

**The Corporation of the Township
of Perth East
Consolidated Financial Statements
For the year ended December 31, 2015**

**The Corporation of the Township of
Perth East
Consolidated Financial Statements
For the year ended December 31, 2015**

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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, 2015, 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 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.

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, 2015 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
July 5, 2016

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

December 31	2015	2014
Financial assets		
Cash and cash equivalents (Note 1)	\$ 5,663,766	\$ 5,268,112
Taxes receivable	798,821	727,383
Accounts and other receivables	916,164	558,821
Tile drainage loans receivable (Note 6)	268,022	357,348
Long-term investments (Note 2)	3,730,516	3,911,270
	11,377,289	10,822,934
Liabilities		
Accounts payable and accrued liabilities	1,941,322	1,366,317
Deferred revenue (Note 4)	462,480	443,232
Long-term debt (Note 6)	2,620,801	2,954,080
Landfill closure and post-closure liabilities (Note 3)	196,166	171,812
	5,220,769	4,935,441
Net financial assets	6,156,520	5,887,493
Non-financial assets		
Tangible capital assets (Note 7)	57,674,357	56,883,323
Prepaid expenses and inventories of supplies	279,500	155,488
	57,953,857	57,038,811
Accumulated surplus (Note 8)	\$ 64,110,377	\$ 62,926,304

Contingent liabilities (Note 17)

_____ Treasurer _____ Mayor

The Corporation of the Township of Perth East
Consolidated Statement of Operations

For the year ended December 31	Budget 2015	Actual 2015	Actual 2014
	(Note 16)		
Revenue			
Taxation	\$ 6,173,997	\$ 6,184,667	\$ 5,450,313
Government transfers - Federal (Note 9)	350,916	354,345	360,125
Government transfers - Provincial (Note 10)	2,327,598	2,612,949	3,187,261
Municipal transfers	354,856	359,034	348,033
User fees and service charges	1,900,706	2,073,342	1,901,972
Other (Note 11)	1,017,282	1,774,415	1,429,525
	<u>12,125,355</u>	<u>13,358,752</u>	<u>12,677,229</u>
Expenses			
General government	1,228,097	1,179,121	1,156,674
Protection services	3,672,943	2,904,001	2,872,789
Transportation services	5,368,363	4,045,403	4,110,674
Environmental services	1,341,264	1,634,632	1,482,929
Health services	79,894	39,963	31,970
Recreation and cultural services	1,526,966	1,432,059	1,465,894
Planning and development	227,081	1,132,792	797,654
	<u>13,444,608</u>	<u>12,367,971</u>	<u>11,918,584</u>
Annual surplus from operations	(1,319,253)	990,781	758,645
Gain (loss) on disposal of tangible capital assets	36,500	193,292	410,790
Annual surplus (deficit)	<u>(1,282,753)</u>	<u>1,184,073</u>	<u>1,169,435</u>
Accumulated surplus, beginning of year	62,926,304	62,926,304	61,756,869
Accumulated surplus, end of year	<u>\$ 61,643,551</u>	<u>\$ 64,110,377</u>	<u>\$ 62,926,304</u>

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

For the year ended December 31	Budget 2015	Actual 2015	Actual 2014
	(Note 16)		
Annual surplus (deficit)	\$ (1,282,753)	\$ 1,184,073	\$ 1,169,435
Acquisition of tangible capital assets	(2,132,766)	(3,389,433)	(3,908,850)
Amortization of tangible capital assets	2,237,263	2,240,442	2,237,263
(Gain) loss on disposal of tangible capital assets	(36,500)	(193,292)	(410,790)
Proceeds on sale of tangible capital assets	-	551,250	538,286
	(1,214,756)	393,040	(374,656)
Use/consumption of prepaid expenses and inventory of supplies	-	(124,013)	57,489
	-	(124,013)	57,489
Net change in net financial assets	(1,214,756)	269,027	(317,167)
Net financial assets, beginning of year	5,887,493	5,887,493	6,204,660
Net financial assets, end of year	\$ 4,672,737	\$ 6,156,520	\$ 5,887,493

