

**The Corporation of the Township
of Perth East
Financial Statements
For the year ended December 31, 2017**

**The Corporation of the Township of
Perth East**
Financial Statements
For the year ended December 31, 2017

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Perth East, which comprise the statement of financial position as at December 31, 2017, the statements of operations, change in net financial assets and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of Perth East as at December 31, 2017 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario
September 7, 2018

The Corporation of the Township of Perth East
Statement of Financial Position

December 31	2017	2016
Financial assets		
Cash and cash equivalents (Note 1)	\$ 5,722,498	\$ 4,994,334
Taxes receivable	527,470	694,943
Accounts and other receivables	1,040,675	981,769
Tile drainage loans receivable (Note 6)	146,417	210,612
Long-term investments (Note 2)	<u>6,045,694</u>	<u>5,768,590</u>
	<u>13,482,754</u>	<u>12,650,248</u>
Liabilities		
Accounts payable and accrued liabilities	3,193,174	2,833,384
Deferred revenue (Note 4)	563,101	654,520
Long-term debt (Note 6)	1,994,468	2,313,909
Landfill closure and post-closure liabilities (Note 3)	<u>228,444</u>	<u>235,358</u>
	<u>5,979,187</u>	<u>6,037,171</u>
Net financial assets	<u>7,503,567</u>	<u>6,613,077</u>
Non-financial assets		
Tangible capital assets (Note 7)	59,822,176	58,420,292
Prepaid expenses and inventories of supplies	<u>123,620</u>	<u>188,868</u>
	<u>59,945,796</u>	<u>58,609,160</u>
Accumulated surplus (Note 8)	<u>\$67,449,363</u>	<u>\$ 65,222,237</u>

Contingent liabilities (Note 17)

_____ Treasurer _____ Mayor

The Corporation of the Township of Perth East
Statement of Operations

For the year ended December 31	Budget 2017	Actual 2017	Actual 2016
	(Note 16)		
Revenue			
Taxation	\$ 7,293,921	\$ 7,301,657	\$ 6,908,484
Government transfers - Federal (Note 9)	376,562	368,040	360,140
Government transfers - Provincial (Note 10)	1,919,252	2,453,086	2,397,859
Municipal transfers	365,580	385,542	386,845
User fees and service charges	2,291,704	2,481,067	2,236,897
Other (Note 11)	1,108,188	2,056,580	2,345,666
	<u>13,355,207</u>	<u>15,045,972</u>	<u>14,635,891</u>
Expenses			
General government	1,346,416	1,229,495	1,218,366
Protection services	5,408,045	3,162,896	3,136,114
Transportation services	5,103,086	4,234,003	4,172,673
Environmental services	1,626,198	1,542,575	1,714,187
Health services	35,923	40,702	40,748
Recreation and cultural services	1,486,460	1,556,219	1,588,005
Planning and development	307,049	1,048,049	1,416,349
	<u>15,313,177</u>	<u>12,813,939</u>	<u>13,286,442</u>
Annual surplus from operations	(1,957,970)	2,232,033	1,349,449
Gain (loss) on disposal of tangible capital assets	1,102,000	(4,907)	(237,589)
Annual surplus (deficit)	(855,970)	2,227,126	1,111,860
Accumulated surplus, beginning of year	65,222,237	65,222,237	64,110,377
Accumulated surplus, end of year	\$ 64,366,267	\$ 67,449,363	\$ 65,222,237

The Corporation of the Township of Perth East
Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2017	Actual 2017	Actual 2016
	(Note 16)		
Annual surplus (deficit)	\$ (855,970)	\$ 2,227,126	\$ 1,111,860
Acquisition of tangible capital assets	(1,419,566)	(3,834,711)	(3,451,803)
Amortization of tangible capital assets	2,237,263	2,380,056	2,304,736
(Gain) loss on disposal of tangible capital assets	(1,102,000)	4,907	237,589
Proceeds on sale of tangible capital assets	-	47,863	163,542
	(1,140,273)	825,241	365,924
Use/consumption of prepaid expenses and inventory of supplies	-	65,249	90,632
	-	65,249	90,632
Net change in net financial assets	(1,140,273)	890,490	456,556
Net financial assets, beginning of year	6,613,077	6,613,077	6,156,521
Net financial assets, end of year	\$ 5,472,804	\$ 7,503,567	\$ 6,613,077

