

**The Municipality of North Perth
Consolidated Financial Statements
For the year ended December 31, 2018**

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Consolidated Financial Statements
For the year ended December 31, 2018**

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of The Municipality of North Perth (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario

May 30, 2019

The Municipality of North Perth
Consolidated Statement of Financial Position

December 31 **2018** **2017**

Financial assets

Cash and cash equivalents (Note 2)	\$ 18,998,011	\$ 10,963,048
Taxes receivable	673,669	414,177
Accounts receivable	3,089,263	3,674,820
Drain receivables	1,949,341	1,638,617
Long-term receivables (Note 3)	<u>1,518,172</u>	<u>1,284,777</u>
	<u>26,228,456</u>	<u>17,975,439</u>

Liabilities

Temporary borrowings (Note 4)	5,500,000	-
Accounts payable and accrued liabilities	3,347,072	4,815,282
Employee benefits plan liability	5,018	5,476
Deferred revenue (Note 6)	10,654,835	8,223,370
Long-term debt (Note 7)	15,470,457	16,127,940
Solid waste closure and post-closure liabilities (Note 8)	<u>2,098,000</u>	<u>2,098,000</u>
	<u>37,075,382</u>	<u>31,270,068</u>

Net debt

(10,846,926) (13,294,629)

Non-financial assets

Tangible capital assets (Note 9)	133,802,916	128,222,395
Prepaid expenses and inventories of supplies	<u>159,843</u>	<u>140,227</u>
	<u>133,962,759</u>	<u>128,362,622</u>

Accumulated surplus (Note 10) **\$123,115,833** **\$ 115,067,993**

Contingent liabilities (Note 16)

_____ Treasurer

_____ Mayor

The Municipality of North Perth
Consolidated Statement of Operations

For the year ended December 31	Budget 2018	2018	2017
	(Note 19)		
Revenue			
Taxation	\$ 13,938,293	\$ 13,975,214	\$ 12,877,225
Government grants - Federal (Note 11)	1,327,153	1,102,139	888,064
Government grants - Provincial (Note 12)	3,342,479	2,511,839	2,700,340
Municipal grants	608,641	595,504	488,743
User fees and service charges	8,328,914	9,822,402	9,681,569
Other (Note 13)	1,865,444	4,500,190	9,563,144
	29,410,924	32,507,288	36,199,085
Expenses			
General government	2,557,362	1,545,807	1,996,141
Protection services	4,947,700	4,629,950	4,422,459
Transportation services	5,313,547	5,800,797	5,123,659
Environmental services	5,299,130	5,557,418	5,290,889
Health services	233,815	240,405	212,188
Social and family services	1,368,660	1,438,682	1,261,078
Recreation and cultural services	3,937,582	4,354,786	3,903,048
Planning and development	367,745	384,105	314,611
Perth Meadows	504,007	507,498	549,395
	24,529,548	24,459,448	23,073,468
Annual surplus	4,881,376	8,047,840	13,125,617
Accumulated surplus, beginning of year	115,067,993	115,067,993	101,942,376
Accumulated surplus, end of year	\$119,949,369	\$123,115,833	\$115,067,993

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

For the year ended December 31	Budget 2018	2018	2017
	(Note 19)		
Annual surplus	\$ 4,881,376	\$ 8,047,840	\$ 13,125,617
Acquisition of tangible capital assets	(21,536,546)	(12,246,542)	(16,915,974)
Amortization of tangible capital assets	3,408,731	5,644,804	4,164,273
Gain on sale of tangible capital assets	-	(323,069)	(43,015)
Proceeds on sale of tangible capital assets	-	1,344,286	288,011
Contributed tangible capital assets	-	-	(2,147,246)
	(13,246,439)	2,467,319	(1,528,334)
Consumption (acquisition) of prepaid expenses and inventory of supplies	-	(19,616)	31,039
Net change in net debt	(13,246,439)	2,447,703	(1,497,295)
Net debt, beginning of year	(13,294,629)	(13,294,629)	(11,797,334)
Net debt, end of year	\$(26,541,068)	\$(10,846,926)	\$(13,294,629)

