

Consolidated Financial Statements of

**THE CORPORATION
OF THE TOWNSHIP
OF WOOLWICH**

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Woolwich

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Woolwich (the Entity), which comprise:

- the consolidated statement of the financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies
(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations, its changes in consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.



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We are independent of the Entity 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a flourish or underline.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
June 25, 2019

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
		(Note 2)
Financial Assets		
Cash and cash equivalents	\$ 5,777,776	\$ 5,065,508
Investments (note 4)	10,474,667	10,246,254
Taxes receivable	2,169,036	1,749,486
User charges receivable	735,194	713,591
Accounts receivable	5,899,304	6,667,299
Investment in Waterloo North Hydro Holding Corporation (note 5)	23,719,217	23,012,017
Total financial assets	48,775,194	47,454,155
Liabilities		
Accounts payable and accrued liabilities	6,952,181	6,102,218
Deferred revenue - obligatory reserve funds (note 6)	3,111,443	2,963,099
Deferred revenue - other	3,350,271	3,549,764
Net long-term liabilities (note 7)	3,388,905	3,620,409
Accumulated sick leave liability (note 8)	1,652,155	1,713,623
Total liabilities	18,454,955	17,949,113
Net financial assets	\$ 30,320,239	\$ 29,505,042
Non-Financial Assets		
Tangible capital assets (note 9)	\$ 184,909,280	\$ 179,693,426
Inventories of supplies	44,334	36,343
Prepaid expenses	58,433	106,915
	185,012,047	179,836,684
Accumulated surplus (note 10)	\$ 215,332,286	\$ 209,341,726

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget (Note 15)	2018	2017
Revenue:			
Net taxation and user charges	\$ 10,589,475	\$ 10,750,596	\$ 10,197,146
User fees and charges	6,306,484	6,839,200	6,389,455
Government grants	2,143,469	1,269,021	1,917,648
Municipal revenue	548,250	628,616	557,106
Permits, late payment charges and other	1,318,009	1,252,393	1,205,508
Interest, donations and sundry	968,394	1,154,274	1,710,550
Obligatory reserve fund revenue recognized (note 6)	3,258,475	1,935,984	2,838,606
Sale of assets	-	37,528	8,840
Equity earnings from Waterloo North Hydro Holding Corporation (note 5)	-	1,550,550	1,821,788
Contributed assets	-	3,753,638	642,929
Total revenue	25,132,556	29,171,800	27,289,576
Expenses:			
General government	1,590,254	1,776,246	1,519,142
Protection to persons and property	2,456,469	2,930,251	2,667,549
Transportation services	3,761,392	6,810,105	6,701,415
Environmental services	2,834,640	3,871,893	3,742,649
Health services	81,487	102,577	47,277
Social and family services	49,080	48,752	46,650
Recreation and cultural services	4,721,777	6,412,244	5,875,053
Planning and development	1,221,712	1,229,172	1,136,073
Total expenses	16,716,811	23,181,240	21,735,808
Annual surplus	8,415,745	5,990,560	5,553,768
Accumulated surplus, beginning of year	220,752,313	209,341,726	203,787,958
Accumulated surplus, end of year	\$ 229,168,058	\$ 215,332,286	\$ 209,341,726

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus	\$ 5,990,560	\$ 5,553,768
Acquisition of tangible capital assets	(7,805,888)	(11,004,106)
Amortization of tangible capital assets	6,103,196	5,994,428
Net loss (gain) on disposal of tangible capital assets	184,718	347,667
Proceeds on sale of tangible capital assets	55,758	8,840
Contributed tangible capital assets	(3,753,638)	(642,929)
Acquisition of inventories of supplies	(44,334)	(36,343)
Acquisition of prepaid expenses	(58,433)	(106,915)
Consumption of inventories of supplies	36,343	33,164
Use of prepaid expenses	106,915	127,517
Change in net financial assets	815,197	275,091
Net financial assets, beginning of year	29,505,042	29,229,951
Net financial assets, end of year	\$ 30,320,239	\$ 29,505,042

