

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
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YEAR ENDED DECEMBER 31, 2012

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Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of Wellington North

Report on the Financial Statements

We have audited the accompanying financial statements of The Corporation of the Township of Wellington North, which comprise the statement of financial position as at December 31, 2012 and the consolidated statements of operations, changes in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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.

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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of Wellington North as at December 31, 2012 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Fergus, Ontario
September 9, 2013

RLB LLP

Chartered Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	2012	2011
FINANCIAL ASSETS		
Cash (Note 2)	\$ 9,607,915	\$ 6,623,048
Investments	10,251	10,105
Taxes receivable	1,320,911	1,425,401
Trade and other receivables	1,651,547	3,323,318
Long-term receivables (Note 3)	1,363,788	2,148,726
Long-term investments (Note 4)	<u>3,479,612</u>	<u>3,459,687</u>
	<u>17,434,024</u>	<u>16,990,285</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,423,825	2,867,894
Deferred revenue (Note 11)	1,987,188	1,630,988
Long term debt (Note 5)	<u>10,170,970</u>	<u>11,442,139</u>
	<u>13,581,983</u>	<u>15,941,021</u>
NET FINANCIAL ASSETS	<u>3,852,041</u>	<u>1,049,264</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12, schedule 2)	115,087,248	117,661,759
Prepaid expenses and inventory	<u>95,302</u>	<u>104,372</u>
	<u>115,182,550</u>	<u>117,766,131</u>
ACCUMULATED SURPLUS (schedule 3)	<u>\$119,034,591</u>	<u>\$118,815,395</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 Budget (Note 7)	2012 Actual	2011 Actual
REVENUE			
Net taxation/user charges	\$ 6,115,912	\$ 6,162,118	\$ 5,920,993
Fees and service charges	5,018,325	5,343,022	5,143,047
Grants	1,232,873	1,571,667	3,936,122
Other income (Note 6)	825,360	1,098,164	730,942
Obligatory reserve funds revenue recognized (Note 11)	<u>0</u>	<u>430,312</u>	<u>601,299</u>
	<u>13,192,470</u>	<u>14,605,283</u>	<u>16,332,403</u>
EXPENSES (SCHEDULE 1)			
General government	1,373,151	1,327,143	1,468,329
Protection to persons and property	1,134,325	1,220,013	1,399,957
Transportation services	5,661,748	5,992,604	7,963,599
Environmental services	3,621,282	3,360,301	3,514,872
Health services	37,081	31,095	42,521
Recreation and culture	2,054,650	1,958,283	1,988,039
Planning and development	<u>286,300</u>	<u>496,648</u>	<u>420,746</u>
	<u>14,168,537</u>	<u>14,386,087</u>	<u>16,798,063</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ (976,067)</u>	<u>\$ 219,196</u>	<u>\$ (465,660)</u>
ACCUMULATED SURPLUS at beginning of year		\$ 118,815,395	\$ 119,281,055
Annual Surplus (Deficit)		<u>219,196</u>	<u>(465,660)</u>
ACCUMULATED SURPLUS at end of year		<u>\$ 119,034,591</u>	<u>\$ 118,815,395</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 Budget (note 4)	2012 Actual	2011 Actual
Annual surplus (Deficit)	\$ <u>(976,067)</u>	\$ <u>219,196</u>	\$ <u>(465,660)</u>
Acquisition of tangible capital assets	(2,169,702)	(2,043,059)	(3,009,209)
Amortization of tangible capital assets	4,842,906	4,609,490	4,842,905
(Gain) loss on sale of tangible capital assets	0	8,081	(31,339)
Proceeds on sale of tangible capital assets	<u>0</u>	<u>0</u>	<u>37,929</u>
	<u>2,673,204</u>	<u>2,574,512</u>	<u>1,840,286</u>
Change in prepaid expenses and inventory	<u>0</u>	<u>9,069</u>	<u>(64,759)</u>
INCREASE IN NET FINANCIAL ASSETS	\$ <u>1,697,137</u>	2,802,777	1,309,867
NET FINANCIAL ASSETS at beginning of year		<u>1,049,264</u>	<u>(260,603)</u>
NET FINANCIAL ASSETS at end of year		\$ <u>3,852,041</u>	\$ <u>1,049,264</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual surplus (deficit) for the year	\$ 219,196	\$ (465,660)
Items not requiring an outlay of cash		
Amortization	4,609,490	4,842,905
(Gain) loss on sale of tangible capital assets	8,081	(31,339)
Share of loss (income) of Wellington North Power Inc.	(19,925)	88,837
	<u>4,597,646</u>	<u>4,900,403</u>
	<u>4,816,842</u>	<u>4,434,743</u>
Net changes in non-cash working capital		
Taxes receivable	104,490	(134,196)
Accounts receivable	1,671,771	2,594,221
Accounts payable and accrued liabilities	(1,444,069)	(1,523,046)
Prepaid expenses and inventory	9,069	(64,759)
Deferred revenue	<u>356,200</u>	<u>400,302</u>
	<u>697,461</u>	<u>1,272,522</u>
	<u>5,514,303</u>	<u>5,707,265</u>
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,043,059)	(3,009,209)
Proceeds on disposal of tangible capital assets	<u>0</u>	<u>37,929</u>
	<u>(2,043,059)</u>	<u>(2,971,280)</u>
CASH PROVIDED BY FINANCING ACTIVITIES		
Additions to long-term liabilities	105,100	138,300
Repayments of long-term liabilities	<u>(1,376,269)</u>	<u>(919,488)</u>
	<u>(1,271,169)</u>	<u>(781,188)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Acquisition of investments	(146)	(10,105)
Decrease in long-term receivables	784,938	204,028
(Advances to) received from Wellington North Power Inc.	<u>0</u>	<u>100,000</u>
	<u>784,792</u>	<u>293,923</u>
NET INCREASE IN CASH	<u>2,984,867</u>	<u>2,248,720</u>
CASH, beginning of year	<u>6,623,048</u>	<u>4,374,328</u>
CASH, end of year	<u>\$ 9,607,915</u>	<u>\$ 6,623,048</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Corporation of the Township of Wellington North are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing, and the standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) BASIS OF CONSOLIDATION

