

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

DRAFT

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

	Page
THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH	
INDEPENDENT AUDITOR'S REPORT	3 - 4
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement of Change in Net Financial Assets	7
Consolidated Statement of Cash Flow	8
Notes to the Consolidated Financial Statements	9 - 16
Consolidated Schedule of Segmented Disclosure	17
Consolidated Schedule of Tangible Capital Assets	18
Consolidated Schedule of Accumulated Surplus	19
TRUST FUNDS	
INDEPENDENT AUDITOR'S REPORT	21 - 22
FINANCIAL STATEMENTS	
Statements of Financial Position and Continuity	22
Notes to the Financial Statements	23

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of The Corporation of the Township of Wellington North, which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of Wellington North as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the The Corporation of the Township of Wellington North in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities-consolidated. This description forms part of our auditor's report.

Guelph, Ontario
June 22, 2020

Chartered Professional Accountants
Licensed Public Accountants

DRAFT

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018 (note 14)
FINANCIAL ASSETS		
Cash (note 2)	\$ 23,896,221	\$ 24,108,534
Investments	10,646	10,646
Taxes receivable	1,005,584	1,027,207
Trade and other receivables	2,569,370	3,258,237
Long term receivables (note 3)	245,915	83,453
Investment in Wellington North Power Inc. (note 4)	<u>5,275,957</u>	<u>5,081,419</u>
	<u>33,003,693</u>	<u>33,569,496</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,225,930	3,102,218
Deferred revenue (note 6)	1,906,474	4,087,815
Long term debt (note 5)	<u>2,399,468</u>	<u>3,656,692</u>
	<u>7,531,872</u>	<u>10,846,725</u>
NET FINANCIAL ASSETS	<u>25,471,821</u>	<u>22,722,771</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	115,477,864	112,024,088
Prepaid expenses	<u>27,848</u>	<u>25,193</u>
	<u>115,505,712</u>	<u>112,049,281</u>
ACCUMULATED SURPLUS (schedule 3)	<u>\$140,977,533</u>	<u>\$134,772,052</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 Budget (note 8)	2019 Actual	2018 Actual (note 14)
REVENUE			
Net taxation/user charges	\$ 7,753,925	\$ 7,900,251	\$ 7,496,379
Fees and service charges	5,712,917	5,764,814	5,647,657
Grants	2,512,278	3,284,439	3,708,559
Other income (note 7)	1,468,939	2,127,489	1,756,263
Obligatory reserve funds revenue recognized (note 6)	<u>0</u>	<u>3,370,112</u>	<u>1,459,998</u>
	<u>17,448,059</u>	<u>22,447,105</u>	<u>20,068,856</u>
EXPENSES (schedule 1)			
General government	2,368,560	1,760,257	1,527,923
Protection to persons and property	1,371,525	1,564,840	1,558,272
Transportation services	6,446,737	6,732,098	6,120,270
Environmental services	2,755,214	3,597,509	3,271,463
Health services	60,602	53,465	51,960
Recreation and cultural services	2,152,838	2,099,204	1,934,823
Planning and development	<u>118,809</u>	<u>434,251</u>	<u>353,722</u>
