
THE CORPORATION OF THE TOWNSHIP OF PERRY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

THE CORPORATION OF THE TOWNSHIP OF PERRY
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Independent auditor's report

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Perry

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Perry ("the Township"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated surplus, change in net financial assets 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 Corporation of the Township of Perry as at December 31, 2019, and its results of operations, its changes in its net financial assets, and its 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 Township in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Township'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 Township'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 Township'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 Township 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 Township and the organizations it controls 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

North Bay, Canada
May 6, 2020

Chartered Professional Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF PERRY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash (Note 4)	\$ 863,667	\$ 1,046,720
Temporary investments (Note 5)	1,810,701	832,852
Taxes receivable (Note 6)	420,374	381,817
Accounts receivable	261,905	326,786
	3,356,647	2,588,175
LIABILITIES		
Temporary borrowing (Note 7)	-	500,000
Accounts payable and accrued liabilities	334,592	488,688
Deferred revenue-general (Note 8)	15,333	-
Deferred revenue-obligatory reserve funds (Note 9)	35,269	53,379
Municipal debt (Note 10)	753,138	-
Employee benefits payable (Note 11)	22,550	21,799
Landfill closure and post-closure liability (Note 12)	182,039	176,503
	1,342,921	1,240,369
NET FINANCIAL ASSETS	2,013,726	1,347,806
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 15)	8,072,709	7,662,988
Inventories of supplies	130,148	93,638
Prepaid expenses	33,150	33,275
	8,236,007	7,789,901
ACCUMULATED SURPLUS (Note 16)	\$ 10,249,733	\$ 9,137,707

Contingencies (see Note 2, 14)
Contractual Obligations (see Note 13)

APPROVED ON BEHALF OF COUNCIL:

_____ Mayor

THE CORPORATION OF THE TOWNSHIP OF PERRY
CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget 2019 <i>(see Note 19)</i>	Actual 2019	Actual 2018
REVENUE			
Property taxes	\$ 3,156,413	\$ 3,190,076	\$ 3,016,808
User charges	68,950	119,296	116,617
Government transfers	1,949,317	1,933,098	1,313,744
Gain (loss) on disposal of tangible capital assets	-	(50,795)	7,382
Restructuring net revenue <i>(Note 18)</i>	-	3,165	-
Other	217,564	340,729	272,480
TOTAL REVENUE	5,392,244	5,535,569	4,727,031
EXPENSES			
General government	817,771	736,599	740,315
Protection to persons and property	977,998	1,020,829	862,076
Transportation services	1,614,146	1,299,341	1,279,091
Environmental services	427,599	385,834	351,982
Health services	204,905	201,938	198,205
Social and family services	340,856	340,856	335,476
Recreation and cultural services	367,812	350,170	298,618
Planning and development	104,322	87,976	45,155
TOTAL EXPENSES	4,855,409	4,423,543	4,110,918
ANNUAL SURPLUS <i>(Note 16)</i>	536,835	1,112,026	616,113
ACCUMULATED SURPLUS, BEGINNING OF YEAR	9,137,707	9,137,707	8,521,594
ACCUMULATED SURPLUS, END OF YEAR	\$ 9,674,542	\$ 10,249,733	\$ 9,137,707

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF PERRY
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget 2019 <i>(see Note 19)</i>	Actual 2019	Actual 2018
Annual surplus	\$ 536,835	\$ 1,112,026	\$ 616,113
Acquisition of tangible capital assets	(1,267,567)	(1,053,779)	(1,942,629)
Contributed tangible capital assets, net	-	(5,583)	(3,180)
Amortization of tangible capital assets	593,622	593,752	550,040
(Gain) loss on disposal of tangible capital assets	-	50,795	(7,382)
Proceeds from disposal of tangible capital assets	-	5,094	92,834
Change in supplies inventories	-	(36,510)	23,309
Change in prepaid expenses	-	125	3,208
Increase (decrease) in net financial assets	(137,110)	665,920	(667,687)
Net financial assets, beginning of year	1,347,806	1,347,806	2,015,493
Net financial assets, end of year	\$ 1,210,696	\$ 2,013,726	\$ 1,347,806