The Corporation of the Township of Perth East
Statement of Cash Flows

For the year ended December 31	2017	2016
Operating transactions		
Annual surplus	\$ 2,227,126	\$ 1,111,860
Items not involving cash		
Amortization	2,380,056	2,304,736
Loss on disposal of tangible capital assets	4,907	237,589
Changes in non-cash operating balances		
Taxes receivable	167,473	103,878
Accounts and other receivables	(58,906)	(65,605)
Tile drainage loans receivable	64,195	57,410
Prepaid expenses and inventories of supplies	65,249	90,632
Accounts payable and accruals	359,790	892,063
Deferred revenue	(91,419)	192,040
Landfill closure and post-closure liabilities	(6,914)	39,192
	<u>5,111,557</u>	<u>4,963,795</u>
Capital transactions		
Acquisition of tangible capital assets	(3,834,711)	(3,451,803)
Proceeds on sale of tangible capital assets	47,863	163,542
	<u>(3,786,848)</u>	<u>(3,288,261)</u>
Investing transactions		
Proceeds on disposition of long-term investments	518,580	448,154
Acquisition of long-term investments	(795,684)	(2,486,228)
	<u>(277,104)</u>	<u>(2,038,074)</u>
Financing transactions		
Proceeds from issuance of long-term debt	15,000	13,700
Repayment of long-term debt	(334,441)	(320,592)
	<u>(319,441)</u>	<u>(306,892)</u>
Increase (decrease) in cash and cash equivalents	728,164	(669,432)
Cash and cash equivalents, beginning of year	<u>4,994,334</u>	<u>5,663,766</u>
Cash and cash equivalents, end of year	<u>\$ 5,722,498</u>	<u>\$ 4,994,334</u>

The Corporation of the Township of Perth East Summary of Significant Accounting Policies

December 31, 2017

Management's Responsibility for the Financial Statements	The consolidated financial statements of the Corporation of the Township of Perth East are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards. The Corporation of the Township of Perth East is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. The Corporation of the Township of Perth East provides municipal services such as fire protection, public works, planning, parks, recreation and other general government services.														
Basis of Consolidation	<p>The consolidated financial statement reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and boards which are owned or controlled by the Corporation of the Township of Perth East.</p> <p>The following board is owned or controlled by the municipality and has been consolidated:</p> <p style="text-align: center;">Perth East Public Library Board</p> <p>All inter-entity transactions and balances have been eliminated.</p>														
Cash and Cash Equivalents	Management considers all highly liquid investments with maturity of three months or less to be cash equivalents.														
Tangible Capital Assets	<p>Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:</p> <table><tr><td>Land improvements</td><td>20 to 75 years</td></tr><tr><td>Buildings</td><td>10 to 50 years</td></tr><tr><td>Machinery and equipment</td><td>5 to 20 years</td></tr><tr><td>Vehicles</td><td>10 to 25 years</td></tr><tr><td>Infrastructure - Roads</td><td>15 to 75 years</td></tr><tr><td>infrastructure - Bridges</td><td>30 to 75 years</td></tr><tr><td>Infrastructure - Water, Sewer and Storm systems</td><td>10 to 100 years</td></tr></table>	Land improvements	20 to 75 years	Buildings	10 to 50 years	Machinery and equipment	5 to 20 years	Vehicles	10 to 25 years	Infrastructure - Roads	15 to 75 years	infrastructure - Bridges	30 to 75 years	Infrastructure - Water, Sewer and Storm systems	10 to 100 years
Land improvements	20 to 75 years														
Buildings	10 to 50 years														
Machinery and equipment	5 to 20 years														
Vehicles	10 to 25 years														
Infrastructure - Roads	15 to 75 years														
infrastructure - Bridges	30 to 75 years														
Infrastructure - Water, Sewer and Storm systems	10 to 100 years														
Long-term Investments	Long-term investments are recorded at the lower of cost and net realizable value.														
County and School Boards	The Corporation of the Township of Perth East collects taxation revenue on behalf of the school boards and the County of Perth. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements.														