	<u>17,014,765</u>	<u>16,241,624</u>	<u>14,818,433</u>
ANNUAL SURPLUS	<u>1,433,294</u>	<u>\$ 6,205,481</u>	<u>\$ 5,250,423</u>
ACCUMULATED SURPLUS at beginning of year		\$134,772,052	\$129,521,629
Annual surplus		<u>6,205,481</u>	<u>5,250,423</u>
ACCUMULATED SURPLUS at end of year		<u>\$140,977,533</u>	<u>\$134,772,052</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 Budget (note 8)	2019 Actual	2018 Actual (note 14)
Annual surplus	\$ <u>1,433,294</u>	\$ <u>6,205,481</u>	\$ <u>5,250,423</u>
Acquisition of tangible capital assets	(8,840,484)	(8,840,484)	(7,924,779)
Amortization of tangible capital assets	5,104,210	5,347,824	5,104,210
(Gain) loss on disposal of tangible capital assets	(15,000)	(133,568)	30,012
Proceeds on disposal of tangible capital assets	<u>0</u>	<u>172,452</u>	<u>284,328</u>
	<u>(3,751,274)</u>	<u>(3,453,776)</u>	<u>(2,506,229)</u>
Change in prepaid expenses	<u>0</u>	<u>(2,655)</u>	<u>(7,278)</u>
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	\$ <u>(2,317,980)</u>	2,749,050	2,736,916
NET FINANCIAL ASSETS at beginning of year		<u>22,722,771</u>	<u>19,985,855</u>
NET FINANCIAL ASSETS at end of year		\$ <u>25,471,821</u>	\$ <u>22,722,771</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018 (note 14)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual surplus for the year	\$ <u>6,205,481</u>	\$ <u>5,250,423</u>
Items not requiring an outlay of cash		
Amortization	5,347,824	5,104,210
(Gain) loss on disposal of tangible capital assets	(133,568)	30,012
Share of income of Wellington North Power Inc.	<u>(250,212)</u>	<u>(317,045)</u>
	<u>4,964,044</u>	<u>4,817,177</u>
	<u>11,169,525</u>	<u>10,067,600</u>
Net changes in non-cash working capital		
Taxes receivable	21,623	544,133
Trade and other receivables	688,867	(863,255)
Accounts payable and accrued liabilities	123,712	687,503
Prepaid expenses and inventory	(2,655)	(7,278)
Deferred revenue	<u>(2,181,341)</u>	<u>(244,365)</u>
	<u>(1,349,794)</u>	<u>116,738</u>
	<u>9,819,731</u>	<u>10,184,338</u>
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(8,840,484)	(7,924,779)
Proceeds on disposal of tangible capital assets	<u>172,452</u>	<u>284,328</u>
	<u>(8,668,032)</u>	<u>(7,640,451)</u>
CASH USED IN FINANCING ACTIVITIES		
Repayment of long term debt	<u>(1,257,224)</u>	<u>(1,458,655)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
(Increase) decrease in long term receivables	(162,462)	39,405
Dividends received from Wellington North Power Inc.	<u>55,674</u>	<u>46,462</u>
	<u>(106,788)</u>	<u>85,867</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(212,313)	1,171,099
CASH, beginning of year	<u>24,108,534</u>	<u>22,937,435</u>
CASH, end of year	\$ <u>23,896,221</u>	\$ <u>24,108,534</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 Canadian public sector accounting standards (PSAS) as established by the Public Sector Accounting Board (PSAB) of CPA Canada. Significant accounting policies adopted by The Corporation of the Township of Wellington North are as follows:

