
County of Wellington
Financial Statements
For the year ended December 31, 2017

County of Wellington
Index to Financial Statements
For the year ended December 31, 2017

Consolidated Financial Statements

Independent Auditors' Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Change in Net Financial Assets	3
Consolidated Statement of Cash Flows	4
Notes to the Financial Statements	5-24

Trust Fund Financial Statements

Independent Auditors' Report	
Statements of Financial Position and Operations	27
Notes to the Financial Statements	28



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J
5A3 Canada
Tel 519-747-8800
Fax 519-747-8830

County of Wellington Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of the Corporation of the County of Wellington, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



Page 2

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation of the County of Wellington as at December 31, 2017, and its consolidated results of operations, and 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.

Chartered Professional Accountants, Licensed Public Accountants

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 underlines the text.

Waterloo, Canada
May 24, 2018

County of Wellington
Consolidated Statement of Financial Position

As at December 31	2017	(Note 1 a) i) 2016
	\$	\$
Assets		
Financial Assets		
Cash and Cash Equivalents (Note 3)	20,696,448	25,364,844
Accounts Receivable	9,020,719	7,198,664
Portfolio Investments (Note 3)	80,067,975	77,448,330
Loans Receivable (Note 4)	185,237	230,663
Total Financial Assets	109,970,379	110,242,501
Liabilities		
Accounts Payable and Accrued Liabilities	17,402,489	19,823,918
Deferred Revenue (Note 5)	9,488,094	8,656,453
Landfill Site Closure & Post Closure Liability (Note 6)	8,157,528	7,672,550
Post-Employment/Retirement Liability (Note 7)	2,136,158	2,116,960
WSIB Liability (Note 8)	1,328,487	1,361,143
Wellington Housing Corporation Mortgage (Note 9)	867,121	994,216
Net Long-Term Liabilities (Note 9)	26,251,618	29,444,948
Total Liabilities	65,631,495	70,070,188
Net Financial Assets	44,338,884	40,172,313
Non-Financial Assets		
Tangible Capital Assets (Note 10)	411,792,648	401,439,215
Inventories of Supplies	782,046	768,287
Prepaid Expenses	1,752,572	2,039,256
Total Non Financial Assets	414,327,266	404,246,758
Accumulated Surplus (Note 11)	458,666,150	444,419,071

County of Wellington Consolidated Statement of Operations

For the year ended December 31	(Note 19) Budget	2017	(Note 1 a i)) 2016
	\$	\$	\$
Revenues			
Taxation (Note 12)	91,974,500	93,248,002	88,587,319
Government Transfers			
Provincial (Note 13)	63,189,646	67,924,316	62,614,699
Federal (Note 13)	5,887,700	5,166,488	6,341,679
Municipal	25,817,100	24,042,601	25,486,751
Fees and Service Charges	10,362,700	10,564,373	9,467,963
Licences, Permits, Rent	7,731,000	7,838,662	7,406,818
Interest, Donations, Other	3,138,200	2,737,834	2,824,677
Development Charges Earned	694,000	1,712,833	1,676,416
Total Revenues	208,794,846	213,235,109	204,406,322
Expenses			
General Government	16,029,000	16,455,568	15,667,435
Protection to Persons & Property	17,745,200	17,347,807	18,081,503
Transportation Services	12,905,300	28,054,444	26,313,449
Environmental Services	9,340,800	9,307,931	6,540,688
Health Services	11,873,496	13,388,330	12,149,576
Social Housing	32,184,700	36,682,308	32,720,612
Social and Family Services	62,630,500	64,738,522	60,604,665
Library	6,357,100	7,359,466	6,968,264
Museum	2,123,800	2,206,640	2,220,344
Planning and Development	3,462,100	3,447,014	3,159,036
Total Expenses	174,651,996	198,988,030	184,425,572
Annual Surplus	34,142,850	14,247,079	19,980,750
Accumulated Surplus, Beginning of Year	444,419,071	444,419,071	424,438,321
Accumulated Surplus, End of Year	478,561,921	458,666,150	444,419,071

County of Wellington
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31

	Budget	2017	2016
	\$	\$	\$
Annual Surplus	34,142,850	14,247,079	19,980,750
Acquisition of Tangible Capital Assets	(35,402,200)	(33,033,303)	(35,632,618)
Amortization of Tangible Capital Assets	-	22,215,125	21,113,438
Loss on Disposal of Tangible Capital Assets	-	110,296	819,339
Proceeds on Sale of Tangible Capital Assets	-	354,449	323,984
	<u>(1,259,350)</u>	<u>3,893,646</u>	<u>6,604,893</u>
Acquisition of Inventories of Supplies	-	(782,046)	(768,287)
Acquisition of Prepaid Expenses	-	(1,752,572)	(2,039,256)
Consumption of Inventories of Supplies	-	768,287	884,946
Use of Prepaid Expenses	-	2,039,256	2,730,057
	<u>(1,259,350)</u>	<u>4,166,571</u>	<u>7,412,353</u>
Change in Net Financial Assets	(1,259,350)	4,166,571	7,412,353
Net Financial Assets, Beginning of Year	<u>40,172,313</u>	<u>40,172,313</u>	<u>32,759,960</u>
Net Financial Assets, End of Year	<u>38,912,963</u>	<u>44,338,884</u>	<u>40,172,313</u>