The Corporation of the Township of Perth East Summary of Significant Accounting Policies

December 31, 2017

Trust Funds	Trust funds held in trust by the Corporation of the Township of Perth East, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.
Retirement Benefits and Other Employee Benefit Plans	The Corporation of the Township of Perth East's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.
Deferred Revenue	Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.
Government Transfers	Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.
Revenue Recognition	<p>Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.</p> <p>Sales of service and other revenue is recognized on an accrual basis.</p>
Use of Estimates	The preparation of financial statements in accordance with Canadian public sector accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

The Corporation of the Township of Perth East Summary of Significant Accounting Policies

December 31, 2017

Contaminated Sites In accordance with PS 3260 management is required to make assessments as to whether any properties not under active use are subject to contamination in the underlying soil, water or sediment. If such contamination exists and exceeds an environmental standard management is required to make an estimate as to the related liability for remediation of the property.

1. Cash

	<u>2017</u>	<u>2016</u>
Unrestricted	<u>\$ 5,722,498</u>	<u>\$ 4,994,334</u>

The Municipality has an authorized line of credit of \$1,900,000 at prime lending rate. The outstanding amount as of December 31, 2017 was \$nil (2016 - \$nil). The facility is secured by current expenditure by-laws.

2. Long-term Investments

	<u>2017</u>	<u>2016</u>
Loan receivable from Knollcrest Lodge	\$ 100,000	\$ 110,000
Loan receivable from Newton Athletic Association	1,746	3,492
Municipal drain debentures	43,704	50,800
Shakespeare sewer debentures	455,221	553,659
Other long-term investments	5,445,023	5,050,639
	<u>\$ 6,045,694</u>	<u>\$ 5,768,590</u>

The loan receivable from Knollcrest Lodge was issued in 2008, bears no interest and is repayable in annual instalments of \$10,000 for 15 years beginning in 2013.

The loan receivable from the Newton Athletic Association bears no interest and is to be repaid in fifteen annual instalments of \$1,746.

The municipal drain debentures earn interest at 6.00% and are recoverable from benefiting landowners.

The Shakespeare sewer project debentures were issued in 2010, bear interest at 1.75% and are recoverable from special charges on specific ratepayers.

Other long-term investments are investments in GICs with interest rates ranging from 0.85% to 2.90% with maturity dates from June 2018 to November 2021.

The Corporation of the Township of Perth East

Notes to Financial Statements

December 31, 2017

3. Landfill Closure and Post-Closure Liabilities

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance. The present value of the Corporation of the Township of Perth East's estimated future liability for this expense is recognized as the landfill site's capacity is used. The liability and annual expense is calculated based on the ratio of utilization to total capacity of the landfill site and the discounted estimated cash flows associated with the closure and post-closure activities. The reported liability as at year end was \$228,444 (2016 - \$235,358) and reflects a discount rate of 2.9% (2016 - 2.7%).

The liability is based on estimates and assumptions related to events extending over the remaining life of the landfill. The South Easthope landfill is expected to reach its capacity in 20 years and the estimated remaining capacity is 118,528 cubic metres which is 50% (2016 - 53%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$207,100 (2016 - \$205,000). The estimated length of time needed for post-closure care is 15 years. The Ellice landfill reached its capacity in 2015 and is now closed. The total undiscounted estimated future expenditures for closure and post-closure care are \$170,800 (2016 - \$195,400). The estimated length of time needed for post-closure care is 15 years.

The liability is expected to be funded through budget allocations to a landfill reserve fund over the remaining life of the landfill.

The Corporation of the Township of Perth East

Notes to Financial Statements

December 31, 2017

4. Deferred Revenue

	Opening balance	Contribution received	Externally restricted investment income	Revenue recognized	Ending balance
Recreational land \$	157,206	69,140	960	(116,067) \$	111,239
Gasoline tax - transit	315,178	77,497	4,467	(35,000)	362,142
Gasoline tax - federal	10,048	372,163	299	(362,163)	20,347
Other	172,088	-	-	(102,715)	69,373
\$	654,520	518,800	5,726	(615,945) \$	563,101

Federal gas tax

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Corporation of the Township of Perth East and the Province of Ontario. Gas tax funding may be used towards designated capacity building projects as specified in the funding agreements.

Other deferred revenue

Contributed funds represent cash collected from subdivision developers for future construction.