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF PERRY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Operating transactions		
Annual surplus	\$ 1,112,026	\$ 616,113
Non-cash charges to operations:		
Amortization	593,752	550,040
(Gain) loss on disposal of tangible capital assets	50,795	(7,382)
Change in employee benefits payable	751	4,697
Change in landfill closure and post-closure liability	5,536	(23,044)
	1,762,860	1,140,424
Changes in non-cash items:		
Taxes receivable	(38,557)	(17,707)
Accounts receivable	64,881	(112,279)
Accounts payable and accrued liabilities	(154,096)	200,090
Deferred revenue-general	15,333	(3,773)
Deferred revenue-obligatory reserve funds	(18,110)	(57,693)
Inventories of supplies	(36,510)	23,309
Prepaid expenses	125	3,208
	(166,934)	35,155
Cash provided by operating transactions	1,595,926	1,175,579
Capital transactions		
Acquisition of tangible capital assets	(1,053,779)	(1,942,629)
Contributed tangible capital assets, net	(5,583)	(3,180)
Proceeds from disposal of tangible capital assets	5,094	92,834
Cash applied to capital transactions	(1,054,268)	(1,852,975)
Investing transactions		
Change in temporary investments	(977,849)	(55,785)
Cash applied to investing transactions	(977,849)	(55,785)
Financing transactions		
Increase (decrease) in temporary borrowing	(500,000)	500,000
Proceeds from municipal debt	800,000	-
Debt principal repayments	(46,862)	-
Cash provided by financing transactions	253,138	500,000
Net change in cash	(183,053)	(233,181)
Cash, beginning of year	1,046,720	1,279,901
Cash, end of year	\$ 863,667	\$ 1,046,720
Cash flow supplementary information:		
Cash paid for interest	\$ 19,740	\$ 2,940

The accompanying notes are an integral part of these financial statements

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2019

Management Responsibility

The consolidated financial statements of the Corporation of the Township of Perry (the "Municipality") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of significant accounting policies is provided in Note 1. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management maintains a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting Entity

These consolidated statements reflect the assets, liabilities, revenue, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all committees of Council and the boards, joint boards and municipal enterprises for which Council is politically accountable as follows:

(i) Consolidated and proportionally consolidated entities

The following local board is consolidated:

Perry Township Public Library

The following local boards and committees are proportionally consolidated:

Kearney-Perry Joint Waste Management Committee

Almaguin Community Economic Development

Inter-organizational transactions and balances between these organizations are eliminated.

(ii) Non-consolidated entities

The following joint boards are not consolidated:

North Bay Parry Sound District Health Unit

Parry Sound District Social Services Administration Board

District of Parry Sound (East) Home for the Aged

(iii) Accounting for school board transactions

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements.

(iv) Trust funds

Trust funds administered by the Municipality are not included in these consolidated financial statements, but are reported separately on the trust funds financial statements.

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2019

(b) Basis of Accounting

(i) Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting. Revenue is recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Cash

Cash includes cash on hand and balances held at financial institutions.

(iii) Temporary investments

Temporary investments are recorded at cost plus accrued interest.

(iv) Non-financial assets

Non-financial assets are not available to discharge existing liabilities but are held for use in the provision of municipal services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as donations are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements - 20 years
Buildings - 50 years
Machinery, equipment and furniture - 5 to 20 years
Vehicles - 8 to 20 years
Roads - 5 to 60 years
Bridges - 60 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Estimated closure and post-closure expenses for active landfill sites as well as the land occupied by the sites are amortized annually on the basis of capacity used during the year as a percentage of the estimated total capacity of the landfill site.

Interest related to the acquisition of capital assets is not capitalized, but is expensed in the year incurred.

(b) Inventories of supplies

Inventories held for consumption are recorded at the lower of cost and replacement cost.

