

**The Municipality of North Perth
Consolidated Financial Statements
For the year ended December 31, 2020**

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Contents

Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Change in Net Debt	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 26
The Municipality of North Perth Cemetery Board	
Schedule of Financial Activities	27
North Perth Public Library Board	
Schedule of Financial Activities	28
The Municipality of North Perth Business Improvement Area	
Schedule of Financial Activities	29



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, 2020, 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, 2020, 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2 to the consolidated financial statements, which explains that certain comparative information presented for the year ended December 31, 2019 has been restated. Our opinion is not modified in respect of this matter.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario
August 3, 2021

The Municipality of North Perth
Consolidated Statement of Financial Position

December 31	2020	2019
Financial assets		
Cash and cash equivalents (Note 3)	\$ 32,401,423	\$ 32,494,406
Taxes receivable	676,845	564,709
Accounts receivable	3,687,790	2,986,083
Drain receivables	2,069,522	2,363,501
Long-term receivables (Note 4)	997,950	1,069,659
	<u>39,833,530</u>	<u>39,478,358</u>
Liabilities		
Temporary borrowings (Note 5)	-	11,100,000
Accounts payable and accrued liabilities	3,223,327	3,504,713
Employee benefits plan liability	5,018	5,018
Deferred revenue (Note 7)	14,509,057	14,770,902
Long-term debt (Note 8)	25,241,754	14,814,949
Solid waste closure and post-closure liabilities (Note 9)	2,017,000	1,898,000
	<u>44,996,156</u>	<u>46,093,582</u>
Net debt	<u>(5,162,626)</u>	<u>(6,615,224)</u>
Non-financial assets		
Tangible capital assets (Note 10)	153,826,010	144,545,766
Prepaid expenses and inventories of supplies	179,605	169,891
	<u>154,005,615</u>	<u>144,715,657</u>
Accumulated surplus (Note 11)	<u>\$148,842,989</u>	<u>\$ 138,100,433</u>

Contingent liabilities (Note 17)

_____ Treasurer _____ Mayor

The Municipality of North Perth
Consolidated Statement of Operations

For the year ended December 31	Budget 2020	2020	2019 Restated (Note 2)
	(Note 20)		
Revenue			
Taxation	\$ 15,672,853	\$ 15,929,599	\$ 15,004,660
Government grants - Federal (Note 12)	863,832	1,225,737	36,930
Government grants - Provincial (Note 13)	4,265,417	2,875,113	4,508,050
Municipal grants	2,882,483	2,575,633	1,033,488
User fees and service charges	9,481,127	9,815,374	10,000,810
Other (Note 14)	7,516,762	3,432,942	3,653,461
	<u>40,682,474</u>	<u>35,854,398</u>	<u>34,237,399</u>
Expenses			
General government	2,670,484	2,359,783	2,118,575
Protection services	4,734,505	5,290,563	4,837,760
Transportation services	5,065,766	5,099,511	5,016,652
Environmental services	5,996,169	5,869,594	4,861,430
Health services	250,525	239,707	229,879
Social and family services	1,661,568	1,735,646	1,587,310
Recreation and cultural services	4,524,602	3,634,160	4,339,892
Planning and development	402,406	437,632	412,171
Perth Meadows	474,195	445,246	451,146
	<u>25,780,220</u>	<u>25,111,842</u>	<u>23,854,815</u>
Annual surplus	14,902,254	10,742,556	10,382,584
Accumulated surplus, beginning of year, as previously stated	135,550,183	135,550,183	125,131,881
Prior period adjustment (Note 2)	2,550,250	2,550,250	2,585,968
Accumulated surplus, beginning of year	<u>138,100,433</u>	<u>138,100,433</u>	<u>127,717,849</u>
Accumulated surplus, end of year	<u>\$153,002,687</u>	<u>\$148,842,989</u>	<u>\$ 138,100,433</u>

