

**The Municipality of North Perth
Consolidated Financial Statements
For the year ended December 31, 2017**

**The Municipality of North Perth
Consolidated Financial Statements
For the year ended December 31, 2017**

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Independent Auditors' Report

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, 2017, the consolidated statements of operations, change in net debt and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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 consolidated 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 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 The Municipality of North Perth as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario
September 10, 2018

The Municipality of North Perth
Consolidated Statement of Financial Position

December 31 **2017** **2016**

Financial assets

Cash and cash equivalents (Note 2)	\$ 10,963,048	\$ 15,034,499
Taxes receivable	414,177	570,142
Accounts receivable	3,674,820	2,988,674
Drain receivables	1,638,617	2,194,163
Long-term receivables (Note 3)	1,284,777	1,115,625
Land and building held for sale	-	310,282
	17,975,439	22,213,385

Liabilities

Accounts payable and accrued liabilities	4,815,282	4,464,567
Employee benefits plan liability	5,476	78,798
Deferred revenue (Note 6)	8,223,370	11,005,181
Long-term debt (Note 7)	16,127,940	16,850,173
Solid waste closure and post-closure liabilities (Note 8)	2,098,000	1,612,000
	31,270,068	34,010,719

Net debt

(13,294,629) **(11,797,334)**

Non-financial assets

Tangible capital assets (Note 9)	128,222,395	113,568,444
Prepaid expenses and inventories of supplies	140,227	171,266
	128,362,622	113,739,710

Accumulated surplus (Note 10) **\$115,067,993** **\$101,942,376**

Contingent liabilities (Note 16)

_____ Treasurer

_____ Mayor

**The Municipality of North Perth
Consolidated Statement of Operations**

For the year ended December 31	Budget 2017	2017	2016
	(Note 19)		
Revenue			
Taxation	\$ 12,866,879	\$ 12,877,225	\$ 11,743,873
Government grants - Federal (Note 11)	1,738,723	888,064	1,550,922
Government grants - Provincial (Note 12)	3,634,231	2,700,340	1,916,812
Municipal grants	583,463	488,743	443,933
User fees and service charges	7,807,391	9,681,569	8,017,407
Other (Note 13)	5,977,346	9,563,144	6,512,654
	32,608,033	36,199,085	30,185,601
Expenses			
General government	2,278,673	1,996,141	1,524,735
Protection services	4,580,812	4,422,459	4,364,702
Transportation services	5,353,773	5,123,659	4,412,444
Environmental services	4,872,776	5,290,889	4,704,997
Health services	234,635	212,188	224,458
Social and family services	1,244,040	1,261,078	1,573,267
Recreation and cultural services	3,578,310	3,903,048	3,581,959
Planning and development	347,783	314,611	363,859
Perth Meadows	515,418	549,395	540,065
	23,006,220	23,073,468	21,290,486
Annual surplus	9,601,813	13,125,617	8,895,115
Accumulated surplus, beginning of year	101,942,376	101,942,376	93,047,261
Accumulated surplus, end of year	\$111,544,189	\$115,067,993	\$101,942,376

The Municipality of North Perth
Consolidated Statement of Change in Net Debt

For the year ended December 31	Budget 2017	2017	2016
	(Note 19)		
Annual surplus	\$ 9,601,813	\$ 13,125,617	\$ 8,895,115
Acquisition of tangible capital assets	(21,536,546)	(16,915,974)	(13,269,512)
Amortization of tangible capital assets	3,408,731	4,164,273	3,438,257
Gain on sale of tangible capital assets	-	(43,015)	(1,337,616)
Proceeds on sale of tangible capital assets	-	288,011	1,860,968
Contributed tangible capital assets	-	(2,147,246)	(86,695)
	(8,526,002)	(1,528,334)	(499,483)
Consumption (acquisition) of prepaid expenses and inventory of supplies	-	31,039	(2,567)
Net change in net debt	(8,526,002)	(1,497,295)	(502,050)
Net debt, beginning of year	(11,797,334)	(11,797,334)	(11,295,284)
Net debt, end of year	\$ (20,323,336)	\$ (13,294,629)	\$ (11,797,334)