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2019

- (v) Deferred Revenue
Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the Consolidated Statement of Financial Position. The revenue is reported on the Consolidated Statement of Operations in the year in which it is used for the specific purpose.
- (vi) Reserves and reserve funds
Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital purposes. Balances related to these funds are included in the accumulated surplus of the Consolidated Statement of Financial Position.
- (vii) Government transfers
Government transfers are recognized in the financial statements as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the Consolidated Statement of Operations as the stipulation liabilities are settled.
- (viii) Taxation and related revenue
Tax rates are established annually by Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Property tax billings are prepared by the Municipality based on assessment rolls, supplementary assessment rolls and other assessment adjustments issued by the Municipal Property Assessment Corporation ("MPAC"). Taxation revenue is initially recorded at the time assessment information is received from MPAC and is subsequently adjusted based on management's best estimate of the amount of tax revenue resulting from assessment adjustments that have not yet been received from MPAC. The Municipality is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied.
- (ix) Pensions and employee benefits
The Municipality accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. Sick leave benefits are accrued as the employees render the services necessary to earn the benefits.
- (x) 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Municipality may undertake in the future. Significant accounting estimates include valuation allowances for taxes and accounts receivable, estimated useful lives of tangible capital assets, employee sick leave benefits liability, solid waste landfill closure and post-closure liabilities and supplementary taxes. Actual results could differ from these estimates.

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2019

2. CONTRIBUTIONS TO UNCONSOLIDATED JOINT BOARDS

Further to Note 1(a)(ii), the following contributions were made by the Municipality to these boards:

	2019	2018
District of Parry Sound Social Services Administration Board	\$ 204,292	\$ 201,425
North Bay Parry Sound District Health Unit	67,155	66,466
District of Parry Sound (East) Home for the Aged	136,564	134,051
	\$ 408,011	\$ 401,942

The Municipality is contingently liable for its share, if any, of the accumulated deficits as at the end of the year for these boards. The Municipality's share of the accumulated surpluses (or deficits) of these boards has not been determined at this time.

The Municipality is also contingently liable for its share, if any, of the long-term liabilities issued by other municipalities for these boards. The Municipality's share of these long-term liabilities has not been determined at this time.

3. TRANSACTIONS ON BEHALF OF OTHERS

(a) During the year, \$851,159 of taxation was levied on behalf of school boards (2018 \$868,238).

(b) The Municipality administers care and maintenance trust funds totalling \$22,765 (2018 \$22,665) which are funded by the sale of cemetery interment rights and markers. These funds are invested and earnings derived therefrom are used to perform maintenance at the Municipality's cemeteries. The trust funds are not included in these consolidated financial statements, as they are being held in trust for the benefit of others.

4. CASH

Cash is comprised of:

	2019	2018
Unrestricted cash	\$ 828,398	\$ 1,030,604
Restricted cash	35,269	16,116
	\$ 863,667	\$ 1,046,720

Federal, Provincial and Municipal legislation restricts how restricted cash related to obligatory reserve funds, reported in Note 9, may be used.

5. TEMPORARY INVESTMENTS

Temporary investments are comprised of guaranteed investment certificates, bearing interest at rates ranging from 2.0% to 3.1% and maturing between February 20, 2020 and December 9, 2020. The balance includes NIL (2018 \$37,263) of restricted investments. Federal, Provincial and Municipal legislation restricts how restricted investments related to obligatory reserve funds, reported in Note 9, may be used.

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2019

6. TAXES RECEIVABLE

Taxes receivable are comprised of the following:

	2019	2018
Taxes receivable	\$ 450,374	\$ 413,817
Valuation allowance	(30,000)	(32,000)
	\$ 420,374	\$ 381,817

7. TEMPORARY BORROWING

The Municipality has a promissory note payable to the Ontario Infrastructure and Lands Corporation to provide interim financing for funding capital projects to a maximum of \$2,250,000. The note is payable on demand, with interest only, calculated at Infrastructure Ontario's monthly construction interest rate in effect for the interest period, payable monthly. The facility was fully repaid in 2019. In 2018, \$500,000 of the facility was used.