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

For the year ended December 31	Budget 2020	2020	2019 Restated (Note 2)
	(Note 20)		
Annual surplus	\$ 14,902,254	\$ 10,742,556	\$ 10,382,584
Acquisition of tangible capital assets	(20,741,269)	(14,434,631)	(10,451,740)
Amortization of tangible capital assets	4,306,136	4,525,149	4,136,536
Loss (gain) on sale of tangible capital assets	-	509,482	106,957
Proceeds on sale of tangible capital assets	-	119,756	67,414
	(1,532,879)	1,462,312	4,241,751
Consumption (acquisition) of prepaid expenses and inventory of supplies	-	(9,714)	(10,048)
Net change in net debt	(1,532,879)	1,452,598	4,231,703
Net debt, beginning of year	(6,615,224)	(6,615,224)	(10,846,927)
Net debt, end of year	\$ (8,148,103)	\$ (5,162,626)	\$ (6,615,224)

The Municipality of North Perth
Consolidated Statement of Cash Flows

For the year ended December 31	2020	2019 Restated (Note 2)
Operating transactions		
Annual surplus	\$10,742,556	\$ 10,382,584
Items not involving cash		
Amortization	4,525,149	4,136,536
Loss on disposal of tangible capital assets	509,482	106,957
Changes in non-cash operating balances		
Taxes receivable	(112,136)	108,960
Accounts receivable	(701,707)	103,180
Drain receivables	293,979	(414,160)
Prepaid expenses and inventories of supplies	(9,714)	(10,048)
Accounts payable and accrued liabilities	(281,385)	157,639
Deferred revenue	(261,845)	4,116,067
Solid waste closure and post closure liabilities	119,000	(200,000)
	<u>14,823,379</u>	<u>18,487,715</u>
Capital transactions		
Acquisition of tangible capital assets	(14,434,631)	(10,451,740)
Proceeds on sale of tangible capital assets	119,756	67,414
	<u>(14,314,875)</u>	<u>(10,384,326)</u>
Investing transactions		
Decrease (increase) in long-term receivables	<u>71,708</u>	<u>448,514</u>
Financing transactions		
Increase in temporary borrowings	-	5,600,000
Repayment of long-term debt	(673,195)	(655,508)
	<u>(673,195)</u>	<u>4,944,492</u>
Net change in cash and cash equivalents	(92,983)	13,496,395
Cash and cash equivalents, beginning of year	<u>32,494,406</u>	<u>18,998,011</u>
Cash and cash equivalents, end of year	<u>\$32,401,423</u>	<u>\$ 32,494,406</u>

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

1. Significant Accounting Policies

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

The consolidated financial statements of the 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 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. 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 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.

Development charges received are deferred and recognized in revenue when funds are approved for specific projects or expenses.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

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 at which time they are given accounting recognition. 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 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, 2020

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, including fees for work on drainage, 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 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. (Note 16)

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

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. Prior Period Adjustment

During the year, the Municipality determined that certain items had been omitted from the tangible capital asset inventory as at January 1, 2019, and December 31, 2019. The correction of these omissions from net book value also necessitated adjustments to amortization expense and the related accumulated amortization balances for the year ending December 31, 2019. The retrospective impact of the adjustments was as follows:

	<u>2019</u>
<u>Accumulated Surplus</u>	
Increase in 2018 non-financial assets	\$ 2,585,968
Increase in 2019 opening accumulated surplus	<u>\$ 2,585,968</u>
 <u>Statement of Operations</u>	
Increase in expenses	
Transportation services	22,968
Recreational and cultural services	<u>12,750</u>
Total increase in expenses	\$ 35,718
Decrease in 2019 annual surplus	<u>\$ (35,718)</u>
Increase in 2019 ending accumulated surplus	<u>\$ 2,550,250</u>

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

3. Cash and Cash Equivalents

	2020	2019
Unrestricted	\$26,428,728	\$ 26,688,327
Restricted - obligatory reserve funds	5,972,695	5,806,079
	<u>\$32,401,423</u>	<u>\$ 32,494,406</u>

4. Long-Term Receivables

	2020	2019
Long-term receivable from several land owners bearing interest at 3.15% per annum. Secured by land due 2032.	\$ 44,406	\$ 47,414
Long-term receivable from several land owners bearing interest at 3.45% per annum. Secured by land due 2047.	89,365	91,354
Long-term receivable from several land owners bearing interest at 3.95%, receivable in blended annual payments of \$61,672, due 2025.	274,936	323,817
Long term receivable from several land owners bearing interest at 4.57%, receivable in blended annual payments of \$45,575, due 2040.	589,243	607,074
	<u>\$ 997,950</u>	<u>\$ 1,069,659</u>

5. Temporary Borrowings

In 2018, the Municipality entered into a Construction loan with Ontario Infrastructure and Lands Corporation for \$5,500,000. In 2019, the Municipality received an additional \$5,600,000 for a total construction loan of \$11,000,000. In 2020, the project was completed and the loan was converted to a debenture (Note 8).

