

**The Corporation of the Township
of Perth East
Consolidated Financial Statements
For the year ended December 31, 2013**

**The Corporation of the Township of
Perth East
Consolidated Financial Statements
For the year ended December 31, 2013**

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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, 2013, 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, 2013 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LP

Chartered Accountants, Licensed Public Accountants

Stratford, Ontario

July 16, 2014

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

December 31	2013	2012
		(Restated See Note 1)
Financial assets		
Cash and cash equivalents (Note 2)	\$ 5,232,814	\$ 5,851,272
Taxes receivable	647,680	563,536
Accounts and other receivables	658,520	538,322
Drains receivable	489,186	491,797
Long-term investments (Note 3)	5,025,319	3,392,562
	12,053,519	10,837,489
Liabilities		
Accounts payable and accrued liabilities	1,833,539	1,053,211
Deferred revenue (Note 5)	488,049	427,477
Long-term debt (Note 7)	3,324,470	3,560,418
Landfill closure and post-closure liabilities (Note 4)	202,801	196,445
	5,848,859	5,237,551
Net financial assets	6,204,660	5,599,938
Non-financial assets		
Tangible capital assets (Note 8)	55,339,232	54,503,181
Prepaid expenses and inventories of supplies	212,977	176,716
	55,552,209	54,679,897
Accumulated surplus (Note 9)	\$ 61,756,869	\$ 60,279,835

Contingent liabilities (Note 18)

_____ Treasurer

_____ Mayor

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

For the year ended December 31	Budget 2013	Actual 2013	Actual 2012
	(Note 17)		(Restated See Note 1)
Revenue			
Taxation	\$ 4,842,147	\$ 4,859,658	\$ 4,689,065
Government transfers - Federal (Note 10)	374,358	436,466	803,439
Government transfers - Provincial (Note 11)	3,236,839	3,388,613	3,568,366
Municipal transfers	373,886	433,841	376,229
User fees and service charges	1,681,888	1,766,744	1,622,940
Other (Note 12)	882,036	2,086,660	1,599,920
	<u>11,391,154</u>	<u>12,971,982</u>	<u>12,659,959</u>
Expenses			
General government	945,767	1,137,954	1,182,142
Protection services	2,694,130	2,778,796	2,642,595
Transportation services	2,819,930	4,390,727	5,226,487
Environmental services	1,099,002	1,497,748	1,470,821
Health services	54,299	33,059	47,357
Recreation and cultural services	1,092,350	1,362,099	1,328,551
Planning and development	324,900	736,128	996,661
	<u>9,030,378</u>	<u>11,936,511</u>	<u>12,894,614</u>
Annual surplus (deficit) from operations	2,360,776	1,035,471	(234,655)
(Gain) loss on disposal of tangible capital assets	(86,000)	(441,563)	(108,617)
Annual surplus (deficit)	<u>2,446,776</u>	<u>1,477,034</u>	<u>(126,038)</u>
Accumulated surplus, beginning of year, as previously stated	60,279,835	60,422,684	60,405,873
Prior period adjustment (Note 1)	-	(142,849)	-
Accumulated surplus, beginning of year, as restated	<u>60,279,835</u>	<u>60,279,835</u>	<u>60,405,873</u>
Accumulated surplus, end of year	<u>\$ 62,726,611</u>	<u>\$ 61,756,869</u>	<u>\$ 60,279,835</u>

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

For the year ended December 31	Budget 2013	Actual 2013	Actual 2012
	(Note 17)		(Restated See Note 1)
Annual surplus (deficit)	\$ 2,446,776	\$ 1,477,034	\$ (126,038)
Acquisition of tangible capital assets	(3,778,202)	(3,260,611)	(2,316,619)
Amortization of tangible capital assets	-	2,284,168	3,581,906
(Gain) loss on disposal of tangible capital assets	-	(441,563)	(108,617)
Proceeds on sale of tangible capital assets	-	581,955	234,521
	(1,331,426)	640,983	1,265,153
Use/consumption of prepaid expenses and inventory of supplies	-	(36,261)	973
	-	(36,261)	973
Net change in net financial assets	(1,331,426)	604,722	1,266,126
Net financial assets, beginning of year	5,599,938	5,599,938	4,333,812
Net financial assets, end of year	\$ 4,268,512	\$ 6,204,660	\$ 5,599,938