(a) ACKNOWLEDGEMENT OF RESPONSIBILITY

The management of The Corporation of the Township of Wellington North acknowledges its responsibility for the creation and compilation of the consolidated financial statements and the following significant accounting policy decisions and related policy notes.

(b) 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 municipality 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 accrued liabilities (other receivables). See note 10.
- (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.

(c) 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.

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) **USE OF ESTIMATES**

The preparation of financial statements in accordance with PSAS 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. Significant areas requiring management's estimates include amortization of tangible capital assets and accrued liabilities. 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.

(e) **INVESTMENTS**

Investments held by the municipality are recorded at cost.

(f) **LONG TERM RECEIVABLES**

Long term receivables are recorded at cost.

(g) **DEFERRED REVENUE**

The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose, and any unspent revenue is deferred to the following year.

(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 its 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 and are recognized as revenue at the date of receipt.

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) **NON-FINANCIAL ASSETS (continued)**

(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.

(i) **REVENUE RECOGNITION**

Revenues are recognized as follows:

- (i) Taxation, user charges, and penalties and interest on taxation are recognized as revenue when the amounts are levied on the municipality's ratepayers.
- (ii) Other fines and penalties, and donations are recognized when collected.
- (iii) Fees and services charges, and other revenue 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, 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, such as grants, is reported as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified 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 \$1,000,000 for operating purposes.

The municipality'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, 2019

3. LONG TERM RECEIVABLES

	2019	2018
Sewer loans, 6%, various repayment amounts, due from 2021 to 2023	\$ 12,504	\$ 16,004
VTB mortgage, no interest, annual payments of \$20,000, due 2023	80,000	0
Mount Forest Lions Club, no interest, due 2022	43,141	0
Tile drainage loans, 6%, various repayments, due from 2020 to 2028	<u>110,270</u>	<u>67,449</u>
	<u>\$ 245,915</u>	<u>\$ 83,453</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 96.71% 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:

	2019	2018
Investment in common shares	\$ 1,585,016	\$ 1,585,016
Note receivable on demand, interest at 4.54%	985,016	985,016
Share of accumulated net income	<u>2,705,925</u>	<u>2,511,387</u>
	<u>\$ 5,275,957</u>	<u>\$ 5,081,419</u>

During 2019, the Corporation of the Township of Wellington North received interest of \$44,720 (2018 - \$44,720) and dividends of \$55,674 (2018 - \$46,462) from Wellington North Power Inc. The municipality paid service fees of \$100,609 (2018 - \$99,525) and other expenses of \$77,947 (2018 - \$18,376) to Wellington North Power Inc. and purchased assets worth \$340,026 (2018 - \$0).

The following is selected financial information from the December 31, 2019 audited financial statements of Wellington North Power Inc.

	2019	2018
Assets	<u>\$ 14,844,750</u>	<u>\$ 14,771,280</u>
Liabilities	\$ 9,649,976	\$ 9,770,030
Equity	4,648,434	4,391,215
Regulatory balances	<u>546,340</u>	<u>610,035</u>
	<u>\$ 14,844,750</u>	<u>\$ 14,771,280</u>
Revenues	\$ 15,151,251	\$ 14,866,370
Expenses	<u>14,836,637</u>	<u>14,483,734</u>
Net income for the year	<u>\$ 314,614</u>	<u>\$ 382,636</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

5. LONG TERM DEBT

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

	2019	2018
Tile drainage loans payable, 6%, due from 2020 to 2028	\$ 110,270	\$ 67,449
Debenture payable, 5.84%, payable \$128,114 semi-annually, principal and interest, due August 2024	1,097,198	1,281,243
Debenture payable, 1.65% increasing to 4.90%, principal repayments annually at increasing rate, due February 2019	0	944,000
Debenture payable, 4.85%, principal repayments annually at increasing rate, due June 2020	<u>1,192,000</u>	<u>1,364,000</u>
	<u>\$ 2,399,468</u>	<u>\$ 3,656,692</u>

Principal repayments, in aggregate, are due as follows:

2020	\$ 1,407,345
2021	224,193
2022	230,792
2023	240,318
2024	254,448
Hereafter	<u>42,372</u>
	<u>\$ 2,399,468</u>

6. DEFERRED REVENUE

	DEC 31/18	CONTRIBUTIONS RECEIVED	INVESTMENT INCOME	REVENUE RECOGNIZED	DEC 31/19
OBLIGATORY RESERVE FUNDS					
Development charges	\$ 3,329,959	\$ 384,594	\$ 25,685	\$(2,577,849)	\$ 1,161,499
Recreational land	168,898	28,000	4,453	0	201,351
Main St. revitalization	49,058	0	568	(23,939)	25,687
Gas tax	<u>448,890</u>	<u>733,788</u>	<u>9,370</u>	<u>(768,324)</u>	<u>423,724</u>
	3,995,915	1,146,382	40,076	(3,370,112)	1,812,261
OTHER	<u>91,900</u>	<u>148,516</u>	<u>0</u>	<u>(146,203)</u>	<u>94,213</u>
	<u>\$ 4,087,815</u>	<u>\$ 1,294,898</u>	<u>\$ 40,076</u>	<u>\$(3,516,315)</u>	<u>\$ 1,906,474</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