The Municipality 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, 2020 was \$nil (2019 - \$nil). The facility is secured by general borrowing by-laws.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

6. 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 2020 was \$616,699 (2019 - \$536,954) for current service and is reported as an expense on the consolidated statement of operations.

As at December 31, 2020, the OMERS plan is in a deficit position of \$3.211 billion (2019 - \$3.397 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, 2020

7. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized or refund issued	Ending balance
Development charges	\$ 4,300,702	\$ 2,768,633	\$ 43,462	\$ (1,897,357)	\$ 5,215,440
Federal gas tax	814,178	398,315	8,142	(1,220,635)	-
Provincial gas tax	444,786	62,594	4,448	-	511,828
Recreational land	140,843	57,600	1,984	-	200,427
Other restricted grants	105,569	-	-	(60,569)	45,000
Deposits	2,412,496	2,200,803	-	(2,244,339)	2,368,960
Deferred life lease revenue	6,552,328	-	-	(384,926)	6,167,402
	<u>\$ 14,770,902</u>	<u>\$ 5,487,945</u>	<u>\$ 58,036</u>	<u>\$ (5,807,826)</u>	<u>\$ 14,509,057</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.

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 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 Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

8. Long-term Debt

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

	2020	2019
OSIFA loan, bearing interest at 2.63%; repayable in blended semi-annual payments of \$125,721; due April 2046	\$ 4,616,290	\$ 4,742,010
OSIFA loan, bearing interest at 3.95%; repayable in blended semi-annual payments of \$30,618; due October 2025	275,390	324,294
OSIFA loan, bearing interest at 4.57%; repayable in blended semi-annual payments of \$74,255; due October 2040	1,933,347	1,991,502
OSIFA loan, bearing interest at 4.91%; repayable in blended semi-annual payments of \$60,204; due May 2051	1,893,770	1,920,217
Cemetery Care and Maintenance Trust Fund loan, bearing interest at 5%; repayable in blended annual payments of \$25,678; due December 2027	148,580	165,960
Haverlea Farms Ltd mortgage, bearing interest at 0%; repayable in annual installments of \$110,000	-	110,000
Canada Mortgage and Housing Corporation mortgage, bearing interest at 3.89%; repayable in annual payments of \$109,300; due March 2031	963,228	1,032,369
OSIFA loan, bearing interest at 3.65%; repayable in blended semi-annual payments of \$168,651; due November 2037	4,244,536	4,422,039
OILC loan, bearing interest at 2.22%; repayable in blended semi-annual payments of \$290,473, due July 2045	11,100,000	-
Tile drainage loans, bearing interest at 6.0% and repayable in annual installments. The loans are due between 2020 and 2026 and are recoverable from benefiting landowners	66,613	106,558
	<u>\$25,241,754</u>	<u>\$ 14,814,949</u>

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

8. Long-Term Debt (continued)

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

	Principal Repayments
2021	\$ 903,061
2022	922,924
2023	944,430
2024	971,747
2025	1,002,727
Thereafter	<u>20,496,865</u>
	<u>\$ 25,241,754</u>

9. 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 \$2,017,000 (2019 - \$1,898,000) and reflects a discount rate of 4.0% (2019 - 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	\$ 2,213,649	\$ 1,316,225	nil years	38 years
Elma	485,022	609,319	21,442	81 years	49 years
Wallace	Closed in 2012	1,462,625	679,333	nil years	46 years
		<u>\$ 4,285,593</u>	<u>\$ 2,017,000</u>		

December 31, 2020

[illegible]

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$9,737,391 (2019 - \$17,931,989). Contributed or donated capital assets of \$Nil (2019 - \$nil) were recognized as donation income in the financial statements during the year.

