



Consolidated Financial Statements

The Municipality of North Perth

December 31, 2014

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Independent auditor's report

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To the Members of Council, Inhabitants and Ratepayers of The Municipality of North Perth

We have audited the accompanying consolidated financial statements of The Municipality of North Perth, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian 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.

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures 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 control relevant to the entity'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 entity'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 consolidated financial statements present fairly, in all material respects, the financial position of The Municipality of North Perth 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.

Grant Thornton LLP

Burlington, Canada
May 25, 2015

Chartered Accountants
Licensed Public Accountants

The Municipality of North Perth

Consolidated Statement of Financial Position

As at December 31, 2014

	<u>2014</u>	<u>2013</u>
Financial assets		
Cash and cash equivalents (Note 2)	\$ 16,288,714	\$ 12,819,422
Taxes receivable	542,151	418,595
Accounts receivable	2,072,272	1,965,712
Drain receivables	691,182	800,502
Long-term receivables (Note 3)	<u>1,308,684</u>	<u>1,378,268</u>
	<u>20,903,003</u>	<u>17,382,499</u>
Liabilities		
Accounts payable and accrued liabilities	1,994,825	1,800,160
Employee benefits plan liability	220,976	204,221
Deferred revenue (Note 5)	11,217,033	9,725,638
Net long-term debt (Note 6)	18,398,768	19,172,297
Solid waste closure and post-closure liabilities (Note 7)	<u>1,657,000</u>	<u>1,703,000</u>
	<u>33,488,602</u>	<u>32,605,316</u>
Net debt	<u>(12,585,599)</u>	<u>(15,222,817)</u>
Non-financial assets		
Tangible capital assets (Note 8)	100,579,741	99,814,258
Prepaid expenses and inventories of supplies	<u>166,105</u>	<u>168,326</u>
	<u>100,745,846</u>	<u>99,982,584</u>
Accumulated surplus (Note 9)	<u>\$ 88,160,247</u>	<u>\$ 84,759,767</u>

Contingent liabilities (Note 17)

_____ Treasurer

_____ Mayor

See accompanying notes to the consolidated financial statements

The Municipality of North Perth

Consolidated Statement of Operations

For the year ended December 31, 2014

	Budget <u>2014</u> (Note 21)	Actual <u>2014</u>	Actual <u>2013</u>
Revenue			
Taxation	\$ 9,486,525	\$ 9,633,786	\$ 8,698,331
Government transfers – Federal (Note 10)	107,900	11,766	294,974
Government transfers – Provincial (Note 11)	3,110,370	2,515,562	3,391,658
Government transfers – Municipal	1,076,303	475,830	416,989
User fees and service charges	6,433,340	7,286,933	6,580,980
Other (Note 12)	<u>2,899,457</u>	<u>3,644,480</u>	<u>3,279,277</u>
	<u>23,113,895</u>	<u>23,568,357</u>	<u>22,662,209</u>
Expenses (Note 14)			
General government	1,683,943	1,775,012	1,949,166
Protection services	5,296,301	4,537,930	4,338,248
Transportation services	4,490,331	4,347,965	4,216,715
Environmental services	5,125,883	4,285,348	4,112,722
Health services	360,700	241,434	198,369
Social and family services	3,060,427	832,608	871,540
Recreation and cultural services	3,783,589	3,322,045	3,388,605
Planning and development	228,839	287,432	219,603
Perth Meadows (Note 13)	<u>570,642</u>	<u>538,103</u>	<u>615,908</u>
	<u>24,600,655</u>	<u>20,167,877</u>	<u>19,910,876</u>
Annual surplus (deficit)	(1,486,760)	3,400,480	2,751,333
Accumulated surplus			
Beginning of year	<u>84,759,767</u>	<u>84,759,767</u>	<u>82,008,434</u>
End of year	<u>\$ 83,273,007</u>	<u>\$ 88,160,247</u>	<u>\$ 84,759,767</u>

See accompanying notes to the consolidated financial statements.

