

**The Corporation of the Township
of Perth East
Consolidated Financial Statements
For the year ended December 31, 2018**

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Consolidated Financial Statements
For the year ended December 31, 2018**

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of The Corporation of the Township of Perth East ("the Municipality"), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to the audit of financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient, appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Stratford, Ontario
August 8, 2019

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

| December 31 | 2018 | 2017 |
|--|----------------------|----------------------|
| Financial assets | | |
| Cash and cash equivalents (Note 1) | \$ 7,634,069 | \$ 5,722,498 |
| Taxes receivable | 733,225 | 527,470 |
| Accounts and other receivables | 890,852 | 1,040,675 |
| Tile drainage loans receivable (Note 6) | 162,698 | 146,417 |
| Long-term investments (Note 2) | 5,708,137 | 6,045,694 |
| | 15,128,981 | 13,482,754 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 3,286,077 | 3,193,174 |
| Deferred revenue (Note 4) | 566,828 | 563,101 |
| Long-term debt (Note 6) | 1,749,644 | 1,994,468 |
| Landfill closure and post-closure liabilities (Note 3) | 235,550 | 228,444 |
| | 5,838,099 | 5,979,187 |
| Net financial assets | 9,290,882 | 7,503,567 |
| Non-financial assets | | |
| Tangible capital assets (Note 7) | 59,969,787 | 59,822,176 |
| Prepaid expenses and inventories of supplies | 128,060 | 123,620 |
| | 60,097,847 | 59,945,796 |
| Accumulated surplus (Note 8) | \$ 69,388,729 | \$ 67,449,363 |

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 2018 | Actual 2018 | Actual 2017 |
|---|-----------------------------|-----------------------------|-----------------------------|
| | (Note 16) | | |
| Revenue | | | |
| Taxation | \$ 8,001,269 | \$ 8,017,335 | \$ 7,301,657 |
| Government transfers - Federal (Note 9) | 388,980 | 403,213 | 368,040 |
| Government transfers - Provincial (Note 10) | 1,904,045 | 1,881,203 | 2,453,086 |
| Municipal transfers | 331,658 | 371,547 | 385,542 |
| User fees and service charges | 2,404,458 | 2,760,063 | 2,481,067 |
| Other (Note 11) | 1,215,485 | 1,734,095 | 2,056,580 |
| | <u>14,245,895</u> | <u>15,167,456</u> | <u>15,045,972</u> |
| Expenses | | | |
| General government | 1,492,835 | 1,397,232 | 1,229,495 |
| Protection services | 3,940,136 | 3,330,736 | 3,162,896 |
| Transportation services | 5,209,151 | 4,796,682 | 4,234,003 |
| Environmental services | 1,754,323 | 1,524,861 | 1,542,575 |
| Health services | 37,950 | 61,277 | 40,702 |
| Recreation and cultural services | 1,627,001 | 1,636,668 | 1,556,219 |
| Planning and development | 460,637 | 1,014,467 | 1,048,049 |
| | <u>14,522,033</u> | <u>13,761,923</u> | <u>12,813,939</u> |
| Annual surplus (deficit) from operations | (276,138) | 1,405,533 | 2,232,033 |
| Gain (loss) on disposal of tangible capital assets | 1,174,500 | 533,833 | (4,907) |
| Annual surplus | <u>898,362</u> | <u>1,939,366</u> | <u>2,227,126</u> |
| Accumulated surplus, beginning of year | <u>67,449,363</u> | <u>67,449,363</u> | <u>65,222,237</u> |
| Accumulated surplus, end of year | <u>\$ 68,347,725</u> | <u>\$ 69,388,729</u> | <u>\$ 67,449,363</u> |

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

| For the year ended December 31 | Budget 2018 | Actual 2018 | Actual 2017 |
|--|------------------------|------------------------|------------------------|
| | (Note 16) | | |
| Annual surplus | \$ 898,362 | \$ 1,939,366 | \$ 2,227,126 |
| Acquisition of tangible capital assets | (3,016,651) | (2,820,719) | (3,834,711) |
| Amortization of tangible capital assets | 2,237,263 | 2,440,626 | 2,380,056 |
| (Gain) loss on disposal of tangible capital assets | (1,174,500) | (533,833) | 4,907 |
| Proceeds on sale of tangible capital assets | 1,174,500 | 766,314 | 47,863 |
| | 118,974 | 1,791,754 | 825,241 |
| Use/consumption of prepaid expenses and inventory of supplies | - | (4,439) | 65,249 |
| Net change in net financial assets | 118,974 | 1,787,315 | 890,490 |
| Net financial assets, beginning of year | 7,503,567 | 7,503,567 | 6,613,077 |
| Net financial assets, end of year | \$ 7,622,541 | \$ 9,290,882 | \$ 7,503,567 |