The Municipality of North Perth
Consolidated Statement of Cash Flows

For the year ended December 31

2017

2016

Operating transactions

Annual surplus	\$ 13,125,617	\$ 8,895,115
Items not involving cash		
Amortization	4,164,273	3,438,257
Gain on disposal of tangible capital assets	(43,015)	(1,337,616)
Contributed tangible capital assets	(2,147,246)	(86,695)
Changes in non-cash operating balances		
Taxes receivable	155,965	(67,270)
Accounts receivable	(686,146)	(105,166)
Drain receivables	555,546	(1,081,477)
Prepaid expenses and inventories of supplies	31,039	(2,566)
Accounts payable and accrued liabilities	350,715	2,205,702
Employee Benefits Plan liability	(73,322)	1,049
Deferred revenue	(2,781,811)	(640,063)
Solid waste closure and post closure liabilities	486,000	-
	13,137,615	11,219,270

Capital transactions

Acquisition of tangible capital assets	(16,915,974)	(13,269,512)
Proceeds on sale of tangible capital assets	288,011	1,860,968
Disposal (acquisition) of tangible capital assets - held for sale	310,282	(310,282)
	(16,317,681)	(11,718,826)

Investing transactions

Decrease (increase) in long-term receivables	(169,152)	56,731
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Financing transactions

Proceeds from issuance of long-term debt	-	61,200
Repayment of long-term debt	(722,233)	(801,840)
	(722,233)	(740,640)

Net change in cash and cash equivalents **(4,071,451)** (1,183,465)

Cash and cash equivalents, beginning of year **15,034,499** 16,217,964

Cash and cash equivalents, end of year **\$ 10,963,048** \$ 15,034,499

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies

**Management's
Responsibility for the
Financial Statements**

The consolidated financial statements of the Municipality of North Perth ("Municipality") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards. The Municipality of North Perth is a municipality in the Province of Ontario and operates under the provisions of the Municipal Act. The Municipality of North Perth provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

Basis of Consolidation

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

Business Improvement Area
North Perth Cemetery Board
North Perth Public Library Board

All inter-entity assets, liabilities, revenues and expenses have been eliminated on consolidation.

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

**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.

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

December 31, 2017

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.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. 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 over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Amortization is based on the following classifications and useful lives:

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 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.

Retirement Benefits and Other Employee Benefit Plans

The Municipality of North Perth participates in a multiemployer defined benefit pension plan, however, sufficient information is not available to use defined benefit accounting. Therefore, the Municipality accounts for the plan as if it were a defined contribution plan. As such, no pension liability is included in the Municipality's financial statements and contributions are recognized as an expense in the year to which they relate.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

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

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

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

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

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

Investment income earned on operating surplus funds and reserves and reserve funds (other than obligatory reserve funds) are recorded 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.

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.

**County of Perth and
School Boards**

The Municipality of North Perth 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.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies (continued)

Use of Estimates The preparation of 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates relate to the allowance for taxes receivable, tax revenue, accounts receivable and drain receivables, accrued liabilities, employee benefits plan liability, sold waste closure and post-closure liabilities, useful lives of tangible capital assets, and the deferred life lease revenue. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Cash and Cash Equivalents

	2017	2016
Unrestricted	\$ 9,755,435	\$ 12,427,211
Restricted - obligatory reserve funds	1,207,613	2,607,288
	\$ 10,963,048	\$ 15,034,499

3. Long-Term Receivables

	2017	2016
Long-term pledges receivable	\$ 80,000	\$ -
Long-term receivable from several land owners bearing interest at 3.15% per annum. Secured by land due 2032.	53,156	-
Long-term receivable from several land owners bearing interest at 3.45% per annum. Secured by land due 2047.	95,135	-
Long-term receivable from several land owners bearing interest at 3.95%, receivable in blended annual payments of \$61,672, due 2025	416,053	459,598
Long term receivable from several land owners bearing interest at 4.57%, receivable in blended annual payments of \$45,575, due 2040	640,433	656,027
	\$ 1,284,777	\$ 1,115,625

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

4. Temporary Borrowings

The Municipality of North Perth 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, 2017 was \$nil (2016 - \$nil). The facility is secured by general borrowing by-laws.

5. Retirement Benefits

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

Employees and the Municipality each contribute equally to the plan at rates ranging from 9% to 15.8% depending on the member's designated retirement age and level of earnings. The amount contributed to OMERS for 2017 is \$464,731 (2016 - \$411,378) for current service and is reported as an expense on the consolidated statement of operations.

