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REVIEW ENGAGEMENT REPORT

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

At the request of the Township of Perth South, we have reviewed the financial information of the Township of Perth South as at December 31, 2011 with respect to the capitalized costs associated with the paving operations for Road 134 Section 97 during 2010 and 2011 (calculated in accordance with the interpretations set out in note 1). Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the corporation.

A review does not constitute an audit and, consequently, we do not express an audit opinion on this financial information.

Based on our review, nothing has come to our attention that causes us to believe that this financial information is not, in all material respects, in accordance with the Canadian generally accepted accounting principles and the interpretations set out in note 1.

Vodden, Bender & Seebach LLP

Chartered Accountants
Licensed Public Accountants

Clinton, Ontario
August 17, 2012

THE CORPORATION OF THE TOWNSHIP OF PERTH SOUTH
REVIEW OF FINANCIAL INFORMATION FOR ROAD 134 SECTION 97 PAVING OPERATIONS

This report covers the period of January 1, 2010 to December 31, 2011 with respect to the capital costs incurred for paving operations for Road 134 Section 97 (Line 15 north to bridge).

	Capital Costs
Direct capital costs	\$ 107,017
Allocated indirect capital costs	<u>28,127</u>
Total capital cost of Perth South Road 134 Section 97	<u>\$ 135,144</u>

THE CORPORATION OF THE TOWNSHIP OF PERTH SOUTH
NOTES TO REVIEW OF FINANCIAL INFORMATION FOR ROAD 134 SECTION 97 PAVING OPERATIONS

For the two years ended December 31, 2011

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.

Significant conditions and interpretations of the financial information in this review are:

a) Time period for costs incurred

This report covers the period of January 1, 2010 to December 31, 2011 with respect to the capital costs incurred for paving operations for Road 134 Section 97.

b) Definitions

i) Direct costs

Direct costs are those for activities or services that benefit specific projects, e.g., salaries for project staff and materials required for a particular project. Since these activities are easily traced to projects, their costs are usually charged to projects on an item-by-item basis. Direct costs are also called traceable costs.

ii) Allocated indirect costs

Indirect costs are those for activities or services that benefit more than one project. Their precise benefits to a specific project are often difficult or impossible to trace. For example, it may be difficult to determine precisely how the activities of the director of an organization benefit a specific project. Indirect costs do not vary substantially within certain production volumes or other indicators of activity, and so they may sometimes be considered to be fixed costs.

c) 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.

d) 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.

The municipality has a capitalization threshold, 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.

- 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.

e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.