

TOWNSHIP OF PERTH SOUTH
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008



Chartered Accountants

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N6A 5G4

AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the Township of Perth South as at December 31, 2008 and the consolidated statement of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Township's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Township of Perth South as at December 31, 2008 and the results of its financial activities and changes in its financial position for the year then ended in accordance with the accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants.

Collins Barrow KMD LLP

London, Canada
May 27, 2009

Licensed Public Accountants

TOWNSHIP OF PERTH SOUTH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008
(with comparative figures at December 31, 2007)

	<u>2008</u>	<u>2007</u>
FINANCIAL ASSETS		
Cash	\$ 3,051,912	\$ 1,909,315
Taxes receivable	325,558	330,031
Accounts receivable	353,189	505,601
Other current assets	<u>290</u>	<u>8,794</u>
Total assets	<u>\$ 3,730,949</u>	<u>\$ 2,753,741</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 849,036	\$ 299,666
Long term liabilities (note 6)	<u> </u>	<u> </u>
Total liabilities	<u>849,036</u>	<u>299,666</u>
MUNICIPAL FUND POSITION		
Operating fund (note 5)	537,864	378,291
Reserves and reserve funds (note 7)	2,384,090	2,307,849
Capital fund	<u>(40,041)</u>	<u>(232,065)</u>
Total fund balances	<u>2,881,913</u>	<u>2,454,075</u>
Total liabilities and municipal fund position	<u>\$ 3,730,949</u>	<u>\$ 2,753,741</u>

The accompanying notes are an integral part of these statements

Approved by Council

Reeve _____ Clerk-Treasurer _____

TOWNSHIP OF PERTH SOUTH
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
(with comparative figures for the year ended December 31, 2007)

	<u>Budget</u> <u>2008</u>	<u>Actual</u> <u>2008</u>	<u>Actual</u> <u>2007</u>
Revenues			
Taxation for municipal purposes	\$ 2,059,348	\$ 2,072,821	\$ 1,895,479
User fees	255,368	285,396	291,986
Government transfers - Canada	77,968	69,925	55,944
Government transfers - Ontario	2,645,267	3,078,854	1,653,673
Government transfers - Other municipalities	25,000	220,016	162,041
Other	<u>179,500</u>	<u>402,196</u>	<u>319,420</u>
Total revenues	<u>5,242,451</u>	<u>6,129,208</u>	<u>4,378,543</u>
Expenditures			
Current			
General government	497,700	569,031	370,565
Protection to persons and property	890,011	875,450	904,949
Transportation services	1,539,400	1,138,348	1,092,079
Environmental services	358,700	263,732	281,236
Health services	53,000	52,018	51,104
Recreation and cultural services	121,015	96,380	104,532
Planning and development	<u>174,750</u>	<u>38,715</u>	<u>32,007</u>
	<u>3,634,576</u>	<u>3,033,674</u>	<u>2,836,472</u>
Capital			
General government	59,300	61,593	14,399
Protection to persons and property	435,000	426,094	80,623
Transportation services	2,028,000	1,976,079	1,353,767
Recreation and cultural services		4,205	78,978
Planning and development		<u>199,725</u>	<u>222,426</u>
	<u>2,522,300</u>	<u>2,667,696</u>	<u>1,750,193</u>
Total expenditures	<u>6,156,876</u>	<u>5,701,370</u>	<u>4,586,665</u>
Change in fund balances	<u>\$ (914,425)</u>	<u>\$ 427,838</u>	<u>\$ (208,122)</u>

The accompanying notes are an integral part of these statements

TOWNSHIP OF PERTH SOUTH
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2008
(with comparative figures for the year ended December 31, 2007)

	<u>2008</u>	<u>2007</u>
Operating activities		
Net revenues - statement 2	\$ 427,838	\$ (208,122)
Net change in non-cash working capital balances		
Taxes receivable	4,473	(58,137)
Accounts receivable	152,412	(43,763)
Other current assets	8,504	2,627
Accounts payable and accrued charges	<u>549,370</u>	<u>(341,771)</u>
	<u>1,142,597</u>	<u>(649,166)</u>
Change in cash and equivalents during year	1,142,597	(649,166)
Cash and equivalents, beginning of year	<u>1,909,315</u>	<u>2,558,481</u>
Cash and equivalents, end of year	<u>\$ 3,051,912</u>	<u>\$ 1,909,315</u>

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TOWNSHIP OF PERTH SOUTH
CONSOLIDATED STATEMENT OF OPERATING FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
(with comparative figures for the year ended December 31, 2007)