5. Employee Benefits Liability

Pension Agreements

The Corporation of the Township of Perth East makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of members of its staff. This plan is a defined benefit plan which specifies the amount of retirement benefits to be received by the employees based on their length of service and rates of pay. During the year, the Township of Perth East made employer contributions of \$219,485 (2016 - \$211,779).

As at December 31, 2017, the OMERS plan is in a deficit position of \$5.4 billion (2016 - \$5.72 billion), which will be addressed through temporary contribution rate increases and if needed, benefit reductions. The multiemployer plan is valued on a current market basis for all plan assets. The projected benefit method prorated on services was used for the actuarial valuation.

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Corporation of the Township of Perth East does not recognize any share of the OMERS pension surplus or deficit.

The Corporation of the Township of Perth East
Notes to Financial Statements

December 31, 2017

6. Long-Term Debt

	2017	2016
Tile drainage loans bear interest at 6% and are repayable in annual instalments. The loans are due between 2018 and 2025 and are recoverable from benefiting landowners	\$ 146,417	\$ 210,612
Debenture, bearing interest at 4.84% and repayable in blended annual instalments of \$81,697. The loan is due October 2029 and was issued on behalf of Ontario Infrastructure Projects Corporation (OIPC)	737,072	781,476
Debenture, bearing interest at 1.75% and repayable in blended semi-annual instalments of \$116,520. The loan is due August 2022 and was issued on behalf of the Federation of Canadian Municipalities via the Green Municipal Fund	<u>1,110,979</u>	<u>1,321,821</u>
	<u>\$ 1,994,468</u>	<u>\$ 2,313,909</u>

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

2018	\$ 294,822
2019	290,968
2020	298,617
2021	297,190
2022	302,930
Thereafter	<u>509,941</u>
	<u>\$ 1,994,468</u>

The Corporation of the Township of Perth East
Notes to Financial Statements

December 31, 2017

7. Tangible Capital Assets

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Infrastructure -roads	Infrastructure - bridges	Infrastructure - water, sewer and storm systems	2017 Total
Cost, beginning of year	\$ 7,742,408	\$ 2,454,981	\$ 11,595,842	\$ 4,477,939	\$ 5,316,817	\$ 22,249,740	\$ 7,691,023	\$ 21,747,942	\$ 83,276,692
Additions	2,156	171,519	69,987	654,937	69,067	2,167,632	65,696	633,717	3,834,711
Disposals		(78,848)	-	(363,801)	(58,948)	(13,050)	-	(41,173)	(555,820)
Transfers	-	-	-	-	-	-	-	-	-
Cost, end of year	\$ 7,744,564	\$ 2,547,652	\$ 11,665,829	\$ 4,769,075	\$ 5,326,936	\$ 24,404,322	\$ 7,756,719	\$ 22,340,486	\$ 86,555,583
Accumulated amortization, beginning of year	\$ -	\$ 1,172,726	\$ 3,319,231	\$ 2,323,049	\$ 1,265,730	\$ 8,525,937	\$ 2,909,433	\$ 5,340,294	\$ 24,856,400
Amortization	-	69,857	297,813	359,650	282,159	872,528	110,876	387,173	2,380,056
Disposals	-	(65,613)	-	(358,285)	(34,666)	(13,050)	-	(31,435)	(503,049)
Transfers	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	\$ -	\$ 1,176,970	\$ 3,617,044	\$ 2,324,414	\$ 1,513,223	\$ 9,385,415	\$ 3,020,309	\$ 5,696,032	\$ 26,733,407
Net carrying amount, end of year	\$ 7,744,564	\$ 1,370,682	\$ 8,048,785	\$ 2,444,661	\$ 3,813,713	\$ 15,018,907	\$ 4,736,410	\$ 16,644,454	\$ 59,822,176

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$2,126,325 (2016 - \$588,105). Donated capital assets for the year were valued at \$249,988 (2016 - \$54,253).

