

**The Municipality of North Perth
Consolidated Financial Statements
For the year ended December 31, 2019**

**The Municipality of North Perth
Consolidated Financial Statements
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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, 2019, 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, 2019, 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, 2018 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.

Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario

August 17, 2020

The Municipality of North Perth
Consolidated Statement of Financial Position

December 31 **2019** **2018**

Financial assets

Cash and cash equivalents (Note 3)	\$ 32,494,406	\$ 18,998,011
Taxes receivable	564,709	673,669
Accounts receivable	2,986,083	3,089,263
Drain receivables	2,363,501	1,949,341
Long-term receivables (Note 4)	<u>1,069,659</u>	<u>1,518,172</u>
	<u>39,478,358</u>	<u>26,228,456</u>

Liabilities

Temporary borrowings (Note 5)	11,100,000	5,500,000
Accounts payable and accrued liabilities	3,504,713	3,347,073
Employee benefits plan liability	5,018	5,018
Deferred revenue (Note 7)	14,770,902	10,654,835
Long-term debt (Note 8)	14,814,949	15,470,457
Solid waste closure and post-closure liabilities (Note 9)	<u>1,898,000</u>	<u>2,098,000</u>
	<u>46,093,582</u>	<u>37,075,383</u>

Net debt

(6,615,224) **(10,846,927)**

Non-financial assets

Tangible capital assets (Note 10)	141,995,516	135,818,965
Prepaid expenses and inventories of supplies	<u>169,891</u>	<u>159,843</u>
	<u>142,165,407</u>	<u>135,978,808</u>

Accumulated surplus (Note 11) **\$135,550,183** **\$125,131,881**

Contingent liabilities (Note 17)

_____ Treasurer _____ Mayor

The Municipality of North Perth
Consolidated Statement of Operations

For the year ended December 31	Budget 2019	2019	2018 Restated (See Note 2)
(Note 20)			
Revenue			
Taxation	\$ 14,778,899	\$ 15,004,660	\$ 13,975,214
Government grants - Federal (Note 12)	696,977	36,930	1,102,139
Government grants - Provincial (Note 13)	5,749,321	4,508,050	2,511,839
Municipal grants	2,557,771	1,033,488	595,504
User fees and service charges	8,833,027	10,000,810	9,822,402
Other (Note 14)	2,713,296	3,653,461	4,500,190
	<u>35,329,291</u>	<u>34,237,399</u>	<u>32,507,288</u>
Expenses			
General government	2,506,019	2,118,575	1,550,467
Protection services	5,007,841	4,837,760	4,629,950
Transportation services	9,508,127	4,993,684	4,806,351
Environmental services	13,452,634	4,861,430	4,890,869
Health services	331,959	229,879	240,405
Social and family services	3,434,169	1,587,310	1,438,682
Recreation and cultural services	5,277,627	4,327,142	4,370,035
Planning and development	397,535	412,171	384,105
Perth Meadows	480,650	451,146	507,498
	<u>40,396,561</u>	<u>23,819,097</u>	<u>22,818,362</u>
Annual surplus (deficit)	(5,067,270)	10,418,302	9,688,926
Accumulated surplus, beginning of year, as previously stated	123,115,834	123,115,834	115,067,993
Prior period adjustment (Note 2)	2,016,047	2,016,047	374,962
Accumulated surplus, beginning of year	125,131,881	125,131,881	115,442,955
Accumulated surplus, end of year	\$120,064,611	\$135,550,183	\$125,131,881

