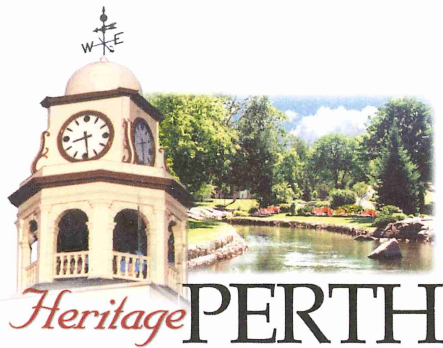


Consolidated Financial Statements

Corporation of the Town of Perth

Year ended December 31, 2020



THE CORPORATION OF THE TOWN OF PERTH

80 Gore Street East
Perth, Ontario K7H 1H9
Phone: 613 267-3311
Fax: 613 267-5635

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Town of Perth are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls 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 consolidated financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to Council approval of the consolidated financial statements.

The consolidated financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the Town. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Michael Touw
Chief Administrative Officer

Brian Burns
Treasurer

Aged to Perfection!

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Perth:

We have audited the consolidated financial statements of the Corporation of the Town of Perth (the 'Entity') which comprise:

- The consolidated statement of financial position as at December 31, 2020;
- The consolidated statement of operations and accumulated surplus for the year then ended;
- The consolidated statement of changes in net financial assets for the year then ended;
- The consolidated statement of cash flows for the year then ended;
- And the notes to the consolidated financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020, and its consolidated results of its operations, its consolidated changes in financial assets and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the '**Auditors' Responsibilities for the Audit of the Financial Statements**' section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the 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 of 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the plan scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants
Perth, Ontario,
June 8, 2021

Corporation of the Town of Perth
Consolidated Statement of Financial Position
December 31
(in thousands of dollars)

	2020	2019
Assets		
Cash and short-term investments	\$17,840	\$14,698
Taxes receivable	655	460
User charges receivable	349	389
Accounts receivable	353	973
Land inventory for resale	438	491
	<u>19,635</u>	<u>17,011</u>
Liabilities		
Accounts payable and accrued liabilities	1,121	1,704
Prepaid property taxes	653	564
Accrued landfill closure and post closure liability (note 11)	1,670	1,330
Other current liabilities	1,064	1,229
Employee future benefit obligations	72	103
Deferred revenues (note 4)	1,534	1,534
Long term debt (note 5)	3,882	4,269
	<u>9,996</u>	<u>10,733</u>
Net Financial Assets	<u>9,639</u>	<u>6,278</u>
Non-Financial Assets		
Tangible capital assets (note 15)	62,256	63,349
Prepaid expenses	205	154
	<u>62,461</u>	<u>63,503</u>
Commitments (note 12) Contingent Liabilities (note 10)		
Municipal Equity (note 6)	<u>\$72,100</u>	<u>\$69,781</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Corporation of the Town of Perth
Consolidated Statement of Operations
For the year ended December 31
(in thousands of dollars)**

	Budget	2020	2019
Revenues			
Property taxation	\$7,749	\$8,046	\$7,718
User charges	4,063	3,821	4,285
Government transfers	2,412	2,833	3,065
Licences and permits	234	278	223
Investment income	250	246	327
Penalties and interest on taxes	91	38	92
Provincial offences	856	453	773
Other	736	613	501
Total Revenues	16,391	16,328	16,984
Expenses			
General government	1,672	1,470	1,525
Protection to persons and property	3,947	3,478	3,905
Transportation services	2,078	1,863	1,955
Environmental services	3,948	4,039	3,916
Social and family services	20	20	20
Recreation and cultural services	2,672	2,498	2,789
Planning and development	1,260	940	1,171
Landfill closure costs	---	340	---
Total Expenses	15,597	14,648	15,281
Net Revenue from Operations	794	1,680	1,703
Other			
Grants and transfers related to capital	2,153	589	1,384
Loss on sale of capital assets	4	(2)	---
Gain on sale of land inventory	---	62	---
Write down of capital assets	--	(10)	---
Annual Surplus	2,951	2,319	3,087
Municipal Equity, Beginning of Year	69,781	69,781	66,694
Municipal Equity, End of Year	\$72,732	\$72,100	\$69,781

The accompanying notes are an integral part of these consolidated financial statements.

