

**The Corporation of the County of Perth
Non-consolidated Financial Statements
For the year ended December 31, 2011**

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Non-consolidated Financial Statements
For the year ended December 31, 2011**

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Independent Auditors' Report

To the Warden and Members of Council, of The Corporation of the County of Perth

We have audited the accompanying non-consolidated financial statements of The Corporation of the County of Perth, which comprise the non-consolidated statement of financial position as at December 31, 2011, non-consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis of Qualified Opinion

The summary of significant accounting policies describes the policy with respect to the non-consolidation of certain council committees and joint local boards. In this respect these financial statements are not in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Qualified Opinion

In our opinion, except for the failure to consolidate certain council committees and joint local boards, as described in the preceding paragraph, these non-consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the County of Perth as at December 31, 2011 and the results of its operations, change in net financial assets and cash flows for the year then ended, in accordance with the basis of accounting described in the summary of significant accounting policies to the financial statements.

"BDO Canada LLP"

Chartered Accountants, Licensed Public Accountants

Stratford, Ontario
September 10, 2012

**The Corporation of the County of Perth
Non-consolidated Statement of Financial Position**

December 31	2011	2010
		Restated (See Note 12)
Financial assets		
Cash and cash equivalents	\$ 9,757,436	\$ 9,775,017
Accounts receivable	705,754	1,173,853
Mortgage and loan receivable (Note 1)	385,397	407,895
	10,848,587	11,356,765
Liabilities		
Accounts payable and accrued liabilities	2,925,263	3,229,239
Employee benefits liability (Note 2)	318,538	245,306
Deferred revenue (Note 3)	221,715	390,793
	3,465,516	3,865,338
Net financial assets	7,383,071	7,491,427
Non-financial assets		
Tangible capital assets (Note 4)	84,398,900	82,407,803
Prepaid expenses	55,202	390,783
Inventories of supplies	413,466	362,161
	84,867,568	83,160,747
Accumulated surplus (Note 5)	\$ 92,250,639	\$ 90,652,174

Contingent Liabilities (Note 9)

_____ Treasurer _____ Warden

The Corporation of the County of Perth
Non-consolidated Statement of Operations

For the year ended December 31	Budget 2011	Actual 2011	Actual 2010
	(Note 11)		Restated (See Note 12)
Revenue			
Taxation	\$ 9,801,068	\$ 9,808,489	\$ 9,537,050
Government grants - Federal (Note 6)	1,147,475	1,322,153	1,320,325
Government grants - Provincial (Note 7)	8,706,389	8,909,586	9,858,794
Municipal grants	3,313,479	3,522,955	3,006,499
User fees and service charges	189,500	384,103	238,936
Other (Note 8)	2,046,047	2,238,858	2,083,388
	<u>25,203,958</u>	<u>26,186,144</u>	<u>26,044,992</u>
Expenses			
General government	2,105,113	2,289,934	2,110,453
Protection services	1,875,522	1,952,967	1,779,444
Transportation services	6,067,148	8,320,606	7,241,244
Health services	8,493,282	8,662,783	8,332,952
Social and family services	970,748	878,767	1,466,439
Social housing	1,232,700	1,309,178	1,276,536
Recreation and cultural services	447,980	415,467	413,958
Planning and development	839,849	757,977	989,472
	<u>22,032,342</u>	<u>24,587,679</u>	<u>23,610,498</u>
Annual surplus	<u>3,171,616</u>	<u>1,598,465</u>	<u>2,434,494</u>
Accumulated surplus, beginning of year - as previously reported	73,934,867	73,934,867	69,890,196
Prior period adjustment (Note 12)	<u>16,717,307</u>	<u>16,717,307</u>	<u>18,327,484</u>
Accumulated surplus, beginning of year - as restated	<u>90,652,174</u>	<u>90,652,174</u>	<u>88,217,680</u>
Accumulated surplus, end of year	<u>\$93,823,790</u>	<u>\$92,250,639</u>	<u>\$ 90,652,174</u>

The Corporation of the County of Perth
Non-consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2011	Actual 2011	Actual 2010
	(Note 11)		Restated (See Note 12)
Annual surplus	\$ 3,171,616	\$ 1,598,465	\$ 2,434,494
Acquisition of tangible capital assets	(8,404,074)	(5,582,098)	(5,186,575)
Amortization of tangible capital assets	-	3,282,515	3,190,578
Loss on sale of tangible capital assets	-	198,049	208,181
Proceeds on sale of tangible capital assets	-	110,437	55,546
	(5,232,458)	(392,632)	702,224
Utilization of prepaid expenses and inventory of supplies	-	284,276	24,368
Net change in net financial assets	(5,232,458)	(108,356)	726,592
Net financial assets, beginning of year	7,491,427	7,491,427	6,764,835
Net financial assets, end of year	\$ 2,258,969	\$ 7,383,071	\$ 7,491,427