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

For the year ended December 31	2015	2014
Operating transactions		
Annual surplus	\$ 1,184,073	\$ 1,169,435
Items not involving cash		
Amortization	2,240,442	2,237,263
(Gain) loss on disposal of tangible capital assets	(193,292)	(410,790)
Changes in non-cash operating balances		
Taxes receivable	(71,438)	(79,703)
Accounts and other receivables	(357,343)	99,699
Prepaid expenses and inventories of supplies	(124,012)	57,489
Accounts payable and accruals	575,005	(467,221)
Tile drainage loans receivable	89,326	131,838
Deferred revenue	19,248	(44,817)
Landfill closure and post-closure liabilities	24,354	(30,989)
	<u>3,386,363</u>	<u>2,662,204</u>
Capital transactions		
Acquisition of tangible capital assets	(3,389,433)	(3,908,850)
Proceeds on sale of tangible capital assets	551,250	538,286
	<u>(2,838,183)</u>	<u>(3,370,564)</u>
Investing transactions		
Proceeds on disposition of long-term investments	(2,329,598)	1,422,785
Acquisition of long-term investments	2,510,351	(308,736)
	<u>180,753</u>	<u>1,114,049</u>
Financing transactions		
Proceeds from issuance of long-term debt	40,300	-
Repayment of long-term debt	(373,579)	(370,391)
	<u>(333,279)</u>	<u>(370,391)</u>
Increase in cash and cash equivalents	395,654	35,298
Cash and cash equivalents, beginning of year	<u>5,268,112</u>	<u>5,232,814</u>
Cash and cash equivalents, end of year	\$ 5,663,766	\$ 5,268,112

The Corporation of the Township of Perth East

Summary of Significant Accounting Policies

December 31, 2015

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 border="0" style="margin-left: 40px;"> <tr> <td>Land improvements</td> <td style="text-align: right;">20 to 75 years</td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">10 to 50 years</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">5 to 20 years</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">10 to 25 years</td> </tr> <tr> <td>Infrastructure - Roads</td> <td style="text-align: right;">15 to 50 years</td> </tr> <tr> <td>infrastructure - Bridges</td> <td style="text-align: right;">30 to 75 years</td> </tr> <tr> <td>Infrastructure - Water, Sewer and Storm systems</td> <td style="text-align: right;">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 50 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 50 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, 2015

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, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.
Revenue Recognition	<p>Taxes are recognized as revenue in the year they are earned.</p> <p>Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized as it becomes receivable.</p> <p>Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.</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.
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.

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

December 31, 2015

1. Cash

	2015	2014
Unrestricted	\$ 5,663,766	\$ 5,268,112

The Municipality has an authorized line of credit of \$1,900,000 at prime lending rate. The outstanding amount as of December 31, 2015 was \$nil (2014 - \$nil). The facility is secured by current expenditure by-laws.

2. Long-term Investments

	2015	2014
Loan receivable from Knollcrest Lodge	\$ 120,000	\$ 130,000
Loan receivable from Newton Athletic Association	5,238	6,984
Municipal drain debentures	28,103	72,636
Shakespeare sewer debentures	694,546	747,850
Other long-term investments	2,882,629	2,953,800
	\$ 3,730,516	\$ 3,911,270

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 1.00% to 2.90% with maturity dates from October 2017 to October 2020.

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

December 31, 2015

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 \$196,166 (2014 - \$171,812) and reflects a discount rate of 2.7% (2014 - 3.0%).

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 30 years and the estimated remaining capacity is 130,768 cubic metres which is 56% (2014 - 58%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$188,000 (2014 - \$122,880). The estimated length of time needed for post-closure care is 15 years. The Ellice landfill reached its capacity during the year, in 2014 it had 4% of its remaining capacity available. The total undiscounted estimated future expenditures for closure and post-closure care are \$182,600 (2014 - \$167,080). 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.

4. Deferred Revenue

	Opening balance	Contribution received	Externally restricted investment income	Revenue recognized	Ending balance
Recreational land \$	99,285	(12,333)	654	(1,787) \$	85,819
Gasoline tax - transit	340,490	152,546	3,555	(120,000)	376,591
Gasoline tax - federal		358,143		(358,143)	
Other	3,457	(3,387)			70
\$	443,232	494,969	4,209	(479,930) \$	462,480

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.

The Corporation of the Township of Perth East

Notes to Consolidated Financial Statements

December 31, 2015

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 \$196,013 (2014 - \$187,908).