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

For the year ended December 31	Budget 2019	2019	2018 Restated (See Note 2)
	(Note 20)		
Annual surplus (deficit)	\$ (5,067,270)	\$ 10,418,302	\$ 9,688,926
Acquisition of tangible capital assets	(21,536,546)	(10,426,540)	(12,246,542)
Amortization of tangible capital assets	4,896,285	4,075,618	4,003,718
Loss (gain) on sale of tangible capital assets	-	106,957	(323,069)
Proceeds on sale of tangible capital assets	-	67,414	1,344,285
	<u>(21,707,531)</u>	<u>4,241,751</u>	<u>2,467,318</u>
Consumption (acquisition) of prepaid expenses and inventory of supplies	-	(10,048)	(19,616)
	<u>(21,707,531)</u>	<u>4,231,703</u>	<u>2,447,702</u>
Net change in net debt	(21,707,531)	4,231,703	2,447,702
Net debt, beginning of year	(10,846,927)	(10,846,927)	(13,294,629)
Net debt, end of year	\$ (32,554,458)	\$ (6,615,224)	\$ (10,846,927)

The Municipality of North Perth
Consolidated Statement of Cash Flows

For the year ended December 31

2019

2018

Restated
(See Note 2)

Operating transactions

Annual surplus	\$ 10,418,302	\$ 9,688,926
Items not involving cash		
Amortization	4,075,618	4,003,718
Loss (gain) on disposal of tangible capital assets	106,957	(323,069)
Changes in non-cash operating balances		
Taxes receivable	108,960	(259,492)
Accounts receivable	103,180	585,557
Drain receivables	(414,160)	(310,724)
Prepaid expenses and inventories of supplies	(10,048)	(19,616)
Accounts payable and accrued liabilities	157,639	(1,468,210)
Employee Benefits Plan liability	-	(458)
Deferred revenue	4,116,067	2,431,465
Solid waste closure and post closure liabilities	(200,000)	-
	18,462,515	14,328,097

Capital transactions

Acquisition of tangible capital assets	(10,426,540)	(12,246,542)
Proceeds on sale of tangible capital assets	67,414	1,344,286
	(10,359,126)	(10,902,256)

Investing transactions

Decrease (increase) in long-term receivables	448,514	(233,395)
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Financing transactions

Increase in temporary borrowings	5,600,000	5,500,000
Repayment of long-term debt	(655,508)	(657,483)
	4,944,492	4,842,517

Net change in cash and cash equivalents **13,496,395** **8,034,963**

Cash and cash equivalents, beginning of year **18,998,011** **10,963,048**

Cash and cash equivalents, end of year **\$ 32,494,406** **\$ 18,998,011**

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2019

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, 2019

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, 2019

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, 2019

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 of North Perth determined that certain capital assets were not being appropriately amortized. These errors in net book value of tangible capital assets also resulted in errors in the accumulated amortization and the amortization expense balances for the year ending December 31, 2017 and December 31, 2018. The retrospective impact of the adjustments has been reported as follows:

	2018
<u>Accumulated Surplus</u>	
Increase in 2017 non-financial assets	\$ 374,962
Increase in 2018 opening accumulated surplus	\$ 374,962
<u>Statement of Operations</u>	
Increase (decrease) in expenses	
General government	4,660
Transportation services	(994,379)
Environmental services	(666,615)
Recreational and cultural services	15,249
Total decrease in expenses	\$ (1,641,085)
Increase in 2018 annual surplus	\$ 1,641,085
Increase in 2018 ending accumulated surplus	\$ 2,016,047

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2019

3. Cash and Cash Equivalents

	2019	2018
Unrestricted	\$ 26,688,327	\$ 16,397,055
Restricted - obligatory reserve funds	5,806,079	2,600,956
	\$ 32,494,406	\$ 18,998,011

4. Long-Term Receivables

	2019	2018
Long-term pledges receivable	\$ -	\$ 55,600
Long-term receivable from several land owners bearing interest at 3.15% per annum. Secured by land due 2032.	47,414	50,329
Long-term receivable from several land owners bearing interest at 3.45% per annum. Secured by land due 2047.	91,354	93,276
Mortgage receivable, secured by land, bearing interest at 0% for the first twelve months, 7% per annum there after, equal monthly payments, received in 2019	-	324,000
Long-term receivable from several land owners bearing interest at 3.95%, receivable in blended annual payments of \$61,672, due 2025	323,817	370,841
Long term receivable from several land owners bearing interest at 4.57%, receivable in blended annual payments of \$45,575, due 2040	607,074	624,126
	\$ 1,069,659	\$ 1,518,172

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. 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 (2.243% 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, 2019 was \$nil (2018 - \$nil). The facility is secured by general borrowing by-laws.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2019

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 2019 was \$536,954 (2018 - \$495,462) for current service and is reported as an expense on the consolidated statement of operations.