As at December 31, 2017, the OMERS plan is in a deficit position of \$5.403 billion (2016 - \$5.720 billion), which will be addressed through temporary contribution rate increases and, if needed, benefit reductions. The multiemployer plan is valued on a current market basis for all plan assets. The projected benefit method prorated on services was used for the actuarial valuation.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

6. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized or refund issued	Ending balance
Development charges	\$ 1,047,273	\$ 2,184,955	\$ 12,500	\$ (2,360,651)	\$ 884,077
Federal gas tax	433,556	390,821	13,000	(837,377)	-
Provincial gas tax	215,759	74,076	4,500	-	294,335
Recreational land	526,422	14,200	15,000	(526,421)	29,201
Other restricted grants	384,278	(358,921)	-	(25,357)	-
Deposits	2,748,262	1,638,979	-	(3,330,270)	1,056,971
Deferred life lease revenue	5,649,631	490,655	-	(181,500)	5,958,786
	\$ 11,005,181	\$ 4,434,765	\$ 45,000	\$ (7,261,576)	\$ 8,223,370

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 of North Perth and the Province of Ontario. Gas tax funding may be used towards designated capacity building projects as specified in the funding agreements.

Perth Meadows - Deferred life lease revenue

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.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

7. Long-term Debt

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

	<u>2017</u>	<u>2016</u>
OSIFA loan, bearing interest at 2.63%; repayable in blended semi-annual payments of \$124,807; due April 2046	\$ 4,983,809	\$ 5,100,051
OSIFA loan, bearing interest at 2.56%; repayable in blended semi-annual payments of \$46,855; due December 2017	-	91,942
OSIFA loan, bearing interest at 3.95%; repayable in blended semi-annual payments of \$30,618; due October 2025	416,548	460,038
OSIFA loan, bearing interest at 4.57%; repayable in blended semi-annual payments of \$74,255; due October 2040	2,100,218	2,151,000
OSIFA loan, bearing interest at 4.91%; repayable in blended semi-annual payments of \$60,104; due May 2051	1,969,412	1,992,277
Cemetery Care and Maintenance Trust Fund loan, bearing interest at 5%; repayable in blended annual payments of \$25,678; due December 2027	198,276	213,289
Haverlea Farms Ltd mortgage, bearing interest at 0%; repayable in annual installments of \$110,000; due September 2020	330,000	440,000
Canada Mortgage and Housing Corporation mortgage, bearing interest at 3.89%; repayable in annual payments of \$109,300; due March 2031	1,162,982	1,224,643
OSIFA loan, bearing interest at 3.65%; repayable in blended semi-annual payments of \$168,651; due November 2037	4,758,351	4,917,600
Tile drainage loans, bearing interest at 6.0% and repayable in annual installments. The loans are due between 2018 and 2026 and are recoverable from benefiting landowners	<u>208,344</u>	<u>259,333</u>
	<u>\$ 16,127,940</u>	<u>\$ 16,850,173</u>

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

7. Long-Term Debt (continued)

Principal repayments relating to long term debt are due as follows:

	Principal Repayments
2018	\$ 645,907
2019	662,775
2020	672,345
2021	566,678
2022	579,031
Thereafter	13,001,204
	\$ 16,127,940

8. 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 of North Perth'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 \$2,098,000 (2016 - \$1,612,000) and reflects a discount rate of 4.0% (2016 - 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 (tonnes)	Undiscounted Future Expenditures	Liability	Remaining Life	Post-closure Care
Listowel	Closed in 2007	\$ 2,077,543	\$ 1,222,000	nil years	37 years
Elma	571,106	300,800	3,105	110 years	34 years
Wallace	Closed in 2012	1,969,525	872,895	nil years	50 years
		\$ 4,347,868	\$ 2,098,000		

