

**The Corporation of the County of Perth
Non-consolidated Financial Statements
For the year ended December 31, 2012**

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For the year ended December 31, 2012**

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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, 2012, 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, 2012 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

June 14, 2013

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

<u>December 31</u>	<u>2012</u>	<u>2011</u>
		Restated (See Note 12)
Financial assets		
Cash and cash equivalents	\$ 11,150,416	\$ 9,757,436
Accounts receivable	477,861	705,754
Mortgage and loan receivable (Note 2)	376,397	385,397
	<u>12,004,674</u>	<u>10,848,587</u>
Liabilities		
Accounts payable and accrued liabilities	2,478,773	2,925,263
Employee benefits liability (Note 1)	477,314	435,337
Deferred revenue (Note 3)	135,524	221,715
	<u>3,091,611</u>	<u>3,582,315</u>
Net financial assets	<u>8,913,063</u>	<u>7,266,272</u>
Non-financial assets		
Tangible capital assets (Note 4)	84,393,185	84,398,900
Prepaid expenses	143,151	55,202
Inventories of supplies	402,337	413,466
	<u>84,938,673</u>	<u>84,867,568</u>
Net Municipal Position (Note 5)	<u>\$ 93,851,736</u>	<u>\$ 92,133,840</u>

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 2012	Actual 2012	Actual 2011
	(Note 11)		Restated (See Note 12)
Revenue			
Taxation	\$ 10,315,784	\$ 10,375,501	\$ 9,808,489
Government transfers - Federal (Note 6)	1,195,221	1,285,295	1,322,153
Government transfers - Provincial (Note 7)	8,875,534	8,854,978	8,909,586
Municipal transfers	3,880,746	3,896,037	3,522,955
User fees and service charges	272,140	448,678	384,103
Other (Note 8)	1,993,347	2,115,540	2,238,858
	<u>26,532,772</u>	<u>26,976,029</u>	<u>26,186,144</u>
Expenses			
General government	2,213,488	2,456,526	2,299,006
Protection services	1,864,379	1,774,406	1,952,967
Transportation services	4,771,310	7,872,362	8,320,606
Health services	8,803,171	8,837,465	8,662,783
Social and family services	1,738,798	1,664,502	878,767
Social housing	1,457,166	1,368,299	1,309,178
Recreation and cultural services	458,238	450,516	415,467
Planning and development	871,068	834,057	757,977
	<u>22,177,618</u>	<u>25,258,133</u>	<u>24,596,751</u>
Increase In Net Municipal Position	<u>4,355,154</u>	<u>1,717,896</u>	<u>1,589,393</u>
Net Municipal Position, beginning of year - as previously reported	92,250,639	92,250,639	90,652,174
Prior period adjustment (Note 12)	<u>(116,799)</u>	<u>(116,799)</u>	<u>(107,727)</u>
Net Municipal Position, beginning of year - as restated	<u>92,133,840</u>	<u>92,133,840</u>	<u>90,544,447</u>
Net Municipal Position, end of year	<u>\$ 96,488,994</u>	<u>\$ 93,851,736</u>	<u>\$ 92,133,840</u>

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

For the year ended December 31	Budget 2012	Actual 2012	Actual 2011
	(Note 11)		Restated (See Note 12)
Increase in Net Municipal Position	\$ 4,355,154	\$ 1,717,896	\$ 1,589,393
Acquisition of tangible capital assets	(8,269,590)	(3,622,349)	(5,582,098)
Amortization of tangible capital assets	-	3,404,471	3,282,515
Loss on sale of tangible capital assets	-	215,740	198,049
Proceeds on sale of tangible capital assets	-	7,853	110,437
Proceeds on issuance of long-term debt	4,150,000	-	-
	<u>235,564</u>	<u>1,723,611</u>	<u>(401,704)</u>
Utilization(acquisition) of prepaid expenses and inventory of supplies	-	(76,820)	284,276
Net change in net financial assets	235,564	1,646,791	(117,428)
Net financial assets, beginning of year	7,266,272	7,266,272	7,383,700
Net financial assets, end of year	\$ 7,501,836	\$ 8,913,063	\$ 7,266,272

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

For the year ended December 31	2012	2011
		Restated (See Note 12)
Operating transactions		
Increase in Net Municipal Position	\$ 1,717,896	\$ 1,589,393
Items not involving cash		
Amortization	3,404,471	3,282,515
Loss on disposal of tangible capital assets	215,740	198,049
Changes in non-cash operating balances		
Accounts receivable	227,893	468,099
Prepaid expenses and inventories of supplies	(76,820)	284,276
Accounts payable and accrued liabilities	(446,490)	(303,976)
Post-employment benefits	41,977	82,304
Deferred revenue	(86,191)	(169,078)
	<u>4,998,476</u>	<u>5,431,582</u>
Capital transactions		
Acquisition of tangible capital assets	(3,622,349)	(5,582,098)
Proceeds on sale of tangible capital assets	7,853	110,437
	<u>(3,614,496)</u>	<u>(5,471,661)</u>
Investing transactions		
Decrease of mortgages receivable	9,000	22,498
Net change in cash and cash equivalents	1,392,980	(17,581)
Cash and cash equivalents, beginning of year	9,757,436	9,775,017
Cash and cash equivalents, end of year	\$ 11,150,416	\$ 9,757,436