County of Wellington
Consolidated Statement of Cash Flows

For the year ended December 31	2017	(Note 1 a i) 2016
	\$	\$
Cash Provided By (Used In):		
Operating Activities:		
Annual Surplus	14,247,079	19,980,750
Items Not Involving Cash:		
Amortization	22,215,125	21,113,438
Loss on Disposal of Tangible Capital Assets	110,296	819,339
Change in Post Employment/Retirement Liability	19,198	66,198
Change in WSIB Liability	(32,656)	(44,067)
Change in Landfill Liability	484,978	(2,079,794)
Change in Non-Cash Assets and Liabilities:		
Accounts Receivable	(1,822,055)	(1,647,798)
Accounts Payable and Accrued Liabilities	(2,421,429)	4,873,966
Deferred Revenue	831,641	1,771,930
Inventories of Supplies	(13,759)	116,659
Prepaid Expenses	286,684	690,801
Net Change in Cash from Operating Activities	33,905,102	45,661,422
Capital Activities:		
Proceeds on Sale of Tangible Capital Assets	354,449	323,984
Cash Used to Acquire Tangible Capital Assets	(33,033,303)	(35,632,618)
Net Change in Cash from Capital Activities	(32,678,854)	(35,308,634)
Investing Activities:		
Loan Receivable Collected	45,426	28,926
Change in Long-Term Investments	(2,619,645)	(2,798,136)
Net Change in Cash from Investing Activities	(2,574,219)	(2,769,210)
Financing Activities:		
Long-Term debt issued	-	1,200,000
Long-Term debt repaid	(3,320,425)	(3,197,602)
Net Change in Cash from Financing Activities	(3,320,425)	(1,997,602)
Net Change in Cash and Cash Equivalents	(4,668,397)	5,585,976
Cash and Cash Equivalents, Beginning of Year	25,364,844	19,778,868
Cash and Cash Equivalents, End of Year	20,696,448	25,364,844

Notes to the Financial Statements For the Year Ended December 31, 2017

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, municipal enterprises and utilities 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 32.7% (2016 – 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. The County owns 100% of Wellington Housing Corporation's shares. In 2016, due to common control with the County of Wellington, the County included the results of Mount Forest Non-Profit Housing Corporation using reporting standards of the Housing Services Act. However, as an entity controlled by a local government, the Wellington Housing Corporation is required to follow PSAB standards which differ in several areas but most materially in the accounting for tangible capital assets. The County has restated the comparative 2016 financial statements to include this impact which is an increase to the December 31, 2016 accumulated surplus of \$1,169,307.

(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.

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

(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.

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 \$3,357,150 (2016 - \$2,988,611). 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 \$5,114,489 (2016 - \$3,769,111) 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 (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, 2017**

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:

Major Asset Classification	Component Breakdown	Useful Life - Years
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.

(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.

(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.

Notes to the Financial Statements For the Year Ended December 31, 2017

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 \$nil (2016 - \$nil).

(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 \$173,036 (2016 - \$158,436) 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 \$20,696,448 (2016 - \$25,364,844) are reported on the Consolidated Statement of Financial Position at cost.

Total portfolio investments of \$80,067,975 (2016 - \$77,448,330) are reported on the Consolidated Statement of Financial Position at cost and have a market value of \$81,672,525 (2016 - \$80,321,549).

At December 31, 2017 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 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, 2017 was \$72,630 (2016 - \$103,980).

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

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

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, 2017 was \$112,607 (2016 - \$126,683).

5. DEFERRED REVENUE

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

	2017	2016
	\$	\$
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	52,956	162,926
	9,488,094	8,656,453
	2017	2016
Balance, Beginning of Year		
Federal Gas Tax	3,769,111	3,721,401
Development Charges	2,988,611	2,777,225
Deferred Capital Grants	1,400,000	-
Deferred Operating Grants	335,805	211,951
Other	162,926	173,946
	8,656,453	6,884,523
Amounts Received		
Federal Gas Tax	2,681,755	2,635,105
Development Charges	2,489,240	1,816,620
Deferred Capital Grants	-	1,400,000
Deferred Operating Grants	392,251	196,637
Other	16,981	99,787
Interest Earned	227,927	215,164
	5,808,154	6,363,313
Contributions Used	(4,976,513)	(4,591,383)
Balance, End of Year	9,488,094	8,656,453

6. LANDFILL SITE CLOSURE AND POST-CLOSURE LIABILITY

The County is responsible for all aspects of solid waste management. As of December 31, 2017 there were 16 closed landfill sites (of which 5 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, 2017 is \$8,856,937 (2016- \$7,891,217). The amount reported on the Consolidated Statement of Financial Position as of December 31, 2017 is \$8,157,528 (2016 - \$7,672,550) and the amount remaining to be recognized is \$699,409 (2016 - \$218,667).