	<u>Budget</u> <u>2008</u>	<u>Actual</u> <u>2008</u>	<u>Actual</u> <u>2007</u>
Revenues			
Taxation for municipal purposes	\$ 2,059,348	\$ 2,072,821	\$ 1,895,479
User fees	255,368	285,396	291,986
Government transfers - Canada	77,968	69,925	55,944
Government transfers - Ontario	2,645,267	1,855,254	1,583,655
Government transfers - Other municipalities	25,000	22,119	24,170
Donations	7,000	13,800	8,000
Investment income	127,500	112,042	143,750
Penalty and interest on taxes	<u>45,000</u>	<u>50,032</u>	<u>44,593</u>
Total revenues	<u>5,242,451</u>	<u>4,481,389</u>	<u>4,047,577</u>
Expenditures			
General government	497,700	569,031	370,565
Protection to persons and property	890,011	875,450	904,949
Transportation services	1,539,400	1,138,348	1,092,079
Environmental services	358,700	263,732	281,236
Health services	53,000	52,018	51,104
Recreation and cultural services	121,015	96,380	104,532
Planning and development	<u>174,750</u>	<u>38,715</u>	<u>32,007</u>
	<u>3,634,576</u>	<u>3,033,674</u>	<u>2,836,472</u>
Net revenues	1,607,875	1,447,715	1,211,105
Transfers			
Interfund transfers (to) from reserves	(40,776)	(464,885)	(20,942)
Interfund transfers (to) from capital	<u>(1,897,300)</u>	<u>(823,257)</u>	<u>(1,146,878)</u>
Change in operating fund balance	(330,201)	159,573	43,285
Fund Balance, opening	<u>378,291</u>	<u>378,291</u>	<u>335,006</u>
Fund Balance, closing	<u>\$ 48,090</u>	<u>\$ 537,864</u>	<u>\$ 378,291</u>

The accompanying notes are an integral part of these statements

TOWNSHIP OF PERTH SOUTH
CONSOLIDATED STATEMENT OF CAPITAL FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
(with comparative figures for the year ended December 31, 2007)

	<u>Budget</u> <u>2008</u>	<u>Actual</u> <u>2008</u>	<u>Actual</u> <u>2007</u>
Revenues			
Government transfers - Ontario	\$	\$ 1,223,600	\$ 70,018
Government transfers - Other municipalities		197,897	137,871
Special Charges		220,182	114,909
Fees and donations		<u>6,140</u>	<u>8,168</u>
Total revenues		<u>1,647,819</u>	<u>330,966</u>
Expenditures			
General government	59,300	61,593	14,399
Protection to persons and property	435,000	426,094	80,623
Transportation services	2,028,000	1,976,079	1,353,767
Recreation and cultural services		4,205	78,978
Planning and development		<u>199,725</u>	<u>222,426</u>
	<u>2,522,300</u>	<u>2,667,696</u>	<u>1,750,193</u>
Net revenues (expenditures)	(2,522,300)	(1,019,877)	(1,419,227)
Transfers			
Interfund transfers (to) from reserves	625,000	388,644	349,454
Interfund transfers (to) from operating	<u>1,897,300</u>	<u>823,257</u>	<u>1,146,878</u>
Change in capital fund balance	NIL	192,024	77,105
Fund Balance, opening	<u>(232,065)</u>	<u>(232,065)</u>	<u>(309,170)</u>
Fund Balances, closing	<u>\$ (232,065)</u>	<u>\$ (40,041)</u>	<u>\$ (232,065)</u>

The accompanying notes are an integral part of these statements

TOWNSHIP OF PERTH SOUTH
CONSOLIDATED STATEMENT OF RESERVE AND RESERVE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
(with comparative figures for the year ended December 31, 2007)

	<u>Budget</u> <u>2008</u>	<u>Actual</u> <u>2008</u>	<u>Actual</u> <u>2007</u>
Transfers			
Interfund transfers (to) from operating	\$ 40,776	\$ 464,885	\$ 20,942
Interfund transfers (to) from capital	<u>(625,000)</u>	<u>(388,644)</u>	<u>(349,454)</u>
Change in reserve and reserve fund balance	(584,224)	76,241	(328,512)
Fund Balance, opening	<u>2,307,849</u>	<u>2,307,849</u>	<u>2,636,361</u>
Fund Balance, closing	<u>\$ 1,723,625</u>	<u>\$ 2,384,090</u>	<u>\$ 2,307,849</u>

The accompanying notes are an integral part of these statements

TOWNSHIP OF PERTH SOUTH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. **Significant Accounting Policies**

The consolidated financial statements of the Township of Perth South are the representation of management prepared in accordance with generally accepted accounting principles for municipal governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) (i) **Basis of Consolidation**

These consolidated statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and financial position of the reporting entity. The reporting entity is comprised of all organizations accountable to the Township and owned or controlled by the Township. In addition to the operating, reserve and capital funds of the Township, they include the proportional share of the financial position and operating activities of the following joint boards:

Biddulph-Blanshard Fire Area
Kirkton-Woodham Swimming Pool

Interfund transactions and balances are eliminated.

(ii) **Non-Consolidated Entities**

The following joint local boards are not consolidated:

St. Mary's Fire Area
Perth East Fire Area

(iii) **Trust Funds**

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet."

(b) **Basis of Accounting**

(i) **Revenues and Expenditures**

Revenues and expenditures 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.

(ii) **Tangible Capital Property**

The historical cost and accumulated depreciation for tangible capital property is not recorded for municipal purposes. Tangible capital property is reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.