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

| For the year ended December 31 | 2018 | 2017 |
|---|---------------------|---------------------|
| Operating transactions | | |
| Annual surplus | \$ 1,939,366 | \$ 2,227,126 |
| Items not involving cash | | |
| Amortization | 2,440,626 | 2,380,056 |
| (Gain) loss on disposal of tangible capital assets | (533,833) | 4,907 |
| Changes in non-cash operating balances | | |
| Taxes receivable | (205,755) | 167,473 |
| Accounts and other receivables | 149,823 | (58,906) |
| Tile drainage loans receivable | (16,281) | 64,195 |
| Prepaid expenses and inventories of supplies | (4,439) | 65,249 |
| Accounts payable and accruals | 92,903 | 359,790 |
| Deferred revenue | 3,727 | (91,419) |
| Landfill closure and post-closure liabilities | 7,106 | (6,914) |
| | <u>3,873,243</u> | <u>5,111,557</u> |
| Capital transactions | | |
| Acquisition of tangible capital assets | (2,820,719) | (3,834,711) |
| Proceeds on sale of tangible capital assets | 766,314 | 47,863 |
| | <u>(2,054,405)</u> | <u>(3,786,848)</u> |
| Investing transactions | | |
| Proceeds on disposition of long-term investments | 3,458,555 | 518,580 |
| Acquisition of long-term investments | (3,121,000) | (795,684) |
| | <u>337,555</u> | <u>(277,104)</u> |
| Financing transactions | | |
| Proceeds from issuance of long-term debt | 50,000 | 15,000 |
| Repayment of long-term debt | (294,822) | (334,441) |
| | <u>(244,822)</u> | <u>(319,441)</u> |
| Increase in cash and cash equivalents | 1,911,571 | 728,164 |
| Cash and cash equivalents, beginning of year | 5,722,498 | 4,994,334 |
| Cash and cash equivalents, end of year | \$ 7,634,069 | \$ 5,722,498 |

The Corporation of the Township of Perth East

Summary of Significant Accounting Policies

December 31, 2018

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 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, 2018

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

December 31, 2018

1. Cash

| | 2018 | 2017 |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 7,634,069 | \$ 5,722,498 |

The Municipality has an authorized line of credit of \$1,900,000 at prime lending rate. The outstanding amount as of December 31, 2018 was \$nil (2017 - \$nil). The facility is secured by current expenditure by-laws.

2. Long-term Investments

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Loan receivable from Knollcrest Lodge | \$ 90,000 | \$ 100,000 |
| Loan receivable from Newton Athletic Association | - | 1,746 |
| Loan receivable from Optimist Club of Ellice | 79,111 | - |
| Municipal drain debentures | 36,183 | 43,704 |
| Shakespeare sewer debentures | 358,026 | 455,221 |
| Other long-term investments | 5,144,817 | 5,445,023 |
| | \$ 5,708,137 | \$ 6,045,694 |

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 was repaid during the year.

The loan receivable from the Optimist Club of Ellis bears no interest and is to be repaid in monthly instalments of \$444 ending October, 2033.

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 and other fixed income instruments with interest rates ranging from 1.5% to 3.05% with maturity dates from February 2019 to November 2023.

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

December 31, 2018

3. Landfill Closure and Post-Closure Liabilities

Landfill closure and post-closure care requirements have been determined 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 \$235,550 (2017 - \$228,444) and reflects a discount rate of 3.0% (2017 - 2.9%).

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 11 to 18 years and the estimated remaining capacity is 106,528 cubic metres which is 45% (2017 - 50%) of the site's total capacity. The total undiscounted estimated future expenditures for closure and post-closure care are \$216,500 (2017 - \$207,100). 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 post-closure care is \$162,300 (2017 - \$170,800). 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 the Consolidated Financial Statements

December 31, 2018

4. Deferred Revenue

| | Opening balance | Contribution received | Externally restricted investment income | Revenue recognized | Ending balance |
|---------------------------|--------------------|--------------------------|--|-----------------------|-------------------|
| Recreational land \$ | 111,239 | 118,505 | 960 | (116,067) \$ | 114,637 |
| Gasoline tax - transit | 362,142 | 60,941 | 4,467 | (35,000) | 392,550 |
| Gasoline tax - federal | 20,347 | 351,731 | 299 | (362,163) | 10,214 |
| Other | 69,373 | 82,769 | - | (102,715) | 49,427 |
| \$ | 563,101 | 613,946 | 5,726 | (615,945) \$ | 566,828 |

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 \$238,216 (2017 - \$219,485).