The Municipality of North Perth
Consolidated Statement of Cash Flows

For the year ended December 31

2018

2017

Operating transactions

Annual surplus	\$ 8,047,840	\$ 13,125,617
Items not involving cash		
Amortization	5,644,804	4,164,273
Gain on disposal of tangible capital assets	(323,069)	(43,015)
Contributed tangible capital assets	-	(2,147,246)
Changes in non-cash operating balances		
Taxes receivable	(259,492)	155,965
Accounts receivable	585,557	(686,146)
Drain receivables	(310,724)	555,546
Prepaid expenses and inventories of supplies	(19,616)	31,039
Accounts payable and accrued liabilities	(1,468,210)	350,715
Employee Benefits Plan liability	(458)	(73,322)
Deferred revenue	2,431,465	(2,781,811)
Solid waste closure and post closure liabilities	-	486,000
	<u>14,328,097</u>	<u>13,137,615</u>

Capital transactions

Acquisition of tangible capital assets	(12,246,542)	(16,915,974)
Proceeds on sale of tangible capital assets	1,344,286	288,011
Disposal (acquisition) of tangible capital assets - held for sale	-	310,282
	<u>(10,902,256)</u>	<u>(16,317,681)</u>

Investing transactions

Increase in long-term receivables	<u>(233,395)</u>	<u>(169,152)</u>
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Financing transactions

Increase in temporary borrowings	5,500,000	-
Repayment of long-term debt	<u>(657,483)</u>	<u>(722,233)</u>
	<u>4,842,517</u>	<u>(722,233)</u>

Net change in cash and cash equivalents

8,034,963 (4,071,451)

Cash and cash equivalents, beginning of year

10,963,048 15,034,499

Cash and cash equivalents, end of year

\$18,998,011 \$ 10,963,048

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2018

1. Significant Accounting Policies

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

The consolidated financial statements of the Municipality of North Perth 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, 2018

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. Assets under construction are not amortized until the asset is put in use.

Amortization is calculated on a straight-line basis over each asset's estimated useful life for all classes except land. Land is considered to have an infinite life and so is not amortized. 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 multi-employer 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, 2018

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 of time 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 - in which case they are reported as deferred revenue on the Statement of Financial Position. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Other revenue is recorded as 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, 2018

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, solid 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

	<u>2018</u>	<u>2017</u>
Unrestricted	\$ 16,397,055	\$ 9,755,435
Restricted - obligatory reserve funds	2,600,956	1,207,613
	<u>\$ 18,998,011</u>	<u>\$ 10,963,048</u>

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2018

3. Long-Term Receivables

	2018	2017
Long-term pledges receivable	\$ 55,600	\$ 80,000
Long-term receivable from several land owners bearing interest at 3.15% per annum. Secured by land due 2032.	50,329	53,156
Long-term receivable from several land owners bearing interest at 3.45% per annum. Secured by land due 2047.	93,276	95,135
Mortgage receivable, secured by land, bearing interest at 0% for the first twelve months, 7% per annum there after, equal monthly payments, due 2023.	324,000	-
Long-term receivable from several land owners bearing interest at 3.95%, receivable in blended annual payments of \$61,672, due 2025	370,841	416,053
Long term receivable from several land owners bearing interest at 4.57%, receivable in blended annual payments of \$45,575, due 2040	624,126	640,433
	\$ 1,518,172	\$ 1,284,777

4. Temporary Borrowings

The Municipality entered into a Construction loan with Ontario Infrastructure and Lands Corporation for \$5,500,000. When the project is complete the loan will be repaid in full and converted to a debenture. The loan bears a floating rate of interest (2.803% at year end) and is paid monthly.

The Municipality of North Perth also 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, 2018 was \$nil (2017 - \$nil). The facility is secured by general borrowing by-laws.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2018

5. Retirement Benefits

The Municipality makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer 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 their length of service and rates of pay.

Employees and the Municipality 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 2018 was \$495,462 (2017 - \$464,731) for current service and is reported as an expense on the consolidated statement of operations.