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Cash Flows

Year ended December 31, 2018 with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 5,990,560	\$ 5,553,768
Items not involving cash:		
Amortization	6,103,196	5,994,428
Loss/(gain) on disposal of tangible capital assets	184,718	347,667
Contributed tangible capital assets	(3,753,638)	(642,929)
Change in employee benefits and other liabilities	(61,468)	(63,303)
Equity in income of Government Business Enterprise	(1,550,550)	(1,821,788)
Change in non-cash assets and liabilities:		
Taxes, user charges, and accounts receivable	326,842	(1,752,908)
Accounts payable and accrued liabilities	849,963	(2,197,619)
Deferred revenue - obligatory reserve funds	148,344	(1,219,184)
Deferred revenue - other	(199,493)	(118,642)
Inventories of supplies	(7,991)	(3,179)
Prepaid expenses	48,482	20,602
Net change in cash from operating activities	8,078,965	4,096,913
Capital activities:		
Proceeds on sale of tangible capital assets	55,758	8,840
Cash used to acquire tangible capital assets	(7,805,888)	(11,004,106)
Net change in cash from capital activities	(7,750,130)	(10,995,266)
Investing activities:		
Change in investments	(228,413)	(195,371)
Dividends received from Waterloo North Hydro Holding Corporation	843,350	843,350
Net change in cash from investing activities	614,937	647,979
Financing activities:		
Long-term debt repaid	(231,504)	(223,236)
Net change in cash from financing activities	(231,504)	(223,236)
Net change in cash	712,268	(6,473,610)
Cash and cash equivalents, beginning of year	5,065,508	11,539,118
Cash and cash equivalents, end of year	\$ 5,777,776	\$ 5,065,508

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements

Year ended December 31, 2018

1. Significant accounting policies:

The consolidated financial statements of The Corporation of the Township of Woolwich (the "Township") 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 and Auditing Board (PSAB) of the Chartered Professional Accountants of Canada. 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.

The focus of PSAB financial statements is on the financial position of the Township and the changes thereto. The consolidated statement of financial position includes all assets and liabilities of the Township. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position and is the difference between assets and liabilities. This provides information about the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) Basis of consolidation:

(i) Consolidated statements:

These consolidated statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity include the activities of all committees of Council and the following boards, municipal enterprises and utilities which are under the control of Council except for the Township's government enterprise which is accounted for on a modified equity basis of accounting:

- Woolwich Sewer and Water Systems
- Elmira Business Improvement Area Board of Management
- St. Jacobs Business Improvement Area Board of Management

Inter-organizational transactions and balances between these entities have been eliminated.

(ii) Non-consolidated entities:

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:

- Waterloo North Hydro Holding Corporation

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(iii) Accounting for region and school board transactions:

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the School Boards, and The Region of Waterloo are not reflected in these consolidated financial statements. Overlevies (underlevies) are reported on the consolidated financial statement of financial position as "other liabilities" "other assets".

(iv) Trust funds:

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately on the trust funds statement of financial operations and financial position.

(b) 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.

(c) Government transfers:

Government transfers received relate to social services, child care, housing and health programs. Government transfers paid relate to social services programs. Transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(d) Deferred revenue:

Deferred revenues represent licenses, permits and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(e) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(f) Cash equivalents:

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.

(g) Land held for resale:

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

1. Significant accounting policies (continued):

(h) Investments:

Investments consist of bonds and debentures and are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

(i) Long-term debt:

Long-term debt is recorded net of related sinking fund balances.

(j) Employee future benefits:

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(k) 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. Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(l) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	5 - 50
Buildings and building improvements	25 - 50
Vehicles	5 - 30
Machinery and equipment	5 - 30
Water and wastewater infrastructure	15 - 100
Roads infrastructure - Base	50
- Surface	15

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

1. Significant accounting policies (continued):

(l) Tangible capital assets (continued):

No amortization will be charged in the year of acquisition. In the year of disposal, the balance of amortization is removed. Assets under construction (capital work in progress) are not amortized until the asset is available for productive use or placed in service.