The Corporation of the Township of Perth East
Notes to Financial Statements

December 31, 2017

7. Tangible Capital Assets (continued)

	Land	Land improvement	Buildings	Machinery and equipment	Vehicle	Infrastructure - roads	Infrastructure - bridges	Infrastructure - water, sewer, and storm systems	2016 Total
Cost, beginning of year	\$ 7,753,508	\$ 2,484,118	\$ 11,571,325	\$ 4,224,187	\$ 5,533,258	\$ 20,540,719	\$ 7,597,777	\$ 21,612,474	\$ 81,317,366
Additions	-	203,575	24,517	373,359	900,544	1,721,094	93,246	135,468	3,451,803
Disposals	(11,100)	(232,712)	-	(119,607)	(1,116,985)	(12,073)	-	-	(1,492,477)
Cost, end of year	\$ 7,742,408	\$ 2,454,981	\$ 11,595,842	\$ 4,477,939	\$ 5,316,817	\$ 22,249,740	\$ 7,691,023	\$ 21,747,942	\$ 83,276,692
Accumulated amortization, beginning of year	\$ -	\$ 1,185,241	\$ 3,023,157	\$ 2,118,221	\$ 1,879,423	\$ 7,679,711	\$ 2,799,348	\$ 4,957,909	\$ 23,643,010
Amortization	-	67,996	296,074	324,250	265,647	858,299	110,085	382,385	2,304,736
Disposals	-	(80,511)	-	(119,422)	(879,340)	(12,073)	-	-	(1,091,346)
Accumulated amortization, end of year	\$ -	\$ 1,172,726	\$ 3,319,231	\$ 2,323,049	\$ 1,265,730	\$ 8,525,937	\$ 2,909,433	\$ 5,340,294	\$ 24,856,400
Net carrying amount, end of year	\$ 7,742,408	\$ 1,282,255	\$ 8,276,611	\$ 2,154,890	\$ 4,051,087	\$ 13,723,803	\$ 4,781,590	\$ 16,407,648	\$ 58,420,292

The Corporation of the Township of Perth East
Notes to Financial Statements

December 31, 2017

8. Accumulated Surplus

The accumulated surplus of the Corporation of the Township of Perth East is comprised as follows:

	2017	2016
Investment in tangible capital assets	\$59,822,176	\$ 58,420,292
Current Funds	1,818,031	2,047,123
Reserve Funds		
Working funds	909,524	909,524
Current purposes	1,762,897	1,630,719
Capital purposes	8,828,244	7,210,649
Insurance	107,404	89,597
Unfinanced capital outlay	(3,722,419)	(2,747,011)
Unfunded liabilities	(2,076,494)	(2,338,656)
	\$67,449,363	\$ 65,222,237

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

9. Government Transfers - Federal

	Budget 2017	Actual 2017	Actual 2016
	(Note 16)		
Operating			
Unconditional	\$ 4,398	\$ 5,877	\$ 4,450
Capital			
Federal gas tax revenue	372,164	362,163	355,690
	\$ 376,562	\$ 368,040	\$ 360,140

The Corporation of the Township of Perth East
Notes to Financial Statements

December 31, 2017

10. Government Transfers - Provincial

	Budget 2017	Actual 2017	Actual 2016
	(Note 16)		
Operating			
Ontario municipal partnership fund	\$ 1,563,500	\$ 1,563,500	\$ 1,839,300
Unconditional	355,752	596,208	347,455
Capital			
Other capital funding	-	293,378	211,104
	\$ 1,919,252	\$ 2,453,086	\$ 2,397,859

11. Other Income

	Budget 2017	Actual 2017	Actual 2016
	(Note 16)		
Penalties and interest on taxation	\$ 99,327	\$ 81,903	\$ 105,769
Other fines and penalties	1,641	719	1,899
Investment income	108,947	216,441	161,140
Licences, permits and rents	355,481	455,185	459,232
Donations	35,939	52,552	135,952
Donated tangible capital assets	-	249,988	54,253
Prepaid special charges	-	398,003	722,706
Sale of publications, equipment and other	506,853	601,789	704,715
	\$ 1,108,188	\$ 2,056,580	\$ 2,345,666

The Corporation of the Township of Perth East

Notes to Financial Statements

December 31, 2017

12. Expenses by Object

Total operating expenses for the year reported on the consolidated statement of financial activities are as follows:

	Budget 2017	Actual 2017	Actual 2016
	(Note 16)		
Salaries, wages and employee benefits	\$ 4,178,338	\$ 3,854,201	\$ 3,800,348
Materials	5,306,947	3,385,219	3,818,856
Contracted services	5,619,060	2,944,227	2,995,281
Interest on long-term debt	37,293	72,123	81,332
Contributions to other organizations	171,539	178,113	285,889
Amortization	-	2,380,056	2,304,736
	\$ 15,313,177	\$ 12,813,939	\$ 13,286,442

13. Internal Loans

As a means of funding municipal drains and the Shakespeare Sewer Project, the Revenue Fund has borrowed funds from Reserve Funds. These interfund debts are secured by promissory notes and debentures and are to be repaid over a predetermined period of time. Council approved the financing arrangements and ultimate repayment of these loans through the current budget process. For the purpose of these financial statements, these interfund debts are reflected as interfund transfers and are therefore eliminated upon consolidation.