The Corporation of the County of Perth
Non-consolidated Statement of Cash Flows

For the year ended December 31	2011	2010
		Restated (See Note 12)
Operating transactions		
Annual surplus	\$ 1,598,465	\$ 2,434,494
Items not involving cash		
Amortization	3,282,515	3,190,578
Loss on disposal of tangible capital assets	198,049	208,181
Changes in non-cash operating balances		
Accounts receivable	468,099	288,580
Prepaid expenses and inventories of supplies	284,276	24,368
Accounts payable and accrued liabilities	(303,976)	(578,739)
Post-employment benefits	73,232	(74,427)
Deferred revenue	(169,078)	(812,089)
	5,431,582	4,680,946
Capital transactions		
Acquisition of tangible capital assets	(5,582,098)	(5,186,575)
Proceeds on sale of tangible capital assets	110,437	55,546
	(5,471,661)	(5,131,029)
Investing transactions		
Decrease of mortgage and loan receivable	22,498	22,380
Net change in cash and cash equivalents	(17,581)	(427,703)
Cash and cash equivalents, beginning of year	9,775,017	10,202,720
Cash and cash equivalents, end of year	\$ 9,757,436	\$ 9,775,017

The Corporation of the County of Perth Summary of Significant Accounting Policies

December 31, 2011

Management's

Responsibility for the Financial Statements

The non-consolidated financial statements of the The Corporation of the County of Perth are the representations of management.

These non-consolidated financial statements do not include the operating results or the assets and liabilities of the Perth District Health Unit and Spruce Lodge Home for the Aged. Accounting policies of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants require that they be consolidated. In this respect these financial statements do not conform with Canadian generally accepted accounting principles for Ontario municipalities.

Basis of Accounting

Revenues and expenditures are reported on the accrual basis of accounting, except for Provincial Offences Administration. 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.

These financial statements have been prepared in accordance with the significant accounting policies set out below. These financial statements materially differ from Canadian generally accepted accounting principles because they are unconsolidated.

Cash and Cash Equivalents

Management considers all highly liquid investments with maturity of three months or less at acquisition 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 improvement	15 years
Facilities	20 to 50 years
Equipment	10 to 20 years
Vehicles	5 to 20 years
Infrastructure - roads	20 to 50 years
Infrastructure - bridges and culverts	30 to 75 years
Computer systems	4 to 5 years

The Corporation of the County of Perth
Summary of Significant Accounting Policies

December 31, 2011

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 non-consolidated statement of financial position. The revenue is recognized in the non-consolidated statement of operations in the year in which it is used for the specified purpose.
Government Transfers	Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.
Revenue Recognition	<p>Taxes are recognized as revenue in the year they are levied.</p> <p>Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.</p> <p>Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.</p> <p>Sales of service and other revenue is recognized on an accrual basis.</p> <p>In accordance with policies adopted by other Provincial Offences Administrations and as a result of the nature of business activities, Provincial Offences revenue is recognized on a cash basis.</p>
Use of Estimates	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

The Corporation of the County of Perth
Notes to Non-consolidated Financial Statements

December 31, 2011

1. Mortgage and Loan Receivable

	<u>2011</u>	<u>2010</u>
Loan receivable - Stratford Perth Museum, interest at 0.5%, due April 30, 2012	\$ 128,000	\$ 143,947
Mortgage receivable - Stratford Perth Museum, interest at 3.0%, payable in monthly installments of principal and interest, due September 2012	<u>257,397</u>	<u>263,948</u>
	<u>\$ 385,397</u>	<u>\$ 407,895</u>

The loan receivable was refinanced as a second mortgage on July 26, 2012, at an interest rate of 0.5% per annum, due July 2038.

The first mortgage receivable was also refinanced on July 26, 2012 at an interest rate of 3.0% per annum, due September 2037.

2. Employee Benefits Liability

Sick Leave Benefits

The Corporation of the County of Perth provides paid sick leave for non-union employees, to a maximum of 17 weeks, that can be carried forward and employees may become entitled to a 50% cash payment when they leave the County's employment.

The liability for these accumulated sick leave benefits amounted to \$318,538 (2010 - \$245,306) at the end of the year. The County has established a reserve to provide for this past service liability in the amount of \$318,538 (2010 - \$282,519).

Pension Agreements

The Corporation of the County of Perth makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of all permanent, full-time members and all employees that meet the criteria for other than full time continuous employment of its staff. The plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on length of service and rates of pay. The Corporation of the County of Perth paid \$637,834 (2010 - \$518,319) for employer contributions.

