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**County of Wellington**  
**Financial Statements**  
For the year ended December 31, 2018

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**County of Wellington**  
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**For the year ended December 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

### **To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Wellington**

We have audited the consolidated financial statements of The Corporation of the County of Wellington (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2018
  - the consolidated statement of operations and accumulated surplus for the year then ended
  - the consolidated statement of changes 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 consolidated changes in 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.

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.

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.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

May 23, 2019

**County of Wellington**  
**Consolidated Statement of Financial Position**  
**As at December 31**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents (Note 3)	28,409,641	20,696,448
Accounts Receivable	10,246,721	9,020,719
Portfolio Investments (Note 3)	87,029,011	80,067,975
Loans Receivable (Note 4)	156,311	185,237
<b>Total Financial Assets</b>	<b>125,841,684</b>	<b>109,970,379</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	19,091,324	17,375,725
Deferred Revenue (Note 5)	8,655,199	9,503,535
Landfill Site Closure & Post Closure Liability (Note 6)	8,035,076	8,157,528
Post-Employment/Retirement Liability (Note 7)	2,180,162	2,136,158
WSIB Liability (Note 8)	1,323,092	1,328,487
Wellington Housing Corporation Mortgage (Note 9)	750,151	878,444
Net Long-Term Liabilities (Note 9)	32,178,682	26,251,618
<b>Total Liabilities</b>	<b>72,213,686</b>	<b>65,631,495</b>
<b>Net Financial Assets</b>	<b>53,627,998</b>	<b>44,338,884</b>
<b>Non-Financial Assets</b>		
Tangible Capital Assets (Note 10)	421,421,924	411,792,648
Inventories of Supplies	922,697	782,046
Prepaid Expenses	2,041,694	1,752,572
<b>Total Non Financial Assets</b>	<b>424,386,315</b>	<b>414,327,266</b>
<b>Accumulated Surplus (Note 11)</b>	<b>478,014,313</b>	<b>458,666,150</b>

## County of Wellington Consolidated Statement of Operations

For the year ended December 31	(Note 19) Budget	2018	2017
	\$	\$	\$
<b>Revenues</b>			
Taxation (Note 12)	95,194,100	97,111,559	93,248,002
Government Transfers			
Provincial (Note 13)	74,247,635	76,302,765	67,924,316
Federal (Note 13)	7,075,991	6,346,680	5,166,488
Municipal	27,812,633	24,451,012	24,042,601
Fees and Service Charges	10,532,600	10,930,545	10,564,373
Licences, Permits, Rent	7,967,400	8,470,225	7,838,662
Interest, Donations, Other	3,126,100	2,933,760	2,737,834
Development Charges Earned	2,375,500	2,864,445	1,712,833
<b>Total Revenues</b>	<b>228,331,959</b>	<b>229,410,991</b>	<b>213,235,109</b>
<b>Expenses</b>			
General Government	18,006,416	16,979,429	16,455,568
Protection to Persons & Property	18,617,317	17,785,831	17,347,807
Transportation Services	27,627,202	30,265,167	28,054,444
Environmental Services	9,560,320	8,774,198	9,307,931
Health Services	13,042,600	14,639,123	13,388,330
Social Housing	33,434,490	34,280,657	36,682,308
Social and Family Services	74,367,622	73,961,938	64,738,522
Library	8,302,927	7,577,951	7,359,466
Museum	2,408,216	2,291,333	2,206,640
Planning and Development	3,811,149	3,507,201	3,447,014
<b>Total Expenses</b>	<b>209,178,259</b>	<b>210,062,828</b>	<b>198,988,030</b>
Annual Surplus	19,153,700	19,348,163	14,247,079
Accumulated Surplus, Beginning of Year	458,666,150	458,666,150	444,419,071
Accumulated Surplus, End of Year	477,819,850	478,014,313	458,666,150

**County of Wellington**  
**Consolidated Statement of Change in Net Financial Assets**

<b>For the year ended December 31</b>	<b>(Note 19) Budget</b>	<b>2018</b>	<b>(Note 1 a) i) 2017</b>
	\$	\$	\$
<b>Annual Surplus</b>	19,153,700	19,348,163	14,247,079
Acquisition of Tangible Capital Assets	(43,282,000)	(33,001,713)	(33,033,303)
Amortization of Tangible Capital Assets	22,100,000	22,601,203	22,215,125
Loss on Disposal of Tangible Capital Assets	-	306,492	110,296
Proceeds on Sale of Tangible Capital Assets	-	464,742	354,449
	<u>(2,028,300)</u>	<u>9,718,887</u>	<u>3,893,646</u>
Acquisition of Inventories of Supplies	-	(922,697)	(782,046)
Acquisition of Prepaid Expenses	-	(2,041,694)	(1,752,572)
Consumption of Inventories of Supplies	-	782,046	768,287
Use of Prepaid Expenses	-	1,752,572	2,039,256
	<u>(2,028,300)</u>	<u>9,289,114</u>	<u>4,166,571</u>
Change in Net Financial Assets	(2,028,300)	9,289,114	4,166,571
Net Financial Assets, Beginning of Year	<u>44,338,884</u>	<u>44,338,884</u>	<u>40,172,313</u>
Net Financial Assets, End of Year	<u>42,310,584</u>	<u>53,627,998</u>	<u>44,338,884</u>



## County of Wellington Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
	\$	\$
<b>Cash Provided By (Used In):</b>		
<b>Operating Activities:</b>		
Annual Surplus	19,348,163	14,247,079
Items Not Involving Cash:		
Amortization	22,601,203	22,215,125
Loss on Disposal of Tangible Capital Assets	306,492	110,296
Change in Post Employment/Retirement Liability	44,004	19,198
Change in WSIB Liability	(5,395)	(32,656)
Change in Landfill Liability	(122,452)	484,978
Change in Non-Cash Assets and Liabilities:		
Accounts Receivable	(1,176,003)	(1,822,055)
Accounts Payable and Accrued Liabilities	1,665,598	(2,421,429)
Deferred Revenue	(848,336)	831,641
Inventories of Supplies	(140,651)	(13,759)
Prepaid Expenses	(289,122)	286,684
<b>Net Change in Cash from Operating Activities</b>	<b>41,383,501</b>	<b>33,905,102</b>
<b>Capital Activities:</b>		
Proceeds on Sale of Tangible Capital Assets	464,742	354,449
Cash Used to Acquire Tangible Capital Assets	(33,001,713)	(33,033,303)
<b>Net Change in Cash from Capital Activities</b>	<b>(32,536,971)</b>	<b>(32,678,854)</b>
<b>Investing Activities:</b>		
Loan Receivable Collected	28,926	45,426
Change in Long-Term Investments	(6,961,036)	(2,619,645)
<b>Net Change in Cash from Investing Activities</b>	<b>(6,932,110)</b>	<b>(2,574,219)</b>
<b>Financing Activities:</b>		
Long-Term Debt Issued	9,250,000	-
Long-Term Debt Repaid	(3,451,228)	(3,320,425)
<b>Net Change in Cash from Financing Activities</b>	<b>5,798,772</b>	<b>(3,320,425)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>7,713,192</b>	<b>(4,668,396)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>20,696,448</b>	<b>25,364,844</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>28,409,641</b>	<b>20,696,448</b>

The accompanying notes are an integral part of these financial statements

## **Notes to the Financial Statements For the Year Ended December 31, 2018**

The County of Wellington (the County) is an upper-tier municipality in the Province of Ontario, Canada. The County is comprised of seven member municipalities: the Towns of Erin and Minto, and the Townships of Centre Wellington, Guelph/Eramosa, Mapleton, Puslinch and Wellington North.

### **1. ACCOUNTING POLICIES**

The consolidated financial statements of the County of Wellington are prepared by management in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the County are as follows:

#### **a) Basis of Consolidation**

##### **(i) Consolidated Entities**

These consolidated statements include the activities of all committees of Council and the following boards and municipal corporation which are under the control of Council:

Wellington County Police Services Board

Wellington County Public Library Board

Wellington Housing Corporation

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

Under PSAB standards, the County reports only its share of assets, liabilities and results of operations of any government partnerships in which it participates. The County participates in the Wellington-Dufferin-Guelph Health Unit to the extent of 32.0% (2017 – 32.7%) based on population, as stated in the agreement with the other participants, the City of Guelph and the County of Dufferin.

On January 1, 2017 all assets, liabilities and operations of Mount Forest Non-Profit Housing Corporation were transferred to Wellington Housing Corporation with a net asset value of \$1,169,307. The County owns 100% of Wellington Housing Corporation's shares.

