u>894,343</u>	<u>22,623,700</u>	<u>3,684,859</u>	<u>2,557,110</u>	<u>-</u>
Accumulated Amortization					
Balance, beginning of year	-	3,184,417	1,847,295	1,438,387	-
Amortization for the year	-	321,605	197,421	168,619	-
Disposals during the year	-	-	(33,071)	-	-
Balance, end of year	<u>-</u>	<u>3,506,022</u>	<u>2,011,645</u>	<u>1,607,006</u>	<u>-</u>
Net Book Value	<u>\$ 894,343</u>	<u>\$ 19,117,678</u>	<u>\$ 1,673,214</u>	<u>\$ 950,104</u>	<u>\$ -</u>

	Roads	Underground and Other Networks	Bridges and Other Structures	2014 Total	2013 Total
Cost					
Balance, beginning of year	\$ 20,878,629	\$ 23,299,500	\$ 5,264,308	\$ 75,557,867	\$ 73,127,830
Additions during the year	792,142	14,026	15,146	4,516,306	2,770,046
Disposals during the year	(5,069)	-	-	(55,479)	(340,009)
Balance, end of year	<u>21,665,702</u>	<u>23,313,526</u>	<u>5,279,454</u>	<u>80,018,694</u>	<u>75,557,867</u>
Accumulated Amortization					
Balance, beginning of year	7,081,322	5,790,575	2,506,883	21,848,879	20,590,501
Amortization for the year	564,359	309,765	66,982	1,628,751	1,549,277
Disposals during the year	(5,069)	-	-	(38,140)	(290,899)
Balance, end of year	<u>7,640,612</u>	<u>6,100,340</u>	<u>2,573,865</u>	<u>23,439,490</u>	<u>21,848,879</u>
Net Book Value	<u>\$ 14,025,090</u>	<u>\$ 17,213,186</u>	<u>\$ 2,705,589</u>	<u>\$ 56,579,204</u>	<u>\$ 53,708,988</u>

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



MUNICIPALITY OF NORTH MIDDLESEX
SCHEDULE 2 - SCHEDULE OF DEFERRED REVENUES

FOR THE YEAR ENDED DECEMBER 31, 2014

DEVELOPMENT CHARGES

	Balance Beginning of Year	Development Charges Collected	Interest Income	Disbursements	Balance End of Year
Roads and structures	\$ 34,431	\$ 1,149	\$ 404	\$ -	\$ 35,984
Wastewater	327,134	7,530	3,288	-	337,952
Stormwater	9,665	912	131	-	10,708
Water	11,869	903	151	-	12,923
Recreation	<u>80,669</u>	<u>2,750</u>	<u>673</u>	<u>40,722</u>	<u>43,370</u>
Total	<u>\$ 463,768</u>	<u>\$ 13,244</u>	<u>\$ 4,647</u>	<u>\$ 40,722</u>	<u>\$ 440,937</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>\$ 413,519</u>	<u>\$ 198,309</u>	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$ 11,828</u>

Gas tax funds are received from the Association of Municipalities of Ontario (AMO) and are restricted for the purpose of investing in Environmentally Sustainable Municipal Infrastructure (ESMI) projects and Capacity Building projects as outlined in the funding agreement.



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Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the trust funds of the Municipality of North Middlesex, which comprise of the statement of financial position as at December 31, 2014 and the statements of the accumulated net assets and financial activities for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the trust funds of the Municipality of North Middlesex as at December 31, 2014, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.

London, Ontario
August 14, 2015

Davis Martindale LLP

Chartered Accountants
Licensed Public Accountants



MUNICIPALITY OF NORTH MIDDLESEX

TRUST FUNDS - STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2014

	Parkhill Cemetery Care & Maintenance Fund	West Williams Cemetery Fund	East Williams Cemetery Fund	McGillvary Cemetery Nursery Fund	Mt. Pleasant Fund	2014 Total	2013 Total
Assets							
Cash	\$ 2,861	\$ 10,935	\$ 3,637	\$ -	\$ -	\$ 27,950	\$ 19,605
Interest receivable	461	1,195	-	63	37	2,538	2,539
Investments (note 2)	<u>32,205</u>	<u>199,196</u>	<u>-</u>	<u>2,925</u>	<u>1,697</u>	<u>272,302</u>	<u>272,301</u>
	<u>\$ 35,527</u>	<u>\$ 211,326</u>	<u>\$ 3,637</u>	<u>\$ 2,988</u>	<u>\$ 1,734</u>	<u>\$ 302,790</u>	<u>\$ 294,445</u>
Liabilities							
Due to (from) general	\$ 4,240	\$ 40,623	\$ (3,453)	\$ 63	\$ 118	\$ 42,892	\$ 42,597
	<u>31,287</u>	<u>170,703</u>	<u>7,090</u>	<u>2,925</u>	<u>1,616</u>	<u>259,898</u>	<u>251,848</u>
Net Assets	<u>\$ 35,527</u>	<u>\$ 211,326</u>	<u>\$ 3,637</u>	<u>\$ 2,988</u>	<u>\$ 1,734</u>	<u>\$ 302,790</u>	<u>\$ 294,445</u>



MUNICIPALITY OF NORTH MIDDLESEX

TRUST FUNDS - STATEMENT OF ACCUMULATED NET ASSETS
AND FINANCIAL ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

	Parkhill Monument Fund	Cemetery Care & Maintenance Fund	West Williams Cemetery Fund	East Williams Cemetery Fund	Nursery Fund	McGillivray Cemetery Mt. Pleasant Fund	2014 Total	2013 Total
Balance, Beginning of Year	\$ 30,637	\$ 166,803	\$ 42,777	\$ 7,090	\$ 2,925	\$ 1,616	\$ 251,848	\$ 244,848
Revenues								
Sale of plots	-	3,900	-	-	-	-	3,900	2,800
Monument fees	650	-	-	-	-	-	650	1,000
Sylvan fees	-	-	3,500	-	-	-	3,500	3,200
Interest	769	4,543	972	45	69	40	6,438	6,337
	1,419	8,443	4,472	45	69	40	14,488	13,337
Expenditures								
Maintenance	769	4,543	972	45	69	40	6,438	6,337
Balance, End of Year	\$ 31,287	\$ 170,703	\$ 46,277	\$ 7,090	\$ 2,925	\$ 1,616	\$ 259,898	\$ 251,848



MUNICIPALITY OF NORTH MIDDLESEX
NOTES TO TRUST FUNDS FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

1. Accounting Policies

Basis of Accounting

Capital receipts and income are reported on the accrual basis of accounting.

Expenditures are reported on the cash basis.

2. Investments

The investments of the trust are stated at cost plus accrued interest. These funds are invested in term deposits or guaranteed investment certificates. The investments are in various amounts, with maturity dates of one to five years and bear interest at an average rate of 2.43%.