6. Long-Term Debt

	2015	2014
Tile drainage loans bear interest at 6% and are repayable in annual instalments. The loans are due between 2016 and 2025 and are recoverable from benefiting landowners	\$ 268,021	\$ 357,347
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)	823,807	864,161
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	1,528,973	1,732,572
	\$ 2,620,801	\$ 2,954,080

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

2016	\$ 320,592
2017	304,006
2018	296,797
2019	293,062
2020	300,837
Thereafter	1,105,507
	\$ 2,620,801

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

December 31, 2015

7. Tangible Capital Assets

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Infrastructure -roads	Infrastructure - bridges	Infrastructure - water, sewer and storm systems	2015 Total
Cost, beginning of year	\$ 7,623,489	\$ 2,252,484	\$ 11,447,446	\$ 3,967,768	\$ 4,800,450	\$ 20,791,894	\$ 7,561,648	\$ 20,484,267	\$ 78,929,446
Additions		255,707	345,382	319,840	1,078,562	1,121,150	45,339	223,453	3,389,433
Disposals	(27,944)	(24,073)	(135,318)	(149,606)	(345,754)	(140,760)	(9,210)	(168,848)	(1,001,513)
Transfers	157,963	-	(86,185)	86,185	-	(1,231,565)	-	1,073,602	-
Cost, end 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
Accumulated amortization, beginning of year	\$ -	\$ 1,143,666	\$ 2,793,994	\$ 1,923,770	\$ 1,828,049	\$ 7,302,978	\$ 2,697,732	\$ 4,355,934	\$ 22,046,123
Amortization	-	61,450	268,452	334,192	235,547	855,091	109,219	376,490	2,240,441
Disposals	-	(19,875)	(39,289)	(139,741)	(184,173)	(140,410)	(7,603)	(112,464)	(643,555)
Transfers	-	-	-	-	-	(337,948)	-	337,948	-
Accumulated amortization, end of year	\$ -	\$ 1,185,241	\$ 3,023,157	\$ 2,118,221	\$ 1,879,423	\$ 7,679,711	\$ 2,799,348	\$ 4,957,908	\$ 23,643,009
Net carrying amount, end of year	\$ 7,753,508	\$ 1,298,877	\$ 8,548,168	\$ 2,105,966	\$ 3,653,835	\$ 12,861,008	\$ 4,798,429	\$ 16,654,566	\$ 57,674,357

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 \$549,719 (2014 - \$2,389,462). Donated capital assets for the year were valued at \$52,116 (2014 - \$66,372).

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

December 31, 2015

7. Tangible Capital Assets (continued)

	Land	Land improvement	Buildings	Machinery and equipment	Vehicle	Infrastructure - roads	Infrastructure - bridges	Infrastructure - water, sewer, and storm systems	2014 Total
Cost, beginning of year	\$ 7,610,487	\$ 2,226,080	\$ 10,167,702	\$ 3,882,499	\$ 4,354,779	\$ 19,341,542	\$ 7,553,752	\$ 20,375,334	\$ 75,512,175
Additions	15,002	29,485	1,447,586	250,376	562,056	1,465,847	23,945	114,553	3,908,850
Disposals	(2,000)	(3,081)	(167,842)	(165,107)	(116,385)	(15,495)	(16,049)	(5,620)	(491,579)
Cost, end of year	\$ 7,623,489	\$ 2,252,484	\$ 11,447,446	\$ 3,967,768	\$ 4,800,450	\$ 20,791,894	\$ 7,561,648	\$ 20,484,267	\$ 78,929,446
Accumulated amortization, beginning of year	\$ -	\$ 1,090,664	\$ 2,648,707	\$ 1,762,966	\$ 1,674,538	\$ 6,393,463	\$ 2,603,131	\$ 3,999,474	\$ 20,172,943
Amortization	-	54,149	241,378	319,892	233,130	921,272	108,760	358,682	2,237,263
Disposals	-	(1,147)	(96,091)	(159,088)	(79,619)	(11,757)	(14,159)	(2,222)	(364,083)
Accumulated amortization, end of year	\$ -	\$ 1,143,666	\$ 2,793,994	\$ 1,923,770	\$ 1,828,049	\$ 7,302,978	\$ 2,697,732	\$ 4,355,934	\$ 22,046,123
Net carrying amount, end of year	\$ 7,623,489	\$ 1,108,818	\$ 8,653,452	\$ 2,043,998	\$ 2,972,401	\$ 13,488,916	\$ 4,863,916	\$ 16,128,333	\$ 56,883,323

The Corporation of the Township of Perth East

Notes to Consolidated Financial Statements

December 31, 2015

8. Accumulated Surplus

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

	2015	2014
Investment in tangible capital assets	\$ 57,674,357	\$ 56,883,323
Current Funds	(2,625,599)	(2,596,618)
Reserve Funds		
Working funds	909,524	909,524
Current purposes	1,462,396	1,274,836
Capital purposes	6,792,692	6,550,119
Insurance	93,173	76,932
Unfunded liability	(196,166)	(171,812)
	\$ 64,110,377	\$ 62,926,304