TOWNSHIP OF PERTH SOUTH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. Significant Accounting Policies - continued

(c) Future Change in Accounting Policies

In 2009, the municipality will apply the new recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants regarding the recognition, measurement and presentation of tangible capital assets following the release of Section PS3150, "Tangible Capital Assets". Management is currently assessing the impact this new standard will have on the financial statements.

2. Operations of School Boards and the County of Perth

Taxation, other revenues and expenditures of the school boards and the County of Perth are comprised of the following:

	<u>School Boards</u>	<u>County</u>
Taxation and user charges	\$ 1,403,337	\$ 1,180,363
Grants	<u>15,482</u>	<u>15,255</u>
Amounts received or receivable	<u>\$ 1,418,819</u>	<u>\$ 1,195,618</u>
Expenditures	<u>\$ 1,418,819</u>	<u>\$ 1,195,618</u>

3. Contributions to Unconsolidated Joint Boards

Further to note 1(a)(ii), the following contributions were made by the municipality to these boards:

	<u>2008</u>	<u>2007</u>
St. Mary's Fire Area	\$ <u>109,097</u>	\$ <u>84,508</u>
Perth East Fire Area	\$ <u>128,640</u>	\$ <u>127,633</u>

The municipality is contingently liable for its share, which in 2008 is 23.0% (2007 - 23.0%) for the St. Mary's Fire Area and 24.5% (2007 - 24.5%) for the Perth East Fire Area, of the accumulated surplus (deficits) as at the end of the year for these boards.

4. Trust Funds

Trust funds administered by the municipality amounting to \$NIL (2007 - \$NIL) have not been included in the "Consolidated Balance Sheet" nor have their operations been included in the "Consolidated Statement of Operations".

TOWNSHIP OF PERTH SOUTH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

5. Municipal Fund Balances at the End of the Year

The balances on the "Consolidated Statement of Financial Position" of municipal operating fund position of \$537,864 (2007 - \$378,291) at the end of the year are comprised of the following:

	<u>2008</u>	<u>2007</u>
- for general reduction of taxation	\$ 475,223	\$ 326,713
- for general reduction of user charges	<u>62,641</u>	<u>51,578</u>
	<u>\$ 537,864</u>	<u>\$ 378,291</u>

6. Net Long Term Liabilities

	<u>2008</u>	<u>2007</u>
(a) The balance of net long term liabilities reported on the "Consolidated Statement of Financial Position" is made up of the following:		
Total long term liabilities incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	\$ 180,280	\$ 169,349
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage assistance loans has been assumed by individuals.	<u>180,280</u>	<u>169,349</u>
Net long term liabilities at the end of the year	<u>\$ _____</u>	<u>\$ _____</u>

TOWNSHIP OF PERTH SOUTH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

7. Reserves

The total balances of reserves and reserve funds of \$2,384,090 (2007 - \$2,307,849) is made up of the following:

	<u>2008</u>	<u>2007</u>
Reserves set aside for specific purpose by Council		
- for working capital	\$ 252,000	\$ 252,000
- for building department	23,845	
- for roads capital and construction	1,371,888	1,050,000
- for equipment purchases	425,524	499,233
- for landfill purposes	65,000	65,000
- for recreation purposes	14,250	4,250
- for economic development	160,000	100,000
- for fire capital	28,930	325,355
- for waterworks purposes	<u>38,776</u>	<u>8,000</u>
Total reserves	<u>2,380,213</u>	<u>2,303,838</u>
Reserve funds set aside for specific purpose by Council		
- for recreation pool purposes	<u>3,877</u>	<u>4,011</u>
Total reserves and reserve funds	<u>\$ 2,384,090</u>	<u>\$ 2,307,849</u>

TOWNSHIP OF PERTH SOUTH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

8. Annexation

An agreement was made, effective January 1, 2001 whereby certain lands in the Township will be annexed by the City of Stratford. The first of these lands was transferred to the City on January 1, 2004 with additional lands to be transferred in 2005 and 2007. The City will compensate the Township for lost general purpose taxes. This compensation formula is designated in the agreement and will be paid in eight equal installments beginning in the year of annexation.

An agreement was made effective November 17, 2005, whereby certain lands in the Township will be annexed by the City of Stratford. These lands were transferred to the City on January 1, 2006. The City will compensate the Township for lost general purpose taxes. This compensation formula is designated in the agreement and will be paid based on a specified percentage of City taxes for the first eight years beginning in the year of annexation. For all subsequent years that the agreement is in effect, the compensation will be paid based on a revised percentage of City taxes.

These amounts will be recognized as revenue in the year due.

9. Commitments

On September 19, 2006 Council passed a resolution committing the Township to a contribution of \$242,746 to the Stratford General Hospital Heart and Soul Campaign. The payment will be made in equal installments from 2006 to 2010.

On May 6, 2008 Council passed a resolution committing the Township to a contribution of \$25,000 to the Stratford Agriplex. The payment will be made in equal installments from 2008 to 2012.

On June 5, 2007 Council passed a resolution committing the Township to a contribution of \$20,000 to the Pyramid Centre in St. Marys. The payment will be made in equal installments from 2008 to 2011.