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

For the year ended December 31	2013	2012
		(Restated See Note 1)
Operating transactions		
Annual surplus (deficit)	\$ 1,477,034	\$ (126,038)
Items not involving cash		
Amortization	2,284,168	3,581,906
(Gain) loss on disposal of tangible capital assets	(441,563)	(108,617)
Changes in non-cash operating balances		
Taxes receivable	(84,144)	(103,375)
Accounts and other receivables	(120,198)	129,125
Inventories for resale	-	18,808
Prepaid expenses and inventories of supplies	(36,261)	(17,834)
Accounts payable and accruals	780,328	203,676
Drains receivable	2,611	(17,364)
Deferred revenue	60,572	73,881
Landfill closure and post-closure liabilities	6,356	133,699
	<u>3,928,903</u>	<u>3,767,867</u>
Capital transactions		
Acquisition of tangible capital assets	(3,260,611)	(2,316,619)
Proceeds on sale of tangible capital assets	581,955	234,521
	<u>(2,678,656)</u>	<u>(2,082,098)</u>
Investing transactions		
Proceeds on disposition of long-term investments	133,268	137,895
Acquisition of long-term investments	(1,766,025)	(1,203,978)
	<u>(1,632,757)</u>	<u>(1,066,083)</u>
Financing transactions		
Proceeds from issuance of long-term debt	94,000	2,225,917
Repayment of long-term debt	(329,948)	(114,197)
	<u>(235,948)</u>	<u>2,111,720</u>
Increase in cash and cash equivalents	(618,458)	2,731,406
Cash and cash equivalents, beginning of year	<u>5,851,272</u>	<u>3,119,866</u>
Cash and cash equivalents, end of year	\$ 5,232,814	\$ 5,851,272

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

The Corporation of the Township of Perth East

Summary of Significant Accounting Policies

December 31, 2013

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

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.

The following board is owned or controlled by the municipality and has been consolidated:

Perth East Public Library Board

All inter-entity transactions and balances have been eliminated.

Cash and Cash Equivalents

Management considers all highly liquid investments with maturity of three months or less to be cash equivalents.

Tangible Capital Assets

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:

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

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

December 31, 2013

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.
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>

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

December 31, 2013

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
Notes to Consolidated Financial Statements

December 31, 2013

1. Prior Period Adjustment

During the year, The Corporation of the Township of Perth East determined there was an additional landfill liability for the Ellice Landfill. The adjustment has been reported retrospectively as follows:

	<u>2012</u>
<u>Statement of Financial Position</u>	
Increase in 2012 landfill liability	\$ (142,849)
Decrease in 2012 ending accumulated surplus	<u>\$ (142,849)</u>
<u>Statement of Operations</u>	
Increase in 2012 Expenses - environmental services	<u>\$ 142,849</u>
Decrease in 2012 annual surplus	<u>\$ (142,849)</u>
Decrease in 2012 ending accumulated surplus	<u>\$ (142,849)</u>

2. Cash

	<u>2013</u>	<u>2012</u>
Unrestricted	<u>\$ 5,232,814</u>	<u>\$ 5,851,272</u>

The Municipality has an authorized line of credit of \$1,900,000 at prime lending rate. The outstanding amount as of December 31, 2013 was \$nil (2012 - \$nil). The facility is secured by current expenditure by-laws.

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

December 31, 2013

3. Long-term Investments

	<u>2013</u>	<u>2012</u>
Loan receivable from Knollcrest Lodge	\$ 140,000	\$ 150,000
Loan receivable from Newton Athletic Association	8,730	10,476
Municipal drain debentures	77,053	88,781
Shakespeare sewer debentures	845,691	943,305
Other long-term investments	3,953,845	2,200,000
	<u>\$ 5,025,319</u>	<u>\$ 3,392,562</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 1.00% to 2.90% with maturity dates from October 2014 to October 2018.

The Corporation of the Township of Perth East

Notes to Consolidated Financial Statements

December 31, 2013

4. 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 \$202,801 (2012 - \$196,445) and reflects a discount rate of 3.0% (2012 - 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 40 years and the estimated remaining capacity is 136,696 cubic metres which is 58% (2012 - 56%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$274,797 (2012 - \$265,165). The estimated length of time needed for post-closure care is 15 years. The Ellice landfill is expected to reach its capacity in 3 years and the estimated remaining capacity is 12,740 cubic metres which is 9% (2012 - 15%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$196,212 (2012 - \$199,744). 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 Consolidated Financial Statements

December 31, 2013

5. Deferred Revenue

	Opening balance	Contribution received	Externally restricted investment income	Revenue recognized	Ending balance
Recreational land \$	28,540	46,162	654	(1,787) \$	73,569
Gasoline tax - transit	326,869	104,682	3,649	(25,000)	410,200
Gasoline tax - federal	62,961	369,358		(432,319)	
Other	9,107	(4,827)			4,280
\$	427,477	515,375	4,303	(459,106) \$	488,049

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.