##### **(ii) Trust Funds**

Trust funds and their related operations administered by the County are not consolidated, but are reported separately on the Trust Funds Statements of Financial Position and Operations.

#### **b) Basis of Accounting**

##### **(i) Accrual Basis of Accounting**

The County follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

##### **(ii) Investments**

###### **Cash and cash equivalents**

Cash and cash equivalents are comprised of the amounts held in the County's bank accounts and investments with an original maturity date of three months or less.

## **Notes to the Financial Statements For the Year Ended December 31, 2018**

### **Portfolio Investments**

Investments with an original maturity date of more than three months are reported as portfolio investments. Investments and pooled investments are reported using the cost method. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. Provisions for declines in the market value of investments are recorded when they are considered to be other than temporary. Declines in the market values of investments are considered to be other than temporary when the carrying value exceeds market value for more than three years.

### **(iii) Deferred Revenue**

In accordance with PSAB requirements obligatory reserve funds are reported as a component of deferred revenue. The County has obligatory development charge reserve funds in the amount of \$2,273,137 (2017 - \$3,357,150). These funds have been set aside, as required by the Development Charges Act, to finance a portion of the cost of growth-related capital projects. Revenue recognition occurs after the funds have been collected and when the County has incurred the expenditures for the capital works for which the development charges were raised (Note 5).

Unexpended funds of \$5,295,166 (2017 - \$5,114,489) received by the County under the Federal Gas Tax Revenue Transfer are reported as deferred revenue and will be recognized as revenue in the fiscal year in which the eligible expenditures are incurred. Unexpended funds of \$496,737 (2017 - \$0) received by County under the Ontario Capital Infrastructure Fund are reported as deferred revenue and will be recognized as revenue in the fiscal year in which they eligible expenditures are incurred. (Note 5)

### **(iv) Taxation**

Under PS3510, taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred (Note 12).

### **(v) Government Transfers**

Under PS3410, government transfers received relate to social services, police, health and cultural programs. 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, any eligibility criteria have been met, and reasonable estimates of the amounts can be made (Note 13).

### **(vi) Contaminated Sites**

Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material of live organism that exceeds an environment standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

### **(vii) Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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, landfill closure and post-closure liability, actuarial valuations of employee future benefits, and the historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

**c) Physical Assets**

**(i) 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 and landfill sites, is amortized on a straight line basis over their estimated useful lives as follows:

<b>Major Asset Classification</b>	<b>Component Breakdown</b>	<b>Useful Life - Years</b>
Land		N/A
Landfill Sites		N/A - Based on usage
Buildings	Structure	15 to 50
	Exterior	20 to 40
	Interior	15 to 40
	Site Elements	10 to 30
	Leasehold Improvements	Lease Term
Infrastructure	Roads and Parking Lots - Asphalt	20
	Roads and Parking Lots - Gravel	10
	Roads - Base	50
	Bridges - Surface	20
	Bridges and Culverts - Structure	50
	Traffic Signals, Street Signs, Outdoor Lighting	20
Vehicles & Machinery	Licensed Equipment	7
	Unlicensed Equipment	15
Furniture & Fixtures		15
Technology & Communications		5
Library Books		5

Landfill sites are amortized using the units of production method based upon capacity used during the year.

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 are also recorded as revenue. The value of assets contributed in 2018 is \$0 (2017 - \$0).

**(iii) Works of Art and Cultural and Historic Assets**

Works of art and cultural and historic assets are not recorded as assets in these financial statements. The County's art collection includes approximately 1,100 pieces, either created by a significant Wellington County artist and/or depicting Wellington County subject matter. The Museum's collection contains over 18,000 artifacts. The Archive's collection contains over 80,000 documents, photographs, and microfilm. Both collections relate to the history of Wellington County, and are fully catalogued with appraised values in the County's collections database. The collection is maintained and stored at the Wellington County Museum & Archives as per Provincial Standards for Ontario Museums.

## **Notes to the Financial Statements For the Year Ended December 31, 2018**

### **(iv) Interest Capitalization**

Borrowing costs incurred as a result of the acquisition, construction and production of an asset that takes a substantial period of time to prepare for its intended use are capitalized as part of the cost of the asset.

Capitalization of interest costs commences when the expenses are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalization is suspended during periods in which active development is interrupted. Capitalization ceases when substantially all of the activities necessary to prepare the asset for its intended use are complete. If only minor modifications are outstanding, this indicates that substantially all of the activities are complete.

The capitalized interest costs associated with the acquisition or construction of tangible capital assets during the year was \$122,871 (2017 - \$0).

### **(v) Leased Tangible Capital Assets**

Leases which transfer substantially all of 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 expensed as incurred.

### **(vi) Inventories of Supplies**

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

### **(vii) Tangible Capital Assets recorded at Nominal Value**

Under PS 3150.42 the County has no assets recorded at nominal value.

## **2. TRUST FUNDS**

Trust funds administered by the County amounting to \$140,818 (2017 - \$174,046) have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Financial Activities.

## **3. CASH AND CASH EQUIVALENTS AND PORTFOLIO INVESTMENTS**

Total cash and cash equivalents of \$28,409,641 (2017 - \$20,696,448) are reported on the Consolidated Statement of Financial Position at cost.

Total portfolio investments of \$87,029,011 (2017 - \$80,067,975) are reported on the Consolidated Statement of Financial Position at cost and have a market value of \$87,849,405 (2017 - \$81,672,525).

At December 31, 2018 the County had undrawn credit capacity under a credit facility of \$5,000,000. Interest on the credit facility is at prime less 0.75%.

## **4. LOANS RECEIVABLE**

### **(i) Cost Sharing Agreements with the Township of Centre Wellington**

In 2010 the County entered into a cost sharing agreement with the Township of Centre Wellington and Groves Memorial Hospital to fund three phases of a Community Planning Area sub-watershed Study. The County funds the work upfront and is repaid by the Township at 54% and the Hospital at 6%. In 2011 phase 1 was completed and in 2012 phase 2 was completed. The Township will repay the County over 10 years, interest free, from year of completion and the Hospital will repay

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

the County through the Township at the time of building permit issuance which occurred in 2017. The amount to be repaid to the County as at December 31, 2018 was \$57,780 (2017- \$72,630).

In 2015, the County and Centre Wellington agreed to share soil remediation costs for the Fergus Library Expansion Project. The land, originally owned by Centre Wellington was remediated by the County upfront and will be repaid by the Township at 60%. The Township will repay the County over ten years, interest free, starting in 2016. The amount to be repaid to the County as at December 31, 2018 was \$98,531 (2017 - \$112,607).

**5. DEFERRED REVENUE**

Deferred revenue, which is reported on the Consolidated Statement of Financial Position, is further analyzed as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Federal Gas Tax	5,295,166	5,114,489
Ontario Community Infrastructure Fund (OCIF)	496,737	-
Development Charges	2,273,137	3,357,150
Deferred Capital Grants	121,255	449,707
Deferred Operating Grants	382,218	513,792
Other	86,686	68,397
	<u>8,655,199</u>	<u>9,503,535</u>
	<b>2018</b>	<b>2017</b>
Balance, Beginning of Year		
Federal Gas Tax	5,114,489	3,769,111
Development Charges	3,357,150	2,988,611
Deferred Capital Grants	449,707	1,400,000
Deferred Operating Grants	513,792	335,805
Other	68,399	162,926
	<u>9,503,537</u>	<u>8,656,453</u>
Amounts Received		
Federal Gas Tax	2,760,586	2,681,755
OCIF	1,190,383	840,760
Development Charges	1,942,851	2,489,240
Deferred Capital Grants	129,255	-
Deferred Operating Grants	327,244	392,251
Other	33,097	32,422
Interest Earned	273,219	231,076
	<u>6,656,635</u>	<u>6,667,504</u>
Contributions Used	(7,504,973)	(5,820,422)
Balance, End of Year	<u>8,655,199</u>	<u>9,503,535</u>

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

**6. LANDFILL SITE CLOSURE AND POST-CLOSURE LIABILITY**

The County is responsible for all aspects of solid waste management. As of December 31, 2018 there were 16 closed landfill sites (of which 6 locations were operating as transfer stations) and 1 active landfill site. The total estimated expenditure (on a discounted basis) for closure and post-closure care as of December 31, 2018 is \$8,994,320 (2017- \$8,856,937). The amount reported on the Consolidated Statement of Financial Position as of December 31, 2018 is \$8,035,076 (2017 - \$8,157,528) and the amount remaining to be recognized is \$959,244 (2017 - \$699,409).