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 2015	Actual 2015	Actual 2014
	(Note 16)		
Operating			
Unconditional	\$ 2,640	\$ 6,069	\$ 1,981
Capital			
Federal gas tax revenue	348,276	348,276	358,144
	\$ 350,916	\$ 354,345	\$ 360,125

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

December 31, 2015

10. Government Transfers - Provincial

	Budget 2015	Actual 2015	Actual 2014
	(Note 16)		
Operating			
Ontario municipal partnership fund	\$ 2,163,800	\$ 2,163,800	\$ 2,704,700
Unconditional	163,798	227,590	266,860
Capital			
Other capital funding	-	221,559	215,701
	\$ 2,327,598	\$ 2,612,949	\$ 3,187,261

11. Other Income

	Budget 2015	Actual 2015	Actual 2014
	(Note 16)		
Penalties and interest on taxation	\$ 81,485	\$ 98,955	\$ 93,105
Other fines and penalties	1,303	1,599	636
Investment income	98,812	194,663	150,973
Licences, permits and rents	318,448	374,977	298,461
Donations	23,766	43,611	19,611
Donated tangible capital assets	-	52,116	66,372
Prepaid special charges	-	393,415	262,354
Sale of publications, equipment and other	493,468	615,079	538,013
	\$ 1,017,282	\$ 1,774,415	\$ 1,429,525

The Corporation of the Township of Perth East

Notes to Consolidated Financial Statements

December 31, 2015

12. Expenses by Object

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

	Budget 2015	Actual 2015	Actual 2014
	(Note 16)		
Salaries, wages and employee benefits	\$ 3,509,171	\$ 3,412,361	\$ 3,279,316
Materials	5,312,247	3,462,397	3,314,992
Contracted services	4,399,131	2,978,356	2,726,777
Interest on long-term debt	41,342	89,869	102,885
Contributions to other organizations	182,717	184,546	257,352
Amortization	-	2,240,442	2,237,263
	\$ 13,444,608	\$ 12,367,971	\$ 11,918,585

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:

	2015	2014
School boards	\$ 3,616,200	\$ 3,499,129
County of Perth	4,037,663	3,622,293
	\$ 7,653,863	\$ 7,121,422

15. Trust Funds

Trust funds administered by the Township amounting to \$875,564 (2014 - \$864,185) 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 Consolidated Financial Statements

December 31, 2015

16. Budget

The Financial Plan (Budget) By-Law adopted by Council on April 7, 2015 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 April 7, 2015 with adjustments as follows:

	<u>2015</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	2,132,766
Principal payments on debt	40,353
Less:	
Budgeted transfers from unfunded	(1,255,109)
Amortization	<u>(2,237,263)</u>
Budget surplus per statement of operations	<u>\$ (1,319,253)</u>

17. Contingencies

A number of appeals of the current value assessment of properties in the municipality are currently in process. The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.

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 as 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.

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

December 31, 2015

18. Comparative Figures

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

19. Public Sector Salary Disclosure

Per the Public Sector Salary Disclosure Act of 1996 it is necessary to disclose summary information of employees earning greater than \$100,000 in the year. Two employees met this criteria in the year:

Name: Schwendinger, Glenn
Position: Chief Administrative Officer
Total salary: \$129,398
Total benefits: \$792

Name: Hunter, Bill
Position: Fire Chief
Total salary: \$103,160
Total benefits: \$522

The Corporation of the Township of Perth East

Notes to Consolidated Financial Statements

December 31, 2015

20. 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 Consolidated Financial Statements