(i) Contributions of tangible capital assets:

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

(ii) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(iv) Interest capitalization:

The Township does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(v) Leased tangible capital assets:

Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(m) Use of estimates:

The preparation of financial statements 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, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and the historical cost of useful lives of tangible capital assets.

Actual results could differ from these estimates.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

1. Significant accounting policies (continued):

(n) Liability for Contaminated Sites:

PS 3260 requires that a liability for a contaminated site be recognized when, as at the financial reporting date, all the following criteria are met with respect to a site or partial site:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the government:
 - (i) is directly responsible; or
 - (ii) accepts responsibility;
- (d) it is expected that future economic benefits will be given up; and
- (e) a reasonable estimate of the amount can be made.

2. Comparative Figures:

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. Operations of School Boards and the Region of Waterloo:

Further to note 1(a) (iii), the taxation, other revenues, expenditures and overlevies for the School Boards and The Region of Waterloo are comprised of the following:

	School Boards	Region
Taxation and user charges	\$ 13,339,181	\$23,865,045
Requisitions paid	12,998,409	23,284,184
(Under)/Overlevies, end of year	\$ 340,772	\$ 580,861

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

4. Investments:

The total of investments of \$10,474,667 (2017 - \$10,246,254) reported on the consolidated statement of financial position at cost, have a fair value of \$10,565,830 (2017 - \$10,446,802) at the end of the year.

5. Government business enterprises:

In compliance with legislation enacted to restructure the electricity industry in Ontario, Council, in conjunction with the City of Waterloo and the Township of Wellesley, approved the incorporation of the electricity distribution business of the former Hydro-Electric Commission of Waterloo, Wellesley and Woolwich. As a result, the Township retained 20.2% of the newly incorporated business Waterloo North Hydro Holding Corporation. In 2009, the Township redeemed \$6,889,222 of senior notes receivable.

The investment in Waterloo North Hydro Holding Corporation is comprised of the following:

	2018	2017
Junior notes receivable	\$ 3,355,689	\$ 3,355,689
66 common shares, initial valuation	5,084,032	5,084,032
Class A special shares	440,627	440,627
Accumulated net equity earnings, beginning of year	14,131,669	13,153,231
Equity earnings for the year ended December 31	1,550,550	1,821,788
Dividends received during the year	(843,350)	(843,350)
Net assets	\$ 23,719,217	\$ 23,012,017

The following table provides condensed financial information in respect of the Township's investment in Waterloo North Hydro Holding Corporation as at December 31, 2018 and 2017:

	2018	2017
Current assets	\$ 232,503	\$ 1,209,596
Long-term assets	134,020,516	129,439,112
Total assets	134,253,019	130,648,708
Current liabilities	151,472	48,150
Long-term liabilities	33,292,001	33,292,001
Total liabilities	33,443,473	33,340,151
Net assets	\$ 100,809,546	\$ 97,308,557

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

6. Deferred revenue - obligatory reserve funds:

A requirement of the public sector accounting principles is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

	2018	2017
Building administration	\$ 226,928	\$ 243,339
Development charges	2,103,544	2,262,147
Federal gas tax revenue	502,667	396,771
Park fund	226,160	60,842
Main Street revitalization	52,144	-
	\$ 3,111,443	\$ 2,963,099

Continuity of deferred revenue is as follows:

	2018	2017
Balance, beginning of year:		
Building administration	\$ 243,339	\$ 220,149
Development charges	2,262,147	3,383,158
Federal gas tax revenue	396,771	527,549
Park fund	60,842	51,427
Main Street revitalization	-	-
	2,963,099	4,182,283
Developer contributions received	1,296,591	840,273
Capital grants received	737,191	716,139
Interest earned	50,546	63,010
Total revenue	2,084,328	1,619,422
Contributions used	(1,935,984)	(2,838,606)
Balance, end of year	\$ 3,111,443	\$ 2,963,099