14. Operations of School Boards and the County of Perth

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Perth:

	2017	2016
School boards	\$ 3,734,961	\$ 3,664,129
County of Perth	4,360,981	4,152,656
	\$ 8,095,942	\$ 7,816,785

15. Trust Funds

Trust funds administered by the Township amounting to \$748,079 (2016 - \$745,824) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities.

The Corporation of the Township of Perth East

Notes to Financial Statements

December 31, 2017

16. Budget

The Financial Plan (Budget) By-Law adopted by Council on May 23, 2017 was not prepared on a basis consistent with that used to report actual results (Canadian public sector accounting standards). The budget was prepared on a modified accrual basis while Canadian public sector accounting standards now require a full accrual basis in the financial statements. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council on May 23, 2017 with adjustments as follows:

	<u>2017</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	1,419,566
Principal payments on debt	44,404
Less:	
Budgeted transfers from unfunded	(1,184,677)
Amortization	<u>(2,237,263)</u>
Budget surplus per statement of operations	<u>\$ (1,957,970)</u>

17. Contingencies

The Township is subject to various litigations and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts.

Under PSAB section PS 3260 the Township is required to report any potential contaminated sites that are not in active use. The Township identified a number of potentially contaminated sites during the year. It has not been determined if any contamination exists at these sites nor whether there are any expected remediation costs attributable to them. As such, no provision has been made in these financial statements.

18. Comparative Figures

Certain comparative figures have been reclassified to reflect current year presentation.

The Corporation of the Township of Perth East

Notes to Financial Statements

December 31, 2017

19. Segmented Information

The Corporation of the Township of Perth East is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This item related to the revenues and expenses of the operations of the Municipality itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of police services, fire protection and protective inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. Protective inspection provides services related to the enforcement of building and construction codes.

Transportation

Transportation is responsible for providing the Municipality's transit services.

Environmental

Environmental services provide the Municipality's drinking water, process and clean sewage to ensure the Municipality's water system meets all Provincial standards, and provide waste disposal to citizens.

Health

Health services relate to maintaining the Municipality's cemeteries.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the Municipality's citizens such as recreational program and providing library services.

Planning and Development

This department provides a number of services including planning, economic development and maintenance of the Municipality's drains.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been measured on the basis of the actual cost of services provided. Amounts that are directly attributable to a number of segment have been allocated on a reasonable basis as follows:

Taxation and grants	allocated to those segments that are funded by these amounts based on the budgeted net operating revenue for the year
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The Corporation of the Township of Perth East
Notes to Financial Statements

December 31, 2017

19. Segmented Information (continued)

For the year ended December 31	General Government	Protection to persons and property	Transportation	Environment	Health Services	Recreation and cultural services	Planning and development	2017 Total
Revenue								
Taxation	\$ 596,959	\$ 2,973,830	\$ 2,198,750	\$ 721,005	\$ 15,927	\$ 659,050	\$ 136,136	7,301,657
Government grants	239,456	832,616	906,460	321,529	3,410	331,011	572,186	3,206,668
User fees and service charges	130,305	68,526	12,593	1,869,235	22,813	328,354	49,241	2,481,067
Other	694,105	6,434	550,852	193,096	10,424	150,906	450,763	2,056,580
	<u>1,660,825</u>	<u>3,881,406</u>	<u>3,668,655</u>	<u>3,104,865</u>	<u>52,574</u>	<u>1,469,321</u>	<u>1,208,326</u>	<u>15,045,972</u>
Expenses								
Salaries and benefits	948,637	1,101,665	885,780	234,679	28,032	597,893	57,515	3,854,201
Goods and services	218,399	1,797,845	2,045,122	825,831	11,612	632,610	976,140	6,507,559
Interest	-	-	-	59,490	-	-	12,633	72,123
Amortization	62,458	263,029	1,303,101	422,577	1,414	325,716	1,761	2,380,056
(Gain) loss on disposal of tangible capital assets	123	(2,324)	(14,116)	9,738	-	11,486	-	4,907
	<u>1,229,617</u>	<u>3,160,215</u>	<u>4,219,887</u>	<u>1,552,315</u>	<u>41,058</u>	<u>1,567,705</u>	<u>1,048,049</u>	<u>12,818,846</u>
Net surplus	<u>\$ 431,208</u>	<u>\$ 721,191</u>	<u>\$ (551,232)</u>	<u>\$ 1,552,550</u>	<u>\$ 11,516</u>	<u>\$ (98,384)</u>	<u>\$ 160,277</u>	<u>\$ 2,227,126</u>

