

**TOWNSHIP OF PERTH SOUTH
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

SEEBACH & COMPANY
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

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 Financial Statements* section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAB, 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 financial statements, management is responsible for assessing the Township'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 Township or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

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 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 Township'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 Township'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 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 Township 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.

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.

Seebach & Company

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
September 20, 2019

**CORPORATION OF THE TOWNSHIP OF PERTH SOUTH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31	2018	2017
FINANCIAL ASSETS		
Cash	9,073,513	8,422,489
Taxes receivable	201,943	214,098
Accounts receivable	1,090,455	586,310
Long-term receivables (note 3)	29,221	40,115
	10,395,132	9,263,012
LIABILITIES		
Accounts payable and accrued liabilities	920,218	754,787
Landfill closure and post-closure liability (note 5)	507,710	478,972
Municipal debt (note 7)	29,221	40,115
	1,457,149	1,273,874
NET FINANCIAL ASSETS	\$ 8,937,983	\$ 7,989,138
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 8)	26,471,374	26,715,271
Other current assets	18,270	7,469
	\$ 35,427,627	\$ 34,711,878

The accompanying notes are an integral part of this financial statement

**CORPORATION OF THE TOWNSHIP OF PERTH SOUTH
CONSOLIDATED STATEMENT OF OPERATIONS**

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Revenue			
Taxation for municipal purposes	3,181,063	3,220,444	3,154,945
User fees, licences, permits, and donations	471,201	608,333	519,074
Government transfers - Canada	127,181	127,181	200,639
Government transfers - Ontario	1,131,764	1,253,059	1,253,490
Government transfers - other municipalities	639,435	653,863	632,023
Investment income	157,150	208,533	175,480
Penalties and interest on taxes	38,750	40,064	38,647
Other	90,840	111,056	10,164
	<u>5,837,384</u>	<u>6,222,533</u>	<u>5,984,462</u>
Expenditure			
General government	516,271	724,839	716,368
Protection to persons and property	1,240,330	1,218,087	1,165,387
Transportation services	2,921,474	2,773,666	2,704,784
Environmental services	408,827	392,659	420,744
Health services	9,633	13,093	21,347
Recreation and cultural services	219,182	289,817	286,705
Planning and development	104,134	94,623	58,193
	<u>5,419,851</u>	<u>5,506,784</u>	<u>5,373,528</u>
Annual surplus (deficit)	417,533	715,749	610,934
Accumulated surplus, beginning of year	<u>34,711,878</u>	<u>34,711,878</u>	<u>34,100,944</u>
Accumulated surplus, end of year	<u><u>\$ 35,129,411</u></u>	<u><u>\$ 35,427,627</u></u>	<u><u>\$ 34,711,878</u></u>

The accompanying notes are an integral part of this financial statement

CORPORATION OF THE TOWNSHIP OF PERTH SOUTH
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Annual surplus (deficit)	417,533	715,749	610,934
Amortization of tangible capital assets	1,431,661	1,453,744	1,409,577
Net acquisition of tangible capital assets	(1,803,416)	(1,198,675)	(1,679,839)
Loss (gain) on disposal of tangible capital assets	-	(11,172)	87,401
Decrease (increase) in other current assets	-	(10,801)	11,910
	<u>45,778</u>	<u>948,845</u>	<u>439,983</u>
Net financial assets, beginning of year	<u>7,989,138</u>	<u>7,989,138</u>	<u>7,549,155</u>
Net financial assets, end of year	<u><u>\$ 8,034,916</u></u>	<u><u>\$ 8,937,983</u></u>	<u><u>\$ 7,989,138</u></u>

The accompanying notes are an integral part of this financial statement

**CORPORATION OF THE TOWNSHIP OF PERTH SOUTH
CONSOLIDATED STATEMENT OF CASH FLOW**

For the year ended December 31	2018	2017
Operating activities		
Annual surplus (deficit)	715,749	610,934
Amortization expense not requiring cash outlay	1,453,744	1,409,577
Loss (gain) on disposal of tangible capital assets	(11,172)	87,401
Decrease (increase) in taxes receivable	12,155	(27,049)
Decrease (increase) in accounts receivable	(504,145)	1,054,436
Decrease (increase) in other current assets	(10,801)	11,910
Increase (decrease) in accounts payable and accrued liabilities	165,431	(14)
Increase (decrease) in landfill closure & post-closure liability	28,738	27,112
Cash provided by (used for) operating activities	<u>1,849,699</u>	<u>3,174,307</u>
Capital activities		
Net disposals (purchases) of tangible capital assets	(1,198,675)	(1,679,839)
Cash provided by (used for) capital activities	<u>(1,198,675)</u>	<u>(1,679,839)</u>
Investing activities		
Decrease (increase) in long-term receivables	10,894	46,071
Cash provided by (used for) investing activities	<u>10,894</u>	<u>46,071</u>
Financing activities		
Proceeds from long-term debt issued	-	17,700
Net principal proceeds (repayments) on long-term debt	(10,894)	(63,771)
Cash provided by (used for) financing activities	<u>(10,894)</u>	<u>(46,071)</u>
Increase (decrease) in cash position	651,024	1,494,468
Cash (overdraft) beginning of year	<u>8,422,489</u>	<u>6,928,021</u>
Cash (overdraft) end of year	<u>\$ 9,073,513</u>	<u>\$ 8,422,489</u>