As at December 31, 2019, the OMERS plan is in a deficit position of \$3.397 billion (2018 - \$4.191 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, 2019

7. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized or refund issued	Ending balance
Development charges	\$ 2,123,030	\$ 3,364,185	\$ 85,752	\$ (1,272,264)	\$ 4,300,703
Federal gas tax	-	808,117	6,061	-	814,178
Provincial gas tax	379,845	64,941	-	-	444,786
Recreational land	98,081	40,000	2,762	-	140,843
Other restricted grants	-	105,569	-	-	105,569
Deposits	1,685,259	2,189,464	-	(1,462,228)	2,412,495
Deferred life lease revenue	6,368,620	388,995	-	(205,287)	6,552,328
	\$ 10,654,835	\$ 6,961,271	\$ 94,575	\$ (2,939,779)	\$ 14,770,902

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, 2019

8. Long-term Debt

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

	<u>2019</u>	<u>2018</u>
OSIFA loan, bearing interest at 2.63%; repayable in blended semi-annual payments of \$124,807; due April 2046	\$ 4,742,010	\$ 4,864,489
OSIFA loan, bearing interest at 3.95%; repayable in blended semi-annual payments of \$30,618; due October 2025	324,294	371,323
OSIFA loan, bearing interest at 4.57%; repayable in blended semi-annual payments of \$74,255; due October 2040	1,991,502	2,047,088
OSIFA loan, bearing interest at 4.91%; repayable in blended semi-annual payments of \$60,104; due May 2051	1,920,217	1,945,411
Cemetery Care and Maintenance Trust Fund loan, bearing interest at 5%; repayable in blended annual payments of \$25,678; due December 2027	165,960	182,512
Haverlea Farms Ltd mortgage, bearing interest at 0%; repayable in annual installments of \$110,000; due September 2020	110,000	220,000
Canada Mortgage and Housing Corporation mortgage, bearing interest at 3.89%; repayable in annual payments of \$109,300; due March 2031	1,032,369	1,098,921
OSIFA loan, bearing interest at 3.65%; repayable in blended semi-annual payments of \$168,651; due November 2037	4,422,039	4,593,235
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	<u>106,558</u>	<u>147,478</u>
	<u>\$ 14,814,949</u>	<u>\$ 15,470,457</u>

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2019

8. Long-Term Debt (continued)

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

	Principal Repayments
2019	\$ 668,038
2020	566,678
2021	579,031
2022	592,861
2023	612,330
Thereafter	11,796,011
	\$ 14,814,949

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 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 \$1,898,000 (2018 - \$2,098,000) and reflects a discount rate of 4.0% (2018 - 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	\$ 2,002,831	\$ 1,200,000	nil years	36 years
Elma	435,107	406,899	13,000	81 years	31 years
Wallace	Closed in 2012	1,535,146	685,000	nil years	50 years
		\$ 3,944,876	\$ 1,898,000		