**Corporation of the Town of Perth
Consolidated Statement of Changes in Net Financial Assets
For the year ended December 31
(in thousands of dollars)**

	Budget	2020	2019
Annual Surplus	\$2,951	\$2,319	\$3,087
Amortization of tangible capital assets	2,647	2,568	2,540
Acquisition of tangible capital assets	(7,226)	(1,498)	(2,275)
Loss on write down of capital assets	---	10	---
Proceeds on sale of capital assets	---	11	---
Loss on sale of capital assets	---	2	---
Acquisition of prepaid expenses	---	(51)	(11)
	(4,579)	1,042	254
Increase (Decrease) in Net Financial Assets	(1,627)	3,361	3,341
Net Financial Assets, Beginning of Year	6,278	6,278	2,937
Net Financial Assets, End of Year	\$4,651	\$9,639	\$6,278

The accompanying notes are an integral part of these consolidated financial statements.

Corporation of the Town of Perth
Consolidated Statement of Cash Flows
For the year ended December 31
(in thousands of dollars)

	2020	2019
Operating Activities		
Annual surplus for the year	\$2,319	\$3,087
Amortization	2,568	2,540
Loss on sale of capital assets	2	---
Write down of tangible capital assets	10	---
	<hr/>	<hr/>
	4,899	5,627
Net Change in Non-Cash Working Capital Balances		
Taxes receivable	(194)	59
User charges receivable	40	(9)
Accounts receivable	620	(101)
Inventory for resale	53	---
Accounts payable and accrued liabilities	(583)	(1,382)
Prepaid property taxes	89	16
Accrued landfill closure and post closure	340	---
Other current liabilities	(165)	49
Employee future benefit obligation	(31)	(30)
Deferred revenues	---	280
Prepaid expenses	(51)	(10)
	<hr/>	<hr/>
	118	(1,128)
	<hr/>	<hr/>
Working Capital from Operations	5,017	4,499
Capital Activities		
Acquisition of tangible capital assets	(1,498)	(2,275)
Proceeds on sale of capital assets	11	---
	<hr/>	<hr/>
Net investment in tangible capital assets	(1,487)	(2,275)
Financing Activities		
Long term loan received	---	4,461
Debt principal repayments	(388)	(359)
	<hr/>	<hr/>
Net change in cash from financing activities	(388)	4,102
Net Increase in Cash	3,142	6,326
Cash, Beginning of Year	14,698	8,372
	<hr/>	<hr/>
Cash, End of Year	\$17,840	\$14,698

The accompanying notes are an integral part of these consolidated financial statements

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020

1. Corporation of the Town of Perth

The Corporation of the Town of Perth (the 'Town') was incorporated in 1854. The Town operates as a lower tier government in the County of Lanark, in the Province of Ontario, Canada and provides municipal services such as police, fire, public works, planning, parks and recreation, library and other general government operations.

2. Significant Accounting Policies

The consolidated financial statements of the Town are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting Entity

- (i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds and changes in investment in tangible capital assets of the Town. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated. These consolidated financial statements include:

Business Improvement Area Committee
Public Library Board (proportionate)

- (ii) The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these consolidated financial statements.

Basis of Accounting

- (i) The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

**Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020**

2. Significant Accounting Policies / continued

- (ii) Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

Taxation and Related Revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ('MPAC'). Tax rates are established by the Town Council, incorporating amounts to be raised for local services, amounts to be raised on behalf of County of Lanark for regional services, and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Adjustments to taxation revenue can occur during the year related to the issuance of supplementary tax billings and/or assessment appeals. These adjustments are recorded when the amount of the adjustments can be quantified. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period in which the interest and penalties are applied.

Tangible Capital Assets

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

Land Improvements	10-25 years
Buildings	20-50 years
Vehicles	10-15 years
Equipment & Machinery	3-15 years
Linear Assets	20 to 65 years

Amortization is charged from the month following acquisition. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Town has a capitalization threshold of \$5,000 for land improvements, vehicles and equipment and \$25,000 for buildings and linear assets so that individual capital assets of lesser value are expensed.

**Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020**

2. Significant Accounting Policies / continued

Tangible Capital Assets / continued

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the consolidated statement of operations in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

When conditions indicate that a tangible capital asset no longer contributes to the Town's ability to provide services or the value of the future economic benefits associated with the tangible capital asset are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the consolidated statement of operations.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Inventories and Prepaid Expenses

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

Pension and Employee Benefits

The Town accounts for its participation in the Ontario Municipal Employees Retirement System ('OMERS'), a multi-employer public sector pension fund, as a defined benefit plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020

2. Significant Accounting Policies / continued

Pension and Employee Benefits / continued

Employee benefits include vacation entitlement and sick leave benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave benefits are accrued in accordance with the Town's policy.

The Town accrues its obligation for employee benefit plans. The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actual gains (losses) which can arise from changes in the actuarial assumptions used to determine the accrued benefit obligation will be amortized over the average remaining service period of active employees.

Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Deferred Revenues

The Town defers recognition of user charges and fees which have been collected but for which the related services have yet to be performed. Government transfers of gas taxes, development charges collected under the *Development Charges Act, 1997*, and recreational land collected under the Planning Act are reported as deferred revenues in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the fiscal year the services are performed.

The Town receives restricted contributions under the authority of Federal and Provincial legislation and Town by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

Deferred revenue represents certain user charges and fees which have been collected but for which the related services have yet to be performed. Deferred revenue also represents contributions that the Town has received pursuant to legislation, regulation or agreement that may only be used for certain programs or in the completion of specific work. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

**Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020**

2. Significant Accounting Policies / continued

Investment Income

Investment income earned on surplus, current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charges and obligatory reserve funds is added to the fund balance and forms part of respective deferred revenue balances.

Landfill Closure and Post-Closure Liabilities

The Town accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management.

Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries.

A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Town:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefit will be given up; and
- (e) a reasonable estimate of the amount can be made.

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020
(all figures in thousands of dollars)

2. Significant Accounting Policies / continued

Liability for Contaminated Sites

The liability is recognized as management's estimate of cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

Financial Instruments

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. The Town has classified each financial instrument into one of the following categories: held-for-trading financial assets and liabilities, loans and receivables, held-to-maturity financial assets and other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in those fair values recognized in net revenues.

Loans and receivables, held-to-maturity financial assets and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Town classifies cash and cash equivalents as held-for-trading financial assets, accounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities.

Measurement Uncertainty

The preparation of consolidated financial statements 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the consolidated financial statements in the period in which they become known.

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020
(all figures in thousands of dollars)

3. Operations of the School Board and County of Lanark

During 2020, the Town collected and made property tax transfers including payments in lieu of property taxes, to the County of Lanark of \$3,434 (2019 - \$3,278) and to School Boards of \$2,565 (2019 - \$2,523).

4. Deferred Revenues

A requirement of public sector accounting standards of the Chartered Professional Accountants of Canada is that obligatory reserve funds be reported as deferred revenue. Provincial legislation restricts how certain reserve funds may be used and these reserve funds are recorded as deferred revenue on the Consolidated Statement of Financial Position. These funds are accumulated as follows:

	2020	2019
Balance, beginning of year	\$1,534	\$1,254
Development Charges collected	265	378
Federal Gas Tax Funding	180	369
Investment Income	22	31
Funding Utilized	<u>(467)</u>	<u>(498)</u>
Balance, end of year	<u>\$1,534</u>	<u>\$1,534</u>
Split as:		
Development Charges	\$1,423	\$1,527
Gas Tax Revenue	106	2
Parkland Reserve	<u>5</u>	<u>5</u>
Total	<u>\$1,534</u>	<u>\$1,534</u>

5. Long Term Debt

Long term debt is comprised of a fixed rate loan from the Federation of Canadian Municipalities which bears interest at 3.41% and matures in 2029. The loan is repayable in blended semi-annual payments.

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020
(all figures in thousands of dollars)

5. Long Term Debt / continued

Interest expense on the loan in 2020 amounted to \$145 (2019 - \$82).

