

**The Corporation of the Township
of Perth East
Financial Statements
For the year ended December 31, 2016**

**The Corporation of the Township of
Perth East**
Financial Statements
For the year ended December 31, 2016

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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, 2016, 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, 2016 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
August 3, 2017

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

December 31	2016	2015
Financial assets		
Cash and cash equivalents (Note 1)	\$ 4,994,334	\$ 5,663,766
Taxes receivable	694,943	798,821
Accounts and other receivables	981,769	916,164
Tile drainage loans receivable (Note 6)	210,612	268,022
Long-term investments (Note 2)	5,768,590	3,730,516
	12,650,248	11,377,289
Liabilities		
Accounts payable and accrued liabilities	2,833,384	1,941,321
Deferred revenue (Note 4)	654,520	462,480
Long-term debt (Note 6)	2,313,909	2,620,801
Landfill closure and post-closure liabilities (Note 3)	235,358	196,166
	6,037,171	5,220,768
Net financial assets	6,613,077	6,156,521
Non-financial assets		
Tangible capital assets (Note 7)	58,420,292	57,674,356
Prepaid expenses and inventories of supplies	188,868	279,500
	58,609,160	57,953,856
Accumulated surplus (Note 8)	\$ 65,222,237	\$ 64,110,377

Contingent liabilities (Note 17)

_____ Treasurer _____ Mayor

The Corporation of the Township of Perth East Statement of Operations

For the year ended December 31	Budget 2016	Actual 2016	Actual 2015
	(Note 16)		
Revenue			
Taxation	\$ 6,928,239	\$ 6,908,484	\$ 6,184,667
Government transfers - Federal (Note 9)	368,706	360,140	354,345
Government transfers - Provincial (Note 10)	2,013,632	2,397,859	2,612,949
Municipal transfers	355,122	386,845	359,034
User fees and service charges	2,172,955	2,236,897	2,073,342
Other (Note 11)	1,057,914	2,345,666	1,774,415
	<u>12,896,568</u>	<u>14,635,891</u>	<u>13,358,752</u>
Expenses			
General government	1,213,989	1,218,366	1,178,129
Protection services	4,029,268	3,136,114	2,904,992
Transportation services	5,098,476	4,172,673	4,045,403
Environmental services	1,791,373	1,714,187	1,634,633
Health services	44,887	40,748	39,963
Recreation and cultural services	1,833,898	1,588,005	1,432,059
Planning and development	193,376	1,416,349	1,132,792
	<u>14,205,267</u>	<u>13,286,442</u>	<u>12,367,971</u>
Annual surplus from operations	(1,308,699)	1,349,449	990,781
Gain (loss) on disposal of tangible capital assets	1,102,000	(237,589)	193,292
Annual surplus (deficit)	<u>(206,699)</u>	<u>1,111,860</u>	<u>1,184,073</u>
Accumulated surplus, beginning of year	64,110,377	64,110,377	62,926,304
Accumulated surplus, end of year	<u>\$ 63,903,678</u>	<u>\$ 65,222,237</u>	<u>\$ 64,110,377</u>

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

For the year ended December 31	Budget 2016	Actual 2016	Actual 2015
	(Note 16)		
Annual surplus (deficit)	\$ (206,699)	\$ 1,111,860	\$ 1,184,073
Acquisition of tangible capital assets	(1,748,697)	(3,451,803)	(3,389,433)
Amortization of tangible capital assets	2,237,263	2,304,736	2,240,442
(Gain) loss on disposal of tangible capital assets	(1,102,000)	237,589	(193,292)
Proceeds on sale of tangible capital assets	-	163,542	551,250
	(820,133)	365,924	393,040
Use/consumption of prepaid expenses and inventory of supplies	-	90,632	(124,012)
	-	90,632	(124,012)
Net change in net financial assets	(820,133)	456,556	269,028
Net financial assets, beginning of year	6,156,521	6,156,521	5,887,493
Net financial assets, end of year	\$ 5,336,388	\$ 6,613,077	\$ 6,156,521

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

For the year ended December 31	2016	2015
Operating transactions		
Annual surplus	\$ 1,111,860	\$ 1,184,073
Items not involving cash		
Amortization	2,304,736	2,240,442
(Gain) loss on disposal of tangible capital assets	237,589	(193,292)
Changes in non-cash operating balances		
Taxes receivable	103,878	(71,438)
Accounts and other receivables	(65,605)	(357,343)
Tile drainage loans receivable	57,410	89,326
Prepaid expenses and inventories of supplies	90,632	(124,012)
Accounts payable and accruals	892,063	575,005
Deferred revenue	192,040	19,248
Landfill closure and post-closure liabilities	39,192	24,354
	<u>4,963,795</u>	<u>3,386,363</u>
Capital transactions		
Acquisition of tangible capital assets	(3,451,803)	(3,389,433)
Proceeds on sale of tangible capital assets	163,542	551,250
	<u>(3,288,261)</u>	<u>(2,838,183)</u>
Investing transactions		
Proceeds on disposition of long-term investments	448,154	2,510,351
Acquisition of long-term investments	(2,486,228)	(2,329,598)
	<u>(2,038,074)</u>	<u>180,753</u>
Financing transactions		
Proceeds from issuance of long-term debt	13,700	40,300
Repayment of long-term debt	(320,592)	(373,579)
	<u>(306,892)</u>	<u>(333,279)</u>
Increase in cash and cash equivalents	(669,432)	395,654
Cash and cash equivalents, beginning of year	<u>5,663,766</u>	<u>5,268,112</u>
Cash and cash equivalents, end of year	<u>\$ 4,994,334</u>	<u>\$ 5,663,766</u>