In addition, the Municipality has an authorized operating loan with the Bank of Nova Scotia of \$500,000 (2018 \$500,000) which was unused at the end of the year.

8. DEFERRED REVENUE-GENERAL

Details of the deferred revenue reported on the Consolidated Statement of Financial Position are as follows:

	2019	2018
Balance, beginning of year:		
Other	\$ -	\$ 3,773
Received during the year:		
Ontario Cannabis Legalization Implementation Fund	15,333	-
Recognized in revenue during the year	-	(3,773)
Balance, end of year	\$ 15,333	\$ -

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2019

9. DEFERRED REVENUE-OBLIGATORY RESERVE FUNDS

The Municipality receives payments in lieu of parkland under the Planning Act, development charges under the Development Charges Act, building permit revenue under the Building Code Act, federal gas tax funding and provincial Main Street revitalization funding under agreements with the Association of Municipalities of Ontario, and Ontario Community Infrastructure Fund funding under an agreement with the Ministry of Infrastructure. Legislation restricts how these funds may be used, and under certain circumstances, how these funds may be refunded.

In the case of payments in lieu of parkland and building permit revenue recognition occurs when the Municipality has approved eligible expenditures for public recreation and building department purposes. Development charges are recognized in revenue when the Municipality has approved the expenditures for the capital works for which the development charges were raised. Gas tax, Main Street revitalization and Ontario Community Infrastructure Fund revenue recognition occurs when the Municipality has approved the expenditures for eligible operating expenditures and capital works. Historically, the Municipality has applied its gas tax and infrastructure funding to local road and bridge improvements and asset management planning expenditures.

Details of the deferred revenue-obligatory reserve funds reported on the Consolidated Statement of Financial Position are as follows:

	2019	2018
Balance, beginning of year:		
Development Charges	\$ 6,763	\$ 6,763
Recreational land (the Planning Act)	9,353	-
Federal Gas Tax	-	96,298
Ontario Community Infrastructure Fund	-	6,238
Building Code Act	-	1,773
Main Street Revitalization	37,263	-
	<u>53,379</u>	<u>111,072</u>
Received during the year:		
Recreational land (the Planning Act)	7,325	9,300
Building Code Act	142,943	89,773
Federal Gas Tax	299,237	147,597
Ontario Community Infrastructure Fund	50,000	50,000
Main Street Revitalization	-	39,817
Interest earned	1,455	2,842
	<u>500,960</u>	<u>339,329</u>
Recognized in revenue during the year	<u>(519,070)</u>	<u>(397,022)</u>
Balance, end of year	\$ 35,269	\$ 53,379
Development Charges	\$ 6,763	\$ 6,763
Recreational land (the Planning Act)	16,808	9,353
Main Street Revitalization	11,698	37,263
Balance, end of year	\$ 35,269	\$ 53,379

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2019

10. MUNICIPAL DEBT

(a) The balance of the municipal debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2019	2018
Ontario Infrastructure and Lands Corporation amortizing debenture, due April 2029, repayable in monthly payments of \$7,618 including interest calculated at 2.71%, secured by future Provincial funding	\$ 753,138	\$ -

(b) Future estimated principal and interest payments on the municipal debt are as follows:

	Principal	Interest
2020	\$ 71,897	\$ 19,521
2021	73,870	17,549
2022	75,897	15,522
2023	77,980	13,439
2024	80,119	11,299
2025 onwards	373,375	22,773
	\$ 753,138	\$ 100,103

(c) Total charges for the year for municipal debt which are reported in the financial statements are as follows:

	2019	2018
Principal payments	\$ 46,862	\$ -
Interest	15,785	-
	\$ 62,647	\$ -

11. EMPLOYEE BENEFITS PAYABLE

Under the sick leave benefits plan, unused sick leave can accumulate to a prescribed maximum and employees may become entitled to a cash payment when they leave the Municipality's employment. The sick leave benefit liability estimates use of accumulated sick leave prior to retirement as well as lump-sum payments upon retirement, and assumes that both the appropriate discount rate and future salary and wage levels will increase by 2% per annum. The liability for these accumulated days amounted to \$22,550 (2018 \$21,799) at the end of the year.