Closure costs include final cover and vegetation, drainage control features, leachate control and monitoring systems, water quality monitoring systems, gas monitoring and recovery, land acquisition, site remediation, and site closure reports. Post-closure costs include leachate monitoring and treatment, water quality monitoring, gas monitoring and recovery, ongoing maintenance and annual reports. The discounted cash flow analysis is based on the estimated costs for each of these items over a 25-year period using a long term borrowing rate of 3.51% (2017 – 3.26%).

The liability for closure and post closure care is recognized as the capacity of each site is used. For any closed sites, 100% of the liability is recognized. A total of 89.34% (2017 – 92.10%) of the liability is recognized and reported, which represents the estimated weighted average capacity used to December 31, 2018. It is estimated that sufficient landfill site capacity exists for approximately 25 years.

Of the \$8,035,076 (2017 - \$8,157,528) recognized as a liability, \$584,355 (2017 - \$1,467,869) is included on the Consolidated Statement of Financial Position as a reduction to budgetary accumulated surplus and will be recovered from future general municipal revenues and \$7,450,721 (2017 - \$6,689,659) is shown as an amount to be recovered from reserve funds (see note 11).

**7. POST-EMPLOYMENT / RETIREMENT LIABILITY**

Post-employment benefits include a provision to pay 90% of the premium cost for retired non-union full-time employees and 100% of the premium cost for retired union full-time employees for dental, extended health care and life insurance benefits for an employee voluntarily electing early retirement until the retired employee's 65<sup>th</sup> birthday. There is also a provision to pay 50% of the premium cost for retired permanent part time employees for dental and extended health care. To be eligible to receive these benefits, the employee must be at least 55 years of age, have a minimum of ten years of continuous service with the County at the time of retirement and be in receipt of an OMERS pension.

In 2014, unionized employees agreed to a payout of the sick leave accumulation plan in the amount of \$908,792. This amount was funded from reserve funds and no remaining liability has been recognized. At the time employees were given the option to retain up to a maximum of 175 hours of sick time not eligible for payout and at December 31, 2018 the outstanding balance of sick hours was 1,041 hours (2017 – 1,312 hours).

The present value of these benefit obligations at December 31, 2018 was estimated from an actuarial review completed in December 2017. The review calculated the benefit obligations using an accrued benefit obligation methodology, which recognizes the accrued benefit over the employees' working lifetime.

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

<b>Benefit</b>	<b>Number of Employees Entitled to Benefit as at December 31, 2018</b>	<b>Liability as at December 31, 2018</b>	<b>Liability as at December 31, 2017</b>
		\$	\$
Dental	48	365,005	347,029
Extended Health Care	48	1,294,900	1,231,125
Life Insurance	43	78,216	74,363
<b>County of Wellington Total</b>		<b>1,738,121</b>	<b>1,652,517</b>
Wellington-Dufferin Guelph Public Health Unit		442,041	483,641
<b>Consolidated Total</b>		<b>2,180,162</b>	<b>2,136,158</b>

Information about the County's benefit plan is as follows:

	<b>2018</b>	<b>2017</b>
	\$	\$
Accrued Benefit Obligation:		
Balance, beginning of year	2,944,548	2,052,779
Current benefit cost	132,824	94,169
Interest	114,832	94,639
Benefits paid	(280,341)	(214,907)
Actuarial loss	-	917,868
Balance, end of year	2,911,863	2,944,548
Unamortized actuarial loss	(1,173,742)	(1,292,031)
<b>Liability for benefits</b>	<b>1,738,121</b>	<b>1,652,517</b>
Wellington-Dufferin-Guelph Public Health Unit	442,041	483,641
<b>Consolidated Total</b>	<b>2,180,162</b>	<b>2,136,158</b>

Included in expenses is \$118,289 (2017 - \$52,727) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average remaining service life of 14 years, beginning in 2018.

The main actuarial assumptions employed for the valuation are as follows:

(i) Interest (discount rate):

The present value of future liabilities and the expense for the 12 months ended December 31, 2018 were determined using a discount rate of 4.00%.

(ii) Health Care Cost Rates:

Medical costs were assumed to increase at the rate of 6.75% for 2018 vs. 2017 reducing by .33% per year to 3.75% per year in 2027 vs. 2026 and 3.75% each year thereafter.

(iii) Dental Cost Rates:

Dental costs were assumed to increase at the rate of 3.75% per year.

**8. WORKPLACE SAFETY AND INSURANCE**

The County is a Schedule II (self-insured) employer with the Workplace Safety and Insurance Board (WSIB). Payments made to the WSIB in 2018 resulting from approved claims were \$201,415 (2017 - \$137,666) and are reported as a liability transaction on the Consolidated Statement of Financial Position. The WSIB liability is based on an actuarial evaluation completed in December 2017. The evaluation is updated every four years. As WSIB benefits are a compensated absence, PSAB Section PS 3250 requires full recognition of liabilities associated with workplace injuries that occurred on or before the valuation date. The amount reported on the Consolidated Statement of Financial Position as a liability is \$1,323,092 (2017 - \$1,328,487).



**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

Information about the WSIB liability is as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Accrued Benefit Obligation:		
Balance, beginning of year	1,173,910	1,298,829
Current benefit cost	144,967	129,160
Interest	44,125	38,905
Expected benefit payments	(139,480)	(134,591)
Expected accrued benefit obligation, end of year	1,223,522	1,332,303
Actual accrued benefit obligation, end of year	1,223,522	1,173,910
Unamortized actuarial gain	99,570	154,577
<b>WSIB Liability</b>	<b>1,323,092</b>	<b>1,328,487</b>

Included as a reduction in expenses is \$55,007 (2017 – \$76,225) for amortization of the actuarial gain. The unamortized actuarial gain on future payments required to WSIB is amortized over the expected period of the liability which is 10 years.

The main actuarial assumptions employed for the valuation are as follows:

- (i) Interest (discount rate):  
The present value of future liabilities and the expense for the 12 months ended December 31, 2018 were determined using a discount rate of 3.75%
- (ii) Administration costs:  
Administration costs were assumed to be 36.0% of the compensation expense
- (iii) Compensation expense:  
Compensation costs, which include loss of earnings benefits, health care costs and non-economic loss awards, were assumed to increase at rates ranging from 1.75% to 4.5% depending on the benefit type.

The County purchases two forms of insurance to limit exposure in the event of a significant work-related accident resulting in a death or permanent disability. Occupational Accident Insurance coverage provides a one-time fixed payment of \$500,000 per incident. Excess indemnity insurance is in place to a maximum of \$10,000,000 with a \$500,000 retention.

**9. NET LONG-TERM LIABILITIES**

Provincial legislation restricts the use of long-term liabilities to financing capital expenditures, and also authorizes the County to issue long-term debt for both County and Local purposes, with the latter at the request of the Local Municipality. The responsibility for raising the amounts required to service these liabilities rests with the County and such Local Municipalities for which the debt was issued.

Long-term liabilities outstanding for County purposes (2018 - \$32,178,682, 2017 - \$26,251,618) and Wellington Housing Corporation (2018- \$750,151, 2017 - \$878,444) are direct, unsecured and unsubordinated obligations of the County (2018 – \$32,928,833, 2017 - \$27,130,062)

Long-term liabilities outstanding for Local Municipal purposes (2018 – \$27,835,359, 2017 - \$29,295,109) are direct, unsecured, unsubordinated, joint and several obligations of the County and such Local Municipalities.