- (i) These consolidated statements reflect the assets, liabilities, revenues and expenses of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees, and boards which are controlled by Council. All interfund assets and liabilities and revenues and expenses have been eliminated on consolidation. The following board has been reflected in the consolidated financial statements:

Mount Forest Business Improvement Area 100%

Government business enterprises and partnerships are separate legal entities which do not rely on the township for funding. Investments in government business enterprises are accounted for using the modified equity method. The following government business enterprise is reflected in the consolidated financial statements:

Wellington North Power Inc 96.71%

- (ii) Accounting for County and School Board Transactions:
The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Wellington are not reflected in the municipal fund balances of these financial statements. Overlevies (underlevies) are reported on the Consolidated Statement of Financial Position as Other Current Liabilities (Other Current Assets).
- (iii) Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Statement of Financial Position and Continuity.

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) BASIS OF ACCOUNTING

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting.
- (ii) 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.

(c) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates 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. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

(d) INVESTMENTS

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market.

(e) LONG-TERM RECEIVABLES

Long-term receivables are recorded at cost.

(f) DEFERRED REVENUE

The revenue is reported on the Consolidated Statement of Operations in the year in which it is used for the specified purpose.

(g) TRUST FUNDS

Funds held in trust by the township, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the Trust Funds Statement of Financial Position and Continuity.

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital asset is amortized on a straight-line basis over their estimated useful life as follows:

Land Improvements	30 to 75 years
Buildings	20 to 50 years
Machinery and equipment	5 to 50 years
Vehicles	10 to 20 years
Roads	30 years
Bridges and culverts	50 years
Water and sewer systems	70 years

Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) 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.