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

December 31, 2012

**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.

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 do not include the operating results or assets and liabilities of the Perth District Health Unit or Spruce Lodge Home for the Aged. Also, no segmented information disclosure has been provided. In these two respects, these financial statements do not conform to Canadian generally accepted accounting principles as they pertain to the financial reporting of municipal governments in Ontario.

**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, 2012

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 as it becomes receivable.</p> <p>Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.</p> <p>Sales of service and other revenue is recognized on an accrual basis.</p> <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, 2012

1. Employee Benefits Liability

The amount reported for employee benefits liability on the non-consolidated statement of financial position consists of the following:

	2012	2011
Sick leave benefits	\$ 352,612	\$ 318,538
Workplace Safety and Insurance	124,702	116,799
	\$ 477,314	\$ 435,337

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 municipality's employment.

Workplace Safety and Insurance Board ("WSIB")

The County is a Schedule II employer under the Workplace Safety and Insurance Act, whereby it self-insures the entire risk of their own WSIB claims. The County is also responsible for reimbursing the WSIB for all costs relating to its workers' claims.

The liability reported in the non-consolidated statement of financial position is the result of an actuarial update that estimated potential liabilities of the municipality under the provisions of the Workplace Safety and Insurance Act. The last full actuarial evaluation for the County of Perth was completed as at December 31, 2011 and forecasted for the next three years.

WSIB liability	2012	2011
Accrued benefit obligation at January 1	\$ 116,799	\$ 107,727
Add estimated cost of claims (service cost)	2,878	4,401
Add interest accrued	5,025	4,671
Liability at December 31	\$ 124,702	\$ 116,799

WSIB benefits expense	2012	2011
Current year benefit cost	\$ 2,878	\$ 4,401
Interest on accrued benefit obligation	5,025	4,671
Total	\$ 7,903	\$ 9,072

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

December 31, 2012

1. Employee Benefits Liability (continued)

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 eligible employees. 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. During the year, employer contributions of \$769,386 (2011 - \$637,834) were paid by the County and reported as an expense on the Non-consolidated Statement of Operations.

2. Mortgage and Loan Receivable

	2012	2011
First mortgage receivable - Stratford Perth Museum, interest at 3.0%, payable in monthly installments of \$1,194 principal and interest, due September 2037.	\$ 250,704	\$ 257,397
Loan receivable - Stratford Perth Museum, interest at 0.5%, due April 30, 2012.	-	128,000
Second mortgage receivable - Stratford Perth Museum, interest at 0.5%, payable in monthly installments of \$438 principal and interest, due July 2038.	125,693	-
	\$ 376,397	\$ 385,397

The first mortgage receivable was refinanced on July 26, 2012. The loan receivable was refinanced as a second mortgage on July 26, 2012.

3. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
Federal gas tax	\$ 90,530	1,143,135	3,327	(1,101,468)	\$ 135,524
Infrastructure programs	131,185		1,654	(132,839)	
	\$ 221,715	1,143,135	4,981	(1,234,307)	\$ 135,524

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, 2012

4. Tangible Capital Assets

	2012							
	Land and land improvement	Facilities	Equipment	Vehicles	Infrastructure - roads	Infrastructure - bridges and culverts	Computer systems	Total
Cost,								
beginning of year	\$ 552,491	\$ 5,333,474	\$ 1,483,813	\$ 4,010,829	\$ 89,083,541	\$ 18,283,715	\$ 862,827	\$ 119,610,690
Additions		157,697	188,424	77,406	1,596,480	1,547,307	55,035	3,622,349
Disposals		-	-	(44,306)	(822,813)	(15,652)	(93,564)	(976,335)
Write-downs	-	-	-	-	-	-	-	-
Cost, end of year	\$ 552,491	\$ 5,491,171	\$ 1,672,237	\$ 4,043,929	\$ 89,857,208	\$ 19,815,370	\$ 824,298	\$ 122,256,704
Accumulated								
amortization,								
beginning of year	\$ 18,829	\$ 1,077,378	\$ 398,971	\$ 1,911,647	\$ 23,489,274	\$ 7,696,360	\$ 619,331	\$ 35,211,790
Amortization	1,918	213,325	99,047	383,624	2,323,579	269,829	113,149	3,404,471
Disposals	-	-	-	(37,777)	(607,455)	(15,652)	(91,858)	(752,742)
Write-downs	-	-	-	-	-	-	-	-
Accumulated								
amortization,								
end of year	\$ 20,747	\$ 1,290,703	\$ 498,018	\$ 2,257,494	\$ 25,205,398	\$ 7,950,537	\$ 640,622	\$ 37,863,519
Net book value,								
end of year	\$ 531,744	\$ 4,200,468	\$ 1,174,219	\$ 1,786,435	\$ 64,651,810	\$ 11,864,833	\$ 183,676	\$ 84,393,185

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 \$242,513 (2011 - \$184,306).