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

7. Net long-term liabilities:

- (a) The balance of long-term liabilities reported on the Consolidated Statement of Financial Position consists of the following:

	2018	2017
Ontario Strategic Infrastructure Financing Authority Water drainage \$685,000 20-year loan (OSIFA04-02) issued December 2004 with an annual interest rate of 2.7891% - interest and principal repayable in semi- annual installments	\$ 243,303	\$ 283,545
Township, through the Region of Waterloo, issued a \$3,720,000 25-year capital program debenture (ID09-61) December 1, 2009 with an annual interest rate of 4.88% - interest repayable in semi-annual installments and principal repayable annually	2,850,544	2,966,553
Township, through the Region of Waterloo, issued a \$385,000 10-year hot mix resurfacing capital program debenture (CDS11-068) November 7, 2011 with a varying annual interest rate of 1.35% to 3.40% - interest repayable in semi-annual installments and principal repayable annually	126,000	165,000
Township, through the Region of Waterloo, issued a \$389,000 10-year hot mix resurfacing capital program debenture (CDS12-074) November 8, 2012 with a varying annual interest rate of 1.40% to 3.10% - interest repayable in semi-annual installments and principal repayable annually	166,058	205,311
Net long-term liabilities, end of year	\$ 3,388,905	\$ 3,620,409

- (b) The long-term liabilities in (a) issued in the name of the Township have been approved by By-Law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment prescribed by the Ministry of Municipal Affairs and Housing.
- (c) Interest paid during the year on long-term liabilities amounted to \$169,504 (2017 - \$177,707). Principal paid during the year on long-term liabilities amounted to \$231,504 (2017 - \$223,236).

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

7. Net long-term liabilities (continued):

(d) The total Township principal and interest repayments in each of the next five years and thereafter are due as follows:

	Principal	Interest
2019 154,484	\$ 241,090	\$
2020	250,000	145,205
2021	259,248	135,366
2022	224,848	125,007
2023	189,950	115,667
2024 and thereafter	2,223,769	689,625
	<u>\$ 3,388,905</u>	<u>\$ 1,365,354</u>

8. Liability for sick leave benefits:

The liability for sick leave benefits includes a provision for non-vested benefits. Under the sick leave benefit plan, unused sick leave can accumulate but employees leaving the Township's employment are not entitled to a cash payment.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

9. Tangible capital assets:

2018									
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Assets Under Construction		Total
Cost			\$			\$			
Balance, beginning of year	17,993,309	\$ 6,137,618	37,720,375	\$ 11,941,852	\$ 71,973,058	101,051,250	\$ 6,473,530		\$ 253,290,992
Additions	\$ -	868,344	3,282,483	1,576,390	4,455,661	4,946,114	(3,569,466)		11,559,526
Disposals	(30,978)	(76,496)	(118,134)	(647,204)	(81,456)	(262,537)	-		(1,216,805)
Balance, end of year	17,962,331	6,929,466	40,884,724	12,871,038	76,347,263	105,734,827	2,904,064		263,633,713
Accumulated amortization									
Balance, beginning of year	-	2,956,142	10,236,817	6,155,992	14,736,647	39,511,968	-		73,597,566
Disposals	-	(74,536)	(40,661)	(634,036)	(68,382)	(158,714)	-		(976,329)
Amortization expense	-	222,771	993,113	741,043	1,232,881	2,913,388	-		6,103,196
Balance, end of year	-	3,104,377	11,189,269	6,262,999	15,901,146	42,266,642	-		78,724,433
Net book value, end of year	17,962,331	3,825,089	29,695,455	6,608,039	60,446,117	63,468,185	2,904,064		184,909,280