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) REVENUE RECOGNITION

Revenues are recognized as follows:

- (i) Tax revenue is recognized as revenue when the amounts are levied on the municipality's ratepayers.
- (ii) Fines and donations are recognized when collected.
- (iii) Other revenues are recorded upon sale of goods or provision of service when collection is reasonably assured.
- (iv) 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, and eligibility criteria have been met and reasonable estimates of the amounts can be made.
- (v) Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for a specific purpose.

(j) POST-EMPLOYMENT BENEFITS

The contributions to the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer defined benefit plan, are expensed when contributions are due.

2. CASH

The Township of Wellington North has an undrawn credit facility of \$3,678,000 for operating purposes.

The township's deposits are held with a Canadian Chartered Bank. The Canadian Deposit Insurance Corporation insures deposits up to a maximum of \$100,000 per depositor.

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

3. LONG-TERM RECEIVABLES

	2012	2011
Sewer loans, 6%, various repayment amounts, due in 2014 - 2018	\$ 136,754	\$ 331,726
Township of Southgate for the Mount Forest and Area Sports Complex, repayable in annual principal payments of \$100,925, 0%, due January 1, 2016	403,700	504,625
Medical clinic loan, 6.92%, monthly payments of \$4,993 principal and interest, due November 2012	0	247,451
Playground loan, 0%, repayable in annual principal payments of \$10,000, due 2014	20,000	0
Tile drainage loans, 8% or 6%, various repayments, due 2013 to 2022	<u>803,334</u>	<u>1,064,924</u>
	<u>\$ 1,363,788</u>	<u>\$ 2,148,726</u>

4. INVESTMENT IN WELLINGTON NORTH POWER INC.

Wellington North Power Inc. is a corporation incorporated under the laws of the Province of Ontario and provides municipal electrical services. The Corporation of the Township of Wellington North owns 96.79% of the outstanding shares of Wellington North Power Inc.

The following summarizes the financial position and operations of the government business enterprise which has been reported in these financial statements using the modified equity method:

	2012	2011
Investment in common shares	\$ 1,585,016	\$ 1,585,016
Note receivable on demand, interest at 4.41%	985,016	985,016
Share of accumulated net income	<u>909,580</u>	<u>889,655</u>
	<u>\$ 3,479,612</u>	<u>\$ 3,459,687</u>

During 2012, the Corporation of the Township of Wellington North received interest of \$ 47,970 (2011 - \$ 67,293) from Wellington North Power Inc.

The following is selected financial information from the December 31, 2012 audited financial statements of Wellington North Power Inc.

	2012	2011
Assets	<u>\$ 8,543,636</u>	<u>\$ 8,654,924</u>
Liabilities	\$ 5,929,670	\$ 6,101,176
Equity	<u>2,613,966</u>	<u>2,553,748</u>
	<u>\$ 8,543,636</u>	<u>\$ 8,654,924</u>
Revenues	\$11,791,878	\$10,934,603
Expenses	<u>11,771,275</u>	<u>11,026,387</u>
Net income (loss) for the year	<u>\$ 20,603</u>	<u>\$ (91,784)</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

5. LONG TERM DEBT

The balance of long term liabilities on the Consolidated Statement of Financial Position is made up of the following:

	2012	2011
Tile drainage loans payable, 8% or 6%, due from 2013 to 2022	\$ 803,334	\$ 1,064,924
Loan payable, 6.92%, payable \$4,993 per month, principal and interest, due November 2012	0	247,451
Debenture payable, 5.84%, payable \$128,114 semi-annually, principal and interest, due August 2024	2,188,498	2,311,505
Debenture payable, 4.858%, payable \$191,153 semi-annually, principal and interest, due December 2017	1,679,138	1,969,259
Debenture payable, 3.85% increasing to 5%, principal repayments annually at declining rate, due July 2018	1,574,000	1,685,000
Debenture payable, 1.65% increasing to 4.90%, principal repayments annually at declining rate, due February 2019	1,683,000	1,791,000
Debenture payable, 1.60% increasing to 4.85%, principal repayments annually at declining rate, due June 2020	<u>2,243,000</u>	<u>2,373,000</u>
	<u>\$10,170,970</u>	<u>\$11,442,139</u>