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

December 31, 2019

10. Tangible Capital Assets

	2019									
	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	\$ 11,718,259	\$ 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
Additions	105,528	251,803	760,707	208,339	154,225	931,921	-	64,870	7,949,147	10,426,540
Disposals	(55,379)	-	(199,833)	(130,640)	-	(511,345)	-	-	-	(897,197)
Transfers	(93,529)	45,216	-	-	-	1,861,972	-	-	(1,813,659)	-
Cost, end of year	\$ 11,674,879	\$ 42,825,842	\$ 6,876,573	\$ 3,529,903	\$ 849,499	\$ 38,029,686	\$ 11,340,445	\$ 68,942,520	\$ 17,931,989	\$ 202,001,336
Accumulated amortization, beginning of year	\$ 1,019,843	\$ 10,415,839	\$ 3,304,633	\$ 1,995,189	\$ 523,783	\$ 11,933,493	\$ 5,140,544	\$ 22,319,704	\$ -	\$ 56,653,028
Amortization	61,484	969,017	391,912	170,123	64,918	1,147,896	152,745	1,117,523	-	4,075,618
Disposals	(54,111)	-	(199,833)	(123,228)	-	(345,654)	-	-	-	(722,826)
Accumulated amortization, end of year	\$ 1,027,216	\$ 11,384,856	\$ 3,496,712	\$ 2,042,084	\$ 588,701	\$ 12,735,735	\$ 5,293,289	\$ 23,437,227	\$ -	\$ 60,005,820
Net carrying amount, end of year	\$ 10,647,663	\$ 31,440,986	\$ 3,379,861	\$ 1,487,819	\$ 260,798	\$ 25,293,951	\$ 6,047,156	\$ 45,505,293	\$ 17,931,989	\$ 141,995,516

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$17,931,989 (2018 - \$11,796,501). Contributed or donated capital assets of \$Nil (2018 - \$nil) were recognized as donation income in the financial statements during the year.

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

December 31, 2019

10. Tangible Capital Assets (continued)

	2018 Restated (See Note 2)									
	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	\$ 467,927	\$ 10,837,914	\$ 4,991,012	\$ 21,143,449	\$ -	\$ 52,840,725
Amortization	62,465	957,636	348,059	158,336	55,856	1,095,579	149,532	1,176,255	-	4,003,718
Disposals	-	(22,345)	(169,070)	-	-	-	-	-	-	(191,415)
Accumulated amortization, end of year	\$ 1,019,843	\$ 10,415,839	\$ 3,304,633	\$ 1,995,189	\$ 523,783	\$ 11,933,493	\$ 5,140,544	\$ 22,319,704	\$ -	\$ 56,653,028
Net carrying amount, end of year	\$ 10,698,416	\$ 32,112,984	\$ 3,011,066	\$ 1,457,015	\$ 171,491	\$ 23,813,645	\$ 6,199,901	\$ 46,557,946	\$ 11,796,501	\$ 135,818,965

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2019

11. Accumulated Surplus

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

	2019	2018 Restated (See Note 2)
Investment in tangible capital assets	\$127,453,083	\$ 120,678,496
Current Funds	(12,703,585)	(5,302,337)
Reserves and Reserve Funds		
Working funds	1,055,000	855,000
Post employee benefits	400,391	394,735
Current purposes	14,501,100	4,587,887
Capital purposes	6,747,212	6,021,118
Unfunded	(1,903,018)	(2,103,018)
	\$135,550,183	\$ 125,131,881

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		
	2019	2019	2018
	(Note 20)		
Operating			
Other operating funding	\$ 1,700	\$ 1,890	\$ 1,680
Capital			
Infrastructure Stimulus Funding	70,000	-	-
Municipal Rural Infrastructure Funding	-	-	639,153
Federal gas tax	601,277	-	461,306
Other capital funding	24,000	35,040	-
	\$ 696,977	\$ 36,930	\$ 1,102,139

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2019

13. Government Transfers - Provincial

	Budget 2019	2019	2018
	(Note 20)		
Operating			
Ontario Municipal Partnership Fund	\$ 1,350,900	\$ 1,350,900	\$ 1,344,900
Other operating funding	709,229	308,971	272,349
Capital			
Small Communities Fund	1,959,984	1,980,788	618,742
Other capital funding	1,729,208	867,391	275,848
	\$ 5,749,321	\$ 4,508,050	\$ 2,511,839