The Municipality of North Perth

Consolidated Statement of Changes in Net Debt

For the year ended December 31, 2014

	Budget 2014 (Note 21)	Actual 2014	Actual 2013
Annual surplus (deficit)	\$ (1,486,760)	\$ 3,400,480	\$ 2,751,333
Acquisition of tangible capital assets	(4,598,369)	(4,248,405)	(3,776,973)
Amortization of tangible capital assets	3,170,396	3,223,133	3,186,534
Gain on sale of tangible capital assets	-	(262,369)	(859,892)
Proceeds on sale of tangible capital assets	<u>-</u>	<u>522,158</u>	<u>1,157,750</u>
	2,914,733	2,634,997	2,458,752
Consumption of prepaid expenses and inventories of supplies	<u>-</u>	<u>2,221</u>	<u>16,338</u>
Change in net debt	2,914,733	2,637,218	2,475,090
Net debt			
Beginning of year	<u>(15,222,817)</u>	<u>(15,222,817)</u>	<u>(17,697,907)</u>
End of year	<u>\$ (12,308,084)</u>	<u>\$ (12,585,599)</u>	<u>\$ (15,222,817)</u>

See accompanying notes to the consolidated financial statements.

The Municipality of North Perth

Consolidated Statement of Cash Flows

For the year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
Operating activities		
Annual surplus	\$ 3,400,480	\$ 2,751,333
Items not involving cash		
Amortization	3,223,133	3,186,534
Gain on disposal of tangible capital assets	(262,369)	(859,892)
Changes in non-cash operating balances		
Taxes receivable	(123,556)	94,716
Accounts receivable	(106,560)	187,990
Drain receivables	109,320	(101,169)
Prepaid expenses and inventories of supplies	2,221	16,338
Accounts payable and accrued liabilities	194,665	82,145
Employee benefits plan liability	16,755	11,030
Deferred revenue	1,491,395	2,618,560
Solid waste closure and post closure liabilities	<u>(46,000)</u>	<u>-</u>
	<u>7,899,484</u>	<u>7,987,585</u>
Capital activities		
Acquisition of tangible capital assets	(4,248,405)	(3,776,973)
Proceeds on sale of tangible capital assets	<u>522,158</u>	<u>1,157,750</u>
	<u>(3,726,247)</u>	<u>(2,619,223)</u>
Investing activities		
Decrease in long-term receivables	<u>69,584</u>	<u>66,391</u>
Financing activities		
Proceeds from issuance of long-term debt	-	20,500
Repayment of long-term debt	<u>(773,529)</u>	<u>(761,684)</u>
	<u>(773,529)</u>	<u>(741,184)</u>
Net change in cash and cash equivalents	3,469,292	4,693,569
Cash and cash equivalents		
Beginning of year	<u>12,819,422</u>	<u>8,125,853</u>
End of year	<u>\$ 16,288,714</u>	<u>\$ 12,819,422</u>

See accompanying notes to the consolidated financial statements.

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

1. Significant accounting policies

Management responsibility

The financial statements are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, non-financial assets, revenue and expenses and changes in accumulated surplus of all municipal organizations, committees and boards which are owned or controlled by the Municipality. The following boards have been consolidated:

Elma-Logan Arena
Business Improvement Association
North Perth Cemetery Board
North Perth Public Library Board

Interdepartmental and organizational transactions and balances are eliminated.

Trust funds and their related operations administered by the Municipality are not consolidated. The financial activity and position of the trust funds are reported separately.

Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

Cash and cash equivalents

Cash and cash equivalents are represented by cash on hand, cash on deposit in chartered banks and investments that mature within three months.

Portfolio investments

Portfolio investments are valued at the lower of cost and market value. Interest income is reported as revenue in the period earned.

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 statement of financial position. This revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

1. Significant accounting policies (continued)

Solid waste closure and post-closure liabilities

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

Retirement benefits and other employee benefit plans

The Municipality's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred. The employee benefits plan liability represents future benefit costs accrued for employee benefit plans. The cost of post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Capital work in progress is not amortized until the asset is put in use.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero for all assets with any net gain or loss arising from the disposal of assets recognized in the consolidated statement of operations.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Land improvements	20 to 50 years
Buildings	30 to 100 years
Equipment and furniture	5 to 30 years
Fleet	10 to 25 years
Information technology equipment	5 years
Infrastructure – roads	20 years
Infrastructure – bridges and culverts	30 to 75 years
Infrastructure – water, sewer, storm and landfill	4 to 100 years

Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the Municipality. The Municipality is not involved in the construction.

Inventory

Inventory is recorded at the lower of average cost and net realizable value.

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

1. Significant accounting policies (continued)

Reserves for future expenses

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future operating and capital expenses.