The Corporation of the County of Perth
Notes to Non-consolidated Financial Statements

December 31, 2011

3. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 260,940	1,143,135	1,268	(1,314,813) \$	90,530
Infrastructure programs	129,853	5,327	1,332	(5,327)	131,185
	<u>\$ 390,793</u>	<u>1,148,462</u>	<u>2,600</u>	<u>(1,320,140) \$</u>	<u>221,715</u>

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 County of Perth and the Association of Municipalities of Ontario (AMO). Gas tax funding may be used towards designated environmentally sustainable municipal infrastructure and capacity building projects as specified in the funding agreements.

The Corporation of the County of Perth
Notes to Non-consolidated Financial Statements

December 31, 2011

	Land and land improvement	Facilities	Equipment	Vehicles	Infrastructure -		Computer systems	Total
					roads	bridges and culverts		
Cost,								2011
beginning of year \$	505,341 \$	5,214,680 \$	1,068,725 \$	4,569,508 \$	87,127,880 \$	18,061,105 \$	743,167 \$	117,290,406
Additions	47,150	118,794	415,088	470,099	4,186,287	222,610	122,070	5,582,098
Disposals	-	-	-	(1,028,778)	(2,230,626)	-	(2,410)	(3,261,814)
Write-downs	-	-	-	-	-	-	-	-
Cost, end of year \$	552,491 \$	5,333,474 \$	1,483,813 \$	4,010,829 \$	89,083,541 \$	18,283,715 \$	862,827 \$	119,610,690
Accumulated amortization,								
beginning of year \$	16,911 \$	954,873 \$	322,968 \$	2,372,380 \$	23,279,894 \$	7,433,719 \$	501,858 \$	34,882,603
Amortization	1,918	122,505	76,003	422,212	2,277,353	262,641	119,883	3,282,515
Disposals	-	-	-	(882,945)	(2,067,973)	-	(2,410)	(2,953,328)
Write-downs	-	-	-	-	-	-	-	-
Accumulated amortization, end of year \$	18,829 \$	1,077,378 \$	398,971 \$	1,911,647 \$	23,489,274 \$	7,696,360 \$	619,331 \$	35,211,790
Net book value, end of year \$	533,662 \$	4,256,096 \$	1,084,842 \$	2,099,182 \$	65,594,267 \$	10,587,355 \$	243,496 \$	84,398,900

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 \$184,306 (2010 - \$166,616).

The Corporation of the County of Perth
Notes to Non-consolidated Financial Statements

December 31, 2011

4. Tangible Capital Assets (continued)

											2010 Restated (See Note 12)
	Land and land improvement	Facilities	Equipment	Vehicle	Infrastructure - roads	Infrastructure - bridges and culverts	Computer systems	Total			
Cost,											
beginning of year	\$ 505,341	\$ 4,363,353	\$ 803,777	\$ 4,144,051	\$ 86,270,071	\$ 16,992,557	\$ 656,829	\$ 113,735,979			
Additions		851,327	472,595	535,414	2,102,404	1,122,935	101,900	5,186,575			
Disposals		-	(207,647)	(109,957)	(1,244,595)	(54,387)	(15,562)	(1,632,148)			
Cost, end of year	\$ 505,341	\$ 5,214,680	\$ 1,068,725	\$ 4,569,508	\$ 87,127,880	\$ 18,061,105	\$ 743,167	\$ 117,290,406			
Accumulated amortization,											
beginning of year	\$ 14,993	\$ 870,002	\$ 461,330	\$ 2,065,350	\$ 22,079,083	\$ 7,210,296	\$ 392,286	\$ 33,093,340			
Amortization	1,918	84,871	69,415	406,987	2,235,781	267,114	124,492	3,190,578			
Disposals		-	(207,777)	(99,957)	(1,034,970)	(43,691)	(14,920)	(1,401,315)			
Accumulated amortization, end of year	\$ 16,911	\$ 954,873	\$ 322,968	\$ 2,372,380	\$ 23,279,894	\$ 7,433,719	\$ 501,858	\$ 34,882,603			
Net book value, end of year	\$ 488,430	\$ 4,259,807	\$ 745,757	\$ 2,197,128	\$ 63,847,986	\$ 10,627,386	\$ 241,309	\$ 82,407,803			

The Corporation of the County of Perth
Notes to Non-consolidated Financial Statements

December 31, 2011

5. Accumulated Surplus

The Corporation of the County of Perth segregates its accumulated surplus in the following categories:

	2011	2010
		Restated (See Note 12)
Investment in tangible capital assets	\$ 84,398,900	\$ 82,407,803
Current Funds	1,495,356	930,204
Reserves and Reserve Funds		
Working funds	1,698,457	2,037,393
Current purposes	1,544,231	1,801,228
Capital purposes	2,258,708	2,543,521
Insurance, sick leave and WSIB	854,987	932,025
	\$ 92,250,639	\$ 90,652,174

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserves and reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

6. Government Transfers - Federal

	Budget 2011	Actual 2011	Actual 2010
	(Note 11)		
Federal Transfers			
Operating			
Unconditional	\$ 4,340	\$ 3,282	\$ -
Federal gas tax revenue	-	1,268	-
Capital			
Infrastructure stimulus funding	-	5,327	191,375
Federal gas tax revenue	1,143,135	1,312,276	1,128,950
	\$ 1,147,475	\$ 1,322,153	\$ 1,320,325

The Corporation of the County of Perth
Notes to Non-consolidated Financial Statements

December 31, 2011

7. Government Transfers - Provincial

	Budget 2011	Actual 2011	Actual 2010
	(Note 11)		
Provincial Transfers			
Operating			
Ontario municipal partnership fund	\$ 4,373,400	\$ 4,524,000	\$ 4,364,000
Unconditional	4,332,989	4,460,886	4,435,610
Capital			
Infrastructure stimulus funding	-	-	1,059,184
	\$ 8,706,389	\$ 8,984,886	\$ 9,858,794

8. Other Income

	Budget 2011	Actual 2011	Actual 2010
	(Note 11)		Restated (See Note 12)
Fines and penalties	\$ 1,722,400	\$ 1,759,433	\$ 1,674,633
Investment income	19,000	180,063	115,597
Licences, permits and rents	304,247	289,932	292,572
Donations	400	9,430	586
	\$ 2,046,047	\$ 2,238,858	\$ 2,083,388

The Corporation of the County of Perth
Notes to Non-consolidated Financial Statements

December 31, 2011

9. Contingent Liabilities

A number of appeals of the current value assessment of properties in the municipality are currently in progress with the Municipal Property Assessment Corporation (MPAC). The impact on taxation revenue as a result of settlement of these appeals is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.

10. Expenditures by Object

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

	Budget 2011	Actual 2011	Actual 2010
	(Note 11)		Restated (See Note 12)
Salaries, wages and employee benefits	\$ 11,429,231	\$ 11,201,621	\$ 10,803,533
Materials	5,142,515	4,393,713	3,676,845
Contracted services	4,387,193	4,355,561	4,651,075
Rents and financial expenses	119,760	134,891	116,276
Contributions to other organizations	953,643	1,021,329	964,010
Amortization	-	3,282,515	3,190,578
Loss (gain) on disposal of capital assets		198,049	208,181
	22,032,342	\$ 24,587,679	\$ 23,610,498

The Corporation of the County of Perth
Notes to Non-consolidated Financial Statements

December 31, 2011

11. Budget

The Financial Plan (Budget) By-Law #3240-2011 adopted by Council on March 17, 2011 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget does not include amortization expense. As a result, the budget figures presented in the statements of operations and change in net assets represent the Financial Plan adopted by Council on March 17, 2011 with adjustments as follows:

	<u>2011</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	8,404,074
Budgeted transfers to accumulated surplus	2,362,563
Less:	
Budgeted transfers from accumulated surplus	(6,845,021)
Proceeds from issuance of long-term debt	(750,000)
	<u>-</u>
Budget surplus per statement of operations	<u>\$ 3,171,616</u>

The Corporation of the County of Perth
Notes to Non-consolidated Financial Statements

December 31, 2011

12. Prior Period Adjustment

During the year, The Corporation of the County of Perth determined that certain capital assets were double counted in the initial inventory of assets and that the accumulated amortization for certain road assets were being recorded incorrectly.

The County was using installation dates for some road surfaces that were the same as the dates used for the road base creating fully amortized costs for road surfaces. These errors resulted in tangible capital asset costs and accumulated amortization being overstated as at January 1, 2010. The retrospective impact of these adjustments has been reported as follows:

	<u>2010</u>
<u>Statement of Financial Position</u>	
Decrease in tangible capital asset costs	\$ (189,406)
Decrease in accumulated amortization of tangible capital assets	<u>18,516,890</u>
Increase in tangible capital assets and 2010 opening accumulated surplus	<u>\$ 18,327,484</u>
<u>Statement of Operations</u>	
Increase in expenses	
Increase in amortization	1,796,908
Increase in loss on disposal of tangible capital assets	<u>8,272</u>
Total increase in expenses	<u>\$ 1,805,180</u>
Decrease in 2010 annual surplus	<u>\$ (1,805,180)</u>

13. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.