Principal repayments, in aggregate, are due as follows:

2013	\$ 921,183
2014	950,941
2015	994,439
2016	1,023,659
2017	1,069,359
Thereafter	<u>5,211,389</u>
	<u>\$10,170,970</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

6. OTHER INCOME

	2012	2011
Penalties and interest on taxation	\$ 197,989	\$ 192,624
Miscellaneous	44,511	0
Other fines and penalties	1,205	2,434
Investment income	198,027	172,413
Rents, concessions and franchises	366,125	318,634
Donations	85,766	68,460
Sale of land and other assets	(4,487)	32,350
Prepaid special charges	189,103	32,864
Government business enterprise	<u>19,925</u>	<u>(88,837)</u>
	\$ 1,098,164	\$ 730,942

7. BUDGET AMOUNTS

The budgeted figures are presented for comparison purposes as prepared and approved by council, reclassified to conform to the current financial statement presentation. They have not been audited or reviewed by the auditor. The budget figures have been adjusted from the cash basis of accounting as originally prepared, and restated to conform to the accrual basis of accounting.

8. PENSION AGREEMENTS

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 34 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement entitlement 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 employer amount contributed to OMERS for 2012 by the Township was \$185,960 (2011 - \$148,499). The contribution rate for 2012 was 8.3% to 13.9% depending on age and income level (2011 - 7.4% to 14.1%). OMERS is a multi-employer plan, therefore any pension plan 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. The last available report for the OMERS plan was December 31, 2012. At that time the plan reported a \$8.4 billion actuarial deficit (2011 - \$9.4 billion actuarial deficit), based on accrued pension obligations of \$69.1 billion (2011 - \$64.5 billion) and net assets available for benefits of \$60.7 billion (2011 - \$55.1 billion). Ongoing adequacy of the current contribution rate will need to be monitored as the recent severe decline in the financial markets may lead to increased future funding requirements.

9. OPERATIONS OF THE SCHOOL BOARDS AND THE COUNTY OF WELLINGTON

During the year, the following taxation revenue was raised and remitted to the school boards and County of Wellington:

	2012	2011
School Boards	\$ 3,302,035	\$ 3,329,812
County of Wellington	<u>7,272,928</u>	<u>7,140,684</u>
	\$ 10,574,963	\$ 10,470,496

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

10. TRUST FUNDS

The trust funds administered by the township amounting to \$287,508 (2011 - \$273,419) have not been included in the statement of financial position, nor have the operations been included in the statement of financial activities.

11. DEFERRED REVENUE

	DEC 31/11	CONTRIBUTIONS RECEIVED	INVESTMENT INCOME	REVENUE RECOGNIZED	DEC 31/12
OBLIGATORY RESERVE FUNDS					
Development charges	\$ 892,502	\$ 469,564	\$ 16,038	\$ (42,232)	\$1,335,872
Recreational land	29,163	6,000	427	0	35,590
Gas tax	<u>220,838</u>	<u>342,793</u>	<u>2,133</u>	<u>(388,080)</u>	<u>177,684</u>
	1,142,503	818,357	18,598	(430,312)	1,549,146
OTHER					
Municipal roads and bridges	472,121	0	0	(49,379)	422,742
Other	<u>16,364</u>	<u>0</u>	<u>0</u>	<u>(1,064)</u>	<u>15,300</u>
	<u>\$1,630,988</u>	<u>\$818,357</u>	<u>\$ 18,598</u>	<u>\$ (480,755)</u>	<u>\$1,987,188</u>

12. TANGIBLE CAPITAL ASSETS

	Net 2012	Net 2011
General		
Land and land improvements	\$ 4,500,209	\$ 4,345,540
Buildings	13,920,943	14,106,138
Machinery and equipment	23,484,851	24,294,714
Vehicles	2,862,804	2,751,896
Infrastructure		
Roads	48,379,751	50,020,849
Bridges and culverts	1,822,161	1,884,363
Water works and sanitary sewer	<u>20,116,529</u>	<u>20,258,259</u>
	<u>\$115,087,248</u>	<u>\$117,661,759</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