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2019

12. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final cover and landscaping of the landfill sites, management of groundwater and leachates, and ongoing environmental monitoring and site inspection and maintenance. Estimated expenditures related to the closure and subsequent maintenance of the sites are recognized in the financial statements over the operating life of the sites, in proportion to their utilized capacity.

The Municipality is currently responsible for two waste disposal sites as follows:

The Township of Perry landfill site stopped accepting waste in 2001 and is now in the monitoring stage. The liability for this landfill site is recorded at \$106,709 (2018 \$110,895) and represents the present value of closure and post-closure costs for 100% of the total site area, using an estimated long-term borrowing rate of 2.55% (2018 3.07%) and inflation rate of 1.7% (2018 1.6%). Post-closure care is estimated to be required for a period of 25 years.

The Township of Perry and the Town of Kearney jointly operate a landfill site through the Kearney-Perry Joint Waste Management Committee. The liability for this landfill site is recorded at \$135,000 (2018 \$118,000) and represents the present value of closure and post-closure costs for 26% of the approved site area, using an estimated long-term borrowing rate of 2.86% (2018 3.63%) and inflation rate of 1.7% (2018 1.6%). The total estimated future expenditures - representing the sum of the discounted future cash flows for closure and post-closure care - are \$755,357 (2018 \$598,981), leaving an amount to be recognized of \$620,357 (2018 \$480,981). The estimated remaining capacity of the site is approximately 99,693 cubic metres, estimated to be filled in 54 years. Post-closure care is estimated to be required for a period of 25 years. The Committee has closure reserves of \$303,010 (2018 \$285,930) to fund this liability.

The Municipality has recognized \$75,330 (2018 \$65,608) in the financial statements related to its proportionate share of this liability.

13. CONTRACTUAL OBLIGATIONS

In 2019 the Municipality contracted Georgian Engineering to provide engineering assistance and consulting services in connection with the construction of a community centre at a cost of \$76,200 plus HST. To the end of 2019, \$7,345 has been billed under this contract. The balance of work is expected to be completed in 2020.

In 2019 the Municipality contracted Tatham Engineering Limited to perform a road needs study and a facilities/equipment assessment at a cost of \$52,720 plus HST. The work is expected to be performed in 2020.

14. CONTINGENCIES

The Municipality is involved from time to time in litigation, which arises in the normal course of business. With respect to outstanding claims, the Municipality believes that insurance coverage is adequate and that no material exposure exists on the eventual settlement of such litigation. Therefore, no provision has been made in the accompanying financial statements.

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2019

15. TANGIBLE CAPITAL ASSETS

The tangible capital assets of the Municipality by major asset class are outlined below.

2019							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 747,057	\$ 3,434,362	\$ 1,626,570	\$ 1,561,328	\$ 11,607,882	\$ 1,005,552	\$ 19,982,751
Additions and betterments	139,197	14,245	303,772	-	575,455	21,110	1,053,779
Contributed assets	3,961	68	2,249	-	-	-	6,278
Disposals and writedowns	-	(5,978)	(62,991)	(7,453)	(686,945)	-	(763,367)
Transfer between classes	129,537	873,787	2,228	-	-	(1,005,552)	-
BALANCE, END OF YEAR	1,019,752	4,316,484	1,871,828	1,553,875	11,496,392	21,110	20,279,441
ACCUMULATED AMORTIZATION							
Balance, beginning of year	219,505	721,496	845,737	639,772	9,893,253	-	12,319,763
Annual amortization	27,603	77,173	109,143	116,566	263,267	-	593,752
Accumulated amortization - contributed assets	564	18	113	-	-	-	695
Amortization disposals	-	(837)	(41,504)	(4,658)	(660,479)	-	(707,478)
BALANCE, END OF YEAR	247,672	797,850	913,489	751,680	9,496,041	-	12,206,732
TANGIBLE CAPITAL ASSETS-NET	\$ 772,080	\$ 3,518,634	\$ 958,339	\$ 802,195	\$ 2,000,351	\$ 21,110	\$ 8,072,709