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 3.26% (2016 – 3.78%).

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

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 92.10% (2016 – 97.23%) of the liability is recognized and reported, which represents the estimated weighted average capacity used to December 31, 2017. It is estimated that sufficient landfill site capacity exists for approximately 25 years.

Of the \$8,157,528 (2016 - \$7,672,550) recognized as a liability, \$1,467,869 (2016 - \$1,668,280) 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 \$6,689,659 (2016 - \$6,004,270) 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 65th 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, 2017 the outstanding balance of sick hours was 1,312 hours (2016 – 1,727 hours).

The present value of these benefit obligations at December 31, 2017 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.

Benefit	Number of Employees Entitled to Benefit as at December 31, 2017	Liability as at December 31, 2017	Liability as at December 31, 2016
		\$	\$
Dental	54	347,029	362,574
Extended Health Care	54	1,231,125	1,162,510
Life Insurance	45	74,363	100,805
County of Wellington Total		1,652,517	1,625,889
Wellington-Dufferin Guelph Public Health Unit		483,641	491,071
Consolidated Total		2,136,158	2,116,960

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

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

	2017	2016
	\$	\$
Accrued Benefit Obligation:		
Balance, beginning of year	2,052,779	2,101,768
Current benefit cost	94,169	88,137
Interest	94,639	96,381
Benefits paid	(214,907)	(233,507)
Actuarial loss	917,868	-
Balance, end of year	<u>2,944,548</u>	<u>2,052,779</u>
Unamortized actuarial loss	<u>(1,292,031)</u>	<u>(426,890)</u>
Liability for benefits	1,652,517	1,625,889
Wellington-Dufferin-Guelph Public Health Unit	<u>483,641</u>	<u>491,071</u>
Consolidated Total	2,136,158	2,116,960

Included in expenses is \$52,727 (2016 - \$52,727) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average remaining service life of 14 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, 2017 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 2017 resulting from approved claims were \$137,666 (2016 - \$34,536) 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 \$1,328,487 (2016 - \$1,361,143).

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

Information about the WSIB liability is as follows:

	2017	2016
	\$	\$
Accrued Benefit Obligation:		
Balance, beginning of year	1,298,829	1,266,671
Current benefit cost	129,160	124,561
Interest	38,905	37,539
Expected benefit payments	(134,591)	(129,942)
Expected accrued benefit obligation, end of year	1,332,303	1,298,829
Actual accrued benefit obligation, end of year	961,697	918,128
Unamortized actuarial gain	366,790	443,015
WSIB Liability	1,328,487	1,361,143

Included as a reduction in expenses is \$76,225 (2016 – \$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, 2017 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 (2017- \$27,118,739, 2016 - \$30,439,164) are direct, unsecured and unsubordinated obligations of the County. Long-term liabilities outstanding for Local Municipal purposes (2017 – \$29,295,109, 2016 - \$32,339,955) 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 Position are comprised of the following:

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

	2017	2016
	\$	\$
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 1.15% - 5.875%)	55,546,727	61,784,903
Long-term liabilities incurred by the County and recoverable from member municipalities	(29,295,109)	(32,339,955)
Net long-term liabilities at the end of the year	26,251,618	29,444,948

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

	2017	2016
Debenture payable, 5%, repayable in annual principal and semi-annual interest payments of approximately \$50,000 annually, due July 2, 2018	\$ 189,000	\$ 373,000
Debenture payable, 4.7% - 4.9%, repayable in annual principal and semi-annual interest payments of approximately \$374,000 annually, due February 5, 2019	708,000	1,047,000
Debenture payable, 4.5% - 4.85%, repayable in annual principal and semi-annual interest payments of approximately \$358,000 annually, due June 3, 2020	1,000,000	1,307,000
Debenture payable, 4.7%-4.85%, repayable in annual principal and semi-annual interest payments of approximately \$226,000 annually, due October 5, 2021	804,000	985,000
Debenture payable, 2.5% - 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	2,300,000	2,591,000
Debenture payable, 2.2% - 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	6,305,000	6,790,000
Debenture payable, 5.84%, repayable in blended semi-annual payments of \$119,573, due August 12, 2024	1,358,102	1,511,197
Debenture payable, 5.875%, repayable in blended semi-annual payments of \$976,101, due August 12, 2025	10,810,516	11,842,751
Debenture payable, 1.3%-2.45%, repayable in annual principal and semi-annual interest payments of approximately \$133,500 annually, due November 30, 2026	1,088,000	1,200,000
Debenture payable, 4.5% - 5.35%, repayable in annual principal and semi-annual interest payments ranging from \$197,156 to \$164,280 annually, due June 3, 2030	1,689,000	1,798,000
	\$ 26,251,618	\$ 29,444,948

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

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

	Principal
2018	\$ 3,322,936
2019	3,259,748
2020	3,035,015
2021	2,796,005
2022	3,423,997
Subsequent to 2022	10,413,917
	\$ 26,251,618

(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:

	2017	2016
	\$	\$
Principal Payments	3,193,331	3,071,694
Interest	1,279,013	1,374,986
	4,472,344	4,446,680

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

	2017	2016
	\$	\$
General Municipal Revenues	3,992,525	3,961,165
Development Charges	479,819	485,515
	4,472,344	4,446,680

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

	2017	2016
	\$	\$
Net Long-Term Liabilities		
Recovered from General Municipal Revenues	23,484,618	26,307,948
Recovered from Development Charges	2,767,000	3,137,000
	26,251,618	29,444,948

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

(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 principal and interest and due September 2020.