**The Municipality of North Perth
Notes to Consolidated Financial Statements**

December 31, 2017

9. Tangible Capital Assets

	2017									
	Land and land improvements	Buildings	Equipment and furniture	Fleet	Information technology equipment	Infrastructure - roads	Infrastructure - bridges and culverts	Infrastructure - water, sewer, storm and landfill	Assets under Construction	Total
Cost, beginning of year	\$ 11,005,924	\$ 27,507,075	\$ 5,081,187	\$ 3,219,417	\$ 498,025	\$ 29,470,185	\$ 11,234,171	\$ 64,312,448	\$ 11,028,706	\$ 163,357,138
Additions	560,342	288,359	248,696	76,845	88,767	1,515,790	204,264	2,044,119	14,036,038	19,063,220
Disposals	(20,753)	(664,169)	-	(32,346)	-	(53,191)	(97,990)	(113,826)	-	(982,275)
Cost, end of year	\$ 11,545,513	\$ 27,131,265	\$ 5,329,883	\$ 3,263,916	\$ 586,792	\$ 30,932,784	\$ 11,340,445	\$ 66,242,741	\$ 25,064,744	\$ 181,438,083
Accumulated amortization, beginning of year	\$ 913,264	\$ 9,501,210	\$ 2,878,939	\$ 1,719,989	\$ 413,069	\$ 9,515,732	\$ 4,915,722	\$ 19,930,769	\$ -	\$ 49,788,694
Amortization	44,114	560,473	246,705	149,210	45,539	1,456,674	148,521	1,513,037	-	4,164,273
Disposals	-	(581,135)	-	(32,346)	-	(20,020)	(73,231)	(30,547)	-	(737,279)
Accumulated amortization, end of year	\$ 957,378	\$ 9,480,548	\$ 3,125,644	\$ 1,836,853	\$ 458,608	\$ 10,952,386	\$ 4,991,012	\$ 21,413,259	\$ -	\$ 53,215,688
Net carrying amount, end of year	\$ 10,588,135	\$ 17,650,717	\$ 2,204,239	\$ 1,427,063	\$ 128,184	\$ 19,980,398	\$ 6,349,433	\$ 44,829,482	\$ 25,064,744	\$ 128,222,395

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$25,064,744 (2016 - \$11,028,706). Contributed or donated capital assets of \$2,147,246 (2016 - \$86,695) were recognized as donation income in the financial statements during the year.

**The Municipality of North Perth
Notes to Consolidated Financial Statements**

December 31, 2017

9. Tangible Capital Assets (continued)

	2016									
	Land and land improvements	Buildings	Equipment and furniture	Fleet	Information technology equipment	Infrastructure - roads	Infrastructure - bridges and culverts	Infrastructure - water, sewer, storm and landfill	Assets under Construction	Total
Cost, beginning of year	\$ 10,124,606	\$ 27,109,633	\$ 4,932,493	\$ 3,201,523	\$ 467,141	\$ 24,978,992	\$ 10,822,647	\$ 61,876,589	\$ 7,111,318	\$ 150,624,942
Additions	1,355,552	397,442	157,161	38,137	30,884	4,497,202	480,949	2,481,492	3,917,388	13,356,207
Disposals	(474,234)	-	(8,467)	(20,243)	-	(6,009)	(69,425)	(45,633)	-	(624,011)
Cost, end of year	\$ 11,005,924	\$ 27,507,075	\$ 5,081,187	\$ 3,219,417	\$ 498,025	\$ 29,470,185	\$ 11,234,171	\$ 64,312,448	\$ 11,028,706	\$ 163,357,138
Accumulated amortization, beginning of year	\$ 863,417	\$ 8,902,870	\$ 2,579,047	\$ 1,575,465	\$ 376,176	\$ 8,523,159	\$ 4,813,635	\$ 18,817,328	\$ -	\$ 46,451,097
Amortization	49,847	598,340	308,359	162,743	36,893	992,573	148,681	1,140,821	-	3,438,257
Disposals	-	-	(8,467)	(18,219)	-	-	(46,594)	(27,380)	-	(100,660)
Accumulated amortization, end of year	\$ 913,264	\$ 9,501,210	\$ 2,878,939	\$ 1,719,989	\$ 413,069	\$ 9,515,732	\$ 4,915,722	\$ 19,930,769	\$ -	\$ 49,788,694
Net carrying amount, end of year	\$ 10,092,660	\$ 18,005,865	\$ 2,202,248	\$ 1,499,428	\$ 84,956	\$ 19,954,453	\$ 6,318,449	\$ 44,381,679	\$ 11,028,706	\$ 113,568,444

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

10. Accumulated Surplus

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

	2017	2016
Investment in tangible capital assets	\$112,501,076	\$ 97,190,893
Current Funds	(9,263,740)	(5,509,495)
Reserves and Reserve Funds		
Working funds	700,000	700,000
Post employee benefits	299,866	273,138
Current purposes	8,436,515	8,229,958
Capital purposes	4,497,753	2,748,680
Unfunded	(2,103,477)	(1,690,798)
	\$115,067,993	\$ 101,942,376

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets less related long-term debt.