- (a) The outstanding principal portion of unmatured long-term liabilities for municipal expenditures is reported on the Consolidated Statement of Financial Position, under "Net Long-Term Liabilities". Net long-term liabilities reported on the Consolidated Statement of Financial

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

Position are comprised of the following:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Long-term liabilities incurred by the County, including those incurred on behalf of member municipalities, and outstanding at the end of the year (Interest rates range from 1.35% - 5.875%)	60,014,041	55,546,727
Long-term liabilities incurred by the County and recoverable from member municipalities	<u>(27,835,359)</u>	<u>(29,295,109)</u>
Net long-term liabilities at the end of the year	32,178,682	26,251,618

The balance of net long-term liabilities is made up of the following:

	<b>2018</b>	<b>2017</b>
Debenture payable, 5%, repayable in annual principal and semi-annual interest payments of approximately \$50,000 annually, due July 2, 2018	\$ -	\$ 189,000
Debenture payable, 4.9%, repayable in annual principal and semi-annual interest payments of approximately \$365,000 annually, due February 5, 2019	356,000	708,000
Debenture payable, 4.7% - 4.85%, repayable in annual principal and semi-annual interest payments of approximately \$357,000 annually, due June 3, 2020	680,000	1,000,000
Debenture payable, 4.75%-4.85%, repayable in annual principal and semi-annual interest payments of approximately \$225,000 annually, due October 5, 2021	617,000	804,000
Debenture payable, 2.75% - 3.35%, repayable in annual principal and semi-annual interest payments of approximately \$365,500 annually, with a balloon payment of \$735,000, due March, 6, 2022	2,002,000	2,300,000
Debenture payable, 2.45% - 3.20%, repayable in annual principal and semi-annual interest payments of approximately \$677,500 annually with a balloon payment of \$3,135,000, due June 3, 2023	5,810,000	6,305,000
Debenture payable, 5.84%, repayable in blended semi-annual payments of \$119,573, due August 12, 2024	1,195,935	1,358,102
Debenture payable, 5.875%, repayable in blended semi-annual payments of \$856,527, due August 12, 2025	9,716,747	10,810,516
Debenture payable, 1.35%-2.45%, repayable in annual principal and semi-annual interest payments of approximately \$133,500 annually, due November 30, 2026	974,000	1,088,000
Debenture payable, 4.7% - 5.35%, repayable in annual principal and semi-annual interest payments ranging from \$195,266 to \$164,280 annually, due June 3, 2030	1,577,000	1,689,000
Debenture payable, 2% - 3.45%, repayable in annual principal and semi-annual interest payments ranging from \$430,683.25 to \$770,754.50 annually, due May 30, 2038	9,250,000	-
	<b>\$ 32,178,682</b>	<b>\$ 26,251,618</b>

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

(b) Future principal payments for net long-term liabilities are as follows:

	<b>Principal</b>
2019	\$ 3,756,748
2020	3,542,015
2021	3,315,005
2022	3,955,997
2023	6,165,291
Subsequent to 2023	11,443,626
	<b>\$ 32,178,682</b>

(c) The long-term liabilities in (a) of this note issued in the name of the County, as well as those pending issues of long-term liabilities and commitments to be financed by revenues beyond the term of Council, have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(d) Total charges for the year for net long-term liabilities are as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Principal Payments	3,322,936	3,193,331
Interest	1,260,803	1,279,013
	<u>4,583,739</u>	<u>4,472,344</u>

(e) The charges shown on the previous table are recovered as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
General Municipal Revenues	4,026,339	3,992,525
Development Charges	557,400	479,819
	<u>4,583,739</u>	<u>4,472,344</u>

(f) Net long-term liabilities are to be recovered are as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Net Long-Term Liabilities		
Recovered from General Municipal Revenues	29,794,682	23,484,618
Recovered from Development Charges	2,384,000	2,767,000
	<u>32,178,682</u>	<u>26,251,618</u>

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

(g) Wellington Housing Corporation:

The mortgage payable is held by the Canadian Mortgage and Housing Corporation at an interest rate of 0.94% with monthly installments of \$11,323 (2017 - \$11,323) principal and interest and due September 2020.

Principal payments required on long-term debt for the next two years are due as follows:

	<b>Principal</b>
2019	129,399
2020	620,752
	\$ 750,151

**10. TANGIBLE CAPITAL ASSETS**

County tangible capital assets are identified by asset type. The cost of tangible capital assets, their accumulated amortization and net book value are disclosed in the following schedule:

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

<b>Cost</b>	<b>December 31, 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2018</b>
Land	\$ 32,550,316	\$ 1,081,348	\$ -	\$ 33,631,664
Landfill Sites	1,871,638	-	-	1,871,638
Buildings	169,077,741	17,325,051	(518,900)	185,883,892
Infrastructure				
Roads	326,965,354	13,554,615	(347,539)	340,172,430
Bridges	81,982,317	2,923,094	(271,964)	84,633,447
Culverts	20,012,959	855,207	-	20,868,166
Traffic Lights	2,924,929	138,963	(81,866)	2,982,026
Trails	244,777	-	-	244,777
Parking Lots	1,309,310	1,181,359	(57,463)	2,433,206
Vehicles & Machinery				
Licensed Equipment	11,344,564	1,661,403	(1,161,007)	11,844,960
Unlicensed Equipment	6,915,454	1,198,219	(890,359)	7,223,314
Furniture & Fixtures	7,218,490	848,613	(84,975)	7,982,128
Technology & Communications	5,808,465	803,331	(1,080,913)	5,530,883
Library Books	3,120,842	641,577	(534,819)	3,227,600
Wellington Housing Corporation	2,667,593	158,051	(86,156)	2,739,488
Public Health	11,175,476	(23,251)	(234,214)	10,918,011
Capital Work-in Progress	18,368,406	4,121,078	(13,466,945)	9,022,539
<b>Total</b>	<b>\$ 703,558,631</b>	<b>\$ 46,468,658</b>	<b>\$ (18,817,120)</b>	<b>\$ 731,210,169</b>

<b>Accumulated Amortization</b>	<b>December 31, 2017</b>	<b>Amortization Expense</b>	<b>Disposals</b>	<b>December 31, 2018</b>
Land	\$ -	\$ -	\$ -	\$ -
Landfill Sites	(955,461)	(2,925)	-	(958,386)
Buildings	(48,585,662)	(6,930,663)	354,677	(55,161,648)
Infrastructure				
Roads	(166,668,259)	(8,972,555)	322,100	(175,318,714)
Bridges	(44,669,697)	(1,606,306)	271,964	(46,004,039)
Culverts	(8,684,329)	(470,275)	-	(9,154,604)
Traffic Lights	(1,936,655)	(155,145)	81,866	(2,009,934)
Trails	(21,937)	(10,707)	-	(32,644)
Parking Lots	(503,435)	(125,049)	43,306	(585,178)
Vehicles & Machinery				
Licensed Equipment	(4,632,055)	(1,050,169)	899,241	(4,782,983)
Unlicensed Equipment	(3,062,637)	(623,122)	652,144	(3,033,615)
Furniture & Fixtures	(3,359,839)	(526,701)	85,302	(3,801,238)
Technology & Communications	(3,675,737)	(738,695)	1,080,913	(3,333,519)
Library Books	(1,485,731)	(634,932)	534,819	(1,585,844)
Wellington Housing Corporation	(355,486)	(134,090)	20,839	(468,737)
Public Health	(3,169,063)	(619,869)	231,770	(3,557,162)
<b>Total</b>	<b>\$ (291,765,983)</b>	<b>\$ (22,601,203)</b>	<b>\$ 4,578,941</b>	<b>\$ (309,788,245)</b>

<b>Net Book Value</b>	<b>December 31, 2017</b>			<b>December 31, 2018</b>
Land	\$ 32,550,316			\$ 33,631,664
Landfill Sites	916,177			913,252
Buildings	120,492,079			130,722,244
Infrastructure				
Roads	160,297,095			164,853,716
Bridges	37,312,620			38,629,408
Culverts	11,328,630			11,713,562
Traffic Lights	988,274			972,092
Trails	222,840			212,133
Parking Lots	805,875			1,848,028
Vehicles & Machinery				
Licensed Equipment	6,712,509			7,061,977
Unlicensed Equipment	3,852,817			4,189,699
Furniture & Fixtures	3,858,651			4,180,890
Technology & Communications	2,132,728			2,197,364
Library Books	1,635,111			1,641,756
Wellington Housing Corporation	2,312,107			2,270,751
Public Health	8,006,413			7,360,849
Capital Work-in-Progress	18,368,406			9,022,539
<b>Total</b>	<b>\$ 411,792,648</b>			<b>\$ 421,421,924</b>

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

**(a) Assets Under Construction**

Assets under construction having a value of \$9,022,539 (2017 - \$18,368,406) have not been amortized. Amortization of these assets will commence when the asset is available for use.

**(b) Write-Down of Tangible Capital Assets and Loss on Disposal**

The write-down of tangible capital assets during the year was \$0 (2017 - \$0). The loss on disposal of assets during the year was \$466,857 (2017 - \$110,296).