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

9. Tangible capital assets:

	2017								
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Assets Under Construction		Total
Cost			\$			\$		\$	
Balance, beginning of year	17,993,309	\$ 5,780,828	37,051,932	\$ 11,672,269	\$ 67,620,800	96,180,380	\$ 6,692,820	\$	242,992,338
Additions	\$ -	425,117	668,443	607,909	4,724,858	5,423,712	(219,290)		11,630,749
Disposals	-	(68,327)	-	(338,326)	(372,600)	(552,842)	-		(1,332,095)
Balance, end of year	17,993,309	6,137,618	37,720,375	11,941,852	71,973,058	101,051,250	6,473,530		253,290,992
Accumulated amortization									
Balance, beginning of year	-	2,805,136	9,261,065	5,737,735	13,754,537	37,036,539	-		68,595,012
Disposals	-	(68,327)	-	(338,326)	(181,291)	(403,930)	-		(991,874)
Amortization expense	-	219,333	975,752	756,583	1,163,401	2,879,359	-		5,994,428
Balance, end of year	-	2,956,142	10,236,817	6,155,992	14,736,647	39,511,968	-		73,597,566
Net book value, end of year	17,993,309	3,181,476	27,483,558	5,785,860	57,236,411	61,539,282	6,473,530		179,693,426

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

9. Tangible capital assets (continued):

a) Assets under construction:

Assets under construction having a value of \$2,904,064 (2017 - \$6,473,530) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed tangible capital assets:

Contributed capital assets during the year were \$3,753,638 (2017 - \$642,929).

c) Works of art and historical treasures:

The Township of Woolwich manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Township sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

d) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$nil (2017 - \$nil).

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

10. Accumulated Surplus:

	2018	2017
Surplus:		
Invested in tangible capital assets	\$ 184,909,280	\$ 179,693,426
General deficit	(683,243)	(566,805)
Unfunded:		
Employee benefits -sick leave	(1,652,155)	(1,713,623)
Debenture - long-term	(3,388,905)	(3,620,409)
Equity in Government Business Enterprise	23,719,217	23,012,017
Total surplus	202,904,194	196,804,606
Reserves set aside by Council:		
Operating budget contingency	499,614	486,172
Working capital	1,927,206	1,927,206
Insurance	193,136	233,025
Capital budget contingency	220,532	463,773
OMB Legal	6,858	175,350
Special circumstance funding	41,430	83,921
Winter stabilization	20,428	12,323
Total reserves	2,909,204	3,381,770
Reserve funds set aside for specific purposes by Council:		
Equipment replacement	832,671	1,114,397
Infrastructure investment	1,090,462	948,015
Recreation facilities	1,944	1,912
Recreation fitness centre	47,364	39,000
Water	4,609,224	3,916,109
Sewer	3,448,109	3,574,897
Property building	21,102	61,675
Parking lot	9,536	5,422
Development administration	(541,524)	(506,077)
Total reserve funds	9,518,888	9,155,350
Accumulated surplus	\$ 215,332,286	\$ 209,341,726

11. Public liability insurance:

The Township is self insured for public liability claims up to \$10,000 (2017 - \$10,000) for any individual claim and \$10,000 (2017 - \$10,000) for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

The Township has made provision for a reserve for self insurance which, as at December 31, 2018, amounted to \$193,136 (2017 - \$223,025) and is reported on the consolidated statement of financial position. The provision for the year amounted to \$294,739 (2017 - \$268,802). During the year, claims amounting to \$60,960 (2017 - \$28,131) were settled and insurance premiums of \$273,668 (2017 - \$253,605) were paid. Both amounts are reported as an expenditure on the consolidated statement of operations and have been funded from the reserve.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

12. Commitments:

In 2005 the Township embarked on the implementation of the recreation facilities development program that will see the construction of two community centres in Maryhill and Breslau, and the Woolwich Memorial Centre in Elmira. Through the Woolwich Recreational Facility Foundation's Fit for the Future campaign the community has been charged with raising \$5.5 million. As at the end of December 31, 2018, the accumulated donations and interest received by the Township was \$4,809,762 (2017 - \$4,809,752).