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

11. Government Transfers - Federal

	Budget 2017	2017	2016
	(Note 19)		
Operating			
Other operating funding	\$ 5,718	\$ 9,187	\$ 12,897
Capital			
Federal gas tax	1,733,005	837,377	1,538,025
Other capital funding	-	41,500	-
	\$ 1,738,723	\$ 888,064	\$ 1,550,922

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

12. Government Transfers - Provincial

	Budget 2017	2017	2016
	(Note 19)		
Operating			
Ontario Municipal Partnership Fund	\$ 1,298,400	\$ 1,298,400	\$ 1,516,800
Other operating funding	400,935	298,088	316,938
Capital			
Ontario Community Infrastructure Fund	664,600	664,599	14,686
Small Communities Fund	1,087,220	331,010	-
Other capital funding	183,076	108,243	68,388
	\$ 3,634,231	\$ 2,700,340	\$ 1,916,812

13. Other Income

	Budget 2017	2017	2016
	(Note 19)		
Donations	\$ 2,954,050	\$ 5,074,712	\$ 2,614,270
Gain on disposal of capital assets	-	43,015	1,337,615
Development charges	1,401,752	2,360,651	863,563
Licences, permits and rents	529,699	741,655	617,556
Perth Meadows	509,200	533,846	524,969
Sale of publications, equipment, etc.	367,175	434,601	286,081
Investment income	97,000	253,603	146,124
Penalties and interest on taxation	94,000	97,222	99,520
Other fines and penalties	24,470	23,839	22,956
	\$ 5,977,346	\$ 9,563,144	\$ 6,512,654

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

14. Expenses by Object

	Budget 2017	2017	2016
	(Note 19)		
Salaries, wages and employee benefits	\$ 8,029,191	\$ 7,759,367	\$ 7,215,088
Materials	5,894,886	5,784,366	5,219,220
Contracted services	4,756,882	4,369,522	4,472,618
Rents and financing expenses	51,426	45,406	15,058
Interest on long-term debt	468,104	574,848	603,867
Contributions to others	397,000	375,686	326,378
Amortization	3,408,731	4,164,273	3,438,257
	\$ 23,006,220	\$ 23,073,468	\$ 21,290,486

15. Operations of School Boards and the County of Perth

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

	2017	2016
School boards	4,685,827	4,686,399
County of Perth	4,684,992	4,527,904
	\$ 9,370,819	\$ 9,214,303

16. Contingent Liabilities

The Municipality is a defendant in a number of lawsuits. The outcome of these lawsuits cannot be determined at this time. It is management's opinion that the municipality's insurance will adequately cover any potential liability arising from these lawsuits. Liability for these lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

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 the resident. The ultimate liability, if any, cannot be determined at this time.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

17. Contractual Commitments

The Municipality of North Perth has an operating lease with the Avon Maitland District School Board for premises at 6144 Binning Street West that expires in 2055. The annual lease payments range from \$34,446 to \$78,222 and total \$2,110,467 over the remaining term of the lease.

18. Funds Held in Trust

At the year end, the Municipality of North Perth held \$634,473 (2016 - \$616,877) in trust. These funds are not included in these financial statements. Certain assets have been conveyed or assigned to the Municipality of North Perth to be administered as directed by agreement or statute. The Municipality of North Perth 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 of North Perth's financial statements:

	<u>2017</u>	<u>2016</u>
Cemetery Care and Maintenance fund	<u>\$ 634,473</u>	<u>\$ 616,877</u>

19. Budget

The Financial Plan (Budget) By-Law adopted by Council on April 24, 2017 was not prepared on a basis consistent with that used to report actual results (Canadian Public Sector Accounting Standards). This plan was amended by Council on July 24, 2017 and August 28, 2017. The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards require a full accrual basis. As a result, the budget figures presented in the statements of operations and change in net debt represent the Financial Plan adopted by Council on April 24, 2017 with adjustments as follows:

	<u>2017</u>
Financial Plan (Budget) By-Law surplus for the year	\$ 9,483,898
Add:	
Budgeted transfers to accumulated surplus	1,246,282
Less:	
Budgeted transfers from accumulated surplus	<u>(1,128,367)</u>
Budget surplus per statement of operations	<u>\$ 9,601,813</u>

20. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

21. Segmented Information

The Municipality of North Perth 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

This category relates to the revenues and expenses of the operations of the Municipality of North Perth itself and cannot be directly attributed to a specific segment. It includes Municipal council, administrative and clerks departments.