6. 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 \$180,345 (2012 - \$164,209).

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

December 31, 2013

7. Long-Term Debt

	2013	2012
Tile drainage loans bear interest at 6% and are repayable in annual instalments. The loans are due between 2014 and 2022 and are recoverable from benefiting landowners	\$ 489,186	\$ 491,797
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)	902,630	939,303
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	1,932,654	2,129,318
	\$ 3,324,470	\$ 3,560,418

Principal repayments relating to the long-term debt of \$3,324,470 outstanding are due as follows:

2014	\$ 324,606
2015	327,745
2016	328,575
2017	312,468
2018	305,766
Thereafter	1,725,310
	\$ 3,324,470

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

December 31, 2013

8. Tangible Capital Assets

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Infrastructure -roads	Infrastructure - bridges	Infrastructure - water, sewer and storm systems	2013 Total
Cost, beginning of year	\$ 7,270,111	\$ 2,218,624	\$ 9,726,641	\$ 3,862,814	\$ 4,295,817	\$ 18,167,386	\$ 7,337,372	\$ 20,240,853	\$ 73,119,618
Additions	129,891	34,512	522,233	211,096	288,706	1,672,477	264,170	137,526	3,260,611
Disposals	(47,914)	(27,056)	(81,172)	(191,411)	(229,744)	(239,922)	(47,790)	(3,045)	(868,054)
Transfers	258,399	-	-	-	-	(258,399)	-	-	-
Cost, end 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
Accumulated amortization, beginning of year	\$ -	\$ 1,062,418	\$ 2,495,494	\$ 1,654,083	\$ 1,620,965	\$ 5,599,769	\$ 2,530,430	\$ 3,653,278	\$ 18,616,437
Amortization	-	53,965	229,117	299,864	228,948	1,017,589	105,537	349,148	2,284,168
Disposals	-	(25,719)	(75,904)	(190,981)	(175,375)	(223,895)	(32,836)	(2,952)	(727,662)
Transfers	-	-	-	-	-	-	-	-	-
Accumulated amortization, end 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
Net carrying amount, end of year	\$ 7,610,487	\$ 1,135,416	\$ 7,518,995	\$ 2,119,533	\$ 2,680,241	\$ 12,948,079	\$ 4,950,621	\$ 16,375,860	\$ 55,339,232

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 \$169,203 (2012 - \$159,019). Donated capital assets for the year were valued at \$559,874 (2012 - \$388,027).

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

December 31, 2013

8. Tangible Capital Assets (continued)

	Land	Land improvement	Buildings	Machinery and equipment	Vehicle	Infrastructure - roads	Infrastructure - bridges	Infrastructure - water, sewer, and storm systems	2012 Total (Restated See Note 1)
Cost, beginning of year	\$ 7,081,428	\$ 2,100,701	\$ 9,496,609	\$ 3,524,329	\$ 4,262,666	\$ 17,503,500	\$ 7,319,173	\$ 20,214,374	\$ 71,502,780
Additions	58,419	128,808	290,424	565,471	342,663	832,243	41,632	56,959	2,316,619
Disposals	(74)	(10,885)	(60,392)	(226,986)	(309,512)	(19,337)	(23,433)	(30,480)	(681,099)
Transfers	130,338	-	-	-	-	(149,020)	-	-	(18,682)
Cost, end of year	\$ 7,270,111	\$ 2,218,624	\$ 9,726,641	\$ 3,862,814	\$ 4,295,817	\$ 18,167,386	\$ 7,337,372	\$ 20,240,853	\$ 73,119,618
Accumulated amortization, beginning of year	\$ -	\$ 1,013,157	\$ 2,321,084	\$ 1,601,530	\$ 1,609,738	\$ 3,294,582	\$ 2,445,948	\$ 3,322,369	\$ 15,608,408
Amortization	-	54,583	212,469	279,539	239,421	2,340,753	104,729	350,412	3,581,906
Disposals	-	(5,322)	(38,059)	(226,986)	(228,194)	(16,884)	(20,247)	(19,503)	(555,195)
Write-downs	-	-	-	-	-	(18,682)	-	-	(18,682)
Accumulated amortization, end of year	\$ -	\$ 1,062,418	\$ 2,495,494	\$ 1,654,083	\$ 1,620,965	\$ 5,599,769	\$ 2,530,430	\$ 3,653,278	\$ 18,616,437
Net carrying amount, end of year	\$ 7,270,111	\$ 1,156,206	\$ 7,231,147	\$ 2,208,731	\$ 2,674,852	\$ 12,567,617	\$ 4,806,942	\$ 16,587,575	\$ 54,503,181