As at December 31, 2018, the OMERS plan is in a deficit position of \$4.191 billion (2017 - \$5.403 billion), which will be addressed through temporary contribution rate increases and, if needed, benefit reductions. The multi-employer 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, 2018

6. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized or refund issued	Ending balance
Development charges	\$ 884,077	\$ 2,626,158	\$ 21,866	\$ (1,409,071)	\$ 2,123,030
Federal gas tax	-	402,309	4,024	(406,333)	-
Provincial gas tax	294,335	78,062	7,448	-	379,845
Recreational land	29,201	66,957	1,923	-	98,081
Other restricted grants	-	15,272	-	(15,272)	-
Deposits	1,056,971	1,186,061	-	(557,773)	1,685,259
Deferred life lease revenue	5,958,786	597,940	-	(188,106)	6,368,620
	\$ 8,223,370	\$ 4,972,759	\$ 35,261	\$ (2,576,555)	\$ 10,654,835

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, 2018

7. Long-term Debt

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

	<u>2018</u>	<u>2017</u>
OSIFA loan, bearing interest at 2.63%; repayable in blended semi-annual payments of \$124,807; due April 2046	\$ 4,864,489	\$ 4,983,809
OSIFA loan, bearing interest at 3.95%; repayable in blended semi-annual payments of \$30,618; due October 2025	371,323	416,548
OSIFA loan, bearing interest at 4.57%; repayable in blended semi-annual payments of \$74,255; due October 2040	2,047,088	2,100,218
OSIFA loan, bearing interest at 4.91%; repayable in blended semi-annual payments of \$60,104; due May 2051	1,945,411	1,969,412
Cemetery Care and Maintenance Trust Fund loan, bearing interest at 5%; repayable in blended annual payments of \$25,678; due December 2027	182,512	198,276
Haverlea Farms Ltd mortgage, bearing interest at 0%; repayable in annual installments of \$110,000; due September 2020	220,000	330,000
Canada Mortgage and Housing Corporation mortgage, bearing interest at 3.89%; repayable in annual payments of \$109,300; due March 2031	1,098,921	1,162,982
OSIFA loan, bearing interest at 3.65%; repayable in blended semi-annual payments of \$168,651; due November 2037	4,593,235	4,758,351
Tile drainage loans, bearing interest at 6.0% and repayable in annual installments. The loans are due between 2019 and 2026 and are recoverable from benefiting landowners	147,478	208,344
	<u>\$ 15,470,457</u>	<u>\$ 16,127,940</u>

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2018

7. Long-Term Debt (continued)

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

	Principal Repayments
2019	\$ 655,508
2020	668,038
2021	566,678
2022	579,031
2023	592,861
Thereafter	12,408,341
	\$ 15,470,457

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 (2017 - \$2,098,000) and reflects a discount rate of 4.0% (2017 - 4.0%).

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	\$ 1,204,000	nil years	36 years
Elma	571,106	300,800	3,000	109 years	34 years
Wallace	Closed in 2012	1,969,525	891,000	nil years	49 years
		\$ 4,347,868	\$ 2,098,000		

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

December 31, 2018

9. Tangible Capital Assets

	2018									
	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	\$ 11,545,513	\$ 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
Additions	787,173	93,534	855,221	188,288	108,482	1,164,798	-	82,147	8,966,899	12,246,542
Disposals	(984,056)	(59,506)	(169,070)	-	-	-	-	-	-	(1,212,632)
Transfers	369,629	15,363,530	299,665	-	-	3,649,556	-	2,552,762	(22,235,142)	-
Cost, end of year	\$ 11,718,259	\$ 42,528,823	\$ 6,315,699	\$ 3,452,204	\$ 695,274	\$ 35,747,138	\$ 11,340,445	\$ 68,877,650	\$ 11,796,501	\$ 192,471,993
Accumulated amortization, beginning 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
Amortization	62,465	942,387	348,059	158,336	51,196	2,090,025	149,532	1,842,804	-	5,644,804
Disposals	-	(22,345)	(169,070)	-	-	-	-	-	-	(191,415)
Accumulated amortization, end of year	\$ 1,019,843	\$ 10,400,590	\$ 3,304,633	\$ 1,995,189	\$ 509,804	\$ 13,042,411	\$ 5,140,544	\$ 23,256,063	\$ -	\$ 58,669,077
Net carrying amount, end of year	\$ 10,698,416	\$ 32,128,233	\$ 3,011,066	\$ 1,457,015	\$ 185,470	\$ 22,704,727	\$ 6,199,901	\$ 45,621,587	\$ 11,796,501	\$ 133,802,916

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$11,796,501 (2017 - \$25,064,744). Contributed or donated capital assets of \$Nil (2017 - \$2,147,246) were recognized as donation income in the financial statements during the year.