Protection to Persons and Property

Protection to persons and property 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

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

Environmental

The environmental services department consists of water, wastewater and solid waste disposal utilities. The department provides drinking water, wastewater collection and treatment to ensure the Municipality's water system meets all Provincial standards, and waste collection and disposal for its citizens.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2017

21. Segmented Information (continued)

Health

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

Social

The social services department provides child care services.

Recreation and Cultural

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

Planning and Development

The planning and development 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 consists 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 Consolidated Financial Statements**

December 31, 2017

21. Segmented Information (continued)

For the year ended December 31	General government	Protection to persons and property	Transportation	Environmental	Health	Social	Recreation and cultural	Planning and development	Perth Meadows	2017 Total
Revenue										
Taxation	\$ 1,320,227	\$ 2,795,817	\$ 3,267,580	\$ 2,954,176	\$ 143,205	\$ -	\$ 2,183,957	\$ 212,263	\$ -	\$ 12,877,225
Government grants	193,500	380,237	973,582	628,588	13,328	473,603	1,332,409	49,905	31,995	4,077,147
User fees and service charges	106,413	80,489	322,666	6,678,012	68,488	837,474	1,447,380	137,891	2,756	9,681,569
Other	637,493	6,757	2,012,188	224,284	53,634	68,266	5,428,181	598,445	533,896	9,563,144
	<u>2,257,633</u>	<u>3,263,300</u>	<u>6,576,016</u>	<u>10,485,060</u>	<u>278,655</u>	<u>1,379,343</u>	<u>10,391,927</u>	<u>998,504</u>	<u>568,647</u>	<u>36,199,085</u>
Expenses										
Salaries and wages	1,518,284	867,536	1,035,133	823,826	125,725	1,099,028	2,053,881	235,954	-	7,759,367
Materials	161,430	465,464	1,167,083	2,230,918	50,999	99,176	1,334,444	78,657	196,195	5,784,366
Contracted services	92,614	2,615,237	829,339	679,578	16,950	-	43,064	-	92,740	4,369,522
Interest on long-term debt	-	-	243,418	144,184	10,664	-	103,217	-	73,365	574,848
Rents and financing expenses	-	-	-	-	-	45,406	-	-	-	45,406
Contributions to others	58,114	281,119	-	-	-	-	36,453	-	-	375,686
Amortization	165,699	193,103	1,848,686	1,412,383	7,850	17,468	331,989	-	187,095	4,164,273
	<u>1,996,141</u>	<u>4,422,459</u>	<u>5,123,659</u>	<u>5,290,889</u>	<u>212,188</u>	<u>1,261,078</u>	<u>3,903,048</u>	<u>314,611</u>	<u>549,395</u>	<u>23,073,468</u>
Net surplus (deficit)	\$ 261,492	\$ (1,159,159)	\$ 1,452,357	\$ 5,194,171	\$ 66,467	\$ 118,265	\$ 6,488,879	\$ 683,893	\$ 19,252	\$ 13,125,617