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

	Principal
2018	128,293
2019	129,502
2020	609,326
	\$ 867,121

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, 2017**

Cost	December 31, 2016	Additions	Disposals	December 31, 2017
Land	\$ 32,550,316	\$ -	\$ -	\$ 32,550,316
Landfill Sites	1,871,638	-	-	1,871,638
Buildings	152,203,365	17,858,183	(983,807)	169,077,741
Infrastructure				
Roads	319,675,639	7,841,046	(551,331)	326,965,354
Bridges	81,019,743	1,077,441	(114,867)	81,982,317
Culverts	18,873,177	1,539,495	(399,713)	20,012,959
Traffic Lights	2,830,189	152,040	(57,300)	2,924,929
Trails	193,950	50,827	-	244,777
Parking Lots	1,211,355	97,955	-	1,309,310
Vehicles & Machinery				
Licensed Equipment	10,644,794	1,888,373	(1,188,603)	11,344,564
Unlicensed Equipment	6,737,784	245,543	(67,873)	6,915,454
Furniture & Fixtures	6,821,813	703,980	(307,303)	7,218,490
Technology & Communications	6,105,963	347,578	(645,076)	5,808,465
Library Books	3,139,021	658,236	(676,415)	3,120,842
Wellington Housing Corporation	2,498,839	267,298	(98,544)	2,667,593
Public Health	10,909,932	284,409	(18,865)	11,175,476
Capital Work-in Progress	18,347,506	9,635,320	(9,614,420)	18,368,406
Total	\$ 675,635,024	\$ 42,647,724	\$ (14,724,117)	\$ 703,558,631

Accumulated Amortization	December 31, 2016	Amortization Expense	Disposals	December 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Landfill Sites	(888,876)	(66,585)	-	(955,461)
Buildings	(43,097,268)	(6,348,601)	860,207	(48,585,662)
Infrastructure				
Roads	(158,408,815)	(8,789,863)	530,419	(166,668,259)
Bridges	(43,085,190)	(1,699,374)	114,867	(44,669,697)
Culverts	(8,648,857)	(435,185)	399,713	(8,684,329)
Traffic Lights	(1,849,828)	(144,127)	57,300	(1,936,655)
Trails	(12,160)	(9,777)	-	(21,937)
Parking Lots	(396,443)	(106,992)	-	(503,435)
Vehicles & Machinery				
Licensed Equipment	(4,423,666)	(1,113,145)	904,756	(4,632,055)
Unlicensed Equipment	(2,429,567)	(667,180)	34,110	(3,062,637)
Furniture & Fixtures	(3,208,504)	(458,638)	307,303	(3,359,839)
Technology & Communications	(3,446,516)	(874,297)	645,076	(3,675,737)
Library Books	(1,535,988)	(626,158)	676,415	(1,485,731)
Wellington Housing Corporation	(335,316)	(118,714)	98,544	(355,486)
Public Health	(2,428,815)	(756,489)	16,241	(3,169,063)
Total	\$ (274,195,809)	\$ (22,215,125)	\$ 4,644,951	\$ (291,765,983)

Net Book Value	December 31, 2016			December 31, 2017
Land	\$ 32,550,316			\$ 32,550,316
Landfill Sites	982,762			916,177
Buildings	109,106,097			120,492,079
Infrastructure				
Roads	161,266,824			160,297,095
Bridges	37,934,553			37,312,620
Culverts	10,224,320			11,328,630
Traffic Lights	980,361			988,274
Trails	181,790			222,840
Parking Lots	814,912			805,875
Vehicles & Machinery				
Licensed Equipment	6,221,128			6,712,509
Unlicensed Equipment	4,308,217			3,852,817
Furniture & Fixtures	3,613,309			3,858,651
Technology & Communications	2,659,447			2,132,728
Library Books	1,603,033			1,635,111
Wellington Housing Corporation	2,163,523			2,312,107
Public Health	8,481,117			8,006,413
Capital Work-in-Progress	18,347,506			18,368,406
Total	\$ 401,439,215			\$ 411,792,648

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

(a) Assets Under Construction

Assets under construction having a value of \$18,368,406 (2016 - \$18,347,506) 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 \$nil (2016 - \$nil). The loss on disposal of assets during the year was \$110,296 (2016 - \$819,339).