The accompanying notes are an integral part of this financial statement

THE CORPORATION OF THE TOWNSHIP OF PERTH SOUTH
NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2018

1. Accounting policies

The Corporation of the Township of Perth South is a lower tier municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

The consolidated financial statements of the Corporation of the Township of Perth South are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

Significant aspects of accounting policies adopted by the township are as follows:

a) Reporting entity

The consolidated financial statements reflect the financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds, and changes in investment in tangible capital assets of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the township and which are owned or controlled by the township. In addition to general government tax-supported operations, they include any water and sewer systems operated by the township and the township's proportionate share of joint local boards.

The following boards and municipal enterprises owned or controlled by Council have been proportionately consolidated:

Biddulph-Blanshard Fire Board
Kirkton-Woodham Swimming Pool
Kirkton-Woodham Community Centre

Inter-departmental and inter-organizational transactions and balances are eliminated.

The statements exclude trust funds that are administered for the benefit of external parties.

The following joint local board has not been consolidated:

Perth East Fire Area

b) Accrual basis of accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable, and recognizes expenditures as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

c) Long-term investments

Investments are recorded at cost plus accrued interest less amounts written off to reflect a permanent decline in value.

1. Accounting policies (continued)

d) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

- Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Category	Amortization Period	Capitalization Threshold
Land	not applicable	capitalize all
Land improvements	20 - 100 years	\$10,000
Buildings and building improvements	100 years	25,000
Transportation infrastructure	40 - 100 years	10,000
Water and sewer infrastructure	10 - 50 years	10,000
Vehicles	5 - 15 years	5,000
Equipment	4 - 40 years	5,000

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Township has a capitalization threshold of \$5,000 - \$25,000, so that individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons. Examples of pooled assets are computer systems, equipment, furniture and fixtures.

- Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.

- Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

- Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value.

e) Reserves for future expenditures

Certain amounts, as approved by Council, are set aside in reserves for future operating and capital expenditure. Transfers to or from reserves are reflected as adjustments to the respective appropriated equity.

1. Accounting policies (continued)

- f) Government transfers
 Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates can be made.
- g) Deferred revenue
 Amounts received and required by legislation, regulation or agreement to be set aside for specific, restricted purposes are reported in the statement of financial position as deferred revenue until the obligation is discharged.
- h) Landfill site closure and post-closure care
 Landfill site closure and post-closure care costs are recognized over the operating life of the landfill site, based on capacity used. The liability is recorded at its discounted value, based on the average long-term borrowing rate of the township.
- i) Amounts to be recovered in future years
 Future years recoveries represent the requirement of the township to raise funds in subsequent periods to finance unfunded liabilities. A portion of the amounts to be recovered in future years will be recovered from deferred revenues earned.
- j) Non-financial assets
 Tangible capital and other non-financial assets are accounted for as assets by the township because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the township unless they are sold.
- k) Adoption of new accounting standards
 The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenditures during the period, and the accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.
- l) Use of estimates
 The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenditures during the period, and the accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. Operations of county and school boards

Taxation levied for county and school board purposes are not reflected in the financial statements. The amounts transferred were:

	2018	2017
County of Perth	\$ 1,990,613	\$ 1,884,068
School Boards	1,551,976	1,454,530

3. Long-term receivables

	2018	2017
Tile drain loans, 6% to 8%, principal and interest payable annually, due 2019 through 2028	<u>\$ 29,221</u>	<u>\$ 40,115</u>
Amounts due in the next five years are as follows:		
2019: \$5,700. 2020: \$6,100. 2021: \$3,500. 2022: \$3,700. 2023: \$1,800.		

4. Pension agreements

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer pension plan, on behalf of members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. The amount contributed for 2018 was \$70,149 (2017 : \$72,771) for current services and is included as an expenditure on the consolidated statement of operations. The contribution rate for 2018 was 9% to 14.6% (2017 : 9% to 14.6%) depending on age and income level.