**The Municipality of North Perth
Notes to Consolidated Financial Statements**

December 31, 2017

21. Segmented Information (continued)

For the year ended December 31	General government	Protection to persons and property	Transportation	Environmental	Health	Social	Recreation and cultural	Planning and development	Perth Meadows	2016 Total
Revenue										
Taxation	\$ 1,068,882	\$ 3,664,969	\$ 4,382,822	\$ 430,266	\$ 83,837	\$ -	\$ 1,982,183	\$ 130,914	\$ -	\$ 11,743,873
Government grants	329,129	571,488	984,273	65,492	10,828	365,532	1,557,911	25,712	1,302	3,911,667
User fees and service charges	130,942	90,661	464,768	5,541,322	67,544	670,521	899,203	149,484	2,962	8,017,407
Other	1,363,855	80	69,192	(11,404)	38,367	768,477	3,293,480	463,518	527,089	6,512,654
	<u>2,892,808</u>	<u>4,327,198</u>	<u>5,901,055</u>	<u>6,025,676</u>	<u>200,576</u>	<u>1,804,530</u>	<u>7,732,777</u>	<u>769,628</u>	<u>531,353</u>	<u>30,185,601</u>
Expenses										
Salaries and wages	1,458,063	848,793	1,007,677	748,418	133,630	843,440	1,927,550	247,517	-	7,215,088
Materials	(98,923)	425,222	799,436	1,913,750	46,694	683,282	1,144,121	104,205	201,433	5,219,220
Contracted services	22,978	2,612,749	930,240	744,963	19,740	1,445	45,444	12,138	82,921	4,472,618
Interest on long-term debt	-	-	255,769	153,009	11,379	-	104,185	-	79,525	603,867
Rents and financing expenses	-	-	-	-	-	15,058	-	-	-	15,058
Contributions to others	23,277	267,199	-	-	-	-	35,902	-	-	326,378
Amortization	119,338	210,739	1,419,322	1,144,857	13,015	30,043	324,757	-	176,186	3,438,257
	<u>1,524,733</u>	<u>4,364,702</u>	<u>4,412,444</u>	<u>4,704,997</u>	<u>224,458</u>	<u>1,573,268</u>	<u>3,581,959</u>	<u>363,860</u>	<u>540,065</u>	<u>21,290,486</u>
Annual surplus (deficit)	\$ 1,368,075	\$ (37,504)	\$ 1,488,611	\$ 1,320,679	\$ (23,882)	\$ 231,262	\$ 4,150,818	\$ 405,768	\$ (8,712)	\$ 8,895,115

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

For the year ended December 31	Budget 2017	2017	2016
Revenue			
Interment rights	\$ 72,300	\$ 60,285	\$ 65,473
Interest income transferred from trust fund	22,000	18,778	21,474
Burial charges	27,800	31,270	29,459
Sundry	10,350	11,790	10,979
Contribution from Municipality	90,185	72,958	117,073
	<u>222,635</u>	<u>195,081</u>	<u>244,458</u>
Expenditures			
Administration and general	157,300	148,175	155,728
Cemetery and building maintenance	68,535	46,417	49,705
Transfer to perpetual care trust fund	20,800	17,596	19,025
	<u>246,635</u>	<u>212,188</u>	<u>224,458</u>
Annual surplus (deficit)	(24,000)	(17,107)	20,000
Accumulated surplus, beginning of year	<u>99,644</u>	<u>99,644</u>	<u>79,644</u>
Accumulated surplus, end of year	<u>\$ 75,644</u>	<u>\$ 82,537</u>	<u>\$ 99,644</u>

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

For the year ended December 31	Budget 2017	2017	2016
Revenue			
Fees and user charges	\$ 14,184	\$ 17,347	\$ 19,406
Donations - Operating	5,030	47,230	6,086
Donations - Friends	4,000	2,873	2,013
Ontario grants	23,788	28,820	27,940
Canada grants	-	-	6,865
Development charges	10,000	40,000	76,382
Contribution from Municipality	843,521	813,985	721,302
	900,523	950,255	859,994
Expenditures			
Administrative	84,743	69,907	76,945
Books, videos and periodicals	72,576	76,874	64,287
Repairs and maintenance	99,621	42,098	40,359
Utilities and insurance	40,538	39,503	42,701
Wages and benefits	543,321	520,957	451,289
	840,799	749,339	675,581
Annual surplus (deficit)	59,724	200,916	184,413
Accumulated surplus, beginning of year	273,514	273,514	89,101
Accumulated surplus, end of year	\$ 333,238	\$ 474,430	\$ 273,514

**The Municipality of North Perth
Business Improvement Area
Schedule of Financial Activities**

For the year ended December 31	Budget 2017	2017	2016
Revenue			
Taxation revenue	\$ 93,818	\$ 93,818	\$ 89,350
Miscellaneous	2,400	10,030	4,100
	<u>96,218</u>	<u>103,848</u>	<u>93,450</u>
Expenditures			
Administrative	53,950	43,454	44,651
Advertising and promotion	45,300	28,712	74,194
Downtown beautification	12,000	10,230	10,480
	<u>111,250</u>	<u>82,396</u>	<u>129,325</u>
Annual surplus (deficit)	(15,032)	21,452	(35,875)
Accumulated surplus, beginning of year	<u>25,771</u>	<u>25,771</u>	<u>61,646</u>
Accumulated surplus, end of year	<u>\$ 10,739</u>	<u>\$ 47,223</u>	<u>\$ 25,771</u>