11. ACCUMULATED SURPLUS

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

As at December 31	2017	2016
	\$	\$
Surplus:		
Invested in Tangible Capital Assets	411,792,648	401,439,215
Invested in Capital Fund	8,946,537	15,508,365
Share of Public Health Unit (Note 15)	2,007,856	2,357,380
Amount Recovered from Public Health	611,964	-
Amounts to be Recovered		
From Future Revenues		
Net Long-Term Liabilities	(27,118,739)	(30,439,164)
Post-Employment Benefits	(2,136,158)	(2,116,960)
Landfill Liability	(1,467,869)	(1,668,280)
From Reserve Funds		
Landfill Liability	(6,689,659)	(6,004,270)
WSIB	(1,328,487)	(1,361,143)
Total Surplus	384,618,093	377,715,143
Reserves set aside by Council for:		
Capital	36,214,417	29,403,615
Contingencies and Stabilization	14,208,390	13,439,667
Equipment Replacement	5,461,793	5,311,925
Benefit and Insurance	3,031,488	2,647,007
Programme Specific	2,553,968	2,486,854
Hospital Redevelopment	880,000	1,820,000
Total Reserves	62,350,056	55,109,068
Reserve Funds set aside for specific purposes by Council for:		
Landfill Closure and Post Closure	6,689,659	6,004,271
Workplace Safety and Insurance	3,305,439	3,424,523
Federal Housing Projects	1,034,709	1,010,221
Housing Development	243,731	903,368
Best Start Programme	200,480	113,981
Museum Donations and Endowments	120,329	94,550
Wellington Terrace Donations	57,933	43,946
Library Donations	45,721	
Total Reserve Funds	11,698,001	11,594,860
Accumulated Surplus	\$ 458,666,150	\$ 444,419,071

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

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.

	2017	2016
	\$	\$
Property Tax Levy	91,427,400	87,855,302
Supplementary & Omitted Taxes	2,075,669	1,996,291
Payment in Lieu of Taxes	671,679	625,203
Other	30,895	30,664
	94,205,643	90,507,460
Less:		
Property Taxes written off as uncollectible	(833,662)	(1,214,017)
Provision for Assessment at Risk	(123,979)	(706,124)
	(957,641)	(1,920,141)
Tax Revenue recognized	\$ 93,248,002	\$ 88,587,319

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

13. PROVINCIAL AND FEDERAL GOVERNMENT TRANSFERS

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

	2017	2016
	\$	\$
Provincial Government Transfers		
Affordable Housing Construction Funding	205,100	205,600
Community Homelessness Prevention Initiative, SHEEP	3,338,926	2,965,637
Community Policing Partnership, RIDE, 1000 Officers, Court Security	322,808	303,992
Health Unit – Ministry of Children and Youth Services	805,545	768,112
Health Unit – Ministry of Health and Long Term Care	4,812,743	4,915,399
Library Capacity Grant	63,100	78,876
Library Operating Grant	152,454	152,454
Library Other Grants	53,639	7,921
Long Term Care Operating Subsidy	9,043,833	8,835,881
Ministry of Agriculture - Rural Economic Development	-	22,531
Ministry of Education Funding Childcare	14,821,908	13,812,500
Ministry of Municipal Affairs-Investing in Affordable Housing	6,532,714	4,774,800
Ministry of Transportation - Electric Vehicle Programme	-	215,076
Museum Operating Grant	54,658	55,418
Ontario Community Infrastructure Fund (OCIF)	840,760	464,769
Ontario Municipal Partnership Fund (OMPF)	2,087,200	2,455,500
Ontario Works Administration Subsidy	4,761,066	4,602,700
Ontario Works Benefit Subsidy	18,260,116	16,443,222
Ontario Works Provincial Addictions Funding	116,525	113,050
Strong Communities Rent Supplement	582,167	582,166
Talent Attraction Economic Development	5,268	16,286
Waste Diversion Ontario, Stewardship Ontario, OTS Tire	709,466	707,430
Other	354,320	115,379
Subtotal Provincial Government Transfers	\$67,924,316	\$62,614,699
Federal Government Transfers		
Canada 150 Community Infrastructure	115,657	11,221
Citizenship and Immigration Canada Subsidy	375,984	334,359
Federal Block Funding Housing	3,098,195	3,155,089
Federal Gas Tax	1,458,626	2,709,724
Health Unit - Public Health Agency of Canada	12,073	20,735
Homeless Partnering Strategy	105,953	97,803
Library Grant - Canada Council	-	3,290
Trans Canada Trail	-	9,458
Subtotal Federal Government Transfers	\$5,166,488	\$6,341,679
Total Government Transfers	\$ 73,090,804	\$68,956,378

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

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, 2017 the sum of \$3,561,097 (2016 - \$3,558,561) has been paid to GMCH, leaving an outstanding commitment of \$1,438,903 (2016 - \$1,441,439).