The Corporation of the Township of Perth East
Notes to Financial Statements

December 31, 2017

19. Segmented Information (continued)

For the year ended December 31	General Government	Protection to persons and property	Transportation	Environment	Health Services	Recreation and cultural services	Planning and development	2016 Total
Revenue								
Taxation	\$ 591,789	\$ 1,964,165	\$ 2,479,894	\$ 866,166	\$ 21,881	\$ 890,323	\$ 94,266	\$ 6,908,484
Government grants	283,987	723,035	1,235,529	240,068	5,826	338,188	318,211	3,144,844
User fees and service charges	114,229	71,812	16,870	1,686,735	17,530	290,126	39,595	2,236,897
Other	666,165	9,280	599,894	59,492	20,336	234,109	756,390	2,345,666
	<u>1,656,170</u>	<u>2,768,292</u>	<u>4,332,187</u>	<u>2,852,461</u>	<u>65,573</u>	<u>1,752,746</u>	<u>1,208,462</u>	<u>14,635,891</u>
Expenses								
Salaries and benefits	951,156	1,080,297	909,994	217,475	21,232	570,304	49,890	3,800,348
Goods and services	210,439	1,708,000	1,979,689	1,141,972	17,106	694,386	1,348,434	7,100,026
Interest	-	-	-	65,256	-	-	16,076	81,332
Amortization	48,197	234,301	1,272,982	404,114	2,401	342,741	-	2,304,736
(Gain) loss on disposal of tangible capital assets	11,454	(971)	202,546	-	-	24,560	-	237,589
	<u>1,221,246</u>	<u>3,021,627</u>	<u>4,365,211</u>	<u>1,828,817</u>	<u>40,739</u>	<u>1,631,991</u>	<u>1,414,400</u>	<u>13,524,031</u>
Net surplus	<u>\$ 434,924</u>	<u>\$ (253,335)</u>	<u>\$ (33,024)</u>	<u>\$ 1,023,644</u>	<u>\$ 24,834</u>	<u>\$ 120,755</u>	<u>\$ (205,938)</u>	<u>\$ 1,111,860</u>

The Corporation of the Township of Perth East - Library Board
Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget	2017 Actual	2016 Actual
Revenue			
Grants -Township of Perth East	\$ 224,050	\$ 224,050	\$ 225,839
-Government of Canada	4,398	5,877	4,450
-Province of Ontario	20,039	23,760	38,377
-Other	-	-	1,000
Donations	3,634	3,478	2,219
Interest income	1,415	2,242	1,543
Memberships, internet, book sales and fines	6,769	8,091	8,472
Programs	2,521	2,090	1,600
	262,826	269,588	283,500
Expenses			
Advertising and travel	1,418	905	1,041
Amortization	-	42,107	42,521
Computer software and services	1,093	1,103	1,028
Contracts	24,812	24,706	24,222
Fundraising and programs	3,279	4,236	3,630
Insurance	9,554	9,553	9,530
Office supplies	2,758	2,958	2,853
Professional fees	1,221	1,221	1,221
Repairs and maintenance	39,539	5,899	3,068
Sundry	5,305	4,979	4,094
Telephone and internet	5,256	5,027	5,048
Utilities	12,668	9,354	8,237
Wages and benefits	147,740	154,409	150,745
	254,643	266,457	257,238
Annual surplus	8,183	3,131	26,262
Accumulated surplus, beginning of year	357,298	357,298	331,036
Accumulated surplus, end of year	\$ 365,481	\$ 360,429	\$ 357,298