Revenue recognition

i) Taxation

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, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the County of Perth and the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment. Once a supplementary roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Assessments of the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the County of Perth and school boards, as appropriate.

ii) User fees and service charges

User charges are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

iii) Government transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events 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.

iv) Other

Other revenue is recorded when it is earned and collection is reasonably assured.

v) Investment income

Investment income earned on operating surplus funds and reserves and reserve funds (other than obligatory reserve funds) are recorded as revenue in the period earned. Investment income earned on obligatory reserve funds are recorded directly to each respective fund balance and forms part of the deferred revenue – obligatory reserve funds balance.

vi) Perth Meadows

Phase I and Phase II life leases purchased by tenants of the Perth Adult Life Care Residences have been recorded as deferred lease revenue and are being amortized over the life of the buildings. Amortization is provided on a straight line basis over 50 years.

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

1. Significant accounting policies (continued)

County of Perth and school board transactions

The Municipality collects taxation revenue on behalf of the school boards and the County of Perth. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements.

Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Cash and cash equivalents	<u>2014</u>	<u>2013</u>
Unrestricted	\$ 14,901,814	\$ 10,555,006
Restricted – obligatory reserve funds	<u>1,386,900</u>	<u>2,264,416</u>
	<u>\$ 16,288,714</u>	<u>\$ 12,819,422</u>

3. Long term receivables	<u>2014</u>	<u>2013</u>
Long-term receivable from land owner bearing interest at 7%, receivable in blended annual payments of \$24,128, due 2018	\$ 81,728	\$ 98,931
Long-term receivable from several land owners bearing interest at 3.95%, receivable in blended annual payments of \$61,672, due 2025	541,738	580,481
Long-term receivable from several land owners bearing interest at 4.57%, receivable in blended annual payments of \$45,575, due 2040	<u>685,218</u>	<u>698,856</u>
	<u>\$ 1,308,684</u>	<u>\$ 1,378,268</u>

4. Temporary borrowings

The Municipality has an authorized line of credit of up to \$ 5,000,000 at Canadian Imperial Bank of Commerce bearing interest at prime. The outstanding amount as of December 31, 2014 was \$ Nil (2013 - \$ Nil). The facility is secured by general borrowing by-laws.

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

5. Deferred revenue

	Opening <u>balance</u>	Contributions <u>received</u>	Externally restricted investment <u>income</u>	Revenue <u>recognized</u>	<u>Ending balance</u>
Development charges	\$ 2,452,681	\$ 782,869	\$ 19,593	\$(1,533,153)	\$ 1,721,990
Federal gas tax	607,046	375,779	6,070	-	988,895
Provincial gas tax	40,199	94,193	904	-	135,296
Recreational land	424,528	7,000	19,227	-	450,755
Other restricted grants	25,607	9,979	-	(21,587)	13,999
Deposits	2,149,735	1,269,430	-	(144,382)	3,274,783
Deferred life lease revenue (Note 13)	<u>4,025,842</u>	<u>758,475</u>	<u>-</u>	<u>(153,002)</u>	<u>4,631,315</u>
	<u>\$ 9,725,638</u>	<u>\$ 3,297,725</u>	<u>\$ 45,794</u>	<u>\$(1,852,124)</u>	<u>\$ 11,217,033</u>

Federal gas tax

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Municipality and the Province of Ontario. Gas tax funding may be used towards designated capacity building projects as specified in the funding agreements.

External restrictions

Included in Deposits is \$2,685,298 (2013 - \$1,580,615) of deferred fundraising revenues received specifically for the construction of a new arena complex.

6. Net long-term debt

Net long term debt reported on the consolidated statement of financial position is comprised of the following:

	<u>2014</u>	<u>2013</u>
OSIFA loan, bearing interest at 2.63%; repayable in blended semi-annual payments of \$124,807; due April 2046.	\$ 5,323,619	\$ 5,431,098
OSIFA loan, bearing interest at 2.56%; repayable in blended semi-annual payments of \$46,855; due December 2017.	268,956	354,142
OSIFA loan, bearing interest at 2.43%; repayable in blended semi-annual payments of \$30,927; due April 2016.	90,572	149,155