13. Pension agreements:

The Township makes contributions to the OMERS which is a multi-employer plan, on behalf of members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees, based on the length of service and rates of pay. Contributions to OMERS in 2018 were \$480,519 (2017 - \$430,413).

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, 2018. At that time, the plan reported a \$4.2 billion actuarial deficit (2017 - \$5.4 billion actuarial deficit), based on actuarial liabilities of \$99.1 billion (2017 - \$93.6 billion) and actuarial assets of \$94.9 billion (2017 - \$88.2 billion). Ongoing adequacy of the current contribution rate will need to be monitored as the fluctuations in the financial markets may lead to increased future funding requirements.

14. Cemetery trust funds:

Cemetery trust funds administered by the Township amounting to \$372,145 (2017 - \$336,825) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

15. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

16. Segmented information:

Segmented information has been identified based on lines of service provided by the Township. Township services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(i) Protection:

Protection is comprised of the Fire and By-law Enforcement departments. The Fire department is responsible to provide fire suppression services, fire prevention programs; training and development related to prevention; and detection or extinguishment of fires. The mandate of the By-law Enforcement department is to enforce the By-laws passed by the Council of the Township of Woolwich.

(ii) Public Works - Transportation:

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, bridges and culverts, sidewalks, the maintenance of parks and open space, and street lighting.

(iii) Public Works - Environment:

The Township is responsible for environmental programs and the operation of Water and Wastewater Systems, specifically the distribution and collection systems; and storm collection systems.

(iv) Recreation and Cultural Services:

The Recreation and Facilities department is responsible for the planning, development, delivery and maintenance of all Township recreation programs, services and facilities.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes area allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government grants have been allocated to the segment based upon the purpose for which the grant was made.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

16. Segmented information (continued):

	2018					
	Protection	Public Works – Transportation	Public Works – Environmental	Recreation and Cultural Services	Other and Unallocated	Total
Revenues:						
Taxation	1,909,010	4,290,069	-	2,676,983	1,874,534	10,750,596
User fees and charges	202,562	89,934	3,930,818	1,989,420	626,466	6,839,200
Government grants	-	541,782	-	99,759	627,480	1,269,021
Municipal revenue	483,397	143,219	-	2,000	-	628,616
Permits, late payment, other	18,715	-	-	113,001	1,120,677	1,252,393
Interest, donations, sundry	30,750	452,624	169,166	141,170	360,564	1,154,274
Obligatory reserve fund recognized	837,301	711,927	86,927	195,711	104,118	1,935,984
Equity from Waterloo North Hydro	-	-	-	-	1,550,550	1,550,550
Gain on disposal of assets	21,530	10,910	-	5,088	-	37,528
Contributed assets	-	2,328,287	1,024,418	400,933	-	3,753,638
Total revenues	3,503,265	8,568,752	5,211,329	5,624,065	6,264,389	29,171,800
Expenses:						
Salaries, wages and employee benefits	1,680,339	1,017,184	770,156	2,484,102	2,366,934	8,318,715
Materials	566,761	1,424,459	247,483	1,951,562	1,443,397	5,633,662
Contracted services	36,919	1,506,401	526,979	286,541	526,320	2,883,160
Rents and financial expenses	-	14,009	-	1,096	9,146	24,251
External transfers	-	-	-	-	48,752	48,752
Debt services	-	10,833	13,903	144,768	-	169,504
Amortization	376,524	3,159,903	1,242,894	1,079,208	244,667	6,103,196
Inter-functional adjustments/Program allocation	269,708	(322,684)	1,070,478	464,967	(1,482,469)	-
Total expenses	2,930,251	6,810,105	3,871,893	6,412,244	3,156,747	23,181,240
Annual surplus (deficit)	573,014	1,758,647	1,339,436	(788,179)	3,107,642	5,990,560