**11. ACCUMULATED SURPLUS**

Accumulated surplus shown on the Consolidated Statement of Financial Position is analyzed below:

<b>As at December 31</b>	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Surplus:</b>		
Invested in Tangible Capital Assets	421,421,924	411,792,648
Invested in Capital Fund	15,722,458	8,946,536
Share of Public Health Unit (Note 15)	2,230,346	2,007,857
Amount Recovered from Public Health	611,964	611,964
Amounts to be Recovered		
From Future Revenues		
Net Long-Term Liabilities	(32,928,833)	(27,130,062)
Post-Employment Benefits	(2,180,162)	(2,136,158)
Landfill Liability	(584,355)	(1,467,869)
From Reserve Funds		
Landfill Liability	(7,450,721)	(6,689,659)
WSIB	(1,323,092)	(1,328,487)
<b>Total Surplus</b>	<b>395,519,529</b>	<b>384,606,770</b>
<b>Reserves set aside by Council for:</b>		
Capital	40,251,045	36,225,740
Contingencies and Stabilization	16,285,406	14,208,390
Equipment Replacement	4,795,658	5,461,793
Benefit and Insurance	3,276,719	3,031,488
Programme Specific	2,774,150	2,553,968
Hospital Redevelopment	-	880,000
<b>Total Reserves</b>	<b>67,382,978</b>	<b>62,361,379</b>
<b>Reserve Funds set aside for specific purposes by Council for:</b>		
Landfill Closure and Post Closure	7,450,721	6,689,659
Workplace Safety and Insurance	3,464,351	3,305,439
Housing Regeneration	2,410,787	1,034,709
Housing Development	1,474,588	243,731
Museum Donations and Endowments	156,564	120,329
Library Donations	91,028	45,721
Wellington Terrace Donations	63,767	57,933
Best Start Programme	-	200,480
<b>Total Reserve Funds</b>	<b>15,111,806</b>	<b>11,698,001</b>
<b>Accumulated Surplus</b>	<b>\$ 478,014,313</b>	<b>\$ 458,666,150</b>

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

**12. TAXATION**

Under PS3510, taxes receivable and tax revenue are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Property Tax Levy	95,079,100	91,427,400
Supplementary & Omitted Taxes	2,212,685	2,075,669
Payment in Lieu of Taxes	721,500	671,679
Other	31,640	30,895
	98,044,925	94,205,643
Less:		
Property Taxes written off as uncollectible	(808,366)	(833,662)
Provision for Assessment at Risk	(125,000)	(123,979)
	(933,366)	(957,641)
Tax Revenue recognized	\$ 97,111,559	\$ 93,248,002

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

**13. PROVINCIAL AND FEDERAL GOVERNMENT TRANSFERS**

The government transfers reported on the Consolidated Statement of Operations are:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Provincial Government Transfers		
Affordable Housing Construction Funding	195,266	205,100
Community Homelessness Prevention Initiative, SHEEP	3,608,384	3,338,926
Community Policing Partnership, RIDE, 1000 Officers, Court Security	358,261	322,808
Health Unit – Ministry of Children and Youth Services	831,175	805,545
Health Unit – Ministry of Health and Long Term Care	4,874,185	4,812,743
Library Capacity Grant	15,775	63,100
Library Operating Grant	152,454	152,454
Library Other Grants	10,654	53,639
Long Term Care Operating Subsidy	9,458,245	9,043,833
MCI Immigration Funding	106,271	-
Ministry of Education Funding Childcare	23,176,321	14,821,908
Ministry of Municipal Affairs-Investing in Affordable Housing	4,069,432	6,532,714
Museum Operating Grant & Other	57,304	54,658
Ontario Community Infrastructure Fund (OCIF)	701,170	840,760
Ontario Municipal Partnership Fund (OMPF)	1,774,200	2,087,200
Ontario Works Administration Subsidy	4,846,756	4,761,066
Ontario Works Benefit Subsidy	18,841,792	18,260,116
Ontario Works Provincial Addictions Funding	119,275	116,525
Strong Communities Rent Supplement	582,167	582,167
Waste Diversion Ontario, Stewardship Ontario, OTS Tire	865,674	709,466
Other	1,658,004	359,588
<b>Subtotal Provincial Government Transfers</b>	<b>\$76,302,765</b>	<b>\$67,924,316</b>
Federal Government Transfers		
Canada 150 Community Infrastructure	-	115,657
Citizenship and Immigration Canada Subsidy	421,614	375,984
FCM Asset Management Grant	35,401	-
Federal Block Funding Housing	3,006,307	3,098,195
Federal Gas Tax	2,740,633	1,458,626
Health Unit - Public Health Agency of Canada	14,700	12,073
Homeless Partnering Strategy	128,025	105,953
<b>Subtotal Federal Government Transfers</b>	<b>\$6,346,680</b>	<b>\$5,166,488</b>
<b>Total Government Transfers</b>	<b>\$ 82,649,445</b>	<b>\$73,090,804</b>



**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

**14. CONTINGENT LIABILITIES AND COMMITMENTS**

In the normal course of its operations, the County is subject to various litigations and claims. The ultimate outcome of these claims cannot be determined at this time.

The County has approved a grant of 20% of eligible costs to a maximum of \$5.0 million for the redevelopment of Groves Memorial Community Hospital (GMCH) in the Township of Centre Wellington. As of December 31, 2018 the sum of \$3,562,388 (2017 - \$3,561,097) has been paid to GMCH, leaving an outstanding commitment of \$1,437,612 (2017 - \$1,438,903).

In June 2014 the County approved capital improvement grants for three County hospital foundations; Groves Memorial Community Hospital Foundation, \$5,000,000; the Mount Forest Louise Marshall Hospital Foundation, \$2,200,000; and the Palmerston & District Hospital Foundation \$2,200,000; for a total pledge of \$9,400,000 over the five-year period 2015 to 2019. As of December 31, 2018 the sum of \$1,760,000 (2017 - \$1,320,000) has been paid to the Palmerston & District Hospital Foundation, leaving an outstanding commitment of \$440,000 (2017 - \$880,000). The sum of \$1,500,000 (2017 - \$500,000) has been paid to the Mount Forest Louise Marshall Hospital Foundation, leaving an outstanding commitment of \$700,000 (2017 - \$1,700,000). To date no payments have been made to Groves Memorial Community Hospital Foundation related to the additional grant.

**15. GOVERNMENT PARTNERSHIP**

The County of Wellington is a partner in the Wellington-Dufferin-Guelph Health Unit. The County provides 32.0% (2017 - 32.7%) of the municipal funding to the Health Unit for the Cost Shared Mandatory and related programs, and is responsible for a similar share of the assets, liabilities and municipal position of the Health Unit. For 2018, based on updated 2016 Census information, the County share decreased by 0.7% except for the share of the long-term loan which remains at 32.7%. The County's share of the results of the Health Unit's financial activities for the year and its financial position at year end have been consolidated in these financial statements. At December 31, 2018, the Health Unit's financial results and financial position are as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Financial Assets	7,976,783	7,624,987
Liabilities	(14,124,423)	(15,555,034)
Non-Financial Assets	23,120,690	24,577,512
Accumulated Surplus	16,973,050	16,647,465
Revenues	27,085,026	26,234,478
Expenses	26,759,441	26,039,401
Annual Surplus	325,585	195,077

The County Share of the Health Unit's assets, liabilities and accumulated surplus are as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Share of Health Unit (Note 11)	2,230,346	2,007,857
Long-Term Debt (County share remains at 32.7%)	(3,799,106)	(4,086,907)
Post-Employment Liability (Note 7)	(442,041)	(483,641)
Invested in Tangible Capital Assets (Note 10)	7,360,849	8,006,413
Accumulated Surplus	5,350,048	5,443,722

## **Notes to the Financial Statements For the Year Ended December 31, 2018**

On December 19, 2012, the County entered into a Financing Agreement with the Wellington-Dufferin-Guelph Public Health Unit, the County of Dufferin and the City of Guelph, to finance the County portion of the cost of building the two new facilities at Chancellors Way, Guelph, and Broadway, Orangeville. The Financing Agreement allows for quarterly advances of capital by the County of Wellington to Public Health beginning in January 2013, until the completion of the new facilities. The total amount of the advances from all obligated municipalities will not exceed \$24,400,000 and based on 2011 Census population information, the County of Wellington's obligation is 32.7% or \$8,000,000. The interest rate on the loan repayment from the Health Unit to the County will be 3.34% per annum, and the term and amortization of the loan will be twenty years. The whole or any part of the capital financing under this agreement may be prepaid at any time without penalty or bonus and in April of 2017, the Health Unit prepaid \$611,964. At December 31, 2018 the balance of the loan receivable is \$3,799,106 (2017 - \$4,086,907).

### **16. PUBLIC LIABILITY INSURANCE**

The County has a comprehensive program of risk identification, evaluation and control to minimize the risk of injury to its employees and third parties and to minimize the risk of damage to its property and the property of others.

The County's purchased general liability insurance policy is \$25,000,000 per occurrence with no aggregate. The environmental liability policy is the maximum that can be purchased at \$3,000,000 per occurrence with an aggregate of \$5,000,000. The County's licensed fleet is insured with liability coverage of \$25,000,000. The deductible (self-insurance) is \$10,000 on fleet policies and \$50,000 on property and liability. The County also carries a legal expense reimbursement policy that covers 100% of legal fees to a maximum of \$100,000 per claim with an annual aggregate of \$250,000.