As at December 31, 2018, the OMERS plan is in a deficit position of \$4.19 billion (2017 - \$5.40 billion), which will be addressed through temporary contribution rate increases and if needed, benefit reductions. The multiemployer plan is valued on a current market basis for all plan assets. The projected benefit method prorated on services was used for the actuarial valuation.

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

The Corporation of the Township of Perth East

Notes to the Consolidated Financial Statements

December 31, 2018

6. Long-Term Debt

| | 2018 | 2017 |
|--|--------------|--------------|
| Tile drainage loans bear interest at 6% and are repayable in annual instalments. The loans are due between 2019 and 2028 and are recoverable from benefiting landowners | \$ 162,698 | \$ 146,417 |
| 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) | 690,492 | 737,072 |
| 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 | 896,454 | 1,110,979 |
| | \$ 1,749,644 | \$ 1,994,468 |

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

| | |
|------------|--------------|
| 2019 | \$ 294,822 |
| 2020 | 290,968 |
| 2021 | 298,617 |
| 2022 | 297,190 |
| 2023 | 302,930 |
| Thereafter | 265,117 |
| | \$ 1,749,644 |

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

December 31, 2018

7. Tangible Capital Assets

| | Land | Land improvements | Buildings | Machinery and equipment | Vehicles | Infrastructure -roads | Infrastructure - bridges | Infrastructure - water, sewer and storm systems | 2018 Total |
|---|--------------|-------------------|---------------|-------------------------|--------------|-----------------------|--------------------------|---|---------------|
| Cost, beginning of year | \$ 7,744,564 | \$ 2,547,652 | \$ 11,665,829 | \$ 4,769,075 | \$ 5,326,936 | \$ 24,404,322 | \$ 7,756,719 | \$ 22,340,486 | \$ 86,555,583 |
| Additions | 19,689 | 184,096 | 50,794 | 742,469 | 748,508 | 781,712 | 1,897 | 291,554 | 2,820,719 |
| Disposals | (11,541) | (36,029) | (313,670) | (387,655) | (23,748) | (44,824) | - | (17,063) | (834,530) |
| Cost, end of year | \$ 7,752,712 | \$ 2,695,719 | \$ 11,402,953 | \$ 5,123,889 | \$ 6,051,696 | \$ 25,141,210 | \$ 7,758,616 | \$ 22,614,977 | \$ 88,541,772 |
| Accumulated amortization, beginning of year | \$ - | \$ 1,176,970 | \$ 3,617,044 | \$ 2,324,414 | \$ 1,513,223 | \$ 9,385,415 | \$ 3,020,309 | \$ 5,696,032 | \$ 26,733,407 |
| Amortization | - | 68,520 | 304,758 | 383,905 | 286,613 | 893,831 | 112,046 | 390,953 | 2,440,626 |
| Disposals | - | (14,065) | (251,685) | (261,946) | (23,748) | (36,619) | - | (13,985) | (602,048) |
| Accumulated amortization, end of year | \$ - | \$ 1,231,425 | \$ 3,670,117 | \$ 2,446,373 | \$ 1,776,088 | \$ 10,242,627 | \$ 3,132,355 | \$ 6,073,000 | \$ 28,571,985 |
| Net carrying amount, end of year | \$ 7,752,712 | \$ 1,464,294 | \$ 7,732,836 | \$ 2,677,516 | \$ 4,275,608 | \$ 14,898,583 | \$ 4,626,261 | \$ 16,541,977 | \$ 59,969,787 |

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 \$1,978,356 (2017 - \$2,126,325). Donated capital assets for the year were valued at \$19,689 (2017 - \$249,988).