Principal payments on the loan fall due as follows:

2021	401
2022	415
2023	429
2024	444
2025	459
2026 and thereafter	<u>1,734</u>
Total	<u>\$3,882</u>

These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

6. Municipal Equity

Municipal equity consists of:

	2020	2019
Tangible Capital Assets	\$62,256	\$63,349
Long Term Debt	(3,882)	(4,269)
Unfinanced Capital Outlay	(900)	(900)
Reserves (Schedule 1)	14,626	11,590
Reserve Funds (Schedule 1)	<u>---</u>	<u>11</u>
Total	<u>\$72,100</u>	<u>\$69,781</u>

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020
(all figures in thousands of dollars)

7. Pension Contributions

The Town makes contributions to the Ontario Municipal Employees Retirement System (“OMERS”), which is a multi-employer plan, on behalf of all permanent 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. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Town does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS was \$322 (2019 \$321) for current services and is included as an expenditure on the Consolidated Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.

8. Provincial Offences Administration (POA)

The Town of Perth has assumed the administration of the Provincial Offences office for all County of Lanark resident municipalities. The transfer of administration from the Ministry of the Attorney General to the Town was a result of the Provincial Offences Act (POA) 1997, which provides the framework for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to a defendant, to conducting trials, including sentencing and appeals.

The Town’s share of net revenues arising from operation of the POA office have been consolidated with these consolidated financial statements. The revenue of the court office consists of fines levied under Parts I and III (including delay penalties) for POA charges filed in the Perth court.

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020
(all figures in thousands of dollars)

8. Provincial Offences Administration (POA)

If fines are paid at other court offices, the receipt is recorded in the Integrated Courts Operation Network System (“ICON”) operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON system regardless of the location where payment is made.

The Town of Perth shares net POA revenues based on weighted assessment.

9. Contingent Liability – Contaminated Sites

The Town has identified a potential liability for two contaminated sites. One site was previously used as a landfill and the other attached to an industrial property with environmental issues. The Town has completed environmental assessments on both sites. An estimate of the liability for the contaminated sites could not be reasonably estimated. Both sites are currently vacant. A liability for the contaminated sites will be recognized in the consolidated financial statements, if required, when a future use of the site is known.

10. Contingent Liabilities

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2020, management believes that the Town has valid defences and appropriate insurance coverages in place.

In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in the consolidated financial statements.

11. Landfill Closure and Post Closure Liability

The Environment Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020
(all figures in thousands of dollars)

11. Landfill Closure and Post Closure Liability

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five-year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The Town currently has one active site. The site is in operation and is currently undergoing an expansion in capacity that provides an estimated life of approximately 15 years. The anticipated closure plan, based on information provided by R. J. Burnside and Associated Limited (February 2019), involves placement of low permeability native soils over the buried wastes, landscaping and revegetation and ongoing annual monitoring and maintenance at an estimated capital cost of \$922,000. Annual post closure maintenance and monitoring requirements are estimated to be \$30,000 per annum and are expected to occur for approximately 50 years.

Estimated total expenses represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at an estimated average long-term borrowing rate of 2.0% and using an assumed rate of 0.0% for inflation. The estimated total landfill closure and post-closure care expenses are calculated to be approximately \$1,670,000.

12. Commitments

- (a) The Town has a long-term contract with Glenview Iron and Metal Ltd. for the collection of waste and source-separated organics and the collection and processing of recyclables. The contract commenced January 1, 2021 and will expire on December 31, 2026. All collection charges are based on the number of households while the processing of recyclables is a charge per tonne. Charges are adjusted annually for inflation. The contract also provides for the Town to receive all proceeds from the sale of recyclables. Payments under the contract for 2020 were \$413 (2019 - \$401).

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020
(all figures in thousands of dollars)

12. Commitments / continued

- (b) The Town has entered into a long-term contract with the Ontario Provincial Police for the provision of policing services. The contract period is January 2020 to December 2024. Annual charges are determined based on levels of service and are reconciled to actual costs in the following year. Payments under the contract for 2020 were \$1,790 (2019 - \$1,891).

13. Risk Management

In the normal course of operations, the Town is exposed to a variety of financial risks which are actively managed by the Town.

The Town's financial instruments consist of cash, investments, accounts receivable and accounts payable and accrued liabilities. The fair values of cash, investments and accounts payable and accrued liabilities approximate their carrying values because of their expected short-term maturity and treatment on normal trade terms.

The Town's exposure to and management of risk has not changed materially from December 31, 2019.