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, 2017 the sum of \$1,320,000 (2016 - \$880,000) has been paid to the Palmerston & District Hospital Foundation, leaving an outstanding commitment of \$880,000 (2016 - \$1,320,000). The sum of \$500,000 (2016 - \$0) has been paid to the Mount Forest Louise Marshall Hospital Foundation, leaving an outstanding commitment of \$1,700,000 (2016 - \$2,200,000). 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 32.7% (2016 - 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. 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, 2017, the Health Unit's financial results and financial position are as follows:

	2017	2016
	\$	\$
Financial Assets	7,624,987	8,616,678
Liabilities	(15,555,034)	(18,186,200)
Non-Financial Assets	24,577,512	26,021,910
Accumulated Surplus	16,647,465	16,452,388
Revenues	26,234,478	26,327,869
Expenses	26,039,401	25,480,344
Annual Surplus	195,077	847,525

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

	2017	2016
	\$	\$
Share of Health Unit (Note 11)	2,007,856	2,357,380
Long-Term Debt	(4,086,907)	(4,967,494)
Post-Employment Liability (Note 7)	(483,641)	(491,071)
Invested in Tangible Capital Assets (Note 10)	8,006,414	8,481,116
Accumulated Surplus	5,443,722	5,379,931

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

Notes to the Financial Statements For the Year Ended December 31, 2017

\$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, 2017 the balance of the loan receivable is \$4,086,907 (2016 - \$4,967,494).

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, 2017, the maximum deductible exposure to the County is estimated at \$250,000. 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, 2017 totaled \$414,119 (2016 - \$398,473).

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 660 (2016 - 633) 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 \$55,300 and at a rate of 14.6% for earnings over the yearly maximum.

The County's contribution to OMERS for 2017 was \$3,762,151 (2016 - \$3,567,465) for current service and past service costs and is included as an expense on the Consolidated Statement of Operations. Employee contribution to OMERS in 2017 was \$3,762,151 (2016 - \$3,567,465).

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, 2017, the OMERS Primary Plan had a funded ratio of assets to pension obligations of 94% (2016 - 93.4%). The OMERS pension plan reduced the funding deficit by \$0.3 billion to \$5.4 billion (2016 - \$5.7 billion).

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

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 \$3,098,194 (2016 - \$3,156,331) in federal government subsidies provided to the County for social housing, \$781,892 (2016 - \$781,892) 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, 2017 the mortgage outstanding was \$867,121 (2016 - \$994,216)

19. BUDGET DATA

The budget data presented in these consolidated financial statements is based upon the 2017 operating and capital budgets approved by Council on January 25, 2017 and 2017 capital budget amendments in the amount of \$3,937,200 (2016 - \$3,748,500) approved by Council throughout the year. 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 consolidated financial statements.

	2017 Budget	2016 Budget
	\$	\$
Revenues		
Operating Budget	200,932,200	189,889,100
Capital Budget	35,402,200	44,549,500
Health Unit Budget	5,803,346	5,676,673
Less:		
Transfers from other funds	(22,173,800)	(29,230,100)
New debt financing	(4,663,000)	(1,200,000)
Internal recoveries	(6,506,100)	(6,150,000)
Total Revenues	<u>208,794,846</u>	<u>203,535,173</u>
Expenses		
Operating Budget	200,680,000	189,889,100
Capital Budget	35,402,200	44,549,500
Health Unit Budget	5,798,396	5,701,788
Less:		
Transfer to other funds	(22,586,200)	(23,716,100)
Capital Expenses	(35,402,200)	(44,549,500)
Debt principal payments	(3,065,000)	(2,862,900)
Internal charges	(6,175,200)	(6,210,200)
Total Expenses	<u>174,651,996</u>	<u>162,801,688</u>
Annual Surplus	<u>34,142,850</u>	<u>40,733,485</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, 2017**

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.

2017											
	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
Total Revenues	17,344,229	18,244,220	31,268,202	9,975,592	12,471,252	41,851,547	68,933,219	7,417,939	2,209,498	3,519,411	213,235,109
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
Total Expenses	16,455,568	17,347,807	28,054,444	9,307,931	13,388,330	36,682,308	64,738,522	7,359,466	2,206,640	3,447,014	198,988,030