14. Other Income

	Budget 2019	2019	2018
	(Note 20)		
Donations	\$ 47,170	\$ 131,280	\$ 498,623
Gain (loss) on disposal of capital assets	-	(106,957)	323,069
Gain (loss) on Perth Meadows buy back	-	(30,095)	116,180
Development charges	915,220	1,272,264	1,409,072
Licences, permits and rents	725,216	804,311	800,221
Perth Meadows	517,000	607,065	602,212
Sale of publications, equipment, etc.	231,710	209,104	281,835
Investment income	151,000	623,707	336,636
Penalties and interest on taxation	95,000	109,089	100,185
Other fines and penalties	30,980	33,693	32,157
	\$ 2,713,296	\$ 3,653,461	\$ 4,500,190

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2019

15. Expenses by Object

	Budget 2019	2019	2018 Restated (See Note 2)
	(Note 20)		
Salaries, wages and employee benefits	\$ 9,298,873	\$ 8,986,949	\$ 8,088,360
Materials	20,340,177	5,457,651	5,512,019
Contracted services	4,717,667	4,307,505	4,228,481
Rents and financing expenses	53,629	50,948	51,708
Interest on long-term debt	679,381	543,114	561,087
Contributions to others	410,549	397,313	372,989
Amortization	4,896,285	4,075,617	4,003,718
	\$ 40,396,561	\$ 23,819,097	\$ 22,818,362

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 were as follows:

	2019	2018
School boards	4,948,922	4,778,642
County of Perth	5,127,134	4,870,123
	\$ 10,076,056	\$ 9,648,765

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2019

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 \$34,446 to \$78,222 and total \$2,029,011 over the remaining term of the lease.

19. Funds Held in Trust

At the year end, the Municipality of North Perth held \$677,968 (2018 - \$657,722) 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:

	<u>2019</u>	<u>2018</u>
Cemetery Care and Maintenance fund	<u>\$ 677,968</u>	<u>\$ 657,722</u>

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2019

20. Budget

The Financial Plan (Budget) By-Law adopted by Council on May 6, 2019 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 17, 2019 and August 12, 2019. 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 May 6, 2019 with adjustments as follows:

	<u>2019</u>
Financial Plan (Budget) By-Law surplus for the year	\$ (3,824,410)
Add:	
Budgeted transfers to accumulated surplus	1,809,816
Less:	
Budgeted transfers from accumulated surplus	<u>(3,052,676)</u>
Budget surplus per statement of operations	<u>\$ (5,067,270)</u>

21. Subsequent Events

Subsequent to year-end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impact on the Municipality, its citizens, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the Municipality's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the Municipality is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The Municipality's ability to continue delivering non-essential services and employ related staff, will depend on the legislative mandates from the various levels of government. The Municipality will continue to focus on collecting receivables, managing expenditures, and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens.

The Municipality of North Perth
Notes to the Consolidated Financial Statements

December 31, 2019

22. 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, 2019

22. 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, 2019

22. 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 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 - Provincial	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	55,758	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	141,151	1,373,298	2,218,061	294,876	-	8,986,949
Materials	23,748	565,427	1,133,173	2,037,389	54,657	142,983	1,194,662	117,295	188,317	5,457,651
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	1,620,354	1,121,989	6,933	20,081	725,788	-	187,095	4,075,617
	<u>2,118,575</u>	<u>4,837,760</u>	<u>4,993,684</u>	<u>4,861,430</u>	<u>229,879</u>	<u>1,587,310</u>	<u>4,327,142</u>	<u>412,171</u>	<u>451,146</u>	<u>23,819,097</u>
Net surplus (deficit)	<u>\$ 248,272</u>	<u>\$ (2,260,756)</u>	<u>\$ 177,386</u>	<u>\$ 10,604,664</u>	<u>\$ 33,342</u>	<u>\$ 415,812</u>	<u>\$ 458,995</u>	<u>\$ 572,436</u>	<u>\$ 168,151</u>	<u>\$ 10,418,302</u>