13. SEGMENTED INFORMATION

The Corporation of the Township of Wellington North is a diversified municipal government institution that provides a wide range of services to its citizens such as police, fire, sewer, water, waste collection, disposal and recycling, recreational, library and planning. 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 item relates to the revenues and expenses that relate to the governance and operations of the municipality itself and cannot be directly attributed to a specific segment.

Protection to Persons and Property

Protection is comprised of police services, fire protection, conservation authority, emergency measures, animal control and building and structural inspection. The police services ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. The members of the fire department consist of volunteers. The building department provides a number of services including maintenance and enforcement of building and construction codes and review of all property development plans through its application process.

Transportation

Transportation is responsible for construction and maintenance of the township's roadways, bridges, parking areas and streetlights.

Environmental Services

This service provides the township's drinking water. They process and clean sewage and ensure the township's water systems meets all Provincial standards.

Health

Health services includes contributions to the operations of local cemeteries.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the township's citizens. The township operates and maintains parks, arenas, a swimming pool and community centres. The township also provides recreational programs.

Planning and Development

This department is responsible for planning and zoning, including the Official Plan. This service area also includes tourist information and promotion, economic development, business improvement area and drainage.

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2012	2011
EXPENSES									
Salaries and benefits	\$ 796,175	\$ 554,591	\$ 1,061,135	\$ 519,673	\$ 15,910	\$ 737,505	\$ 72,302	\$ 3,757,291	\$ 3,581,112
Materials	364,875	532,715	1,988,450	1,045,979	13,149	642,484	327,585	4,915,237	6,875,678
Contracted services	0	0	0	417,077	0	0	28,224	445,301	389,035
Rents and financial expenses	97,390	0	0	0	0	0	0	97,390	84,653
Interest on long term debt	4,995	0	15,497	214,138	0	249,504	68,537	552,671	592,510
Amortization	55,001	132,707	2,927,522	1,163,434	2,036	328,790	0	4,609,490	4,842,906
Other	8,707	0	0	0	0	0	0	8,707	432,169
	<u>\$ 1,327,143</u>	<u>\$ 1,220,013</u>	<u>\$ 5,992,604</u>	<u>\$ 3,360,301</u>	<u>\$ 31,095</u>	<u>\$ 1,958,283</u>	<u>\$ 496,648</u>	<u>\$ 14,386,087</u>	<u>\$ 16,798,063</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Land	Buildings	Machinery and Equipment	Vehicles	Roads	Bridges and Culverts	Water works/ Sanitary sewer	2012	2011
COST									
Balance, beginning of year	\$ 4,789,088	\$ 17,975,225	\$ 31,836,513	\$ 5,714,338	\$127,626,957	\$ 4,422,861	\$ 26,528,304	\$ 218,893,286	\$ 216,179,930
Additions during the year	167,213	181,827	254,056	427,386	864,356	0	148,221	2,043,059	3,009,209
Disposals during the year	<u>0</u>	<u>0</u>	<u>(48,189)</u>	<u>(40,402)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(88,591)</u>	<u>(295,853)</u>
Balance, end of year	<u>4,956,301</u>	<u>18,157,052</u>	<u>32,042,380</u>	<u>6,101,322</u>	<u>128,491,313</u>	<u>4,422,861</u>	<u>26,676,525</u>	<u>220,847,754</u>	<u>218,893,286</u>
ACCUMULATED AMORTIZATION									
Balance, beginning of year	443,548	3,869,087	7,541,799	2,962,442	77,606,108	2,538,498	6,270,045	101,231,527	96,677,885
Amortization for the year	12,544	367,022	1,063,919	308,398	2,505,454	62,202	289,951	4,609,490	4,842,905
Accum amortization on disposals	<u>0</u>	<u>0</u>	<u>(48,189)</u>	<u>(32,322)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(80,511)</u>	<u>(289,263)</u>
Balance, end of year	<u>456,092</u>	<u>4,236,109</u>	<u>8,557,529</u>	<u>3,238,518</u>	<u>80,111,562</u>	<u>2,600,700</u>	<u>6,559,996</u>	<u>105,760,506</u>	<u>101,231,527</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 4,500,209</u>	<u>\$ 13,920,943</u>	<u>\$ 23,484,851</u>	<u>\$ 2,862,804</u>	<u>\$ 48,379,751</u>	<u>\$ 1,822,161</u>	<u>\$ 20,116,529</u>	<u>\$ 115,087,248</u>	<u>\$ 117,661,759</u>