December 31, 2015

20. 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	2015 Total
Revenue								
Taxation	\$ 647,734	\$ 1,845,139	\$ 1,931,296	\$ 752,677	\$ 37,188	\$ 748,121	\$ 222,512	6,184,667
Government grants	375,086	759,570	1,353,571	234,213	8,541	294,601	300,746	3,326,328
User fees and service charges	134,307	87,153	16,693	1,469,742	22,401	289,299	53,747	2,073,342
Other	559,484	28,139	511,603	10,952	33,356	149,426	481,455	1,774,415
	<u>1,716,611</u>	<u>2,720,001</u>	<u>3,813,163</u>	<u>2,467,584</u>	<u>101,486</u>	<u>1,481,447</u>	<u>1,058,460</u>	<u>13,358,752</u>
Expenses								
Salaries and benefits	884,818	964,861	729,757	212,627	24,307	547,207	48,784	3,412,361
Goods and services	239,628	1,709,099	2,072,504	953,181	12,350	577,876	1,060,661	6,625,299
Interest	-	-	-	70,785	-	-	19,084	89,869
Amortization	54,675	230,041	1,243,142	398,039	3,306	306,976	4,263	2,240,442
(Gain) loss on disposal of tangible capital assets	559	3,694	(205,969)	2,834	-	5,590	-	(193,292)
	<u>1,179,680</u>	<u>2,907,695</u>	<u>3,839,434</u>	<u>1,637,466</u>	<u>39,963</u>	<u>1,437,649</u>	<u>1,132,792</u>	<u>12,174,679</u>
Net surplus	<u>\$ 536,931</u>	<u>\$ (187,694)</u>	<u>\$ (26,271)</u>	<u>\$ 830,118</u>	<u>\$ 61,523</u>	<u>\$ 43,798</u>	<u>\$ (74,332)</u>	<u>\$ 1,184,073</u>

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

December 31, 2015

20. 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	2014 Total
Revenue								
Taxation	\$ 570,821	\$ 1,626,051	\$ 1,701,978	\$ 663,306	\$ 32,772	\$ 659,291	\$ 196,094	\$ 5,450,313
Government grants	444,569	989,706	1,357,602	363,479	16,263	358,681	365,119	3,895,419
User fees and service charges	117,141	77,788	60,140	1,303,328	18,674	265,679	59,222	1,901,972
Other	507,669	636	462,706	62,521	10,666	106,576	278,751	1,429,525
	<u>1,640,200</u>	<u>2,694,181</u>	<u>3,582,426</u>	<u>2,392,634</u>	<u>78,375</u>	<u>1,390,227</u>	<u>899,186</u>	<u>12,677,229</u>
Expenses								
Salaries and benefits	860,784	894,007	747,090	207,598	20,157	498,554	47,541	3,275,731
Goods and services	238,494	1,756,758	2,069,739	828,014	9,031	683,725	716,945	6,302,706
Interest	-	-	-	74,421	-	-	28,464	102,885
Amortization	57,396	222,023	1,293,844	372,896	2,782	283,617	4,704	2,237,262
(Gain) loss on disposal of tangible capital assets	4,842	7,325	(426,790)	4,184	-	(351)	-	(410,790)
	<u>1,161,516</u>	<u>2,880,113</u>	<u>3,683,883</u>	<u>1,487,113</u>	<u>31,970</u>	<u>1,465,545</u>	<u>797,654</u>	<u>11,507,794</u>
Net surplus	<u>\$ 478,684</u>	<u>\$ (185,932)</u>	<u>\$ (101,457)</u>	<u>\$ 905,521</u>	<u>\$ 46,405</u>	<u>\$ (75,318)</u>	<u>\$ 101,532</u>	<u>\$ 1,169,435</u>

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

For the year ended December 31	Budget	2015 Actual	2014 Actual
Revenue			
Grants -Township of Perth East	\$ 216,482	\$ 216,482	\$ 210,722
-Government of Canada	2,640	6,069	1,981
-Province of Ontario	32,293	29,541	29,529
-Other	1,400	1,400	1,131
Donations	2,366	5,245	2,551
Interest income	1,790	1,477	1,999
Memberships, internet, book sales and fines	6,546	6,134	6,300
Programs	1,263	1,920	1,600
	264,780	268,268	255,813
Expenses			
Advertising and travel	1,378	1,790	740
Amortization	-	39,749	40,810
Computer software and services	893	910	712
Contracts	23,736	25,603	22,208
Fundraising and programs	3,250	3,606	2,879
Insurance	9,105	9,105	8,819
Office supplies	2,707	2,857	2,713
Professional fees	1,156	1,191	1,283
Repairs and maintenance	44,709	7,294	10,091
Sundry	2,428	3,455	2,057
Telephone and internet	5,473	5,085	5,053
Utilities	14,154	9,707	14,755
Wages and benefits	147,561	141,341	132,196
	256,550	251,693	244,316
Annual surplus	8,230	16,575	11,497
Accumulated surplus, beginning of year	295,987	295,987	284,490
Accumulated surplus, end of year	\$ 304,217	\$ 312,562	\$ 295,987