7. OTHER INCOME

	2019 Budget (note 8)	2019 Actual	2018 Actual
Penalties and interest on taxation	\$ 175,000	\$ 155,439	\$ 168,893
Miscellaneous	47,400	73,576	99,717
Other fines and penalties	1,500	3,841	650
Investment income (note 4)	272,000	683,408	520,418
Rents, concessions and franchises	576,568	583,685	608,119
Donations	381,471	243,760	33,040
Gain (loss) on disposal of tangible capital assets	15,000	133,568	(30,012)
Developer contributions	0	0	38,393
Government business enterprise (note 4)	<u>0</u>	<u>250,212</u>	<u>317,045</u>
	<u>\$ 1,468,939</u>	<u>\$ 2,127,489</u>	<u>\$ 1,756,263</u>

8. BUDGET AMOUNTS

The budget figures are presented for comparison purposes as prepared and approved by council, reclassified to confirm to the current financial statement presentation. The budgeted figures are prepared on the cash basis of accounting and have been restated to confirm to the accrual basis of accounting on which the actual figures are reported. The following chart reconciles the approved budget with the budget figures as presented in these consolidated financial statements:

Revenue

Approved Budget	\$ 37,256,063
Transfer from reserve funds, net	(17,926,410)
Prior year carried forward	(781,594)
Unfunded amounts	<u>(1,100,000)</u>
Total revenues	<u>17,448,059</u>

Expenses

Approved Budget	37,256,063
Acquisition of tangible capital assets	(20,084,907)
Debt principal repayments	(1,300,045)
Amortization	4,993,694
Contribution to Operating from Capital Fund, Reserves and Reserve Funds	<u>(4,850,040)</u>
Total expenses	<u>16,014,765</u>

Annual surplus	<u>\$ 1,433,294</u>
-----------------------	---------------------

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

9. PENSION AGREEMENTS

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 45 (2018 - 44) 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 2019 by the municipality was \$251,747 (2018 - \$229,530). The contribution rate for 2019 was 9.0% to 14.6%, depending on age and income level, which is consistent with the previous year. 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 municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2019. At that time, the plan reported a \$3.4 billion actuarial deficit (2018 - \$4.2 billion actuarial deficit), based on accrued pension obligations of \$106.4 billion (2018 - \$99.1 billion) and net assets available for benefits of \$109.4 billion (2018 - \$97.4 billion).

10. 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:

	2019	2018
School Boards	\$ 3,739,820	\$ 3,591,108
County of Wellington	<u>9,749,075</u>	<u>9,222,183</u>
	<u>\$ 13,488,895</u>	<u>\$ 12,813,291</u>

11. TRUST FUNDS

The trust funds administered by the municipality amounting to \$348,127 (2018 - \$344,478) have not been included in the statement of financial position, nor have the operations been included in the statement of operations.

12. 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 residents such as fire, sewer, water, recreational 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 segment relates to the governance and operations of the municipality itself and cannot be directly attributed to another specific segment.

Protection to Persons and Property

Protection is comprised of fire protection, conservation authority, emergency measures, animal control and building and structural inspection. 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.

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

12. SEGMENTED INFORMATION (continued)

Transportation Services

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

Environmental Services

This segment provides the municipality's drinking water, processes and cleans sewage and ensures the municipality's water systems meet all provincial standards.

Health Services

Health services includes contributions to the operations of local cemeteries.

Recreation and Cultural Services

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

Planning and Development

This segment 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.