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

2016											
	General Government	Protection	Transportation Services	Environmental Services	Health Services	Social Housing	Social and Family Services	Library	Museum	Planning & Development	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues											
Taxation	10,542,419	16,970,000	22,232,800	4,812,200	6,401,200	5,014,900	10,368,000	7,325,800	1,930,000	2,990,000	88,587,319
Grants and Subsidies	2,711,894	304,003	3,174,493	707,430	5,703,001	11,786,790	44,239,461	242,541	66,639	20,126	68,956,378
Municipal Revenue	-	384,492	2,752,912	-	57,952	16,986,751	5,227,349	26,040	-	51,255	25,486,751
Fees & Service Charges	767,514	141,142	91,618	3,655,904	-	(411,869)	4,845,867	(90,399)	101,629	366,557	9,467,963
Licences, Permits, Rents	1,068,657	146,910	-	12,886	-	6,078,132	-	43,927	56,306	-	7,406,818
Interest, Donations, Other	2,708,394	1,419	-	-	25,348	2,292	80,634	5,406	669	515	2,824,677
Development Charges	17,067	172,835	1,005,106	-	43,480	-	54,419	383,509	-	-	1,676,416
Total Revenues	17,815,945	18,120,801	29,256,929	9,188,420	12,230,981	39,456,996	64,815,730	7,936,824	2,155,243	3,428,453	204,406,322
Expenses											
Salaries and Benefits	7,978,022	411,721	5,227,016	2,348,657	3,824,910	3,438,198	24,991,675	3,819,896	1,457,031	2,056,828	55,553,954
Goods and Services	5,572,536	824,952	8,507,922	3,729,190	2,086,721	7,684,043	2,909,289	1,389,184	520,747	373,973	33,598,557
Transfer Payments	288,252	15,872,550	-	-	5,469,668	18,400,077	30,284,264	-	-	638,429	70,953,240
Insurance and Interest	563,293	162,101	417,095	175,600	132,721	403,665	1,124,910	168,008	34,328	25,533	3,207,254
Amortization	1,265,332	810,179	12,161,416	287,241	635,556	2,794,629	1,294,527	1,591,176	208,238	64,273	21,112,567
Total Expenses	15,667,435	18,081,503	26,313,449	6,540,688	12,149,576	32,720,612	60,604,665	6,968,264	2,220,344	3,159,036	184,425,572



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J
5A3 Canada
Tel 519-747-8800
Fax 519-747-8830

County of Wellington Independent Auditors' Report

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

We have audited the accompanying financial statements of the Trust Funds of The Corporation of the County of Wellington ("the Entity"), which comprise the financial position as at December 31, 2017 and the statement of operations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion, except as explained in the following paragraph.

In common with many such organizations, the Entity derives certain of its revenue from sundry sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Entity and we were not able to determine whether any adjustment might be necessary to such revenues, excess of revenues over expenditures, assets or fund balances.

Opinion

In our opinion, except for the above-mentioned limitation on the scope examination, the financial statements present fairly, in all material respects, the financial position of the Trust Funds of The Corporation of the County of Wellington as at December 31, 2017, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

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 decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
May 24, 2018

County of Wellington
Trust Funds – Statement of Financial Position
As at December 31, 2017

	Comfort Money	County Wellness Centre	Safe Communities	2017	2016
	\$	\$	\$	\$	\$
Financial Assets					
Cash and Bank	39,415	84,734	50,907	175,056	159,993
Liabilities					
Accounts Payable	-	-	1,010	1,010	1,557
Balance	<u>39,415</u>	<u>84,734</u>	<u>49,897</u>	<u>174,046</u>	<u>158,436</u>

County of Wellington
Trust Funds - Statement of Operations
For the year ended December 31, 2017

	Comfort Money	County Wellness Centre	Safe Communities	2017	2016
	\$	\$	\$	\$	\$
Balance at the beginning of the year	38,941	74,958	44,537	158,436	144,096
Source of Funds:					
Deposits	181,590	55,937	27,988	265,515	289,550
Use of Funds					
Withdrawals	181,116	46,161	22,628	249,905	275,210
Balance at the end of the year	<u>39,415</u>	<u>84,734</u>	<u>49,897</u>	<u>174,046</u>	<u>158,436</u>

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

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.

Wellington Housing Corporation
Financial Statements
For the year ended December 31, 2017

Wellington Housing Corporation
Index to Financial Statements
For the year ended December 31, 2017

Financial Statements

Independent Auditors' Report	
Statement of Financial Position	1
Statement of Operations	2
Statement of Change in Net Financial Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-9



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J
5A3 Canada
Tel 519-747-8800
Fax 519-747-8830

Wellington Housing Corporation Independent Auditors' Report

To the Members of Board of Directors Wellington Housing Corporation

We have audited the accompanying financial statements of Wellington Housing Corporation, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



Page 2

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Wellington Housing Corporation as at December 31, 2017, and its results of operations, and its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
May 16, 2018

Wellington Housing Corporation
Statement of Financial Position

As at December 31	2017
	\$
Assets	
Financial Assets	
Cash and Cash Equivalents (Note 3)	7,003
Accounts Receivable (Note 4)	214,498
Portfolio Investments (Note 3)	69,079
Total Financial Assets	<u>290,580</u>
Liabilities	
Accounts Payable and Accrued Liabilities	74,031
Mortgage Payable (Note 5)	867,121
Total Liabilities	<u>941,152</u>
Net Financial Assets	(650,572)
Non-Financial Assets	
Tangible Capital Assets (Note 6)	<u>2,312,107</u>
Accumulated Surplus (Note 7)	<u><u>1,661,535</u></u>