2018							
	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads and Bridges	Assets Under Construction	TOTAL
COST							
Balance, beginning of year	\$ 748,169	\$ 3,435,417	\$ 1,605,597	\$ 1,630,132	\$ 11,358,737	\$ 76,029	\$ 18,854,081
Additions and betterments	-	3,812	71,496	513,356	405,010	948,955	1,942,629
Contributed assets	-	-	3,180	-	-	-	3,180
Disposals and writedowns	(1,112)	(7,468)	(53,703)	(582,160)	(172,696)	-	(817,139)
Transfer between classes	-	2,601	-	-	16,831	(19,432)	-
BALANCE, END OF YEAR	747,057	3,434,362	1,626,570	1,561,328	11,607,882	1,005,552	19,982,751
ACCUMULATED AMORTIZATION							
Balance, beginning of year	209,259	655,104	773,680	1,054,376	9,808,991	-	12,501,410
Annual amortization	11,358	68,377	99,862	113,485	256,958	-	550,040
Amortization disposals	(1,112)	(1,985)	(27,805)	(528,089)	(172,696)	-	(731,687)
BALANCE, END OF YEAR	219,505	721,496	845,737	639,772	9,893,253	-	12,319,763
TANGIBLE CAPITAL ASSETS-NET	\$ 527,552	\$ 2,712,866	\$ 780,833	\$ 921,556	\$ 1,714,629	\$ 1,005,552	\$ 7,662,988

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2019

16. ACCUMULATED SURPLUS

The 2019 continuity of accumulated surplus reported on the Consolidated Statement of Financial Position is as follows:

	Balance Beginning of Year	Annual Surplus (Deficit)	Balance End of Year
RESERVES AND RESERVE FUNDS			
Working capital	\$ 511,704	\$ 359,800	\$ 871,504
Election	9,751	2,500	12,251
Fire	146,892	(6,919)	139,973
Roads	488,152	205,000	693,152
Library	33,620	1,840	35,460
Replacement of building and equipment	364,498	(81,204)	283,294
Future Needs	225,615	-	225,615
Joint Waste Management Committee (2019: 55.8% ; 2018: 55.6%)	230,346	11,484	241,830
	2,010,578	492,501	2,503,079
OTHER			
Consolidated tangible capital assets	7,662,988	409,721	8,072,709
General operating surplus (deficit)- Municipality	504,141	127,613	631,754
Joint Waste Management Committee (2019: 55.8% ; 2018: 55.6%)	7,058	(7,140)	(82)
Unfinanced capital expenditures	(848,756)	848,756	-
Unfunded amounts - Municipal debt	-	(753,138)	(753,138)
Employee benefits	(21,799)	(751)	(22,550)
Landfill closure and post-closure	(176,503)	(5,536)	(182,039)
	\$ 9,137,707	\$ 1,112,026	\$ 10,249,733

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2019

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT

The Municipality and its Boards and Committees provide a wide range of services to its citizens. The schedule of segment disclosure provides a breakdown of the annual surplus (deficit) reported on the Consolidated Statement of Operations by major reporting segment. The segments correspond to the major functional categories used in the Municipality's Financial Information Return, which include the following activities:

General Government

This segment includes Council, Clerk's Department, and Treasury. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues relating to governance, strategic planning and service delivery.

Protection to Persons and Property

This segment includes fire, police, building inspection, conservation authority, emergency measures and bylaw enforcement. Police services are provided by the Ontario Provincial Police under contract.

Transportation Services

Transportation services include roadway systems and winter control.

Environmental Services

This segment includes solid waste management.

Health Services

This segment includes cemeteries as well as payments to the district health unit.

Social and Family Services

This segment consists primarily of payments made to the district social services administration board and home for the aged for the provision of social services such as childcare, social housing, general assistance and assistance to the elderly.