Based on claims received to December 31, 2018, the maximum deductible exposure to the County is estimated at \$542,000. These claims have not been accrued in the Financial Statements because the outcome of these claims is not known and the loss will be accounted for in the period in which the loss, if any, becomes likely and can be reasonably estimated. For claims not covered by purchased insurance, the County has established a reserve, which as at December 31, 2018 totaled \$427,367 (2017 - \$414,119).

### **17. PENSION AGREEMENTS**

The County makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of approximately 664 (2017 - 660) members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay.

Contributions of employees with a normal retirement age of 65 were being made at a rate of 9.0% for earnings up to the yearly maximum pensionable earnings of \$57,400 and at a rate of 14.6% for earnings over the yearly maximum.

The County's contribution to OMERS for 2018 was \$3,818,064 (2017 - \$3,762,151) for current service and past service costs and is included as an expense on the Consolidated Statement of Operations. Employee contribution to OMERS in 2018 was \$3,818,064 (2017 - \$3,762,151).

As per PSAB 3250.111, the County of Wellington is current with all payments to OMERS, therefore, there is neither a surplus or deficit with the County's pension plan contributions.

As at December 31, 2018, the OMERS Primary Plan had a funded ratio of assets to pension obligations of 96% (2017 - 94%). The OMERS pension plan funding deficit remains \$5.4 billion (2017 - \$5.4 billion).

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

**18. SOCIAL HOUSING PROPERTIES**

The County has title to the 1,189 Social Housing units of the former Wellington-Guelph Housing Authority. The units are located in the City of Guelph and throughout the County. The related debt on these units remains with the Province of Ontario. Of the \$3,006,308 (2017 - \$3,098,194) in federal government subsidies provided to the County for social housing, \$961,006 (2017 - \$1,015,066) is retained by the province to fund the associated debt servicing costs.

The County owns 100% of the shares of Wellington Housing Corporation which owns 440 King Street East in Mount Forest. 440 King Street is a 35-unit townhouse complex that is split approximately 50/50 between RGI and market rent units. At December 31, 2018 the mortgage outstanding was \$750,151 (2017 - \$878,444)

**19. BUDGET DATA**

The budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council on January 24, 2018 and 2018 capital budget amendments in the amount of \$9,430,000 (2017 - \$3,937,200) approved by Council throughout the year. Amortization was not included in the approved budget, however it has been included in the consolidated financial statements budget based on the estimated annual amortization presented to Council prior to budget approval per Ontario Regulation 284/09. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	2018 Budget	2017 Budget
	\$	\$
<b>Revenues</b>		
Operating Budget	214,247,700	200,932,200
Capital Budget	43,097,000	35,402,200
Health Unit and WHC Budget	6,050,259	5,803,346
Less:		
Transfers from other funds	(23,774,600)	(22,173,800)
New debt financing	(4,360,000)	(4,663,000)
Internal recoveries	(6,928,400)	(6,506,100)
<b>Total Revenues</b>	<u>228,331,959</u>	<u>208,794,846</u>
<b>Expenses</b>		
Operating Budget	214,247,700	200,680,000
Capital Budget	43,097,000	35,402,200
Amortization	22,100,000	21,000,000
Health Unit and WHC Budget	6,050,259	5,798,396
Less:		
Transfer to other funds	(23,216,200)	(22,586,200)
Capital Expenses	(43,097,000)	(35,402,200)
Debt principal payments	(3,449,900)	(3,065,000)
Internal charges	(6,553,600)	(6,175,200)
<b>Total Expenses</b>	<u>209,178,259</u>	<u>195,651,996</u>
<b>Annual Surplus</b>	<u>19,153,700</u>	<u>13,142,850</u>

**20. COMPARATIVE FIGURES**

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

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

**21. SEGMENTED INFORMATION**

The County of Wellington is a diversified municipal government institution that is responsible for ensuring the provision of a wide range of services to its citizens, including police, roads, solid waste services, ambulance, public health, child care, social housing, Ontario Works, homes for the aged, museum, library and planning.

County services are provided by departments and their activities are reported in the Consolidated Statement of Operations. Certain departments have been separately disclosed in the segmented information in the following schedule.

<b>2018</b>											
	General Government	Protection	Transportation Services	Environmental Services	Health Services	Social Housing	Social and Family Services	Library	Museum	Planning & Development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues											
Taxation	10,036,804	18,047,825	27,748,859	5,309,932	7,363,716	5,143,550	11,305,310	6,801,916	2,105,874	3,247,773	97,111,559
Grants and Subsidies	1,880,472	358,261	3,477,204	865,674	5,720,059	11,869,723	58,236,803	178,883	57,304	5,062	82,649,445
Municipal Revenue	-	248,907	2,627,591	-	52,126	15,999,058	5,419,718	29,760	-	73,852	24,451,012
Fees & Service Charges	466,870	96,366	755,348	3,921,356	(2,115)	(56,420)	5,166,884	102,948	89,871	389,437	10,930,545
Licences, Permits, Rents	1,253,659	114,765	-	8,992	-	6,991,448	-	47,980	53,381	-	8,470,225
Interest, Donations, Other	2,608,317	11,847	-	-	46,789	110,259	73,389	56,966	7,031	19,162	2,933,760
Development Charges	25,413	79,674	2,465,505	-	53,165	-	45,664	195,024	-	-	2,864,445
<b>Total Revenues</b>	<b>16,271,535</b>	<b>18,957,645</b>	<b>37,074,507</b>	<b>10,105,954</b>	<b>13,233,740</b>	<b>40,057,618</b>	<b>80,247,768</b>	<b>7,413,477</b>	<b>2,313,461</b>	<b>3,735,286</b>	<b>229,410,991</b>
Expenses											
Salaries and Benefits	8,792,287	489,597	7,595,299	2,354,956	3,956,175	3,768,297	26,783,080	4,228,741	1,478,257	2,170,213	61,616,902
Goods and Services	5,585,115	625,176	8,356,484	6,003,639	3,357,655	6,128,244	4,028,439	1,293,660	549,792	598,146	36,526,350
Transfer Payments	328,424	15,667,821	-	-	6,609,430	20,435,794	40,879,369	-	-	639,513	84,560,351
Insurance and Interest	981,474	128,019	1,689,406	201,281	95,993	373,927	992,029	233,552	35,648	26,693	4,758,022
Amortization	1,292,129	875,218	12,623,978	214,322	619,870	3,574,395	1,279,021	1,821,998	227,636	72,636	22,601,203
<b>Total Expenses</b>	<b>16,979,429</b>	<b>17,785,831</b>	<b>30,265,167</b>	<b>8,774,198</b>	<b>14,639,123</b>	<b>34,280,657</b>	<b>73,961,938</b>	<b>7,577,951</b>	<b>2,291,333</b>	<b>3,507,201</b>	<b>210,062,828</b>
Excess (deficiency) of Revenue over Expenses	(707,894)	1,171,814	6,809,340	1,331,756	(1,405,383)	5,776,961	6,285,830	(164,474)	22,128	228,085	19,348,163