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

6. Net long-term debt (continued)	<u>2014</u>	<u>2013</u>
OSIFA loan, bearing interest at 3.95%; repayable in blended semi-annual payments of \$30,618; due October 2025.	542,077	580,751
OSIFA loan, bearing interest at 4.57%; repayable in blended semi-annual payments of \$74,255; due October 2040.	2,245,934	2,290,279
OSIFA loan, bearing interest at 4.91% repayable in blended semi-annual payments of \$30,102; due May 2051.	2,034,810	2,054,578
Cemetery Care and Maintenance Trust Fund loan, bearing interest at 5%; repayable in blended annual payments of \$25,678; due 2027.	241,205	254,174
Haverlea Farms Ltd. mortgage, bearing interest at 0%; repayable in annual instalments of \$110,000; due 2020.	660,000	770,000
Canada Mortgage and Housing Corporation mortgage, bearing interest at 3.89%; repayable in annual payments of \$109,300; due March 2031.	1,341,126	1,396,118
OSIFA loan, bearing interest at 3.65% repayable in blended semi-annual payments of \$168,651; due November 2037.	5,219,328	5,362,202
Tile drainage loans, bearing interest between 6.0% and 8.0% and repayable in annual instalments. The loans are due between 2015 and 2023.	<u>431,141</u>	<u>529,800</u>
	<u>\$ 18,398,768</u>	<u>\$ 19,172,297</u>

Repayments in each of the next five years are due as follows:

2015	\$ 769,078
2016	757,883
2017	746,260
2018	671,576
2019	689,493
Thereafter	<u>14,764,478</u>
	<u>\$ 18,398,768</u>

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

7. Solid waste closure and post-closure liabilities

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance. The present value of the Municipality's estimated future liability for this expense is recognized as the landfill site's capacity is used. The liability and annual expense is calculated based on the ratio of utilization to total capacity of the landfill site and the discounted estimated cash flows associated with closure and post-closure activities. The reported liability as at year end was \$1,657,000 (rounded), (2013 - \$1,703,000) and reflects a discount rate of 6.0% (2013 – 6.0%).

The liability is based on estimates and assumptions related to events extending over the remaining life of the landfill. Below are the estimated factors for each of the three municipal landfills.

	Remaining Capacity	Undiscounted Future Expenditures	Liability	Remaining Life	Post-Closure Care
Listowel	Closed in 2007	\$ 2,063,850	\$ 968,038	nil years	40 years
Elma	561,386 tonnes	1,852,291	769	91 years	33 years
Wallace	Closed in 2012	<u>1,983,809</u>	<u>688,250</u>	nil years	53 years
		<u>\$ 5,899,950</u>	<u>\$ 1,657,057</u>		

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

8. Tangible capital assets

	Land and land improvements	Buildings	Equipment and furniture	Fleet	Information technology Equipment	Infrastructure - roads	Infrastructure - bridges and culverts	Infrastructure - water, sewer, storm and landfill	2014 Total
Cost, beginning of year	\$ 9,911,945	\$26,782,618	\$ 4,107,716	\$ 3,110,888	\$ 371,687	\$ 23,968,097	\$10,232,499	\$61,397,217	\$139,882,667
Additions	301,903	240,118	83,199	90,635	44,305	1,336,194		2,152,050	4,248,404
Disposals	(241,468)		(18,686)			(22,298)		(21,695)	(304,147)
Transfers	(67,902)	55,157	12,745			(3,514)		3,514	-
Cost, end of year	<u>\$ 9,904,478</u>	<u>\$27,077,893</u>	<u>\$ 4,184,974</u>	<u>\$ 3,201,523</u>	<u>\$ 415,992</u>	<u>\$ 25,278,479</u>	<u>\$10,232,499</u>	<u>\$63,531,086</u>	<u>\$143,826,924</u>
Accumulated amortization, beginning of year	\$ 731,185	\$ 7,785,294	\$ 1,994,012	\$1,233,971	\$ 298,550	\$ 6,821,361	\$ 4,550,321	\$16,653,715	\$ 40,068,409
Amortization	50,475	559,925	264,344	170,747	34,657	860,476	143,201	1,139,308	3,223,133
Disposals			(18,686)			(15,609)		(10,064)	(44,359)
Accumulated amortization, end of year	<u>\$ 781,660</u>	<u>\$ 8,345,219</u>	<u>\$ 2,239,670</u>	<u>\$1,404,718</u>	<u>\$ 333,207</u>	<u>\$ 7,666,228</u>	<u>\$ 4,693,522</u>	<u>\$17,782,959</u>	<u>\$ 43,247,183</u>
Net book value, end of year	<u>\$ 9,122,818</u>	<u>\$18,732,674</u>	<u>\$ 1,945,304</u>	<u>\$ 1,796,805</u>	<u>\$ 82,785</u>	<u>\$ 17,612,251</u>	<u>\$ 5,538,977</u>	<u>\$45,748,127</u>	<u>\$100,579,741</u>

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$ 2,387,685 (2013 - \$ 217,230).