December 31, 2020

2019
Restated
(See Note 2)17

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

11. Accumulated Surplus

The Municipality segregates its accumulated surplus into the following categories:

	2020	2019 Restated (See Note 2)
Investment in tangible capital assets	\$128,799,447	\$ 130,003,333
Current Funds	(4,025,442)	(12,703,585)
Reserves and Reserve Funds		
Working funds	1,055,000	1,055,000
Post-employment benefits	399,322	400,391
Current purposes	16,850,847	14,501,100
Capital purposes	7,785,832	6,747,212
Unfunded	(2,022,017)	(1,903,018)
	<u>\$148,842,989</u>	<u>\$ 138,100,433</u>

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.

12. Government Transfers - Federal

	Budget 2020 (Note 20)	2020	2019
Operating			
Other operating funding	\$ 16,210	\$ 5,103	\$ 1,890
Capital			
Municipal Rural Infrastructure Funding	267,622	-	-
Federal gas tax	540,000	1,220,634	-
Other capital funding	40,000	-	35,040
	<u>\$ 863,832</u>	<u>\$ 1,225,737</u>	<u>\$ 36,930</u>

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

13. Government Transfers - Provincial

	Budget 2020 (Note 20)	2020	2019
Operating			
Ontario Municipal Partnership Fund	\$ 1,356,739	\$ 1,367,200	\$ 1,350,900
Other operating funding	815,687	657,077	308,971
Capital			
Ontario Community Infrastructure Fund	421,040	431,108	-
Small Communities Fund	488,858	325,616	1,980,788
Other capital funding	1,183,093	94,112	867,391
	<u>\$ 4,265,417</u>	<u>\$ 2,875,113</u>	<u>\$ 4,508,050</u>

14. Other Income

	Budget 2020 (Note 20)	2020	2019
Donations	\$ 39,375	\$ 81,375	\$ 131,280
Gain (loss) on disposal of capital assets	-	(509,482)	(106,957)
Gain (loss) on Perth Meadows buy back	-	(857)	(30,095)
Development charges	5,613,027	1,897,357	1,272,264
Licences, permits and rents	753,644	717,753	804,311
Perth Meadows	565,956	651,742	607,065
Sale of publications, equipment, etc.	233,560	77,248	209,104
Investment income	181,000	417,758	623,707
Penalties and interest on taxation	95,000	80,522	109,089
Other fines and penalties	35,200	19,526	33,693
	<u>\$ 7,516,762</u>	<u>\$ 3,432,942</u>	<u>\$ 3,653,461</u>

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

15. Expenses by Object

	Budget 2020	2020	2019 Restated (See Note 2)
	(Note 20)		
Salaries, wages and employee benefits	\$ 9,572,360	\$ 9,330,469	\$ 8,986,949
Materials	5,921,035	5,550,942	5,432,451
Contracted services	4,839,335	4,617,741	4,307,505
Rents and financing expenses	62,594	38,327	50,948
Interest on long-term debt	648,849	637,842	543,114
Contributions to others	429,911	411,373	397,313
Amortization	4,306,136	4,525,149	4,136,535
	<u>\$25,780,220</u>	<u>\$25,111,843</u>	<u>\$ 23,854,815</u>

16. 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, which are excluded from these consolidated financial statements, were as follows:

	2020	2019
School boards	\$ 4,990,622	\$ 4,948,922
County of Perth	5,403,794	5,127,134
	<u>\$10,394,416</u>	<u>\$ 10,076,056</u>

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

17. 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.

18. 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 \$39,896 to \$78,222 and total \$1,994,565 over the remaining term of the lease.

The Municipality also has an operating lease with the Huron Perth Catholic District School Board for premises at 1209 Tremaine Avenue that expires in 2030. The annual lease payments are \$60,515, totalling \$605,150 over the remaining term of the lease.

