

**TOWNSHIP OF PERTH SOUTH
FINANCIAL STATEMENTS
DECEMBER 31, 2023**

SEEBACH & COMPANY
Chartered Professional Accountants



The Corporation of the Township of Perth South

3191 Road 122, St. Pauls Ontario N0K 1V0

Phone: 519-271-0619

Fax: 519-271-0647

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Township of Perth South (the "Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with Canadian public sector accounting standards, established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada, as described in Note 1 to the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded from loss, transactions are properly authorized and recorded, and reliable information is available on a timely basis for preparation of the financial statements. These statements are monitored and evaluated by the Municipality's management. The Municipality's Council meets with management and the external auditor to review the financial statements and discuss and significant financial reporting or internal control matters prior to their approval.

The financial statements have been audited by Seebach & Company, independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's financial statements.

TOWNSHIP OF PERTH SOUTH

Fred Tranquilli
Chief Administrative Officer / Deputy Clerk

Rebecca Clothier
Treasurer / Deputy COA

November 19, 2024

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, 2023 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, 2023, 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
November 19, 2024

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

As at December 31	2023	2022
FINANCIAL ASSETS		
Cash	11,182,729	10,128,518
Taxes receivable	243,125	182,715
Accounts receivable	2,312,809	1,544,037
Long-term receivables (note 4)	64,697	13,499
	<u>13,803,360</u>	<u>11,868,769</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,561,922	825,969
Asset retirement obligations (note 7)	492,604	482,943
Municipal debt (note 8)	64,697	13,499
	<u>2,119,223</u>	<u>1,322,411</u>
NET FINANCIAL ASSETS	\$ 11,684,137	\$ 10,546,358
NON-FINANCIAL ASSETS		
Tangible capital assets, net (note 9)	28,246,417	28,299,846
Other current assets	23,797	13,729
	<u>28,270,214</u>	<u>28,313,575</u>
ACCUMULATED SURPLUS (note 11)	<u>\$ 39,954,351</u>	<u>\$ 38,859,933</u>