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

8. Tangible capital assets (continued)

	Land and land <u>improvements</u>	<u>Buildings</u>	Equipment and furniture	<u>Fleet</u>	Information technology equipment	Infrastructure - roads	Infrastructure - bridges and culverts	Infrastructure - water, sewer, storm and landfill	2013 <u>Total</u>
Cost, beginning of year	\$ 9,952,581	\$26,026,426	\$ 3,942,389	\$ 2,491,720	\$ 335,522	\$ 23,371,667	\$ 9,746,265	\$60,935,638	\$136,802,208
Additions	175,823	756,192	332,410	819,168	36,165	651,628	516,472	489,115	3,776,973
Disposals	(216,459)	-	(167,083)	(200,000)	-	(55,198)	(30,238)	(27,536)	(696,514)
Cost, end of year	\$ 9,911,945	\$26,782,618	\$ 4,107,716	\$ 3,110,888	\$ 371,687	\$ 23,968,097	\$10,232,499	\$61,397,217	\$139,882,667
Accumulated amortization, beginning of year	\$ 682,445	\$ 7,245,921	\$ 1,837,498	\$ 1,262,730	\$ 256,762	\$ 6,031,637	\$ 4,432,548	\$15,530,990	\$ 37,280,531
Amortization	48,740	539,373	273,841	171,241	41,788	830,033	143,008	1,138,510	3,186,534
Disposals	-	-	(117,327)	(200,000)	-	(40,309)	(25,235)	(15,785)	(398,656)
Accumulated amortization, end of year	\$ 731,185	\$ 7,785,294	\$ 1,994,012	\$1,233,971	\$ 298,550	\$ 6,821,361	\$ 4,550,321	\$16,653,715	\$ 40,068,409
Net book value, end of year	\$ 9,180,760	\$18,997,324	\$ 2,113,704	\$ 1,876,917	\$ 73,137	\$ 17,146,736	\$ 5,682,178	\$44,743,502	\$ 99,814,258

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

9. Accumulated surplus

The Municipality of North Perth segregates its accumulated surplus in the following categories:

	<u>2014</u>	<u>2013</u>
Investment in tangible capital assets	\$ 100,579,741	\$ 99,814,258
Operating deficit	(18,446,804)	(19,098,104)
Reserves and Reserve Funds		
Working funds	700,000	700,000
Post employee benefits	196,770	162,999
Current and capital purposes	7,008,516	5,087,835
Unfunded	<u>(1,877,976)</u>	<u>(1,907,221)</u>
	<u>\$ 88,160,247</u>	<u>\$ 84,759,767</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserves and reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

10. Government transfers – Federal	<u>2014</u>	<u>2013</u>
Operating		
Other operating funding	\$ 11,766	\$ 27,014
Capital		
Community infrastructure improvement	-	242,000
Federal gas tax	<u>-</u>	<u>25,960</u>
	<u>\$ 11,766</u>	<u>\$ 294,974</u>

11. Government transfers - Provincial	<u>2014</u>	<u>2013</u>
Operating		
Ontario Municipal Partnership Fund	\$ 2,171,400	\$ 2,642,200
Provincial gas tax	-	60,107
Other operating funding	262,490	214,541
Capital		
Build Canada Fund	-	226,683
Other capital funding	<u>81,672</u>	<u>248,127</u>
	<u>\$ 2,515,562</u>	<u>\$ 3,391,658</u>

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

12. Other revenue	<u>2014</u>	<u>2013</u>
Penalties and interest on taxation	\$ 83,595	\$ 80,988
Other fines and penalties	25,323	22,143
Investment income	239,670	199,440
Licences, permits and rents	501,648	419,376
Donations	283,249	671,310
Sale of publications, equipment, etc.	384,322	411,939
Development charges	1,533,152	302,925
Perth Meadows (Note 13)	331,152	311,264
Gain on disposal of capital assets	<u>262,369</u>	<u>859,892</u>
	<u>\$ 3,644,480</u>	<u>\$ 3,279,277</u>

13. Perth Meadows

In November 2011, the Municipality purchased the assets of Perth Adult Life Care Residences for \$5,297,241. The assets and deferred revenue associated with this purchase have been recorded at their gross value as an addition in tangible capital assets and deferred revenue on the Consolidated Statement of Financial Position. The senior's complex is currently made up of 18 town homes and 36 suite units which the Municipality is offering as life lease or rental units.