Credit Risk

Credit risk arises from the possibility that the entities to which the Town provides services to may experience difficulty and be unable to fulfill their obligations. The Town is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Town does not have a significant exposure to any individual customer or counter party. As a result, the requirement for credit risk related reserves for accounts receivable is minimal.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Town is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents. Changes in variable interest rates could cause fluctuations in the Town's operating results.

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020
(in thousands of dollars)

13. Risk Management / continued

Liquidity Risk

Liquidity risk is the risk that the Town will not be able to meet its obligations as they fall due. The Town requires working capital to meet day-to-day operating activities. Management expects that the Town's cash flows from operating activities will be sufficient to meet these requirements.

14. Segmented Information

The Town is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the consolidated statement of operations.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020
(in thousands of dollars)

	Salaries, Wages & Employee Benefits	Long-Term Debt Interest	Materials & Services	External Transfers	Inter functional Adjustments	Amortization	Total
	\$	\$	\$	\$	\$	\$	\$
General Government	\$1,213	---	\$1,235	---	\$(1,128)	150	1,470
Protection to Persons & Property	739	---	2,025	169	435	110	3,478
Transportation	418	---	581	---	127	737	1,863
Environmental	1,074	145	1,435	---	271	1,113	4,038
Social and Family	---	---	---	20	---	---	20
Recreation & Cultural Services	1,416	---	421	---	204	458	2,499
Planning and Development	325	---	241	283	91	---	940
Landfill Closure Costs	---	---	340	---	---	---	340
Total	5,185	145	6,278	472	---	2,568	14,648

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020
(in thousands of dollars)

15. Tangible Capital Assets

Asset Class	Cost 01/01/20	Additions	Disposals	Cost 31/12/20
	\$	\$	\$	\$
Land	1,697	---	---	1,697
Land Infrastructure	29	---	---	29
Land Improvements	1,149	111	---	1,260
Buildings	12,598	17	---	12,615
Vehicles	3,652	---	(135)	3,517
Equipment	6,831	394	(158)	7,067
Bridges/Culverts	4,959	87	---	5,046
Roads	22,770	516	(170)	23,116
Water	11,635	---	---	11,635
Sewer	21,108	184	---	21,292
Storm	9,132	46	---	9,178
Construction in Progress	654	103	(11)	746
Library Board (proportionate share)	679	40	(21)	698
	96,893	1,498	(495)	97,896

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020
(in thousands of dollars)

15. Tangible Capital Assets / continued

Asset Class	Accumulated Amortization 01/01/20	Amort	Disposals	Accumulated Amortization 31/12/20	Net Book Value 31/12/20
	\$	\$	\$	\$	\$
Land	---	---	---	---	1,697
Land Infrastructure	---	---	---	---	29
Land Improvements	640	50	---	690	570
Buildings	5,695	431	---	6,126	6,489
Vehicles	1,604	183	(121)	1,666	1,851
Equipment	1,436	341	(159)	1,618	5,449
Bridges /Culverts	2,000	94	--	2,094	2,952
Roads	9,710	551	(172)	10,089	13,027
Water	4,268	177	---	4,445	7,190
Sewer	4,217	523	---	4,740	16,552
Storm	3,519	170	---	3,689	5,489
Construction in Progress	---	---	---	---	746
Library Board (proportionate share)	456	48	(21)	483	215
	33,545	2,568	(473)	35,640	62,256

Corporation of the Town of Perth
Notes to the Consolidated Financial Statements
December 31, 2020
(in thousands of dollars)

Schedule 1 – Continuity of Reserves and Reserve Funds

	2020	2019
Reserves & Reserve Funds, Beginning of Year	<u>\$11,601</u>	<u>\$9,378</u>
Results of Operations	4,523	3,784
Capital Expenses	<u>(1,498)</u>	<u>(1,561)</u>
Reserves & Reserve Funds, End of Year	<u>\$14,626</u>	<u>\$11,601</u>

Reserves set aside for specific purposes by Council:

For Operating Purposes

Emergencies	750	---
Strategic Initiatives	64	---
Building Inspection	170	---
Working Capital	---	629
Contingencies	---	3,645
Election	---	5
Business Improvement Area	103	91

For Capital Expenses

Capital Assets	5,661	315
Water and Sewer	7,749	6,765
Library	129	140
Total Reserves	<u>14,626</u>	<u>11,590</u>