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

December 31, 2018

7. Tangible Capital Assets (continued)

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

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

December 31, 2018

8. Accumulated Surplus

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

| | 2018 | 2017 |
|---------------------------------------|----------------------|---------------|
| Investment in tangible capital assets | \$ 59,969,787 | \$ 59,822,176 |
| Current Funds | 1,524,224 | 1,818,031 |
| Reserve Funds | | |
| Working funds | 909,524 | 909,524 |
| Current purposes | 1,982,459 | 1,762,897 |
| Capital purposes | 10,104,831 | 8,828,244 |
| Insurance | 120,095 | 107,404 |
| Unfinanced capital outlay | (3,399,694) | (3,722,419) |
| Unfunded liabilities | (1,822,497) | (2,076,494) |
| | \$ 69,388,729 | \$ 67,449,363 |

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 2018 | Actual 2018 | Actual 2017 |
|-------------------------|-------------------|-------------------|----------------|
| | (Note 16) | | |
| Operating | | | |
| Unconditional | \$ 5,877 | \$ 8,397 | \$ 5,877 |
| Capital | | | |
| Federal gas tax revenue | 383,103 | 394,816 | 362,163 |
| | \$ 388,980 | \$ 403,213 | \$ 368,040 |

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

December 31, 2018

10. Government Transfers - Provincial

| | Budget 2018 | Actual 2018 | Actual 2017 |
|------------------------------------|---------------------|---------------------|---------------------|
| | (Note 16) | | |
| Operating | | | |
| Ontario municipal partnership fund | \$ 1,329,000 | \$ 1,329,000 | \$ 1,563,500 |
| Unconditional | 575,045 | 475,673 | 596,208 |
| Capital | | | |
| Other capital funding | - | 76,530 | 293,378 |
| | \$ 1,904,045 | \$ 1,881,203 | \$ 2,453,086 |

11. Other Income

| | Budget 2018 | Actual 2018 | Actual 2017 |
|---|---------------------|---------------------|---------------------|
| | (Note 16) | | |
| Penalties and interest on taxation | \$ 100,767 | \$ 88,049 | \$ 81,903 |
| Other fines and penalties | 1,000 | - | 719 |
| Investment income | 120,515 | 349,340 | 216,441 |
| Licences, permits and rents | 365,662 | 519,353 | 455,185 |
| Donations | 18,070 | 8,507 | 52,552 |
| Donated tangible capital assets | - | 19,689 | 249,988 |
| Prepaid special charges | - | 183,122 | 398,003 |
| Sale of publications, equipment and other | 609,471 | 566,035 | 601,789 |
| | \$ 1,215,485 | \$ 1,734,095 | \$ 2,056,580 |

The Corporation of the Township of Perth East

Notes to the Consolidated Financial Statements

December 31, 2018

12. Expenses by Object

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

| | Budget 2018 | Actual 2018 | Actual 2017 |
|---------------------------------------|----------------------|----------------------|----------------------|
| | (Note 16) | | |
| Salaries, wages and employee benefits | \$ 4,506,337 | \$ 4,220,475 | \$ 3,854,200 |
| Materials | 5,613,396 | 3,490,554 | 3,348,552 |
| Contracted services | 4,048,848 | 3,301,565 | 2,944,227 |
| Interest on long-term debt | 35,117 | 62,414 | 72,123 |
| Contributions to other organizations | 318,335 | 246,289 | 214,780 |
| Amortization | - | 2,440,626 | 2,380,056 |
| | \$ 14,522,033 | \$ 13,761,923 | \$ 12,813,938 |

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 consolidated 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:

| | 2018 | 2017 |
|-----------------|---------------------|---------------------|
| School boards | \$ 3,892,014 | \$ 3,734,961 |
| County of Perth | 4,566,694 | 4,360,981 |
| | \$ 8,458,708 | \$ 8,095,942 |

15. Trust Funds

Trust funds administered by the Township amounting to \$757,693 (2017 - \$740,090) 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 the Consolidated Financial Statements

December 31, 2018

16. Budget

The Financial Plan (Budget) By-Law adopted by Council on March 20, 2018 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 consolidated 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 consolidated statements of operations and change in net financial assets represent the Financial Plan adopted by Council on March 20, 2018 with adjustments as follows:

| | <u>2018</u> |
|--|--------------------|
| Financial Plan (Budget) Bylaw surplus for the year | \$ - |
| Add: | |
| Capital expenditures | 3,016,651 |
| Principal payments on debt | 46,579 |
| Budgeted transfers from unfunded | 916,425 |
| Gain on disposal of tangible capital assets | 533,833 |
| Less: | |
| Amortization | (2,440,626) |
| Budgeted proceeds on disposal of tangible capital assets | <u>(1,174,500)</u> |
| Budget surplus per consolidated statement of operations | <u>\$ 898,362</u> |

17. Contingencies

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

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

18. Comparative Figures

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

The Corporation of the Township of Perth East

Notes to the Consolidated Financial Statements

December 31, 2018

19. Segmented Information

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

General Government

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

Protection to Persons and Property

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

Transportation

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

Environmental

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

Health Services

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 |
|---------------------|---|