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	2023 Budget	2023 Actual	2022 Actual
Revenue			
Taxation for municipal purposes	4,097,350	4,147,437	3,818,131
User fees, licences, permits, and donations	610,751	779,085	644,073
Government transfers - Canada	126,088	126,088	256,637
Government transfers - Ontario	920,206	877,250	876,707
Government transfers - other municipalities	724,909	780,180	732,437
Investment income	284,148	435,672	291,684
Penalties and interest on taxes	38,683	32,036	35,992
Other	234,807	140,561	260,753
	<u>7,036,942</u>	<u>7,318,309</u>	<u>6,916,414</u>
Expenditure			
General government	1,009,511	990,421	916,777
Protection to persons and property	1,471,892	1,384,186	1,318,301
Transportation services	3,376,963	2,879,914	3,132,195
Environmental services	467,203	438,565	427,988
Health services	43,223	41,091	41,104
Recreation and cultural services	267,694	326,819	303,694
Planning and development	103,869	162,895	107,877
	<u>6,740,355</u>	<u>6,223,891</u>	<u>6,247,936</u>
Annual surplus (deficit)	<u>296,587</u>	<u>1,094,418</u>	<u>668,478</u>
Accumulated surplus, beginning of year			
as previously stated	38,859,933	38,859,933	38,014,552
Change in accounting policy (note 2)	<u>-</u>	<u>-</u>	<u>176,903</u>
Accumulated surplus, beginning of year restated	<u>38,859,933</u>	<u>38,859,933</u>	<u>38,191,455</u>
Accumulated surplus, end of year	<u><u>\$ 39,156,520</u></u>	<u><u>\$ 39,954,351</u></u>	<u><u>\$ 38,859,933</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	2023 Budget	2023 Actual	2022 Actual
Annual surplus (deficit)	296,587	1,094,418	668,478
Amortization of tangible capital assets	1,785,996	1,826,420	1,745,572
Net acquisition of tangible capital assets	(2,692,823)	(1,878,338)	(3,017,546)
Loss (gain) on disposal of tangible capital assets	-	105,347	8,189
Decrease (increase) in other current assets	-	(10,068)	6,344
	<u>(610,240)</u>	<u>1,137,779</u>	<u>(588,963)</u>
Net financial assets, beginning of year as previously stated		10,546,358	11,004,104
Change in accounting policy (note 2)		<u>-</u>	<u>131,217</u>
Net financial assets, beginning of year restated		<u>10,546,358</u>	<u>11,135,321</u>
Net financial assets, end of year		<u>\$ 11,684,137</u>	<u>\$ 10,546,358</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	2023	2022
Operating activities		
Annual surplus (deficit)	1,094,418	668,478
Amortization expense not requiring cash outlay	1,826,420	1,745,572
Loss (gain) on disposal of tangible capital assets	105,347	8,189
Decrease (increase) in taxes receivable	(60,410)	(24,942)
Decrease (increase) in accounts receivable	(768,772)	(279,828)
Decrease (increase) in other current assets	(10,068)	6,344
Increase (decrease) in accounts payable and accrued liabilities	735,953	(132,806)
Increase (decrease) in deferred revenue	-	(116,162)
Increase (decrease) in asset retirement obligations	9,661	9,469
Cash provided by (used for) operating activities	2,932,549	1,884,314
Capital activities		
Net disposals (purchases) of tangible capital assets	(1,878,338)	(3,017,546)
Cash provided by (used for) capital activities	(1,878,338)	(3,017,546)
Investing activities		
Decrease (increase) in long-term receivables	(51,198)	3,338
Cash provided by (used for) investing activities	(51,198)	3,338
Financing activities		
Proceeds from long-term debt issued	53,700	-
Net principal proceeds (repayments) on long-term debt	(2,502)	(3,338)
Cash provided by (used for) financing activities	51,198	(3,338)
Increase (decrease) in cash position	1,054,211	(1,133,232)
Cash (overdraft) beginning of year	10,128,518	11,261,750
Cash (overdraft) end of year	\$ 11,182,729	\$ 10,128,518

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, 2023

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.

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.

1. Accounting policies (continued)

g) County and School Board

The Corporation of the Municipality of Central Huron collects taxation revenue on behalf of the school boards and the County of Huron. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements.

h) 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.

i) Asset retirement obligations

Asset retirement obligations represent the legal obligations associated with the retirement of a tangible capital asset that result from its acquisition, construction, development, or normal use.

The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate.

Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

j) 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.

k) Pensions

The municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The municipality has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. The municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for past employee service. The municipality's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

l) Revenue recognition

- 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 considerations, 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 uncollectible amounts.
- Government transfers are recognized as revenue in the 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 operations as the stipulation liabilities are settled.
- Fines and donations are recognized when collected.
- Fees, user charges and other revenues are recorded upon sale of goods or provision of services when collection is reasonably assured.

1. Accounting policies (continued)

m) 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.

n) 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. Change in Accounting Policy

- (a) Effective January 1, 2023 the municipality adopted new Public Sector Accounting Handbook Standard PS 3280 - Asset Retirement Obligations. The standard requires recognition of Asset Retirement Obligations when there is a legal obligation to incur retirement costs. The new standard resulted in the withdrawal of the existing accounting standard PS 3270 Solid Waste Landfill Closure and Post-Closure Liability. As a result of the adoption, the presentation of the financial statements changed from the prior year. This change in accounting policy has been applied using the modified retroactive application with restatement of prior periods.

The municipality removed the landfill liability that had been recognized to date and recognized an asset retirement obligation, and associated tangible capital asset, upon adoption of PS 3280 on January 1, 2022. The liability represents the required closure and post-closure care for the landfill site owned by the municipality.