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

December 31, 2012

4. Tangible Capital Assets (continued)

	2011							
	Land and land improvement	Facilities	Equipment	Vehicle	Infrastructure - roads	Infrastructure - bridges and culverts	Computer systems	Total
Cost,								
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)
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)
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 Corporation of the County of Perth
Notes to Non-consolidated Financial Statements

December 31, 2012

5. Net Municipal Position

	2012	2011 Restated (See Note 12)
Investment in tangible capital assets	\$ 84,393,185	\$ 84,398,900
Inventory, prepaid expenses and current funds	964,801	1,018,114
Operating Surplus	575,878	-
Reserves		
Working funds	1,559,633	1,698,457
Current purposes	2,011,568	1,978,060
Capital purposes	3,583,370	2,258,708
Sick leave and WSIB	719,339	738,188
Reserve Funds		
Archives Special Donations	43,962	43,413
	\$93,851,736	\$ 92,133,840

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 2012	Actual 2012	Actual 2011
	(Note 11)		
Operating			
Unconditional	\$ -	\$ -	\$ 3,282
Federal gas tax revenue	-	3,327	1,268
Capital			
Infrastructure stimulus funding	-	132,839	5,327
Federal gas tax revenue	1,143,135	1,098,141	1,312,276
Other capital funding	52,086	50,988	-
	\$ 1,195,221	\$ 1,285,295	\$ 1,322,153

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

December 31, 2012

7. Government Transfers - Provincial

	Budget 2012	Actual 2012	Actual 2011
	(Note 11)		
Operating			
Ontario municipal partnership fund	\$ 4,209,300	\$ 4,209,300	\$ 4,448,700
Conditional - EMS grant	4,666,234	4,645,678	4,460,886
	\$ 8,875,534	\$ 8,854,978	\$ 8,909,586

8. Other Income

	Budget 2012	Actual 2012	Actual 2011
	(Note 11)		
Fines and penalties	\$ 1,715,700	\$ 1,609,173	\$ 1,759,433
Investment income	13,000	239,639	180,063
Licences, permits and rents	264,247	266,185	289,932
Donations	400	543	9,430
	\$ 1,993,347	\$ 2,115,540	\$ 2,238,858

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

December 31, 2012

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 these appeals will be recorded as they are settled.

10. Expenditures by Object

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

	Budget 2012	Actual 2012	Actual 2011
	(Note 11)		Restated (See Note 12)
Salaries, wages and employee benefits	\$ 12,129,806	\$ 12,005,206	\$ 11,210,693
Materials	3,419,776	3,419,614	4,393,713
Contracted services	5,522,559	5,175,786	4,355,561
Rents and financial expenses	149,579	142,520	134,891
Contributions to other organizations	955,898	894,795	1,021,329
Amortization	-	3,404,471	3,282,515
Loss (gain) on disposal of capital assets		215,741	198,049
	22,177,618	\$ 25,258,133	\$ 24,596,751

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

December 31, 2012

11. Budget

The Financial Plan (Budget) By-Law #3289-2012 adopted by Council on April 5, 2012 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 April 5, 2012 with adjustments as follows:

	<u>2012</u>
Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	8,269,590
Budgeted transfers to net municipal position	3,355,034
Less:	
Budgeted transfers from net municipal position	(3,119,470)
Proceeds from issuance of long-term debt	(4,150,000)
	<u>-</u>
Increase to net municipal position per statement of operations	<u>\$ 4,355,154</u>

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

December 31, 2012

12. Prior Period Adjustment

During the year, the Corporation of the County of Perth determined that an obligation exists to the Workplace Safety and Insurance Board due to being a self-insured employer. Under PSAB, the County is required to report this liability and related expenses annually.

The prior period adjustment was made to correct the understatement of liabilities and the overstatement of net municipal position as follows:

	<u>2011</u>
<u>Statement of Financial Position</u>	
Increase in liability	\$ (107,727)
Decrease in opening Net Municipal Position	\$ (107,727)
<u>Statement of Operations</u>	
Increase in expenses	
Increase in WSIB expense	4,401
Increase in interest expense	4,671
Total increase in expenses	\$ 9,072
Decrease in 2011 Net Municipal Position	\$ (9,072)