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

5. Landfill closure and post-closure liability

PSAB Handbook Section 3270: Solid Waste Landfill Closure and Post-Closure Liability, sets out the standard for anticipated closure and post-closure costs for existing and closed landfill sites. This liability is the estimated cost to date, based on a volumetric basis, of the expenses relating to those activities required when the site or phase stops accepting waste.

The landfill closure costs include final cover and vegetation, completing facilities for drainage control features, leachate monitoring, water quality monitoring, and monitoring and recovery of gas. Post-closure care activities include all activities related to monitoring the site once it can no longer accept waste, including acquisition of any additional land for buffer zones, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems, and final cover.

The estimated liability for the care of landfill sites is the present value of future cash flows associated with closure and post-closure costs.

Key assumptions in determining the liability at December 31, 2018 for the landfills are as follows:

Remaining site life	0 - 80 years
Discount rate	6%
Estimated time required for post-closure care	25 - 197 years

The Township operates one landfill site, Blanshard and has closed the Downie landfill effective 2016, for which the total reported liability is \$507,710 (2017: \$478,972). A reserve has been established to partially provide for this landfill site closure and post-closure liability. The balance of the future liability is expected to be funded through budget allocations to the landfill reserve.

6. Deferred revenue

Deferred revenue funds include obligatory and non-obligatory funds. The use of obligatory funds, together with earnings thereon, is restricted by legislation. The use of non-obligatory funds is at the discretion of Council. These funds are recognized as revenue in the period they are used for the purpose specified.

7. Municipal debt

The balance of the municipal debt reported on the consolidated statement of financial position is made up of the following:

	2018	2017
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals, 6% - 8%, due 2019 through 2028	<u>\$ 29,221</u>	<u>\$ 40,115</u>

Principal payments for the next five years are as follows:

2019: \$5,700. 2020: \$6,100. 2021: \$3,500. 2022: \$3,700. 2023: \$1,800.

8. Tangible capital assets

The Township's policy on accounting for tangible capital assets follows:

- i) Contributed tangible capital assets
 The Township records all tangible capital assets contributed by external parties at fair value.
- ii) Tangible capital assets recognized at nominal value
 Certain assets have been assigned a nominal value because of the difficulty of determining a tenable valuation.

For additional information, see the Consolidated Schedule of Tangible Capital Assets information on the tangible capital assets of the Township by major class and by business segment, as well as for accumulated amortization of the assets controlled.

9. Segmented information

The Township of Perth South is a diversified municipal government institution that provides a wide range of services to its citizens such as recreational and cultural service, planning and development, fire and transportation services. 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 segment relates to the general operations of the township itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of fire protection, policing, court services, conservation authorities, protective inspection and control, building permit and inspection services, emergency measures and other protection services.

Transportation Services

Transportation services include road maintenance, winter control services, street light maintenance, parking lots, equipment maintenance and other transportation services.

Environmental Services

Environmental services include the sanitary sewer system, storm sewer system, waterworks, waste collection, waste disposal and recycling.

Health Services

This service area includes cemeteries and other health services.

9. Segmented information (continued)

Recreation and Cultural Services

This service area provides public services that contribute to the provision of recreation and leisure facilities and programs, the maintenance of parks and open spaces, library services, museums and other cultural services.

Planning and Development

This segment includes matters relating to zoning and site plan controls, land acquisition, development initiatives, agriculture and reforestation, municipal drainage and tile drainage.

For additional information, see the Consolidated Schedule of Segmented Information.

10. Accumulated surplus

The accumulated surplus consists of individual fund surplus/(deficit) amounts and reserve and reserve funds as follows:

	2018	2017
General revenue accumulated surplus and invested in tangible capital assets	\$ 30,576,067	\$ 30,782,853
Reserves and reserve funds	<u>4,851,560</u>	<u>3,929,025</u>
	<u>\$ 35,427,627</u>	<u>\$ 34,711,878</u>

For additional information, see the Consolidated Schedule of Continuity of Reserves, Reserve Funds, and Deferred Revenue.

11. Financial instrument risk management

Credit risk

The Township is exposed to credit risk through its cash, trade and other receivables, loans receivable, and long-term investments. There is the possibility of non-collection of its trade and other receivables. The majority of the Township's receivables are from ratepayers and government entities. For trade and other receivables, the Township measures impairment based on how long the amounts have been outstanding. For amounts outstanding considered doubtful or uncollectible, an impairment allowance is setup.