The impact of adoption of this standard was as follows:

	2022
Increase in tangible capital assets	\$ 45,093
Decrease in landfill liability	640,972
Increase in asset retirement obligations	(482,943)
Decrease to Environmental services expenses	<u>(26,219)</u>
Increase in opening accumulated surplus	<u>\$ 176,903</u>

The change in accounting policy resulted in a \$26,219 decrease in the previously reported Environmental services expenses for the 2022 year and a corresponding increase of \$26,219 in the previously reported annual surplus for the 2022 year.

- (b) On January 1, 2022, the municipality adopted the following standards on a prospective basis: PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments and PS 3450 Financial Instruments. The adoption of these standards had no impact on the opening balances.

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. The standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the statement of remeasurement gains and losses separate from the statement of operations.

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported at fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new statement of remeasurement gains and losses.

2. Change in Accounting Policy (continued)

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 Temporary Investments no longer applies.

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the statement of remeasurement gains and losses.

3. 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:

	2023	2022
County of Perth	\$ 2,529,105	\$ 2,461,356
School Boards	1,527,534	1,614,759

4. Long-term receivables

	2023	2022
Tile drain loans, 6% to 8%, principal and interest payable annually, due 2024 through 2033	<u>\$ 64,697</u>	<u>\$ 13,499</u>
Amounts due in the next five years are as follows:		
2024: \$5,600. 2025: \$5,900. 2026: \$6,300. 2027: \$6,600. 2028: \$7,100.		

5. 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 2023 was \$90,526 (2022 : \$73,915) for current services and is included as an expenditure on the consolidated statement of operations. The contribution rate for 2023 was 9% to 14.6% (2022 : 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.

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. Asset retirement obligations

The municipality's financial statements include an asset retirement obligation for the landfill and other environmentally hazardous materials. The related asset retirement costs are being amortized on a straight line basis.

The liability for the landfill has been estimated using a net present value technique with a discount rate of 2% (2022 : 2%). The estimated total undiscounted future expenditures are \$3,137,250 (2022 : \$3,137,250), which are to be incurred over 20 - 115 years after closure. The liability is expected to be fully settled in 20 - 115 years after closure of the landfill.

Legal liabilities exist for the removal and disposal of asbestos and other environmentally hazardous materials within some municipal owned properties and buildings that will undergo major renovations, upgrades, or demolition in the future. The obligation has been measured at current cost as the timing of future cash flows cannot be reasonably determined.

The carrying amount of the liabilities are as follows:

	2023	2022
Asset retirement obligation, beginning	482,943	-
Opening balance adjustment	-	473,474
Accretion expense	<u>9,661</u>	<u>9,469</u>
Asset retirement obligations, ending	<u>\$ 492,604</u>	<u>\$ 482,943</u>

The liability is expected to be funded through budget allocations to a landfill reserve fund over the remaining life of the related tangible capital asset.

The Township operates one landfill site, Blanshard and has closed the Downie landfill effective 2016, for which the total reported liability is \$492,604 (2022: \$482,943). 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.

8. Municipal debt

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

	2023	2022
Tile drain loans payable to Ministry of Finance, responsibility for payment of principal and interest charges have been assumed by individuals, 6% - 8%, due 2024 through 2033	<u>\$ 64,697</u>	<u>\$ 13,499</u>

Principal payments for the next five years are as follows:

2024: \$5,600. 2025: \$5,900. 2026: \$6,300. 2027: \$6,600. 2028: \$7,100.

9. 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.

10. 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.

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.

11. Accumulated surplus

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

	2023	2022
Invested in tangible capital assets	\$ 28,246,417	\$ 28,299,846
General revenue accumulated surplus	2,898,009	2,090,505
Reserves and reserve funds	<u>8,809,925</u>	<u>8,469,582</u>
	<u>\$ 39,954,351</u>	<u>\$ 38,859,933</u>

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

12. 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.