13. SUBSEQUENT EVENT - INTERRUPTION OF OPERATIONS

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. The global pandemic has disrupted economic activities and has resulted in the Town implementing a closure of non-essential programming and services. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on the Town's assets and its future ability to deliver all programming.

14. PRIOR PERIOD ADJUSTMENT

During the 2019 audit, it was noted that Connecting Link assets formerly owned by the provincial government are now the property of the Township. There were expenditures on these assets in 2017 and 2018 which were not capitalized nor amortized. A prior period adjustment was recorded to adjust the following 2018 financial statement items:

Increase in tangible capital asset cost, beginning of year:	\$ 244,590
Increase in tangible capital asset additions during the year:	1,350,505
Increase in tangible capital asset accumulated amortization, beginning of year:	9,211
Increase in tangible capital asset amortization:	110,516
Decrease in transportation services materials expenses:	(1,350,505)
Increase in accumulated surplus, beginning of year:	235,379
Increase in annual surplus:	1,239,989
Increase in accumulated surplus, end of year:	1,475,369

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 1

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Recreation and Cultural Services	Planning and Development	2019	2018 (note 14)
EXPENSES									
Salaries and benefits	\$ 1,070,411	\$ 673,494	\$ 1,430,463	\$ 541,935	\$ 24,355	\$ 885,598	\$ 112,686	\$ 4,738,942	\$ 4,374,099
Materials	509,963	556,340	1,714,430	1,343,909	26,054	815,425	308,057	5,274,178	4,433,605
Contracted services	0	0	0	468,560	0	0	13,508	482,068	452,753
Rents and financial expenses	90,130	0	0	0	0	0	0	90,130	83,600
Interest on long term debt	0	0	35,450	111,109	0	6,362	0	152,921	217,961
Amortization	87,945	181,252	3,551,755	1,131,996	3,056	391,819	0	5,347,823	5,104,210
Other	<u>1,808</u>	<u>153,754</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>155,562</u>	<u>152,205</u>
	<u>\$ 1,760,257</u>	<u>\$ 1,564,840</u>	<u>\$ 6,732,098</u>	<u>\$ 3,597,500</u>	<u>\$ 53,465</u>	<u>\$ 2,099,204</u>	<u>\$ 434,251</u>	<u>\$16,241,624</u>	<u>\$14,818,433</u>

See notes to the consolidated financial statements

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 2

	Land and Land Improvements	Buildings	Machinery and Equipment	Vehicles	Roads	Bridges and Culverts	Water and Sewer Systems	2019	2018 (note 14)
COST									
Balance, beginning of year	\$ 5,311,643	\$ 19,056,638	\$ 32,918,332	\$ 8,332,016	\$ 137,607,472	\$ 7,496,665	\$ 32,002,123	\$ 242,724,889	\$ 235,865,571
Additions during the year	6,849	313,275	634,171	612,410	3,868,812	556,495	2,848,472	8,840,484	7,924,779
Disposals during the year	0	0	(141,196)	(269,794)	0	(34,618)	(58,430)	(504,038)	(1,065,461)
Balance, end of year	<u>5,318,492</u>	<u>19,369,913</u>	<u>33,411,307</u>	<u>8,674,632</u>	<u>141,476,284</u>	<u>8,018,542</u>	<u>34,792,165</u>	<u>251,061,335</u>	<u>242,724,889</u>
ACCUMULATED AMORTIZATION									
Balance, beginning of year	566,340	7,096,950	11,938,513	3,919,485	94,051,722	3,072,794	10,054,947	130,700,801	126,347,712
Amortization for the year	27,358	396,754	425,170	435,624	3,045,863	191,822	825,233	5,347,824	5,104,210
Accumulated amortization on disposals	0	0	(141,196)	(269,794)	0	(34,618)	(19,546)	(465,154)	(751,121)
Balance, end of year	<u>593,698</u>	<u>7,493,704</u>	<u>12,222,487</u>	<u>4,085,315</u>	<u>97,097,635</u>	<u>3,229,998</u>	<u>10,860,634</u>	<u>135,583,471</u>	<u>130,700,801</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 4,724,794</u>	<u>\$ 11,876,209</u>	<u>\$ 21,188,820</u>	<u>\$ 4,589,317</u>	<u>\$ 44,378,649</u>	<u>\$ 4,788,544</u>	<u>\$ 23,931,531</u>	<u>\$ 115,477,864</u>	<u>\$ 112,024,088</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 \$6,602,663 (2018 - \$2,280,065).