Liquidity risk

Liquidity risk is the risk that the Township will not be able to meet its financial obligations as they fall due. The Township has a planning and a budgeting process in place to help determine the funds required to support the Township's normal operating requirements on an ongoing basis. The Township ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain an available line of credit balance as approved by the appropriate borrowing bylaw to meet, at a minimum, required expectations.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Township's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Township is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the variable rate of temporary borrowings and long-term liabilities and the value of fixed rate long-term liabilities.

There has been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.

12. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the Consolidated Statement of Operations for comparative purposes. The 2018 budget amounts for the Corporation of the Township of Perth South approved by Council are unaudited and have been restated to conform to the basis of presentation of the revenues and expenditures on the Consolidated Statement of Operations. Budget amounts were not available for certain boards consolidated by the Township.

Approved budget annual surplus (deficit)	\$ -
Acquisition of tangible capital assets	1,803,416
Amortization of tangible capital assets	(1,453,744)
Net reserve, reserve fund, and surplus transfers	<u>67,861</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 417,533</u>

13. Trust funds

Trust funds administered by the Township amounting to \$35,127 (2017 : \$ 35,127) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities.

TOWNSHIP OF PERTH SOUTH
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2018

	Land	Land Improvements	Buildings	Vehicles and Equipment	Roads and Transportation Improvements	Environmental Networks	Assets Under Construction	TOTAL Net Book Value 2018	TOTAL Net Book Value 2017
Cost									
Balance, beginning of year	565,693	831,335	2,264,907	2,972,394	37,836,954	928,820	22,894	45,422,997	44,172,849
Add: Additions during the year			54,004	224,538	877,723		65,743	1,222,008	1,760,568
Less: Disposals during the year				(76,666)			(6,609)	(83,275)	(510,420)
Balance, end of year	<u>565,693</u>	<u>831,335</u>	<u>2,318,911</u>	<u>3,120,266</u>	<u>38,714,677</u>	<u>928,820</u>	<u>82,028</u>	<u>46,561,730</u>	<u>45,422,997</u>
Accumulated Amortization									
Balance, beginning of year	-	197,598	578,645	1,601,184	15,753,556	576,743	-	18,707,726	17,640,439
Add: Amortization during the year		16,829	38,667	195,891	1,175,272	27,085		1,453,744	1,409,577
Less: Accumulated amortization on disposals				(71,114)				(71,114)	(342,290)
Balance, end of year	<u>-</u>	<u>214,427</u>	<u>617,312</u>	<u>1,725,961</u>	<u>16,928,828</u>	<u>603,828</u>	<u>-</u>	<u>20,090,356</u>	<u>18,707,726</u>
Net Book Value of Tangible Capital Assets	<u>565,693</u>	<u>616,908</u>	<u>1,701,599</u>	<u>1,394,305</u>	<u>21,785,849</u>	<u>324,992</u>	<u>82,028</u>	<u>\$ 26,471,374</u>	<u>\$ 26,715,271</u>

TOWNSHIP OF PERTH SOUTH
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2018

	General Government	Protection	Transportation	Environmental	Recreation and Cultural	Work in Process	TOTAL Net Book Value 2018	TOTAL Net Book Value 2017
Cost								
Balance, beginning of year	990,707	1,174,603	40,260,715	1,848,036	1,126,042	22,894	45,422,997	44,172,849
Add: Additions during the year	42,604	99,063	992,852		21,746	65,743	1,222,008	1,760,568
Less: Disposals during the year			(76,666)			(6,609)	(83,275)	(510,420)
Balance, end of year	<u>1,033,311</u>	<u>1,273,666</u>	<u>41,176,901</u>	<u>1,848,036</u>	<u>1,147,788</u>	<u>82,028</u>	<u>46,561,730</u>	<u>45,422,997</u>
Accumulated Amortization								
Balance, beginning of year	303,125	376,261	17,011,219	604,702	412,419	-	18,707,726	17,640,439
Add: Amortization during the year	20,410	41,469	1,334,828	33,869	23,168		1,453,744	1,409,577
Less: Accumulated amortization on disposals			(71,114)				(71,114)	(342,290)
Balance, end of year	<u>323,535</u>	<u>417,730</u>	<u>18,274,933</u>	<u>638,571</u>	<u>435,587</u>	<u>-</u>	<u>20,090,356</u>	<u>18,707,726</u>
Net Book Value of Tangible Capital Assets	<u>709,776</u>	<u>855,936</u>	<u>22,901,968</u>	<u>1,209,465</u>	<u>712,201</u>	<u>82,028</u>	<u>\$ 26,471,374</u>	<u>\$ 26,715,271</u>

TOWNSHIP OF PERTH SOUTH

Consolidated Schedule of Continuity of Reserves, Reserve Funds and Deferred Revenue