Recreation and Culture

This segment includes parks, recreation programs, recreation facilities and cultural services such as museums.

Library

This segment includes the consolidated library transactions of the Municipality and its Library Board.

Planning and Development

This segment includes activities related to planning, zoning and economic development.

Unallocated Amounts

Items are recorded as unallocated amounts when there is no reasonable basis for allocating them to a segment. Major items included in this category are property taxation and related penalty and interest charges, and unconditional grants such as the Municipality's annual Ontario Municipal Partnership Fund grant.

In the preparation of segmented financial information, some allocation of expenses is made. This generally includes charges of administrative time and office expenses to specific segments.

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2019

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2019

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Library Services	Planning and Development	Unallocated Amounts	Consolidated
REVENUE											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,190,076	\$ 3,190,076
User charges	9,136	20,278	-	39,571	-	-	2,881	830	46,600	-	119,296
Government transfers -											
Canada	-	-	299,746	-	-	-	-	-	2,404	-	302,150
Ontario	-	17,969	50,170	86,688	-	-	3,509	8,036	23,621	1,429,500	1,619,493
Other municipalities	-	5,388	1,523	-	-	-	-	-	4,544	-	11,455
Loss on disposal of capital assets	-	(5,141)	(45,511)	-	-	-	-	(143)	-	-	(50,795)
Restructuring net revenue	-	-	-	-	-	-	-	-	3,165	-	3,165
Other	581	147,360	23,266	11,487	740	-	16,994	4,816	8,204	127,281	340,729
TOTAL REVENUE	9,717	185,854	329,194	137,746	740	-	23,384	13,539	88,538	4,746,857	5,535,569
EXPENSES											
Salaries, wages and benefits	486,389	218,197	427,845	133,382	-	-	127,537	58,450	16,465	-	1,468,265
Long-term debt charges (interest)	-	15,785	-	-	-	-	-	-	-	-	15,785
Materials	87,207	127,264	401,921	35,191	-	-	80,954	22,387	41,415	-	796,339
Contracted services	115,649	594,502	60,452	188,393	133,786	-	4,160	1,321	11,964	-	1,110,227
Rents and financial expenses	3,415	8,961	-	10,945	159	-	3,601	-	853	-	27,934
External transfers	2,730	-	-	-	67,655	340,856	-	-	-	-	411,241
Amortization	41,209	56,120	409,123	17,923	338	-	35,605	16,155	17,279	-	593,752
TOTAL EXPENSES	736,599	1,020,829	1,299,341	385,834	201,938	340,856	251,857	98,313	87,976	-	4,423,543
ANNUAL SURPLUS (DEFICIT)	\$ (726,882)	\$ (834,975)	\$ (970,147)	\$ (248,088)	\$ (201,198)	\$ (340,856)	\$ (228,473)	\$ (84,774)	\$ 562	\$ 4,746,857	\$ 1,112,026

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2019

17. SEGMENT DISCLOSURES AND EXPENSES BY OBJECT (continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Library Services	Planning and Development	Unallocated Amounts	Consolidated
REVENUE											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,016,808	\$ 3,016,808
User charges	6,762	11,933	225	51,128	-	-	14,204	2,115	30,250	-	116,617
Government transfers -											
Canada	-	-	245,657	-	-	-	-	-	-	-	245,657
Ontario	-	7,384	56,772	71,305	-	-	-	11,715	2,809	889,900	1,039,885
Other municipalities	-	25,602	2,600	-	-	-	-	-	-	-	28,202
Gain (loss) on disposal of capital assets	(4,948)	-	15,595	-	-	-	(3,265)	-	-	-	7,382
Other	1,067	101,798	2,473	30,747	807	-	-	5,174	5,957	124,457	272,480
TOTAL REVENUE	2,881	146,717	323,322	153,180	807	-	10,939	19,004	39,016	4,031,165	4,727,031
EXPENSES											
Salaries, wages and benefits	483,455	187,359	449,894	134,551	-	-	107,988	51,726	-	-	1,414,973
Materials	80,768	80,162	413,230	39,071	258	-	61,633	18,408	14,343	-	707,873
Contracted services	127,289	536,423	27,302	160,964	130,733	-	3,982	1,561	13,318	-	1,001,572
Rents and financial expenses	5,017	7,641	2,544	10,946	-	-	3,706	-	1,464	-	31,318
External transfers	2,700	-	-	-	66,966	335,476	-	-	-	-	405,142
Amortization	41,086	50,491	386,121	6,450	248	-	33,263	16,351	16,030	-	550,040
TOTAL EXPENSES	740,315	862,076	1,279,091	351,982	198,205	335,476	210,572	88,046	45,155	-	4,110,918
ANNUAL SURPLUS (DEFICIT)	\$ (737,434)	\$ (715,359)	\$ (955,769)	\$ (198,802)	\$ (197,398)	\$ (335,476)	\$ (199,633)	\$ (69,042)	\$ (6,139)	\$ 4,031,165	\$ 616,113