13. Budget amounts

Under Canadian public sector accounting standards, budget amounts are to be reported on the Consolidated Statement of Operations for comparative purposes. The 2023 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	2,692,823
Amortization of tangible capital assets	(1,826,420)
Net reserve, reserve fund, and surplus transfers	<u>(569,816)</u>
Budgeted surplus (deficit) reported on consolidated statement of operations	<u>\$ 296,587</u>

14. Trust funds

Trust funds administered by the Township amounting to \$47,812 (2022 : \$43,574) 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, 2023

	Land	Land Improvements	Buildings	Vehicles and Equipment	Roads and Transportation Improvements	Environmental Networks	TOTAL Net Book Value 2023	TOTAL Net Book Value 2022
Cost								
Balance, beginning of year	565,693	1,167,277	2,571,999	3,590,518	44,667,987	928,820	53,492,294	52,010,519
Add: Additions during the year			235,708	310,968	1,331,662		1,878,338	3,042,853
Less: Disposals during the year				(10,346)	(602,160)		(612,506)	(649,576)
Adjustments							-	(911,502)
Balance, end of year	<u>565,693</u>	<u>1,167,277</u>	<u>2,807,707</u>	<u>3,891,140</u>	<u>45,397,489</u>	<u>928,820</u>	<u>54,758,126</u>	<u>53,492,294</u>
Accumulated Amortization								
Balance, beginning of year	-	423,386	780,217	2,373,497	20,908,077	707,271	25,192,448	24,974,458
Add: Amortization during the year		24,504	50,356	242,438	1,485,976	23,146	1,826,420	1,745,572
Less: Accumulated amortization on disposals				(10,346)	(496,813)		(507,159)	(616,080)
Adjustments							-	(911,502)
Balance, end of year	<u>-</u>	<u>447,890</u>	<u>830,573</u>	<u>2,605,589</u>	<u>21,897,240</u>	<u>730,417</u>	<u>26,511,709</u>	<u>25,192,448</u>
Net Book Value of Tangible Capital Assets	<u>565,693</u>	<u>719,387</u>	<u>1,977,134</u>	<u>1,285,551</u>	<u>23,500,249</u>	<u>198,403</u>	<u>\$ 28,246,417</u>	<u>\$ 28,299,846</u>

TOWNSHIP OF PERTH SOUTH
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2023

	General Government	Protection	Transportation	Environmental	Recreation and Cultural	TOTAL Net Book Value 2023	TOTAL Net Book Value 2022
Cost							
Balance, beginning of year	1,139,856	1,426,162	47,326,628	2,020,496	1,579,152	53,492,294	52,010,519
Add: Additions during the year	236,175	53,180	1,588,983			1,878,338	3,042,853
Less: Disposals during the year	(10,346)		(602,160)			(612,506)	(649,576)
Adjustments						-	(911,502)
Balance, end of year	<u>1,365,685</u>	<u>1,479,342</u>	<u>48,313,451</u>	<u>2,020,496</u>	<u>1,579,152</u>	<u>54,758,126</u>	<u>53,492,294</u>
Accumulated Amortization							
Balance, beginning of year	454,825	590,672	22,695,987	896,336	554,628	25,192,448	24,974,458
Add: Amortization during the year	41,670	67,072	1,646,480	30,461	40,737	1,826,420	1,745,572
Less: Accumulated amortization on disposals	(10,346)		(496,813)			(507,159)	(616,080)
Adjustments						-	(911,502)
Balance, end of year	<u>486,149</u>	<u>657,744</u>	<u>23,845,654</u>	<u>926,797</u>	<u>595,365</u>	<u>26,511,709</u>	<u>25,192,448</u>
Net Book Value of							
Tangible Capital Assets	<u>879,536</u>	<u>821,598</u>	<u>24,467,797</u>	<u>1,093,699</u>	<u>983,787</u>	<u>\$ 28,246,417</u>	<u>\$ 28,299,846</u>

TOWNSHIP OF PERTH SOUTH
Consolidated Schedule of Continuity of Reserves and Reserve Funds
For the Year Ended December 31, 2023