For the Year Ended December 31, 2018

	Balance, beginning of year	Revenues and contributions			Transfers out Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
Reserves and reserve funds						
Reserves						
for general government	795,374		23,930		(132,794)	686,510
for protection services	275,172		49,628		-	324,800
for transportation services	2,199,584		1,047,031		(102,939)	3,143,676
for environmental services	194,790		39,482		-	234,272
for health services	49,416		-		(1,803)	47,613
for recreation and cultural services	15,135		-		-	15,135
for planning and development	399,554		-		-	399,554
Total reserves and reserve funds	<u>3,929,025</u>	<u>-</u>	<u>1,160,071</u>	<u>-</u>	<u>(237,536)</u>	<u>4,851,560</u>
Deferred revenue						
Federal Gas Tax Funds	-	-		127,181	(127,181)	-
	-	-	-	127,181	(127,181)	-
Total	<u>\$ 3,929,025</u>	<u>-</u>	<u>1,160,071</u>	<u>127,181</u>	<u>(364,717)</u>	<u>\$ 4,851,560</u>

TOWNSHIP OF PERTH SOUTH**Segmented Information**

For the Year Ended December 31, 2018

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Total 2018	Total 2017
Revenue									
Taxation	3,220,444							3,220,444	3,127,049
User charges, licences, permits	277,756	5,792	5,850	274,223	3,070	24,690	16,952	608,333	546,970
Government transfers	1,585,817	36,297	387,733			7,761	16,495	2,034,103	2,086,152
Interest and penalties	248,597							248,597	214,127
Other	<u>111,056</u>							111,056	<u>10,164</u>
	5,443,670	42,089	393,583	274,223	3,070	32,451	33,447	6,222,533	5,984,462
Operating expenditure									
Wages, salaries and benefits	397,622	92,335	563,992	8,996	8,029	5,003	18,299	1,094,276	1,116,065
Contract services	48,166	1,010,928	558,494	333,491	450	22,941	56,473	2,030,943	1,957,740
Supplies, materials and equipment	258,641	73,355	316,352	16,303	4,614	238,705	19,851	927,821	890,146
Amortization	<u>20,410</u>	<u>41,469</u>	<u>1,334,828</u>	<u>33,869</u>		<u>23,168</u>		1,453,744	<u>1,409,577</u>
	724,839	1,218,087	2,773,666	392,659	13,093	289,817	94,623	5,506,784	5,373,528
Net revenue (expense)	<u>4,718,831</u>	<u>(1,175,998)</u>	<u>(2,380,083)</u>	<u>(118,436)</u>	<u>(10,023)</u>	<u>(257,366)</u>	<u>(61,176)</u>	715,749	<u>610,934</u>

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the trust funds of the Corporation of the Township of Perth South ("the Township"), which are comprised of the balance sheet as at December 31, 2018 and the statement of continuity of trust funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

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 Financial Statements* section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAB, 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 financial statements, management is responsible for assessing the Township'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 Township or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

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 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 Township'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 Township'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 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 Township 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.

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.

Seebach & Company

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
September 20, 2019

**TOWNSHIP OF PERTH SOUTH
TRUST FUNDS**

BALANCE SHEET

As at December 31

	Cemetery Care & Maintenance	
	2018	2017
Assets		
Cash	25,127	25,127
Investments, cost	10,000	10,000
Net trust fund balance	\$ 35,127	\$ 35,127

STATEMENT OF CONTINUITY

For the Year Ended December 31

	Cemetery Care & Maintenance	
	2018	2017
Revenue		
Interest earned	676	604
	676	604
Expenses		
Transfers to cemetery	676	604
	676	604
Excess of revenue over expenses for the year	-	-
Fund balance, beginning of year	35,127	35,127
Fund balance, end of year	\$ 35,127	\$ 35,127

**THE CORPORATION OF THE TOWNSHIP OF PERTH SOUTH
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS**

For the Year Ended December 31, 2018

1. Accounting Policies

Significant aspects of accounting policies adopted by the Township are as follows:

a) Management responsibility

The financial statements of the Trust Funds are the representations of management. They have been prepared in accordance with accounting policies established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada as prescribed by the Ministry of Municipal Affairs and Housing for municipalities and their related entities.

b) Basis of consolidation

These trust funds have not been consolidated with the financial statements of the Township of Perth South.

c) Basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

d) Investments

Investments are recorded at cost less amounts written off to reflect a permanent decline in value.

e) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

2. Investments

Trust fund investments have a market value equal to cost of \$ 10,000 (2017 : \$ 10,000).