14. Expenses by object

	Budget <u>2014</u>	<u>2014</u>	<u>2013</u>
Salaries and wages	\$ 6,880,771	\$ 6,503,646	\$ 6,463,258
Materials and supplies	4,826,816	4,463,475	4,263,959
Contracted services	8,878,528	5,010,416	5,038,573
Rents and financing expenses	5,350	5,000	10,350
Interest on long-term debt	532,360	577,490	659,217
Contributions to others	306,434	384,717	288,985
Amortization	<u>3,170,396</u>	<u>3,223,133</u>	<u>3,186,534</u>
	<u>\$ 24,600,655</u>	<u>\$ 20,167,877</u>	<u>\$ 19,910,876</u>

15. Operations of School Boards of the County of Perth

Total taxation received or receivable on behalf of the County of Perth and the school boards were as follows:

	<u>2014</u>	<u>2013</u>
School boards	\$ 4,496,834	\$ 4,321,582
County of Perth	<u>3,952,500</u>	<u>3,590,487</u>
	<u>\$ 8,449,334</u>	<u>\$ 7,912,069</u>

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

16. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Municipality does not recognize any share of the pension plan deficit of \$5.3 billion (2013 - \$8.3 billion) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2014 calendar year at rates ranging from 9.0% to 15.9% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Statement of Operations. Employer contributions to OMERS for 2014 current and past service was \$388,333 (2013 - \$393,878) and were matched by employee contributions in a similar amount.

17. Contingent liabilities

A number of appeals of the current value assessment of properties in the municipality are currently in process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.

The Municipality is a defendant in a number of lawsuits. The ultimate liability, if any, cannot be determined at this time.

The Phase II life leases purchased by tenants of the Perth Adult Life Care Residences as described in Note 1 to these financial statements contain a "guaranteed buy back clause" whereby the Municipality could be liable to the purchaser for up to 95% of the original purchase price upon termination of the agreement by either the Municipality or the resident. The ultimate liability, if any, cannot be determined at this time.

18. Trust funds

At the year end, the Municipality held \$ 581,694 (2013 - \$ 532,663) in trust. These funds are not included in these financial statements. Certain assets have been conveyed or assigned to the Municipality to be administered as directed by agreement or statute. The Municipality holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries. The following trust funds and assets are excluded from the Municipality's financial statements:

	<u>2014</u>	<u>2013</u>
Cemetery Care and Maintenance fund	<u>\$ 581,694</u>	<u>\$ 532,663</u>

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

19. Financial instruments

The Municipality's financial instruments consist of cash and cash equivalents, portfolio investments, taxes receivable, user charges receivable, other receivables, accounts payable and long term debt. It is management's opinion that the Municipality is not exposed to significant market, interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximates their carrying value as the instruments are either current in nature or bear interest at market rates.

20. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

21. Budget

The budget by-law adopted by Council on March 17, 2014 was not prepared on a basis consistent with that used to report actual results in accordance with Canadian Public Sector Accounting Standards (PSAS). The budget was prepared on a modified accrual basis while PSAS require a full accrual basis. As a result, the budget figures presented in the statements of operations and changes in net financial assets represent the budget approved by Council with the following adjustments:

Approved budgeted annual surplus (deficit)	\$ (275,000)
Approved budgeted annual surplus (deficit) – Perth Meadows	(181,542)
Less:	
Transfers to reserves and reserve funds - net	(1,030,218)
Long term debt financing	<u>-</u>
Budgeted deficit reported on the Consolidated Statement of Operations	<u>\$ (1,486,760)</u>

22. Segmented information

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General government

General government is comprised of Municipal council, administrative and clerks departments.

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

22. Segmented information (continued)

Protection services

Protection services department is comprised of police services, fire protection and protective inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. Protective inspection provides services related to the enforcement of building and construction codes.

Transportation services

The transportation services department is responsible for the delivery of public works services related to maintenance of roadway systems, winter control, and street lighting,

Environmental services

The environmental services department consists of water, wastewater and solid waste disposal utilities. The department provides drinking water, collecting and treating wastewater, and providing collection disposal and waste minimization programs and facilities.

Health services

Health services department is responsible for maintaining the Municipality's cemeteries.

Social and family services

Social and family services department provides for child care services.

Recreation and cultural services

Recreation and culture services department is responsible for the delivery and upkeep of all recreation programs and facilities including parks and the library.

Planning and development

This department provides a number of services including planning, economic development and maintenance of the Municipality's drains.