19. Funds Held in Trust

At the year end, the Municipality held \$696,643 (2019 - \$677,968) 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 stands in fiduciary relationship to, the beneficiaries. The following trust funds and assets are excluded from the Municipality's financial statements:

	2020	2019
Cemetery Care and Maintenance fund	\$ 696,643	\$ 677,968

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

20. Budget

The Financial Plan (Budget) By-Law adopted by Council on March 23, 2020 was not prepared on a basis consistent with that used to report actual results (Canadian Public Sector Accounting Standards). 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 March 23, 2020 with adjustments as follows:

	<u>2020</u>
Financial Plan (Budget) By-Law surplus for the year	\$ 13,291,155
Add:	
Budgeted transfers to accumulated surplus	3,054,515
Less:	
Budgeted transfers from accumulated surplus	<u>(1,443,416)</u>
Budget surplus per statement of operations	<u>\$ 14,902,254</u>

21. Comparative figures

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

22. Uncertainty due to COVID-19

During the 2020 fiscal year, COVID-19 disrupted the Canadian and the global economy. Child care, library and recreation services were closed and/or modified for portions of 2020. The municipal office was also closed to the public during part of the year. Interest and penalties on various accounts receivable were modified throughout the year to support ratepayers coping with the impact of the pandemic. The Municipality also received \$343,600 in Safe Restart Funding from the Province which has helped offset some of the additional costs and revenue losses. Council, senior staff and the emergency control group continue to monitor the situation. The full impact of COVID-19 is still not known as it continues through to 2021.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2020

23. 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

This category relates to the revenues and expenses of the operations of the Municipality 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, 2020

23. 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, 2020

23. 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	2020 Total
Revenue										
Taxation	\$ 1,799,142	\$ 3,189,702	\$ 3,412,877	\$ 4,039,702	\$ 168,782	\$ -	\$ 3,048,287	\$ 271,107	\$ -	\$ 15,929,599
Government grants	699,908	269,174	2,238,259	349,541	1,000	2,409,264	625,721	83,616	-	6,676,483
User fees and service charges	180,576	70,524	99,377	7,990,725	87,359	703,753	522,637	160,423	-	9,815,374
Other	713,464	7,440	1,252,425	(163,757)	57,864	32,051	317,028	565,541	650,886	3,432,942
	3,393,090	3,536,840	7,002,938	12,216,211	315,005	3,145,068	4,513,673	1,080,687	650,886	35,854,398
Expenses										
Salaries and wages	2,021,392	1,173,763	1,166,346	1,054,949	160,189	1,562,929	1,869,642	321,258	-	9,330,468
Materials	29,662	864,693	1,144,388	2,311,993	45,039	95,756	754,104	116,374	188,933	5,550,942
Contracted services	115,982	2,659,309	855,796	878,359	19,838	-	44,593	-	43,864	4,617,741
Interest on long-term debt	-	-	223,710	246,869	8,298	-	133,611	-	25,354	637,842
Rents and financing expenses	-	-	-	-	-	38,327	-	-	-	38,327
Contributions to others	68,752	336,472	-	4,084	-	-	2,065	-	-	411,373
Amortization	123,994	256,326	1,709,271	1,373,341	6,342	38,635	830,145	-	187,095	4,525,149
	2,359,782	5,290,563	5,099,511	5,869,595	239,706	1,735,647	3,634,160	437,632	445,246	25,111,842
Net surplus (deficit)	\$ 1,033,308	\$ (1,753,723)	\$ 1,903,427	\$ 6,346,616	\$ 75,299	\$ 1,409,421	\$ 879,513	\$ 643,055	\$ 205,640	\$ 10,742,556