**Notes to the Financial Statements  
For the Year Ended December 31, 2018**

<b>2017</b>											
	General Government	Protection	Transportation Services	Environmental Services	Health Services	Social Housing	Social and Family Services	Library	Museum	Planning & Development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues											
Taxation	11,028,902	17,365,600	25,356,100	5,136,600	6,686,200	5,345,000	10,597,100	6,590,200	2,012,300	3,130,000	93,248,002
Grants and Subsidies	2,155,968	322,808	2,415,043	709,466	5,630,360	14,047,924	47,485,384	269,193	54,658	-	73,090,804
Municipal Revenue	7,500	249,424	1,972,353	-	70,406	15,968,449	5,687,171	30,960	-	56,338	24,042,601
Fees & Service Charges	467,182	137,391	311,085	4,121,889	(2,624)	(41,044)	5,042,712	95,187	100,493	332,102	10,564,373
Licences, Permits, Rents	1,103,933	114,335	-	7,637	-	6,528,804	-	43,890	40,062	-	7,838,661
Interest, Donations, Other	2,550,794	2,660	15,000	-	24,637	2,414	57,426	81,948	1,985	971	2,737,835
Development Charges	29,950	52,002	1,198,621	-	62,273	-	63,426	306,561	-	-	1,712,833
<b>Total Revenues</b>	<b>17,344,229</b>	<b>18,244,220</b>	<b>31,268,202</b>	<b>9,975,592</b>	<b>12,471,252</b>	<b>41,851,547</b>	<b>68,933,219</b>	<b>7,417,939</b>	<b>2,209,498</b>	<b>3,519,411</b>	<b>213,235,109</b>
Expenses											
Salaries and Benefits	8,662,705	444,124	5,215,383	2,374,606	3,924,101	3,805,735	25,745,660	4,031,261	1,463,001	2,097,546	57,764,122
Goods and Services	5,172,660	684,819	9,841,414	6,429,147	2,374,289	10,101,231	3,469,431	1,366,920	508,317	582,043	40,530,271
Transfer Payments	362,200	15,245,718	-	-	6,204,908	19,180,920	33,239,670	-	427	671,994	74,905,837
Insurance and Interest	1,170,490	122,545	452,131	179,530	128,546	331,034	988,433	144,187	32,975	22,804	3,572,675
Amortization	1,087,513	850,601	12,545,516	324,648	756,486	3,263,388	1,295,328	1,817,098	201,920	72,627	22,215,125
<b>Total Expenses</b>	<b>16,455,568</b>	<b>17,347,807</b>	<b>28,054,444</b>	<b>9,307,931</b>	<b>13,388,330</b>	<b>36,682,308</b>	<b>64,738,522</b>	<b>7,359,466</b>	<b>2,206,640</b>	<b>3,447,014</b>	<b>198,988,030</b>
Excess (deficiency) of Revenue over Expenses	888,661	896,413	3,213,758	667,661	(917,078)	5,169,239	4,194,697	58,473	2,858	72,397	14,247,079

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**Wellington Housing Corporation**  
**Financial Statements**  
**For the year ended December 31, 2018**

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KPMG LLP  
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2<sup>nd</sup> Floor  
Waterloo ON N2J 5A3  
Canada  
Tel 519 747-8800  
Fax 519 747-8830

## INDEPENDENT AUDITORS' REPORT

### To the Members of Board of Directors Wellington Housing Corporation

We have audited the financial statements of Wellington Housing Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net debt 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, its changes in net debt 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.

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.

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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

April 9, 2019

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**Wellington Housing Corporation**  
**Statement of Financial Position**

<b>As at December 31</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents (Note 3)	207,859	7,003
Accounts Receivable (Note 4)	168,584	214,498
Portfolio Investments (Note 3)	79,338	69,079
<b>Total Financial Assets</b>	<b>455,781</b>	<b>290,580</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	46,808	47,267
Deferred Revenue	14,171	15,441
Mortgage Payable (Note 5)	750,151	878,444
<b>Total Liabilities</b>	<b>811,130</b>	<b>941,152</b>
<b>Net Debt</b>	<b>(355,349)</b>	<b>(650,572)</b>
<b>Non-Financial Assets</b>		
Tangible Capital Assets (Note 6)	2,270,751	2,312,107
<b>Accumulated Surplus (Note 7)</b>	<b>1,915,402</b>	<b>1,661,535</b>

The accompanying notes are an integral part of these financial statements

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**Wellington Housing Corporation**  
**Statement of Operations**

<b>For the year ended December 31</b>	<b>(Note 8)</b> <b>Budget</b> <b>\$</b>	<b>2018</b> <b>\$</b>	<b>2017</b> <b>\$</b>
<b>Revenues</b>			
Rental revenues	208,000	213,105	195,687
Operating subsidies	426,000	426,004	598,956
Capital subsidies	-	-	172,442
Interest and other	-	10,259	2,414
<b>Total revenues</b>	<b>634,000</b>	<b>649,368</b>	<b>969,499</b>
<b>Expenses</b>			
Office and general	15,000	18,525	15,405
Professional fees	-	14,037	22,183
Management fees	-	27,067	33,560
Repairs and maintenance	331,000	110,340	205,913
Property taxes	-	-	52,425
Utilities	-	6,187	6,908
Insurance	25,000	6,556	12,547
Interest and bank charges	138,000	8,307	9,616
Amortization	-	134,090	118,714
Bad debt expense	-	5,075	-
Loss on disposal of tangible capital assets	-	65,317	-
<b>Total expenses</b>	<b>509,000</b>	<b>395,501</b>	<b>477,271</b>
<b>Excess of revenue over expenses</b>	<b>125,000</b>	<b>253,867</b>	<b>492,228</b>
Accumulated surplus, beginning of year	1,661,535	1,661,535	-
Excess of fair value over carrying amount of tangible capital assets transferred from MFNPH	-	-	1,169,307
<b>Accumulated surplus, end of year</b>	<b>1,786,535</b>	<b>1,915,402</b>	<b>1,661,535</b>

The accompanying notes are an integral part of these financial statements

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**Wellington Housing Corporation**  
**Statement of Changes in Net Debt**

<b>For the year ended December 31</b>	<b>(Note 8)</b> <b>Budget</b> <b>\$</b>	<b>2018</b> <b>\$</b>	<b>2017</b> <b>\$</b>
<b>Excess of revenue over expenses</b>	<b>125,000</b>	<b>253,867</b>	<b>492,228</b>
Loss on disposal of tangible capital assets	-	65,317	-
Acquisition of tangible capital assets	(185,000)	(158,051)	(267,298)
Amortization of tangible capital assets	-	134,090	118,714
Mortgage payable assumed	-	-	(994,216)
<b>Decrease (increase) in net debt</b>	<b>(60,000)</b>	<b>295,223</b>	<b>(650,572)</b>
Net debt, beginning of year	(650,572)	(650,572)	-
<b>Net debt, end of year</b>	<b>(710,572)</b>	<b>(355,349)</b>	<b>(650,572)</b>

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**Wellington Housing Corporation**  
**Statement of Cash Flows**

**For the year ended December 31** **2018** **2017**  
**\$** **\$**

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**Cash provided by (used in):**

**Operating activities:**

Excess of revenue over expenses	253,867	492,228
Items not involving cash:		
Amortization	134,090	118,714
Loss on disposal of tangible capital assets	65,317	-
Net change in non-cash working capital items	44,185	(140,467)
<b>Net cash provided by operating activities</b>	<b>497,459</b>	<b>470,475</b>

**Cash flows from investing activities**

Purchase of tangible capital assets	(158,051)	(267,298)
Increase in portfolio investments	(10,259)	(69,079)
<b>Net cash used in investing activities</b>	<b>(168,310)</b>	<b>(336,377)</b>

**Cash flows from financing activities**

Long-term debt repaid	(128,293)	(127,095)
<b>Net cash used in financing activities</b>	<b>(128,293)</b>	<b>(127,095)</b>

Net change in cash and cash equivalents	200,856	7,003
Cash and cash equivalents, beginning of year	7,003	-
<b>Cash and cash equivalents, end of year</b>	<b>207,859</b>	<b>7,003</b>

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# **Wellington Housing Corporation**

## **Notes to the Financial Statements**

### **For the year ended December 31, 2018**

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#### **1. AUTHORITY AND PURPOSE**

The Wellington Housing Corporation (the "Corporation") is incorporated with share capital under the Ontario Business Corporations Act to provide, operate and construct housing accommodation primarily for persons of low and moderate income.

The Corporation operates the following non-profit property under Parts V1 and V11 of the Housing Services Act (HAS): 440 King Street East, Mount Forest, ON. At the end of 2016, Mount Forest Non-Profit Housing Corporation, previously operating 440 King Street East was dissolved.

Effective January 1, 2017 all assets, liabilities, and operations of Mount Forest Non-Profit Housing Corporation were transferred to Wellington Housing Corporation with a net asset value of \$1,169,307. Mount Forest Non-Profit Housing Corporation is a related party to Wellington Housing Corporation due to common control with the County of Wellington. The net assets were transferred to Wellington Housing Corporation at the carrying amounts recorded by the County of Wellington at January 1, 2017.

The Corporation's shares are 100% owned by the County of Wellington. The County is also the Service manager for the Corporation. The Corporation is exempt from tax under the Federal Income Tax Act.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

As an entity controlled by a local government, the Corporation is required to follow PSA standards. The financial statements have been prepared in accordance with public sector accounting standards.

(a) Basis of accounting

The Corporation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned. Expenses are recognized as they are incurred and are measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) 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, is amortized on a straight line basis over their estimated useful lives as follows:

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**Wellington Housing Corporation**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

<b>Major Asset Classification</b>	<b>Component Breakdown</b>	<b>Useful Life - Years</b>
Land		N/A
Buildings	Structure	15 to 50
	Exterior	20 to 40
	Interior	15 to 40
	Site Elements	10 to 30
	Leasehold Improvements	Lease Term
Infrastructure	Parking Lots - Asphalt	20
	Parking Lots - Gravel	10
Furniture & Fixtures		15
Technology & Communications		5

(c) Contributions of tangible capital assets

All assets contributed to the Corporation are recorded at their fair value at the time of contribution. Revenue at an equal amount is recognized at the time of contribution.