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 \$165,227 (2011 - \$312,219)

No contributed capital assets were recognized in the financial statements during the year.

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
SCHEDULE OF ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
SURPLUSES		
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 115,087,248	\$ 117,661,759
Unexpended capital financing	1,126,058	711,113
Capital assets financed by long-term liabilities and to be funded in future periods	<u>(9,367,636)</u>	<u>(10,129,764)</u>
	106,845,670	108,243,108
General surplus	130,945	7,815
Investment in Wellington North Power Inc.	3,479,612	3,459,687
Water	(306,429)	(809,973)
Wastewater	2,396,065	1,848,990
Cemeteries	51,371	38,944
Recreation, community centres and arenas	(8,077)	(8,077)
Streetlighting	1,804	(20,131)
Business Improvement Areas	<u>(48,993)</u>	<u>(60,753)</u>
	112,541,968	112,699,610
RESERVE FUNDS		
Capital purposes	<u>4,277,911</u>	<u>4,319,998</u>
RESERVES		
Working funds	1,140,154	1,141,035
Current purposes	105,398	11,000
Capital purposes	<u>969,160</u>	<u>643,752</u>
	2,214,712	1,795,787
	<u>\$ 119,034,591</u>	<u>\$ 118,815,395</u>



Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of: The Corporation of the Township of Wellington North

Report on the Financial Statements

We have audited the accompanying statement of financial position of the trust fund and continuity of The Corporation of the Township of Wellington North as at December 31, 2012, for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards 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.

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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of The Corporation of the Township of Wellington North as at December 31, 2012 for the year then ended in accordance with Canadian public sector accounting standards.

RLB LLP

Fergus, Ontario
September 9, 2013

Chartered Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH - TRUST FUNDS
STATEMENT OF FINANCIAL POSITION AND CONTINUITY
AS AT DECEMBER 31, 2012

	Subdividers	Cemetery Care and Maintenance	History Books
STATEMENT OF FINANCIAL POSITION			
Assets			
Cash	\$ 2,277	\$ 225,192	\$ 7,604
Investments	0	42,561	0
Due from Township	0	8,819	0
Accrued interest	<u>0</u>	<u>1,055</u>	<u>0</u>
Fund balance	<u>\$ 2,277</u>	<u>\$ 277,627</u>	<u>\$ 7,604</u>
STATEMENT OF CONTINUITY			
Balance, beginning of year	<u>\$ 2,249</u>	<u>\$ 263,660</u>	<u>\$ 7,510</u>
Receipts			
Interest earned	28	277	94
Share of plot sales	0	12,340	0
Monument fees	<u>0</u>	<u>1,350</u>	<u>0</u>
	<u>28</u>	<u>13,967</u>	<u>94</u>
Balance, end of year	<u>\$ 2,277</u>	<u>\$ 277,627</u>	<u>\$ 7,604</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH - TRUST FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the trust funds of The Corporation of the Township of North Wellington are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing and Canadian public sector accounting standards. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) BASIS OF ACCOUNTING

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting.
- (ii) 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.

2. INVESTMENTS

Total investments of \$42,561 (2011 - \$59,579) reported on the statement of financial position at cost have a market value of \$43,616 (2011 - \$60,359).