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

Schedule 3

AS AT DECEMBER 31, 2019

	2019	2018 (note 14)
SURPLUSES		
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$115,477,864	\$112,024,088
Unexpended capital financing	8,914,039	876,824
Capital assets financed by long term debt and to be funded in future periods	<u>(2,289,198)</u>	<u>(3,589,243)</u>
	122,102,705	109,311,669
General surplus	0	0
Investment in Wellington North Power Inc.	5,275,957	5,081,419
Recreation, community centres and arenas	5,726	7,495
Business improvement areas	<u>54,245</u>	<u>37,033</u>
	127,438,633	114,437,616
RESERVE FUNDS		
Capital purposes	<u>11,587,510</u>	<u>18,347,090</u>
RESERVES		
Working funds	1,574,824	1,594,780
Current purposes	353,926	285,926
Capital purposes	<u>22,640</u>	<u>106,640</u>
	<u>1,951,390</u>	<u>1,987,346</u>
	\$140,977,533	\$134,772,052

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Corporation of the Township of Wellington North trust funds, which comprise the statement of financial position as at December 31, 2019 and the statement of continuity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Corporation of the Township of Wellington North trust funds as at December 31, 2019 and the results of their operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation of the Township of Wellington North in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the trust funds' ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the trust funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the trust funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities. This description forms part of our auditor's report.

Guelph, Ontario
June 22, 2020

Chartered Professional Accountants
Licensed Public Accountants

DRAFT

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH - TRUST FUNDS
 STATEMENTS OF FINANCIAL POSITION AND CONTINUITY
 AS AT DECEMBER 31, 2019

	Subdividers	Cemetery Care and Maintenance	History Books
STATEMENT OF FINANCIAL POSITION			
Assets			
Cash	\$ 2,491	\$ 281,009	\$ 8,315
Investments (note 2)	0	68,732	0
Due from Township	<u>0</u>	<u>4,065</u>	<u>0</u>
	<u>\$ 2,491</u>	<u>\$ 353,806</u>	<u>\$ 8,315</u>
Liabilities			
Due to Township	\$ 0	\$ 15,735	\$ 0
Deferred revenue (prepaid plots)	<u>0</u>	<u>750</u>	<u>0</u>
	<u>0</u>	<u>16,485</u>	<u>0</u>
Fund balance	<u>2,491</u>	<u>337,321</u>	<u>8,315</u>
	<u>\$ 2,491</u>	<u>\$ 353,806</u>	<u>\$ 8,315</u>
STATEMENT OF CONTINUITY			
Fund balance, beginning of year	<u>\$ 2,446</u>	<u>\$ 333,866</u>	<u>\$ 8,166</u>
Receipts			
Interest earned	45	6,072	149
Share of plot sales	0	2,255	0
Monument fees	<u>0</u>	<u>1,200</u>	<u>0</u>
	<u>45</u>	<u>9,527</u>	<u>149</u>
Disbursements			
Transfer to municipality for operating costs	<u>0</u>	<u>6,072</u>	<u>0</u>
Fund balance, end of year	<u>\$ 2,491</u>	<u>\$ 337,321</u>	<u>\$ 8,315</u>

THE CORPORATION OF THE TOWNSHIP OF WELLINGTON NORTH - TRUST FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 \$68,732 (2018 - \$68,145) reported on the statement of financial position at cost have a market value of \$66,489 (2018 - \$66,450).