	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	2,435,025		7,500		(128,377)	2,314,148
for protection services	555,105		139,134		-	694,239
for transportation services	4,403,531		602,022		(257,322)	4,748,231
for environmental services	350,681		41,808		-	392,489
for health services	37,103		-		-	37,103
for recreation and cultural services	149,513		-		(7,668)	141,845
for planning and development	538,624		31,000		(87,754)	481,870
Total reserves and reserve funds	<u>\$ 8,469,582</u>	<u>-</u>	<u>821,464</u>	<u>-</u>	<u>(481,121)</u>	<u>\$ 8,809,925</u>

TOWNSHIP OF PERTH SOUTH
Consolidated Schedule of Continuity of Deferred Revenue
For the Year Ended December 31, 2023

	Balance, beginning of year	Revenues and contributions			Transfers out Utilized During Year	Balance, end of year
		Interest	From Operations	Other		
Deferred revenue						
Federal Gas Tax Funds	-			126,088	(126,088)	-
	<u>\$ 0</u>	<u>-</u>	<u>-</u>	<u>126,088</u>	<u>(126,088)</u>	<u>\$ 0</u>

TOWNSHIP OF PERTH SOUTH
Segmented Information
For the Year Ended December 31, 2023

	General Government	Protective Services	Transportation Services	Environmental Services	Health Services	Recreation and Culture	Planning and Development	Total 2023	Total 2022
Revenue									
Taxation	4,147,437							4,147,437	3,818,131
User charges, licences, permits	223,979	3,478	22,311	386,774	2,035	81,436	59,072	779,085	644,073
Government transfers	1,264,061	36,852	463,280			7,761	11,564	1,783,518	1,865,781
Interest and penalties	467,708							467,708	327,676
Other	140,561							140,561	260,753
	<u>6,243,746</u>	<u>40,330</u>	<u>485,591</u>	<u>386,774</u>	<u>2,035</u>	<u>89,197</u>	<u>70,636</u>	<u>7,318,309</u>	<u>6,916,414</u>
Operating expenditure									
Wages, salaries and benefits	561,523	108,345	509,339	9,687	10,186	63,916	52,786	1,315,782	1,144,567
Contract services	61,769	628,391	326,000	369,479		57,374	103,286	1,546,299	1,868,151
Supplies, materials and equipment	325,459	580,378	398,095	28,938	30,905	164,792	6,823	1,535,390	1,489,646
Amortization	41,670	67,072	1,646,480	30,461		40,737		1,826,420	1,745,572
	<u>990,421</u>	<u>1,384,186</u>	<u>2,879,914</u>	<u>438,565</u>	<u>41,091</u>	<u>326,819</u>	<u>162,895</u>	<u>6,223,891</u>	<u>6,247,936</u>
Net revenue (expense)	<u>5,253,325</u>	<u>(1,343,856)</u>	<u>(2,394,323)</u>	<u>(51,791)</u>	<u>(39,056)</u>	<u>(237,622)</u>	<u>(92,259)</u>	<u>1,094,418</u>	<u>668,478</u>

**TOWNSHIP OF PERTH SOUTH
TRUST FUNDS
FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 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, 2023 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, 2023, 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
November 19, 2024

**TOWNSHIP OF PERTH SOUTH
TRUST FUNDS**

BALANCE SHEET

As at December 31

	Cemetery Care & Maintenance	
	2023	2022
Assets		
Cash	-	33,574
Investments, cost	47,812	10,000
Net trust fund balance	<u><u>\$ 47,812</u></u>	<u><u>\$ 43,574</u></u>

STATEMENT OF CONTINUITY

For the Year Ended December 31

	Cemetery Care & Maintenance	
	2023	2022
Revenue		
Perpetual care	2,000	1,297
Interest earned	3,687	799
	<u>5,687</u>	<u>2,096</u>
Expenses		
Transfers to cemetery	1,449	799
Excess of revenue over expenses for the year	4,238	1,297
Fund balance, beginning of year	43,574	42,277
Fund balance, end of year	<u><u>\$ 47,812</u></u>	<u><u>\$ 43,574</u></u>

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

For the Year Ended December 31, 2023

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 of \$ 48,178 (2022 : \$ 10,000).