The Municipality of North Perth
Notes to Consolidated Financial Statements

December 31, 2020

23. 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	2019 Restated (See Note 2) Total
Revenue										
Taxation	\$ 1,002,369	\$ 2,072,530	\$ 3,932,749	\$ 5,545,716	\$ 114,386	\$ -	\$ 2,174,457	\$ 162,453	\$ -	\$ 15,004,660
Government grants	310,761	381,716	1,106,228	2,480,080	10,298	924,072	348,679	16,634	-	5,578,468
User fees and service charges	86,803	112,332	74,771	7,345,615	72,111	1,023,292	1,091,648	151,911	42,327	10,000,810
Other	966,914	10,426	57,322	94,683	66,426	55,738	1,171,353	653,609	576,970	3,653,461
	<u>2,366,847</u>	<u>2,577,004</u>	<u>5,171,070</u>	<u>15,466,094</u>	<u>263,221</u>	<u>2,003,122</u>	<u>4,786,137</u>	<u>984,607</u>	<u>619,297</u>	<u>34,237,399</u>
Expenses										
Salaries and wages	1,841,435	980,100	1,139,237	998,791	141,153	1,373,297	2,218,060	294,876	-	8,986,949
Materials	23,748	565,427	1,107,973	2,037,389	54,657	142,983	1,194,662	117,295	188,317	5,432,451
Contracted services	68,157	2,696,370	869,482	565,726	18,012	-	40,389	-	49,369	4,307,505
Interest on long-term debt	-	-	231,438	137,250	9,126	-	138,935	-	26,365	543,114
Rents and financing expenses	-	-	-	-	-	50,948	-	-	-	50,948
Contributions to others	72,073	315,648	-	285	-	-	9,307	-	-	397,313
Amortization	113,162	280,215	1,668,523	1,121,989	6,933	20,081	738,537	-	187,095	4,136,535
	<u>2,118,575</u>	<u>4,837,760</u>	<u>5,016,653</u>	<u>4,861,430</u>	<u>229,881</u>	<u>1,587,309</u>	<u>4,339,890</u>	<u>412,171</u>	<u>451,146</u>	<u>23,854,815</u>
Annual surplus (deficit)	\$ 248,272	\$ (2,260,756)	\$ 154,417	\$ 10,604,664	\$ 33,340	\$ 415,813	\$ 446,247	\$ 572,436	\$ 168,151	\$ 10,382,584

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

For the year ended December 31	Budget 2020	2020	2019
Revenue			
Interment rights	\$ 72,800	\$ 67,851	\$ 75,332
Interest income transferred from trust fund	22,000	20,456	21,021
Burial charges	30,000	44,771	32,433
Sundry	10,200	12,145	9,751
Contribution from Municipality	53,630	94,484	93,200
	<u>188,630</u>	<u>239,707</u>	<u>231,737</u>
Expenditures			
Administration and general	172,625	176,367	164,076
Cemetery and building maintenance	56,600	44,245	45,557
Transfer to perpetual care trust fund	21,300	19,095	20,246
	<u>250,525</u>	<u>239,707</u>	<u>229,879</u>
Annual surplus (deficit)	(61,895)	-	1,858
Accumulated surplus, beginning of year	102,897	102,897	101,039
Accumulated surplus, end of year	\$ 41,002	\$ 102,897	\$ 102,897

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

For the year ended December 31	Budget 2020	2020	2019
Revenue			
Fees and user charges	\$ 65,657	\$ 22,792	\$ 17,228
Donations - Operating	14,050	13,669	13,596
Donations - Friends	3,000	1,800	4,385
Ontario grants	111,785	111,236	22,513
Development charges	40,000	40,000	40,000
Contribution from Municipality	847,550	790,913	852,725
	<u>1,082,042</u>	<u>980,410</u>	<u>950,447</u>
Expenditures			
Administrative	116,597	89,281	93,978
Books, videos and periodicals	102,600	73,040	92,103
Repairs and maintenance	63,696	39,715	45,771
Utilities and insurance	37,625	28,579	32,186
Wages and benefits	615,058	494,063	531,519
	<u>935,576</u>	<u>724,678</u>	<u>795,557</u>
Annual surplus	146,466	255,732	154,890
Accumulated surplus, beginning of year	743,890	743,890	589,000
Accumulated surplus, end of year	<u>\$ 890,356</u>	<u>\$ 999,622</u>	<u>\$ 743,890</u>

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

For the year ended December 31	Budget 2020	2020	2019
Revenue			
Taxation revenue	\$ 119,000	\$ 123,519	\$ 105,490
Miscellaneous	-	-	11,700
	<u>119,000</u>	<u>123,519</u>	<u>117,190</u>
Expenditures			
Administrative	62,000	60,436	56,548
Advertising and promotion	47,500	40,251	41,182
Downtown beautification	14,000	14,200	13,555
	<u>123,500</u>	<u>114,887</u>	<u>111,285</u>
Annual surplus (deficit)	(4,500)	8,632	5,905
Accumulated surplus, beginning of year	<u>53,602</u>	<u>53,602</u>	<u>47,697</u>
Accumulated surplus, end of year	<u>\$ 49,102</u>	<u>\$ 62,234</u>	<u>\$ 53,602</u>