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

December 31, 2013

9. Accumulated Surplus

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

	2013	2012
		(Restated See Note 1)
Investment in tangible capital assets	\$ 55,339,232	\$ 54,503,181
Current Funds	(2,004,777)	(1,717,528)
Reserve Funds		
Working funds	909,524	909,524
Current purposes	1,353,722	1,545,187
Capital purposes	6,312,210	5,263,101
Insurance	49,759	39,371
Unfunded liability	(202,801)	(196,445)
	\$ 61,756,869	\$ 60,346,391

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.

10. Government Transfers - Federal

	Budget 2013	Actual 2013	Actual 2012
	(Note 17)		
Operating			
Unconditional	\$ 5,000	\$ 4,147	\$ 8,229
Capital			
Green municipal fund grant	-	-	425,852
Federal gas tax revenue	369,358	432,319	369,358
	\$ 374,358	\$ 436,466	\$ 803,439

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

December 31, 2013

11. Government Transfers - Provincial

	Budget 2013	Actual 2013	Actual 2012
	(Note 17)		
Operating			
Ontario municipal partnership fund	\$ 3,170,700	\$ 3,170,700	\$ 3,232,100
Unconditional	66,139	120,871	200,529
Capital			
Other capital funding	-	97,042	135,737
	\$ 3,236,839	\$ 3,388,613	\$ 3,568,366

12. Other Income

	Budget 2013	Actual 2013	Actual 2012
	(Note 17)		
Penalties and interest on taxation	\$ 70,799	\$ 81,427	\$ 69,621
Other fines and penalties	1,268	1,447	2,403
Investment income	64,351	148,292	107,849
Licences, permits and rents	280,938	277,999	289,257
Donations	7,560	6,914	40,572
Donated tangible capital assets	-	559,874	388,027
Prepaid special charges	-	314,975	228,336
Sale of publications, equipment and other	457,120	695,732	447,347
Other	-	-	26,508
	\$ 882,036	\$ 2,086,660	\$ 1,599,920

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

December 31, 2013

13. Expenses by Object

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

	Budget 2013	Actual 2013	Actual 2012
	(Note 17)		(Restated See Note 1)
Salaries, wages and employee benefits	\$ 3,261,390	\$ 3,171,736	\$ 3,083,259
Materials	3,408,388	3,357,868	3,325,044
Contracted services	2,142,272	2,847,678	2,609,922
Interest on long-term debt	47,676	110,378	75,400
Contributions to other organizations	170,652	164,684	219,083
Amortization	-	2,284,167	3,581,906
	\$ 9,030,378	\$ 11,936,511	\$ 12,894,614

14. Internal Loans

As a means of funding the Perth East Recreation Centre addition, 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.

The Corporation of the Township of Perth East

Notes to Consolidated Financial Statements

December 31, 2013

15. 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:

	2013	2012
School boards	3,444,574	3,361,346
County of Perth	3,291,731	3,127,816
	\$ 6,736,305	\$ 6,489,162

16. Trust Funds

Trust funds administered by the Township amounting to \$829,069 (2012 - \$783,228) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities.

17. Budget

The Financial Plan (Budget) By-Law adopted by Council on May 7, 2013 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 7, 2013 with adjustments as follows:

	2013
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	3,778,202
Budgeted transfers to accumulated surplus	750,715
Principal payments on debt	138,532
Less:	
Budgeted transfers from unfunded	(22,506)
Amortization	(2,284,167)
Budget surplus per statement of operations	\$ 2,360,776

The Corporation of the Township of Perth East

Notes to Consolidated Financial Statements

December 31, 2013

18. 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.