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2018

16. Segmented information (continued):

	2017					
	Protection	Public Works – Transportation	Public Works – Environmental	Recreation and Cultural Services	Other and Unallocated	Total
Revenues:						
Taxation	1,857,452	4,224,459	-	2,599,819	1,515,416	10,197,146
User fees and charges	163,318	104,998	3,512,294	1,900,717	708,128	6,389,455
Government grants	-	884,551	-	296,896	736,201	1,917,648
Municipal revenue	541,922	13,184	-	2,000	-	557,106
Permits, late payment, other	20,911	-	-	125,475	1,059,122	1,205,508
Interest, donations, sundry	18,520	1,048,090	147,788	182,000	314,152	1,710,550
Obligatory reserve fund recognized	931,759	1,376,012	230,466	225,727	74,642	2,838,606
Equity from Waterloo North Hydro	-	-	-	-	1,821,788	1,821,788
Gain on disposal of assets	-	8,840	-	-	-	8,840
Contributed assets	-	296,965	288,381	57,583	-	642,929
Total revenues	3,533,882	7,957,099	4,178,929	5,390,217	6,229,449	27,289,576
Expenses:						
Salaries, wages and employee benefits	1,563,059	986,387	751,612	2,213,505	2,223,909	7,738,472
Materials	474,376	1,350,124	477,089	1,803,569	1,098,605	5,203,763
Contracted services	22,992	1,415,197	433,598	252,978	428,578	2,553,343
Rents and financial expenses	-	14,079	-	972	6,394	21,445
External transfers	-	-	-	-	46,650	46,650
Debt services	-	12,627	14,914	150,166	-	177,707
Amortization	390,342	3,144,966	1,172,861	1,053,075	233,184	5,994,428
Inter-functional adjustments/Program allocation	216,780	(221,965)	892,575	400,788	(1,288,178)	-
Total expenses	2,667,549	6,701,415	3,742,649	5,875,053	2,749,142	21,735,808
Annual surplus (deficit)	866,333	1,255,684	436,280	(484,836)	3,480,307	5,553,768



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Woolwich

Opinion

We have audited the accompanying financial statements of the trust funds of the Corporation of the Township of Woolwich (the Entity), which comprise:

- the statement of the financial position as at December 31, 2018
 - the statement of operations for the year then ended
 - the statement of cash flows for the year then ended
 - and notes to the financial statements, including a summary of significant accounting policies
- (Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.



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We are independent of the Entity 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
June 25, 2019

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Cash	\$ 132,514	\$ 118,241
Investments (note 2)	372,145	336,825
Accrued interest receivable	1,009	144
	<u>505,668</u>	<u>455,210</u>
Liabilities		
Due to the Township of Woolwich	140,523	102,415
	<u>\$ 365,145</u>	<u>\$ 352,795</u>

See accompanying notes to financial statements.

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenues:		
Sale of plots	\$ 12,350	\$ 4,388
Interest earned	38,401	2,239
	<u>50,751</u>	<u>6,627</u>
Expenditures:		
Cemetery care	38,401	2,239
Net revenue	<u>12,350</u>	<u>4,388</u>
Net assets, beginning of year	352,795	348,407
Net assets, end of year	<u>\$ 365,145</u>	<u>\$ 352,795</u>

See accompanying notes to financial statements.

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Net revenues	\$ 12,350	\$ 4,388
Sources (uses) of cash:		
Accrued interest receivable	(865)	(57)
Due to the Township of Woolwich	38,108	2,239
Increase in cash from operations	49,593	6,570
Investing:		
Increase in long-term investments	(35,320)	(921)
Increase in cash	14,273	5,649
Opening cash	118,241	112,592
Closing cash	\$ 132,514	\$ 118,241

See accompanying notes to financial statements.

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Financial Statements

Year ended December 31, 2018

1. Accounting policy:

Basis of accounting:

Revenue and expenditures are reported on the accrual basis of accounting which recognizes expenditures as they are incurred and measureable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

2. Investments:

The total investment by the cemetery trust funds of \$372,145 (2017 - \$336,825) reported on the statement of financial position at cost, has a fair value of \$372,145 (2017 - \$362,659) at the end of the year.