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

December 31, 2018

9. Tangible Capital Assets (continued)

	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 Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2018

10. Accumulated Surplus

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

	2018	2017
Investment in tangible capital assets	\$118,662,449	\$ 112,501,076
Current Funds	(5,302,338)	(9,263,740)
Reserves and Reserve Funds		
Working funds	855,000	700,000
Post employee benefits	394,735	299,866
Current purposes	4,587,887	8,436,515
Capital purposes	6,021,118	4,497,753
Unfunded	(2,103,018)	(2,103,477)
	\$123,115,833	\$ 115,067,993

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 2018	2018	2017
	(Note 19)		
Operating			
Other operating funding	\$ 3,000	\$ 1,680	\$ 9,187
Capital			
Municipal Rural Infrastructure Funding	639,153	639,153	-
Federal gas tax	685,000	461,306	837,377
Other capital funding	-	-	41,500
	\$ 1,327,153	\$ 1,102,139	\$ 888,064

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2018

12. Government Transfers - Provincial

	Budget 2018	2018	2017
	(Note 19)		
Operating			
Ontario Municipal Partnership Fund	\$ 1,344,900	\$ 1,344,900	\$ 1,298,400
Other operating funding	426,600	272,349	298,088
Capital			
Ontario Community Infrastructure Fund	8,500	-	664,599
Small Communities Fund	1,462,573	618,742	331,010
Other capital funding	99,906	275,848	108,243
	\$ 3,342,479	\$ 2,511,839	\$ 2,700,340

13. Other Income

	Budget 2018	2018	2017
	(Note 19)		
Donations	\$ 98,633	\$ 498,623	\$ 5,074,712
Gain on disposal of capital assets	-	323,069	43,015
Gain on Perth Meadows buy back	-	116,180	-
Development charges	151,900	1,409,072	2,360,651
Licences, permits and rents	608,169	800,221	741,655
Perth Meadows	534,407	602,212	533,846
Sale of publications, equipment, etc.	246,425	281,835	434,601
Investment income	104,000	336,636	253,603
Penalties and interest on taxation	97,000	100,185	97,222
Other fines and penalties	24,910	32,157	23,839
	\$ 1,865,444	\$ 4,500,190	\$ 9,563,144

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2018

14. Expenses by Object

	Budget 2018	2018	2017
	(Note 19)		
Salaries, wages and employee benefits	\$ 8,313,731	\$ 8,088,360	\$ 7,759,367
Materials	6,063,566	5,512,019	5,784,366
Contracted services	5,243,694	4,228,482	4,369,522
Rents and financing expenses	52,138	51,708	45,406
Interest on long-term debt	567,943	561,087	574,848
Contributions to others	879,745	372,989	375,686
Amortization	3,408,731	5,644,803	4,164,273
	\$24,529,548	\$24,459,448	\$ 23,073,468

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:

	2018	2017
School boards	4,778,642	4,685,827
County of Perth	4,870,123	4,684,992
	\$ 9,648,765	\$ 9,370,819

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, 2018

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 \$2,062,782 over the remaining term of the lease.

18. Funds Held in Trust

At the year end, the Municipality of North Perth held \$657,722 (2017 - \$634,473) 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 stands in fiduciary relationship to, the beneficiaries. The following trust funds and assets are excluded from the Municipality of North Perth's financial statements:

	2018	2017
Cemetery Care and Maintenance fund	\$ 657,722	\$ 634,473

19. Budget

The Financial Plan (Budget) By-Law adopted by Council on April 23, 2018 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 June 18, 2018, July 23, 2018, August 13, 2018 and November 19, 2018. 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 23, 2018 with adjustments as follows:

	2018
Financial Plan (Budget) By-Law surplus for the year	\$ 5,294,302
Add:	
Budgeted transfers to accumulated surplus	682,101
Less:	
Budgeted transfers from accumulated surplus	(1,095,027)
Budget surplus per statement of operations	\$ 4,881,376

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2018

20. 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 clerk's 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, 2018