19. Comparative Figures

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

The Corporation of the Township of Perth East

Notes to Consolidated Financial Statements

December 31, 2013

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, 2013

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	2013 Total
Revenue								
Taxation	\$ 508,960	\$ 1,449,834	\$ 1,517,533	\$ 591,423	\$ 29,221	\$ 587,843	\$ 174,844	4,859,658
Government grants	536,832	1,140,167	1,472,254	385,876	19,065	417,863	286,863	4,258,920
User fees and service charges	51,698	87,607	26,120	1,230,123	14,788	286,823	69,585	1,766,744
Other	462,117	9,688	742,333	420,033	11,549	106,400	334,540	2,086,660
	<u>1,559,607</u>	<u>2,687,296</u>	<u>3,758,240</u>	<u>2,627,455</u>	<u>74,623</u>	<u>1,398,929</u>	<u>865,832</u>	<u>12,971,982</u>
Expenses								
Salaries and benefits	851,894	803,697	782,929	188,951	17,774	483,630	47,734	3,176,609
Goods and services	232,732	1,771,091	2,235,050	864,134	13,876	589,376	659,098	6,365,357
Interest	-	-	-	81,400	-	-	28,978	110,378
Amortization	53,328	204,008	1,372,748	363,263	1,409	289,093	318	2,284,167
(Gain) loss on disposal of tangible capital assets	(329)	-	(142,904)	(298,359)	-	29	-	(441,563)
	<u>1,137,625</u>	<u>2,778,796</u>	<u>4,247,823</u>	<u>1,199,389</u>	<u>33,059</u>	<u>1,362,128</u>	<u>736,128</u>	<u>11,494,948</u>
Net surplus	<u>\$ 421,982</u>	<u>\$ (91,500)</u>	<u>\$ (489,583)</u>	<u>\$ 1,428,066</u>	<u>\$ 41,564</u>	<u>\$ 36,801</u>	<u>\$ 129,704</u>	<u>\$ 1,477,034</u>

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

December 31, 2013

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	2012 Total (Restated See Note 1)
Revenue								
Taxation	\$ 407,596	\$ 1,321,273	\$ 1,503,652	\$ 545,838	\$ 30,341	\$ 656,499	\$ 223,866	\$ 4,689,065
Government grants	495,744	1,086,424	1,459,035	842,057	20,914	488,115	355,745	4,748,034
User fees and service charges	25,843	103,305	14,524	1,129,736	26,404	257,204	65,924	1,622,940
Other	422,921	5,028	108,027	391,130	23,319	406,433	243,062	1,599,920
	<u>1,352,104</u>	<u>2,516,030</u>	<u>3,085,238</u>	<u>2,908,761</u>	<u>100,978</u>	<u>1,808,251</u>	<u>888,597</u>	<u>12,659,959</u>
Expenses								
Salaries and benefits	833,358	813,884	756,154	134,071	25,483	472,405	48,540	3,083,895
Goods and services	279,922	1,632,469	1,783,837	925,193	21,453	592,300	918,239	6,153,413
Interest	-	-	-	46,737	-	-	28,663	75,400
Amortization	68,862	196,241	2,686,497	364,820	421	263,846	1,219	3,581,906
(Gain) loss on disposal of tangible capital assets	(203)	(6,100)	(118,855)	10,978	-	5,563	-	(108,617)
	<u>1,181,939</u>	<u>2,636,494</u>	<u>5,107,633</u>	<u>1,481,799</u>	<u>47,357</u>	<u>1,334,114</u>	<u>996,661</u>	<u>12,785,997</u>
Net surplus	<u>\$ 170,165</u>	<u>\$ (120,464)</u>	<u>\$ (2,022,395)</u>	<u>\$ 1,426,962</u>	<u>\$ 53,621</u>	<u>\$ 474,137</u>	<u>\$ (108,064)</u>	<u>\$ (126,038)</u>

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

For the year ended December 31	Budget	2013 Actual	2012 Actual
Revenue			
Grants -Township of Perth East	\$ 197,520	\$ 198,191	\$ 193,652
-Government of Canada	5,000	4,147	8,229
-Province of Ontario	31,166	30,176	27,372
-Other	1,500	1,500	1,500
Donations	2,900	3,817	3,993
Fundraising	100	165	100
Interest income	765	1,803	1,713
Memberships, internet, book sales and fines	6,261	5,860	7,305
Programs	1,836	1,267	1,600
	247,048	246,926	245,464
Expenses			
Advertising and travel	1,648	967	1,038
Amortization	-	41,184	42,021
Computer software and services	631	856	690
Contracts	26,071	21,824	23,912
Fundraising and programs	4,663	3,816	4,884
Insurance	8,844	8,844	8,616
Office supplies	3,010	2,406	2,725
Professional fees	2,805	1,119	2,798
Repairs and maintenance	47,311	8,359	6,812
Sundry	2,326	2,521	1,708
Telephone and internet	5,918	5,507	5,712
Utilities	13,771	11,405	10,515
Wages and benefits	127,679	125,671	116,062
	244,677	234,479	227,493
Annual surplus	2,371	12,447	17,971
Accumulated surplus, beginning of year	289,945	289,945	271,974
Accumulated surplus, end of year	\$ 292,316	\$ 302,392	\$ 289,945