The Municipality of North Perth
Notes to Consolidated Financial Statements

December 31, 2019

22. 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 Restated (See Note 2) 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	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
	<u>3,204,958</u>	<u>3,577,150</u>	<u>4,508,439</u>	<u>11,886,283</u>	<u>315,757</u>	<u>1,425,282</u>	<u>5,793,590</u>	<u>1,077,222</u>	<u>718,607</u>	<u>32,507,288</u>
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	104,374	274,635	1,523,641	1,180,720	7,009	18,152	709,836	-	185,350	4,003,717
	<u>1,550,467</u>	<u>4,629,951</u>	<u>4,806,352</u>	<u>4,890,869</u>	<u>240,405</u>	<u>1,438,681</u>	<u>4,370,034</u>	<u>384,106</u>	<u>507,497</u>	<u>22,818,362</u>
Annual surplus (deficit)	<u>\$ 1,654,491</u>	<u>\$ (1,052,801)</u>	<u>\$ (297,913)</u>	<u>\$ 6,995,414</u>	<u>\$ 75,352</u>	<u>\$ (13,399)</u>	<u>\$ 1,423,556</u>	<u>\$ 693,116</u>	<u>\$ 211,110</u>	<u>\$ 9,688,926</u>

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

For the year ended December 31	Budget 2019	2019	2018
Revenue			
Interment rights	\$ 71,800	\$ 75,332	\$ 92,799
Interest income transferred from trust fund	22,000	21,021	18,966
Burial charges	27,800	32,433	32,325
Sundry	10,200	9,751	13,428
Contribution from Municipality	53,630	95,404	98,966
	185,430	233,941	256,484
Expenditures			
Administration and general	162,000	164,076	162,506
Cemetery and building maintenance	85,539	45,557	52,227
Transfer to perpetual care trust fund	21,300	20,246	23,249
	268,839	229,879	237,982
Annual surplus (deficit)	(83,409)	4,062	18,502
Accumulated surplus, beginning of year	101,039	101,039	82,537
Accumulated surplus, end of year	\$ 17,630	\$ 105,101	\$ 101,039

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

For the year ended December 31	Budget 2019	2019	2018
Revenue			
Fees and user charges	\$ 18,777	\$ 17,169	\$ 14,963
Donations - Operating	5,600	3,277	68,653
Donations - Friends	3,000	4,385	3,497
Ontario grants	22,513	22,513	23,788
Development charges	40,000	40,000	40,000
Contribution from Municipality	847,550	823,872	703,626
	937,440	911,216	854,527
Expenditures			
Administrative	64,349	60,267	66,889
Books, videos and periodicals	111,800	92,103	85,426
Repairs and maintenance	261,116	39,518	33,502
Utilities and insurance	37,240	32,186	31,360
Wages and benefits	579,433	530,509	522,780
	1,053,938	754,583	739,957
Annual surplus (deficit)	(116,498)	156,633	114,570
Accumulated surplus, beginning of year	589,000	589,000	474,430
Accumulated surplus, end of year	\$ 472,502	\$ 745,633	\$ 589,000

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

For the year ended December 31	Budget 2019	2019	2018
Revenue			
Taxation revenue	\$ 105,490	\$ 105,490	\$ 98,040
Miscellaneous	-	11,700	710
	<u>105,490</u>	<u>117,190</u>	<u>98,750</u>
Expenditures			
Administrative	57,640	55,625	47,952
Advertising and promotion	30,850	29,932	35,026
Downtown beautification	12,000	13,555	10,602
Contribution to Municipality	17,000	12,173	4,696
	<u>117,490</u>	<u>111,285</u>	<u>98,276</u>
Annual surplus (deficit)	(12,000)	5,905	474
Accumulated surplus, beginning of year	<u>47,697</u>	<u>47,697</u>	<u>47,223</u>
Accumulated surplus, end of year	<u>\$ 35,697</u>	<u>\$ 53,602</u>	<u>\$ 47,697</u>