20. 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, 2018

20. 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	2018 Total
Revenue										
Taxation	\$ 1,551,043	\$ 3,054,536	\$ 3,268,050	\$ 3,299,278	\$ 144,349	\$ -	\$ 2,430,925	\$ 227,033	\$ -	\$ 13,975,214
Government grants - Provincial	235,799	413,172	674,274	1,590,672	13,891	457,078	785,520	39,076	-	4,209,482
User fees and service charges	143,467	97,451	381,375	6,965,997	76,880	917,465	1,082,434	157,167	166	9,822,402
Other	1,274,649	11,991	184,740	30,336	80,637	50,739	1,494,711	653,946	718,441	4,500,190
	3,204,958	3,577,150	4,508,439	11,886,283	315,757	1,425,282	5,793,590	1,077,222	718,607	32,507,288
Expenses										
Salaries and wages	1,274,702	966,407	1,049,651	948,703	143,222	1,246,737	2,182,543	276,395	-	8,088,360
Materials	68,773	512,272	1,235,183	1,948,620	59,485	127,434	1,280,205	99,922	180,126	5,512,020
Contracted services	40,556	2,577,111	758,975	668,838	20,775	-	43,322	7,789	111,114	4,228,480
Interest on long-term debt	-	-	238,902	140,862	9,914	-	140,504	-	30,907	561,089
Rents and financing expenses	5,350	-	-	-	-	46,358	-	-	-	51,708
Contributions to others	56,712	299,526	-	3,126	-	-	13,624	-	-	372,988
Amortization	99,714	274,635	2,518,087	1,847,269	7,009	18,152	694,587	-	185,350	5,644,803
	1,545,807	4,629,951	5,800,798	5,557,418	240,405	1,438,681	4,354,785	384,106	507,497	24,459,448
Net surplus (deficit)	\$ 1,659,151	\$ (1,052,801)	\$ (1,292,359)	\$ 6,328,865	\$ 75,352	\$ (13,399)	\$ 1,438,805	\$ 693,116	\$ 211,110	\$ 8,047,840

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

December 31, 2018

20. 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>
Annual surplus (deficit)	<u>\$ 261,492</u>	<u>\$ (1,159,159)</u>	<u>\$ 1,452,357</u>	<u>\$ 5,194,171</u>	<u>\$ 66,467</u>	<u>\$ 118,265</u>	<u>\$ 6,488,879</u>	<u>\$ 683,893</u>	<u>\$ 19,252</u>	<u>\$ 13,125,617</u>

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

For the year ended December 31	Budget 2018	2018	2017
Revenue			
Interment rights	\$ 72,300	\$ 92,799	\$ 60,285
Interest income transferred from trust fund	22,000	18,966	18,778
Burial charges	27,800	32,325	31,270
Sundry	10,450	13,428	11,790
Contribution from Municipality	101,265	98,966	72,958
	233,815	256,484	195,081
Expenditures			
Administration and general	156,700	162,506	148,175
Cemetery and building maintenance	68,315	52,227	46,417
Transfer to perpetual care trust fund	20,800	23,249	17,596
	245,815	237,982	212,188
Annual surplus (deficit)	(12,000)	18,502	(17,107)
Accumulated surplus, beginning of year	82,537	82,537	99,644
Accumulated surplus, end of year	\$ 70,537	\$ 101,039	\$ 82,537

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

For the year ended December 31	Budget 2018	2018	2017
Revenue			
Fees and user charges	\$ 15,743	\$ 14,963	\$ 17,347
Donations - Operating	5,200	68,653	47,230
Donations - Friends	3,000	3,497	2,873
Ontario grants	23,788	23,788	28,820
Development charges	40,000	40,000	40,000
Contribution from Municipality	666,291	703,626	813,985
	754,022	854,527	950,255
Expenditures			
Administrative	60,726	66,889	69,907
Books, videos and periodicals	101,146	85,426	76,874
Repairs and maintenance	70,136	33,502	42,098
Utilities and insurance	35,403	31,360	39,503
Wages and benefits	596,555	522,780	520,957
	863,966	739,957	749,339
Annual surplus (deficit)	(109,944)	114,570	200,916
Accumulated surplus, beginning of year	474,430	474,430	273,514
Accumulated surplus, end of year	\$ 364,486	\$ 589,000	\$ 474,430

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

For the year ended December 31	Budget 2018	2018	2017
Revenue			
Taxation revenue	\$ 98,040	\$ 98,040	\$ 93,818
Miscellaneous	-	710	10,030
	98,040	98,750	103,848
Expenditures			
Administrative	59,650	47,952	43,454
Advertising and promotion	39,390	35,026	28,712
Downtown beautification	12,000	10,602	10,230
Contribution to Municipality	7,000	4,696	-
	118,040	98,276	82,396
Annual surplus (deficit)	(20,000)	474	21,452
Accumulated surplus, beginning of year	47,223	47,223	25,771
Accumulated surplus, end of year	\$ 27,223	\$ 47,697	\$ 47,223