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

December 31, 2018

19. Segmented Information (continued)

| For the year ended December 31 | General Government | Protection to persons and property | Transportation | Environment | Health Services | Recreation and cultural services | Planning and development | 2018 Total |
|--|--------------------|---------------------------------------|---------------------|---------------------|-----------------|-------------------------------------|-----------------------------|---------------------|
| Revenue | | | | | | | | |
| Taxation | \$ 829,047 | \$ 2,196,987 | \$ 2,832,093 | \$ 978,196 | \$ 17,815 | \$ 900,216 | \$ 262,981 | 8,017,335 |
| Government grants | 259,144 | 576,459 | 1,021,365 | 252,238 | 2,953 | 190,699 | 353,105 | 2,655,963 |
| User fees and service charges | 124,252 | 73,839 | 18,303 | 2,012,960 | 32,010 | 292,819 | 205,880 | 2,760,063 |
| Other | 749,283 | 4,545 | 446,775 | 24,662 | 15,449 | 97,353 | 396,028 | 1,734,095 |
| | <u>1,961,726</u> | <u>2,851,830</u> | <u>4,318,536</u> | <u>3,268,056</u> | <u>68,227</u> | <u>1,481,087</u> | <u>1,217,994</u> | <u>15,167,456</u> |
| Expenses | | | | | | | | |
| Salaries and benefits | 1,017,824 | 1,110,919 | 913,012 | 242,129 | 34,090 | 663,773 | 238,728 | 4,220,475 |
| Goods and services | 288,330 | 1,954,131 | 2,556,245 | 798,877 | 26,259 | 649,921 | 764,645 | 7,038,408 |
| Interest | - | - | - | 53,633 | - | - | 8,781 | 62,414 |
| Amortization | 91,078 | 265,686 | 1,327,425 | 430,222 | 928 | 322,974 | 2,313 | 2,440,626 |
| (Gain) loss on disposal of tangible capital assets | (297,830) | (291,063) | 44,478 | 3,077 | - | 7,505 | - | (533,833) |
| | <u>1,099,402</u> | <u>3,039,673</u> | <u>4,841,160</u> | <u>1,527,938</u> | <u>61,277</u> | <u>1,644,173</u> | <u>1,014,467</u> | <u>13,228,090</u> |
| Net surplus | <u>\$ 862,324</u> | <u>\$ (187,843)</u> | <u>\$ (522,624)</u> | <u>\$ 1,740,118</u> | <u>\$ 6,950</u> | <u>\$ (163,086)</u> | <u>\$ 203,527</u> | <u>\$ 1,939,366</u> |

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

December 31, 2018

19. Segmented Information (continued)

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

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

| For the year ended December 31 | Budget | 2018 Actual | 2017 Actual |
|--|-------------------|------------------------|------------------------|
| Revenue | | | |
| Grants -Township of Perth East | \$ 250,735 | \$ 250,735 | \$ 224,050 |
| -Government of Canada | 5,877 | 8,397 | 5,877 |
| -Province of Ontario | 20,039 | 23,077 | 23,760 |
| Donations | 3,211 | 1,473 | 3,478 |
| Interest income | 1,436 | 5,164 | 2,242 |
| Memberships, internet, book sales and fines Programs | 7,382 | 7,775 | 8,581 |
| | 2,521 | 5,610 | 1,600 |
| | 291,201 | 302,231 | 269,588 |
| Expenses | | | |
| Advertising and travel | 1,240 | 1,097 | 905 |
| Amortization | - | 41,284 | 42,107 |
| Computer software and services | 1,114 | 1,430 | 1,103 |
| Contracts | 26,932 | 28,164 | 24,706 |
| Fundraising and programs | 5,209 | 5,752 | 4,236 |
| Insurance | 6,155 | 6,122 | 9,553 |
| Office supplies | 2,894 | 2,990 | 2,958 |
| Professional fees | 1,262 | 1,211 | 1,221 |
| Repairs and maintenance | 41,606 | 6,863 | 5,899 |
| Sundry | 2,847 | 2,530 | 4,979 |
| Telephone and internet | 5,264 | 5,029 | 5,027 |
| Utilities | 12,187 | 11,072 | 9,354 |
| Wages and benefits | 178,298 | 174,962 | 154,409 |
| | 285,008 | 288,506 | 266,457 |
| Annual surplus | 6,193 | 13,725 | 3,131 |
| Accumulated surplus, beginning of year | 360,429 | 360,429 | 357,298 |
| Accumulated surplus, end of year | \$ 366,622 | \$ 374,154 | \$ 360,429 |