Perth Meadows

The Municipality purchased the assets of Perth Adult Life Care Residences in November, 2011. The senior's complex is currently made up of 18 town homes and 36 suite units which the Municipality is offering as life lease or rental units.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis of the actual cost of services provided. Taxation and grants attributable to a number of segments have been allocated to those segments based on the budgeted net operating revenue for the year.

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

22. Segmented information (continued)

	2014									
	<u>General government</u>	<u>Protection services</u>	<u>Transportation services</u>	<u>Environmental services</u>	<u>Health services</u>	<u>Social and family services</u>	<u>Recreation and cultural services</u>	<u>Planning and development</u>	<u>Perth Meadows</u>	<u>Total</u>
Revenue										
Taxation	\$ 577,910	\$3,454,924	\$3,547,156	\$354,008	\$ 82,566	\$ -	\$1,548,885	\$68,337	\$ -	\$ 9,633,786
Government transfers	278,735	912,709	801,514	108,486	18,610	263,857	582,314	31,426	5,507	3,003,158
User fees and service charges	176,070	92,676	99,291	5,257,083	179,235	584,487	813,592	83,858	641	7,286,933
Other	635,339	896,957	176,760	882,284	69,198	19,559	637,831	1,547	325,005	3,644,480
	1,668,054	5,357,266	4,624,721	6,601,861	349,609	867,903	3,582,622	185,168	331,153	23,568,357
Expenses										
Salaries and wages	1,389,992	765,695	854,718	747,390	124,177	722,642	1,772,539	124,313	2,180	6,503,646
Materials and supplies	55,578	325,755	978,749	1,626,108	76,079	84,022	1,062,629	104,724	149,831	4,463,475
Contracted services	136,682	2,984,337	1,005,460	603,083	22,186	7,030	114,476	58,395	78,767	5,010,416
Rents and financing expenses	-	-	-	-	-	5,000	-	-	-	5,000
Interest on long-term debt	-	-	266,406	165,775	12,709	-	-	-	132,600	577,490
Contributions to others	106,549	240,388	-	-	-	-	37,780	-	-	384,717
Amortization	86,211	221,755	1,242,632	1,142,992	6,283	13,914	334,621	-	174,725	3,223,133
	1,775,012	4,537,930	4,347,965	4,285,348	241,434	832,608	3,322,045	287,432	538,103	20,167,877
Annual surplus (deficit)	\$ (106,958)	\$ 819,336	\$ 276,756	\$ 2,316,513	\$ 108,175	\$35,295	\$ 260,577	\$ (102,264)	\$(206,950)	\$3,400,480

The Municipality of North Perth

Notes to the Consolidated Financial Statements

As at December 31, 2014

22. Segmented information (continued)

	2013									
	<u>General government</u>	<u>Protection services</u>	<u>Transportation services</u>	<u>Environmental services</u>	<u>Health services</u>	<u>Social and family services</u>	<u>Recreation and cultural services</u>	<u>Planning and development</u>	<u>Perth Meadows</u>	<u>Total</u>
Revenue										
Taxation	\$ 483,644	\$3,083,181	\$3,230,559	\$ 336,179	\$ 77,238	\$ -	\$1,418,083	\$ 69,447	\$ -	\$ 8,698,331
Government transfers	309,398	1,072,736	1,273,020	128,077	23,462	243,833	1,009,004	29,672	14,419	4,103,621
User fees and service charges	78,305	88,042	57,846	4,850,992	68,743	573,145	809,156	54,751	-	6,580,980
Other	1,079,326	508,614	129,592	34,757	67,621	31,403	1,056,893	74,226	296,845	3,279,277
	<u>1,950,673</u>	<u>4,752,573</u>	<u>4,691,017</u>	<u>5,350,005</u>	<u>237,064</u>	<u>848,381</u>	<u>4,293,136</u>	<u>228,096</u>	<u>311,264</u>	<u>22,662,209</u>
Expenses										
Salaries and wages	1,458,543	746,545	844,298	684,633	117,712	749,129	1,757,881	103,086	1,430	6,463,258
Materials and supplies	93,098	367,467	1,019,466	1,458,248	47,366	95,288	958,207	78,988	145,831	4,263,959
Contracted services	265,603	2,776,758	862,444	662,288	13,682	8,209	316,731	37,529	95,330	5,038,573
Rents and financing expenses	5,350	-	-	-	-	5,000	-	-	-	10,350
Interest on long-term debt	-	-	274,314	172,985	13,326	-	-	-	198,592	659,217
Contributions to others	16,583	231,006	-	-	-	-	41,396	-	-	288,985
Amortization	109,989	216,472	1,216,193	1,134,568	6,283	13,914	314,390	-	174,725	3,186,534
	<u>1,949,166</u>	<u>4,338,248</u>	<u>4,216,715</u>	<u>4,112,722</u>	<u>198,369</u>	<u>871,540</u>	<u>3,388,605</u>	<u>219,603</u>	<u>615,908</u>	<u>19,910,876</u>
Annual surplus (deficit)	\$ 1,507	\$ 414,325	\$ 474,302	\$1,237,283	\$ 38,695	\$ (23,159)	\$ 904,531	\$ 8,493	\$ (304,644)	\$2,751,333