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2019

18. RESTRUCTURING NET REVENUE

In 2019 the Municipality entered into a joint services agreement for Almaguin Community Economic Development ("ACED"). The agreement took effect in October 2019, and includes the following independent organizations:

- The Corporation of the Township of Perry;
- The Municipal Corporation of the Township of Armour;
- The Corporation of the Township of Ryerson;
- The Corporation of the Village of Sundridge;
- The Almaguin Highlands Chamber of Commerce;
- The Corporation of the Municipality of Magnetawan;
- The Corporation of the Municipality of the Village of Burk's Falls;
- The Corporation of the Township of Strong;
- The Corporation of the Village of South River;
- The Corporation of the Municipality of Powassan;
- The Corporation of the Township of Joly.

ACED assumed the operating responsibilities of the Central Almaguin Economic Development Association and of the Burk's Falls and Area Community Economic Development. In addition, the tangible capital assets of the Burk's Falls and Area Community Economic Development were transferred to ACED at no cost.

The Municipality recorded net revenue of \$3,165 as a result of this restructuring. The value of the tangible assets received is recorded as a contributed asset in Note 15.

19. BUDGET FIGURES

The budget adopted for the current year was prepared on a modified accrual basis, and has been restated to conform with the accounting and reporting standards applicable to the actual results. A reconciliation of the adopted and reported budgets is presented below.

	Budget
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ADOPTED BUDGET:	
Decrease in general municipal operating surplus	\$ (504,141)
Decrease in unfinanced capital	848,756
Decrease in Joint Waste Management Committee operating surplus	(7,081)
Increase in consolidated reserves and reserve funds	278,494
ADJUSTMENTS:	
Acquisition of tangible capital assets	1,267,567
Amortization of tangible capital assets	(593,622)
Increase in municipal debt	(753,138)
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ANNUAL SURPLUS	\$ 536,835

THE CORPORATION OF THE TOWNSHIP OF PERRY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year Ended December 31, 2019

20. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer plan, on behalf of certain members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2019. The results of this valuation disclosed total actuarial liabilities of \$107,687 million with respect to benefits accrued for service with actuarial assets at that date of \$104,290 million indicating an actuarial deficit of \$3,397 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for 2019 was \$93,603 (2018 \$91,167) for current and prior-year service and is included as an expense on the Consolidated Statement of Operations.

21. SUBSEQUENT EVENTS

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Municipality has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Municipality for future periods.

To date, the Municipality has taken the following actions in response to the pandemic:

- (a) On March 13, 2020, in response to legislated closures of non-essential services, the Municipality closed all of its facilities to the Public. The Municipality expects a reduction in rentals, user fees, and AHIC donations of approximately \$2,000 per month as a result of these closures.
- (b) On April 1, 2020, the Municipality passed By Law 2020-23 to set the rate of interest and penalties on tax arrears at 0% for the months of April, May and June 2020. As a result, the Municipality expects a decrease of interest and penalties revenue of approximately \$5,000 per month. The Municipality expects that some of its taxpayers will face additional financial pressures that may impact their ability to make their tax payments on a timely basis.