The Corporation of the Township of Perth East

Summary of Significant Accounting Policies

December 31, 2016

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="width: 100%;"> <tr> <td style="padding-left: 20px;">Land improvements</td> <td style="text-align: right;">20 to 75 years</td> </tr> <tr> <td style="padding-left: 20px;">Buildings</td> <td style="text-align: right;">10 to 50 years</td> </tr> <tr> <td style="padding-left: 20px;">Machinery and equipment</td> <td style="text-align: right;">5 to 20 years</td> </tr> <tr> <td style="padding-left: 20px;">Vehicles</td> <td style="text-align: right;">10 to 25 years</td> </tr> <tr> <td style="padding-left: 20px;">Infrastructure - Roads</td> <td style="text-align: right;">15 to 75 years</td> </tr> <tr> <td style="padding-left: 20px;">infrastructure - Bridges</td> <td style="text-align: right;">30 to 75 years</td> </tr> <tr> <td style="padding-left: 20px;">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 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, 2016

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 Financial Statements

December 31, 2016

1. Cash

	2016	2015
Unrestricted	\$ 4,994,334	\$ 5,663,766

The Municipality has an authorized line of credit of \$1,900,000 at prime lending rate. The outstanding amount as of December 31, 2016 was \$nil (2015 - \$nil). The facility is secured by current expenditure by-laws.

2. Long-term Investments

	2016	2015
Loan receivable from Knollcrest Lodge	\$ 110,000	\$ 120,000
Loan receivable from Newton Athletic Association	3,492	5,238
Municipal drain debentures	50,800	28,103
Shakespeare sewer debentures	553,659	694,546
Other long-term investments	5,050,639	2,882,629
	\$ 5,768,590	\$ 3,730,516

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 October 2018 to November 2021.

The Corporation of the Township of Perth East

Notes to Financial Statements

December 31, 2016

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 \$235,358 (2015 - \$196,166) and reflects a discount rate of 2.7% (2015 - 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 21 years and the estimated remaining capacity is 124,768 cubic metres which is 53% (2015 - 56%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$205,000 (2015 - \$188,000). 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 \$195,400 (2015 - \$182,600). 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, 2016

4. Deferred Revenue

	Opening balance	Contribution received	Externally restricted investment income	Revenue recognized	Ending balance
Recreational land \$	85,819	177,789	749	(107,151) \$	157,206
Gasoline tax - transit	376,591	76,054	1,550	(139,017)	315,178
Gasoline tax - federal	-	365,690	48	(355,690)	10,048
Other	70	172,018	-	-	172,088
\$	462,480	791,551	2,347	(601,858) \$	654,520

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 \$211,779 (2015 - \$196,013).

As at December 31, 2016, the OMERS plan is in a deficit position of \$5.72 billion (2015 - \$6.98 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.

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

December 31, 2016

6. Long-Term Debt

	2016	2015
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	\$ 210,612	\$ 268,021
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)	781,476	823,807
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	1,321,821	1,528,973
	\$ 2,313,909	\$ 2,620,801

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

2017	\$ 305,046
2018	297,899
2019	294,229
2020	302,075
2021	300,855
Thereafter	813,805
	\$ 2,313,909

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

December 31, 2016

7. Tangible Capital Assets

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	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)
Transfers	-	-	-	-	-	-	-	-	-
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)
Transfers	-	-	-	-	-	-	-	-	-
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 net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$588,105 (2015 - \$549,719). Donated capital assets for the year were valued at \$54,253 (2015 - \$52,116).