**The Municipality of North Perth
Cemetery Board
Schedule of Financial Activities**

For the Year Ended December 31, 2014

	Budget <u>2014</u>	<u>2014</u>	<u>2013</u>
Revenue			
Interment rights	\$ 71,350	\$ 102,997	\$ 82,079
Interest income transferred from trust fund	19,500	21,579	19,431
Burial charges	22,700	26,004	27,040
Sundry	97,850	9,370	6,215
Donegal cemetery dissolution	-	86,230	-
Contribution from Municipality	<u>98,200</u>	<u>83,484</u>	<u>65,605</u>
	<u>309,600</u>	<u>329,664</u>	<u>200,370</u>
Expenses			
Cemetery and building maintenance	42,260	43,951	32,066
Administration and general	296,940	254,371	165,543
Transfer to perpetual care trust fund	<u>21,500</u>	<u>49,032</u>	<u>23,611</u>
	<u>360,700</u>	<u>347,354</u>	<u>221,220</u>
Annual deficit	(51,100)	(17,690)	(20,850)
Accumulated surplus			
Beginning of year	<u>109,693</u>	<u>109,693</u>	<u>130,543</u>
End of year	<u>\$ 58,593</u>	<u>\$ 92,003</u>	<u>\$ 109,693</u>

The Municipality of North Perth
North Perth Public Library Board
Schedule of Financial Activities

For the Year Ended December 31, 2014

	Budget <u>2014</u>	<u>2014</u>	<u>2013</u>
Revenue			
Fees and user charges	\$ 22,527	\$ 21,471	\$ 21,155
Donations - Operating	5,050	6,825	7,618
Donations - Friends	4,500	3,510	5,888
Ontario grants	24,944	24,778	73,313
Canada grants	6,900	3,960	10,440
Development charges	10,000	10,000	27,503
Contribution from Municipality	<u>535,516</u>	<u>535,516</u>	<u>486,551</u>
	<u>609,437</u>	<u>606,060</u>	<u>632,468</u>
Expenses			
Administrative	90,358	74,975	57,778
Books, videos and periodicals	82,409	55,390	60,085
Repairs and maintenance	51,940	38,819	90,398
Wages and benefits	410,023	405,175	415,920
Utilities and insurance	<u>39,288</u>	<u>46,990</u>	<u>38,999</u>
	<u>674,018</u>	<u>621,349</u>	<u>663,180</u>
Annual deficit	(64,581)	(15,289)	(30,712)
Accumulated surplus (deficit)			
Beginning of year	<u>51,827</u>	<u>51,827</u>	<u>82,539</u>
End of year	<u>\$ (12,754)</u>	<u>\$ 36,538</u>	<u>\$ 51,827</u>

The Municipality of North Perth

Business Improvement Area

Schedule of Financial Activities

For the Year Ended December 31, 2014

	Budget <u>2014</u>	<u>2014</u>	<u>2013</u>
Revenue			
Tax levy	\$ 65,861	\$ 65,861	\$ 62,725
Miscellaneous	<u>-</u>	<u>12</u>	<u>-</u>
	<u>65,861</u>	<u>65,873</u>	<u>62,725</u>
Expenses			
Administrative	15,650	18,989	15,720
Advertising and promotion	24,400	22,454	15,421
Downtown beautification	<u>48,512</u>	<u>10,000</u>	<u>10,040</u>
	<u>88,562</u>	<u>51,443</u>	<u>41,181</u>
Annual surplus	(22,701)	14,430	21,544
Accumulated surplus			
Beginning of year	<u>31,458</u>	<u>31,458</u>	<u>9,914</u>
End of year	\$ <u>8,757</u>	\$ <u>45,888</u>	\$ <u>31,458</u>