Reserve Funds

▸ museum	---	11
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Total Reserves and Reserve Funds	<u>\$14,626</u>	<u>\$11,601</u>
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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Perth Business Improvement Area Committee:

We have audited the consolidated financial statements of the Corporation of the Town of Perth Business Improvement Area Committee (the 'Entity') which comprise:

- The consolidated statement of financial position as at December 31, 2020;
- The consolidated statement of operations and accumulated surplus for the year then ended;
- The consolidated statement of changes in net financial assets for the year then ended;
- The consolidated statement of cash flows for the year then ended;
- And the notes to the consolidated financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020, and its consolidated results of its operations, its consolidated changes in financial assets and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the '**Auditors' Responsibilities for the Audit of the Financial Statements**' section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the plan scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Allan and Partners LLP
Chartered Professional Accountants, Licensed Public Accountants
Perth, Ontario, June 8, 2021

Town of Perth
Business Improvement Area Committee
Statement of Financial Position
December 31, 2020
(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Assets		
Financial Assets		
Due from Town of Perth	<u>\$103</u>	<u>\$91</u>
Net Financial Assets	<u>103</u>	<u>91</u>
Accumulated Surplus (note 3)	<u>\$103</u>	<u>\$91</u>

The accompanying notes are an integral part of these financial statements.

Town of Perth
Business Improvement Area Committee
Statement of Operations
For the year ended December 31
(in thousands of dollars)

	(Note 4) Budget	2020	2019
Revenues			
Taxation	\$111	\$111	\$110
Government grants	27	13	21
Fees and service charges	102	16	89
Donations	28	5	61
Total Revenues	268	145	281
Expenses			
Administrative Salaries and Benefits	71	69	63
Merchant promotion	26	26	18
Stewart Park Festival	143	12	171
Office expenses and travel	1	2	3
Downtown Environment	35	24	23
Total Expenses	276	133	278
Annual Surplus	(8)	12	3
Accumulated Surplus, Beginning of Year	91	91	88
Accumulated Surplus, End of Year	\$83	\$103	\$91

The accompanying notes are an integral part of these financial statements.

Town of Perth
Business Improvement Area Committee
Statement of Changes in Net Financial Assets
For the year ended December 31
(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Annual Surplus	\$12	\$3
Net Financial Assets, Beginning of Year	<u>91</u>	<u>88</u>
Net Financial Assets, End of Year	<u>\$103</u>	<u>\$91</u>

The accompanying notes are an integral part of these financial statements.

Town of Perth
Business Improvement Area Committee
Statement of Cash Flows
For the year ended December 31
(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
Operating Activities		
Annual surplus (deficit)	\$12	\$3
Net Change in Non-Cash Working Capital Items		
Due from Town	12	3
Working Capital from Operations	<u>---</u>	<u>---</u>
Net Increase in Cash	---	---
Cash, Beginning of Year	<u>---</u>	<u>---</u>
Cash, End of Year	<u>---</u>	<u>---</u>

The accompanying notes are an integral part of these financial statements.

**Town of Perth
Business Improvement Area Committee
Notes to the Financial Statements
December 31, 2020**

1. Status of the Committee

Pursuant to the Municipal Act, the Town of Perth Business Improvement Area Committee (the 'Committee') was established by By-law No. 2259 on December 12, 1978.

2. Significant Accounting Policies

The financial statements of the Perth Business Improvement Area Committee are the representations of management and have been prepared in all material respects in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Committee are as follows:

Reporting Entity

The financial statements reflect financial assets, liabilities, operating revenues and expenses, reserves, reserve funds of the Committee.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay.

Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Town of Perth
Business Improvement Area Committee
Notes to the Financial Statements
December 31, 2020
(in thousands of dollars)

2. Significant Accounting Policies / continued

Measurement Uncertainty

The preparation of financial statements 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. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

3. Accumulated Surplus

The Accumulated Surplus of \$103 (2019 - \$91) consists of the Contingency Reserve of \$78 (2019 - \$65) and the Stewart Park Festival Reserve of \$25 (2019 - \$26).

4. Budget Figures

The Town of Perth Business Improvement Area Committee reviews its operating budget each year. The approved operating budget for 2020 is included in the Statement of Operations.