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

December 31, 2016

7. Tangible Capital Assets (continued)

	Land	Land improvement	Buildings	Machinery and equipment	Vehicle	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	376,491	2,240,442
Disposals	-	(19,875)	(39,289)	(139,741)	(184,173)	(140,410)	(7,603)	(112,464)	(643,555)
Write-downs	-	-	-	-	-	(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	\$ 4,957,909	\$ 23,643,010
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	\$ 16,654,565	\$ 57,674,356

The Corporation of the Township of Perth East

Notes to Financial Statements

December 31, 2016

8. Accumulated Surplus

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

	2016	2015
Investment in tangible capital assets	\$ 58,420,292	\$ 57,674,356
Current Funds	2,047,123	2,467,243
Reserve Funds		
Working funds	909,524	909,524
Current purposes	1,630,719	1,462,396
Capital purposes	7,210,649	6,330,282
Insurance	89,597	93,173
Unfinanced capital outlay	(2,747,011)	(2,277,651)
Unfunded liabilities	(2,338,656)	(2,548,946)
	\$ 65,222,237	\$ 64,110,377

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 2016	Actual 2016	Actual 2015
	(Note 16)		
Operating			
Unconditional	\$ 3,016	\$ 4,450	\$ 6,069
Capital			
Federal gas tax revenue	365,690	355,690	348,276
	\$ 368,706	\$ 360,140	\$ 354,345

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

December 31, 2016

10. Government Transfers - Provincial

	Budget 2016	Actual 2016	Actual 2015
	(Note 16)		
Operating			
Ontario municipal partnership fund	\$ 1,839,300	\$ 1,839,300	\$ 2,163,800
Unconditional	174,332	347,455	227,590
Capital			
Other capital funding	-	211,104	221,559
	\$ 2,013,632	\$ 2,397,859	\$ 2,612,949

11. Other Income

	Budget 2016	Actual 2016	Actual 2015
	(Note 16)		
Penalties and interest on taxation	\$ 91,174	\$ 105,769	\$ 98,955
Other fines and penalties	1,322	1,899	1,599
Investment income	87,211	161,140	194,663
Licences, permits and rents	334,867	459,232	374,977
Donations	3,400	135,952	43,611
Donated tangible capital assets	-	54,253	52,116
Prepaid special charges	-	722,706	393,415
Sale of publications, equipment and other	539,940	704,715	615,079
	\$ 1,057,914	\$ 2,345,666	\$ 1,774,415

The Corporation of the Township of Perth East

Notes to Financial Statements

December 31, 2016

12. Expenses by Object

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

	Budget 2016	Actual 2016	Actual 2015
	(Note 16)		
Salaries, wages and employee benefits	\$ 3,928,619	\$ 3,800,348	\$ 3,412,361
Materials	4,513,673	3,818,856	3,462,397
Contracted services	5,442,574	2,995,281	2,978,356
Interest on long-term debt	39,366	81,332	89,869
Contributions to other organizations	281,033	285,889	184,546
Amortization	-	2,304,736	2,240,442
	\$ 14,205,265	\$ 13,286,442	\$ 12,367,971

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:

	2016	2015
School boards	\$ 3,664,129	\$ 3,617,161
County of Perth	4,152,656	4,037,663
	\$ 7,816,785	\$ 7,654,824

15. Trust Funds

Trust funds administered by the Township amounting to \$745,828 (2015 - \$875,567) 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, 2016

16. Budget

The Financial Plan (Budget) By-Law adopted by Council on April 19, 2016 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 19, 2016 with adjustments as follows:

	<u>2016</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	1,748,697
Principal payments on debt	42,330
Less:	
Budgeted transfers from unfunded	(794,990)
Amortization	<u>(2,304,736)</u>
Budget surplus per statement of operations	<u>\$ (1,308,699)</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 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.

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

December 31, 2016

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 criterion in the year:

Name: Schwendinger, Glenn
Position: Chief Administrative Officer
Total salary: \$132,496
Total benefits: \$819

Name: Hunter, Bill
Position: Fire Chief
Total salary: \$105,838
Total benefits: \$657

The Corporation of the Township of Perth East

Notes to Financial Statements

December 31, 2016

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 Financial Statements

December 31, 2016

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	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
Notes to Financial Statements

December 31, 2016

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 - Library Board
Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget	2016 Actual	2015 Actual
Revenue			
Grants -Township of Perth East	\$ 225,739	\$ 225,839	\$ 216,482
-Government of Canada	3,016	4,450	6,069
-Province of Ontario	31,653	38,377	29,541
-Other	1,000	1,000	1,400
Donations	2,400	2,219	5,245
Interest income	1,790	1,543	1,477
Memberships, internet, book sales and fines	5,577	7,133	6,454
Programs	1,500	2,939	1,600
	272,675	283,500	268,268
Expenses			
Advertising and travel	1,398	1,041	1,790
Amortization	-	42,521	39,749
Computer software and services	1,074	1,028	910
Contracts	24,380	24,222	25,603
Fundraising and programs	3,261	3,630	3,606
Insurance	9,530	9,530	9,105
Office supplies	2,751	2,853	2,857
Professional fees	1,221	1,221	1,191
Repairs and maintenance	41,984	3,068	7,294
Sundry	2,444	4,094	1,556
Telephone and internet	5,183	5,048	5,085
Utilities	14,357	8,237	9,707
Wages and benefits	155,524	150,745	141,341
	263,107	257,238	249,794
Annual surplus	9,568	26,262	18,474
Accumulated surplus, beginning of year	331,036	331,036	312,562
Accumulated surplus, end of year	\$ 340,604	\$ 357,298	\$ 331,036