(d) Reserves and reserve funds

Annual surplus amounts are transferred to reserves designated for capital expenditures. Withdrawals from the reserves must have Board of Directors approval.

(e) Government transfers

Government transfers are received from the Service Manager and the Province for the provision of social housing services, building construction and other capital expenditures. Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recorded as deferred revenue on Statement of Financial Position and recognized as revenue on Statement of Operations as the liability is extinguished.

(f) Rental Revenue

Rental and other revenue is recognized at the time the services are provided.

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**Wellington Housing Corporation**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(g) Investments

Investments consist of equity and bond funds and are carried at cost. Losses are recognized when the decline in market value is other than temporary. Gains and losses on investments are recorded when the investment is sold and interest is recorded when received or receivable.

(h) Cash and cash equivalents

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

(i) Use of estimates

The preparation of financial statements, in conformity with PSAS, 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 dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**3. CASH AND CASH EQUIVALENTS AND PORTFOLIO INVESTMENTS**

Total cash and cash equivalents of \$207,859 (2017 - \$7,003) are reported on the Statement of Financial Position at cost.

Total portfolio investments of \$79,338 (2017 - \$69,079) are reported on the Statement of Financial Position at cost and have a market value of \$84,814 (2017 - \$90,055).

**4. ACCOUNTS RECEIVABLE**

Accounts receivable recorded on the balance sheet are composed of the following:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
GST/HST Receivable	89,610	87,833
Rent	3,974	1,665
County Subsidy	75,000	125,000
Total	168,584	214,498



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**Wellington Housing Corporation**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**5. NET LONG-TERM LIABILITIES**

The mortgage payable is held by the Canadian Mortgage and Housing Corporation at an interest rate of 0.94% with monthly installments of \$11,323 (2017 - \$11,323) principal and interest and due September 2020.

The mortgage payable is secured by real estate and chattels owned by the corporation with a carrying value of \$2,270,751 (2017 - \$2,312,107).

Principal payments required on long-term debt for the next two years are due as follows:

	<b>Principal \$</b>
2019	129,399
2020	620,752
Total	750,151

**Wellington Housing Corporation**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

**6. TANGIBLE CAPITAL ASSETS**

Tangible capital assets are identified by asset type. The cost of tangible capital assets, their accumulated amortization and net book value are disclosed in the following schedule:

<b>Cost</b>	<b>Balance at December 31, 2017 (\$)</b>	<b>Additions (\$)</b>	<b>Disposals (\$)</b>	<b>Balance at December 31, 2018 (\$)</b>
Land	304,679			304,679
Buildings	2,041,543	155,604	(86,156)	2,110,991
Infrastructure   Parking Lots	282,380			282,380
Furniture & Fixtures	38,991	2,447		41,438
<b>Total</b>	<b>2,667,593</b>	<b>158,051</b>	<b>(86,156)</b>	<b>2,739,488</b>
<b>Accumulated Amortization</b>	<b>Balance at December 31, 2017 (\$)</b>	<b>Disposals (\$)</b>	<b>Amortization Expense (\$)</b>	<b>Balance at December 31, 2018 (\$)</b>
Land	-	-	-	-
Buildings	(333,691)	20,839	(112,172)	(425,024)
Infrastructure   Parking Lots	(13,128)		(13,128)	(26,256)
Furniture & Fixtures	(8,667)		(8,790)	(17,457)
<b>Total</b>	<b>(355,486)</b>	<b>20,839</b>	<b>(134,090)</b>	<b>(468,737)</b>
<b>Net Book Value</b>	<b>Balance at December 31, 2017 (\$)</b>			<b>Balance at December 31, 2018 (\$)</b>
Land	304,679			304,679
Buildings	1,707,852			1,685,967
Infrastructure   Parking Lots	269,252			256,124
Furniture & Fixtures	30,324			23,981
<b>Total</b>	<b>2,312,107</b>			<b>2,270,751</b>

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**Wellington Housing Corporation**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**7. ACCUMULATED SURPLUS**

Accumulated surplus shows on the Statement of Financial Position is analyzed below:

<b>As at December 31</b>	<b>2018</b>	<b>2017</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>Surplus:</b>		
Invested in Tangible Capital Assets	2,270,751	2,312,107
Long-Term Liabilities	<u>(750,151)</u>	<u>(878,444)</u>
Total Surplus	1,520,600	1,433,663
<b>Reserves set aside by the Corporation Board for:</b>		
WHC Capital Reserve	<u>394,802</u>	<u>227,872</u>
Total Reserves	<u>394,802</u>	<u>227,872</u>
<b>Accumulated Surplus</b>	<b><u>1,915,402</u></b>	<b><u>1,661,535</u></b>

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**Wellington Housing Corporation**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**8. BUDGET DATA**

The budget data presented in these financial statements is based upon the 2017 operating and capital budgets approved by County of Wellington Council on January 25, 2018. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	<b>2018 Budget (\$)</b>	<b>2017 Budget (\$)</b>
<hr/>		
<b>Revenue</b>		
<b>s</b>		
Operating budget	634,000	526,000
Capital budget	185,000	80,000
Less:		
Transfers from other funds	<u>(185,000)</u>	<u>(80,000)</u>
<b>Total revenues</b>	<b><u>634,000</u></b>	<b><u>526,000</u></b>
 <b>Expenses</b>		
Operating budget	634,000	526,000
Capital budget	185,000	80,000
Less:		
Transfer to other funds	(125,000)	(125,000)
Capital expenses	(185,000)	(80,000)
Debt principal repayments	<u>(128,300)</u>	<u>(127,200)</u>
<b>Total expenses</b>	<b><u>380,700</u></b>	<b><u>273,800</u></b>
 <b>Annual Surplus</b>	 <b><u>253,300</u></b>	 <b><u>252,200</u></b>

**9. COMPARATIVE INFORMATION**

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.



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## INDEPENDENT AUDITORS' REPORT

### **To the Members of Council, Inhabitants and Ratepayers of the Corporation of the County of Wellington**

We have audited the financial statements of the Trust Funds The Corporation of the County of Wellington (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets 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, its changes in net financial assets 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.

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.

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.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada  
May 23, 2019

**County of Wellington**  
**Trust Funds – Statement of Financial Position**  
As at December 31, 2018

	Comfort Money	County Wellness Centre	Safe Communities	2018	2017
	\$	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and Bank	40,776	38,570	63,407	142,753	175,056
<b>Liabilities</b>					
Accounts Payable	-	-	1,935	1,935	1,010
<b>Balance</b>	<u>40,776</u>	<u>38,570</u>	<u>61,472</u>	<u>140,818</u>	<u>174,046</u>

**County of Wellington**  
**Trust Funds - Statement of Operations**  
For the year ended December 31, 2018

	Comfort Money	County Wellness Centre	Safe Communities	2018	2017
	\$	\$	\$	\$	\$
<b>Balance at the beginning of the year</b>	39,415	84,734	49,897	174,046	158,436
<b>Source of Funds:</b>					
Deposits	247,250	57,097	36,841	341,188	265,515
<b>Use of Funds</b>					
Withdrawals	245,889	103,261	25,266	374,416	249,905
<b>Balance at the end of the year</b>	<u>40,776</u>	<u>38,570</u>	<u>61,472</u>	<u>140,818</u>	<u>174,046</u>



**Notes to the Trust Fund Financial Statements  
For the Year Ended December 31, 2018**

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**1. ACCOUNTING POLICIES**

These trust funds have not been consolidated with the financial statements of the County of Wellington (the "County").

These financial statements reflect the financial activity and financial position of funds held in trust by the County for residents of the Wellington Terrace Home for the Aged (Comfort Money), for County staff who are the members of the County Wellness Centre and for the Wellington County Safe Communities Committee.

In October 2012 the Safe Communities Trust fund was established. These funds are held in trust by the County for use by the Wellington County Safe Communities Committee.

Funds held in trust are maintained in separate bank accounts by the County on behalf of the Terrace residents and Safe Communities Committee. Net County Wellness Centre membership proceeds are maintained in the County's general bank account. Interest is credited to the funds and allocated to the Terrace residents, County Wellness Centre members and Wellington County Safe Communities Committee on the basis of their individual balances in the fund.