Wellington Housing Corporation

Statement of Operations

For the year ended December 31	(Note 8) Budget	2017
	\$	\$
Revenues		
Rental revenues	200,000	195,687
Operating subsidies	326,000	598,956
Capital subsidies		172,442
Interest and other		2,414
Total Revenues	526,000	969,499
Expenses		
Office & General	26,900	15,405
Professional fees	10,000	22,183
Management fees	-	33,560
Repairs and maintenance	140,300	205,913
Property taxes	69,600	52,425
Utilities	5,500	6,908
Insurance	12,000	12,547
Interest and bank charges	9,500	9,616
Amortization		118,714
Total Expenses	273,800	477,271
Annual Surplus	252,200	492,228
Accumulated Surplus, Beginning of Year	-	-
Excess of fair value over carrying amount of tangible capital assets transferred from MFNPH		1,169,307
Accumulated Surplus, End of Year	252,200	1,661,535

Wellington Housing Corporation
Statement of Change in Net Financial Assets

For the year ended December 31	(Note 8) Budget	2017
	\$	\$
Annual Surplus	252,200	492,228
Acquisition of Tangible Capital Assets	(80,000)	(267,298)
Amortization of Tangible Capital Assets		118,714
Mortgage payable assumed		(994,216)
	172,200	(650,572)
 Change in Net Financial Assets	 172,200	 (650,572)
Net Financial Assets, Beginning of Year	-	-
Net Financial Assets, End of Year	172,200	(650,572)

Wellington Housing Corporation Statement of Cash Flows

For the year ended December 31	2017
	\$
Cash Provided By (Used In):	
Operating Activities:	
Annual Surplus	492,228
Items Not Involving Cash:	
Amortization	118,714
Change in Non-Cash Assets and Liabilities:	
Accounts Receivable	(214,498)
Accounts Payable and Accrued Liabilities	74,031
Net Change in Cash from Operating Activities	<u>470,475</u>
Capital Activities:	
Cash Used to Acquire Tangible Capital Assets	(267,298)
Net Change in Cash from Capital Activities	<u>(267,298)</u>
Investing Activities:	
Change in Long-Term Investments	(69,079)
Net Change in Cash from Investing Activities	<u>(69,079)</u>
Financing Activities:	
Long-Term debt repaid	(127,095)
Net Change in Cash from Financing Activities	<u>(127,095)</u>
Net Change in Cash and Cash Equivalents	7,003
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	<u>7,003</u>

Wellington Housing Corporation

Notes to Financial Statements

For the year ended December 31, 2017

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. SUMMARY OF 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. These financial statements are the first financial statements of the Wellington Housing Corporation and therefore no prior comparative figures are available.

(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:

Wellington Housing Corporation
Notes to Financial Statements
For the year ended December 31, 2017

Major Asset Classification	Component Breakdown	Useful Life - Years
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. Government transfers paid are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient.

(f) Rental Revenue

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

(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.

Wellington Housing Corporation
Notes to Financial Statements
For the year ended December 31, 2017

(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 \$7,003 are reported on the Statement of Financial Position at cost.

Total portfolio investments of \$69,079 are reported on the Statement of Financial Position at cost and have a market value of \$90,055.

4. ACCOUNTS RECEIVABLE

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

	2017
GST/HST Receivable	87,833
Rent	1,665
County Subsidy	125,000
	\$ 214,498

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 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 \$2,312,107.

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

	Principal
2018	128,293
2019	129,502
2020	609,326
	\$ 867,121

Wellington Housing Corporation
Notes to Financial Statements
For the year ended December 31, 2017

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:

Cost		Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land		\$ 304,679	\$ -	\$ -	\$ 304,679
Buildings		1,872,789	267,298	(98,544)	2,041,543
Infrastructure	Parking Lots	282,380	-	-	282,380
Furniture & Fixtures		38,991	-	-	38,991
Total		\$ 2,498,839	\$ 267,298	\$ (98,544)	\$ 2,667,593
Accumulated Amortization		Balance at December 31, 2016	Disposals	Amortization Expense	Balance at December 31, 2017
Land		\$ -	\$ -	\$ -	\$ -
Buildings		(315,129)	98,544	(117,106)	(333,691)
Infrastructure	Parking Lots	(14,119)	-	991	(13,128)
Furniture & Fixtures		(6,068)	-	(2,599)	(8,667)
Total		\$ (335,316)	\$ 98,544	\$ (118,714)	\$ (355,486)
Net Book Value		Balance at December 31, 2016			Balance at December 31, 2017
Land		\$ 304,679			\$ 304,679
Buildings		1,557,660			1,707,852
Infrastructure	Parking Lots	268,261			269,252
Furniture & Fixtures		32,923			30,324
Total		\$ 2,163,523			\$ 2,312,107

7. ACCUMULATED SURPLUS

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

As at December 31	2017
	\$
Surplus:	
Invested in Tangible Capital Assets	2,312,107
Long term Liabilities	(867,121)
Total Surplus	1,444,986
Reserves set aside by the Corporation Board for:	
WHC Capital Reserve	216,549
Total Reserves	216,549
Accumulated Surplus	\$ 1,661,535

Wellington Housing Corporation
Notes to Financial Statements
For the year ended December 31, 2017

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 26, 2017. 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.

	2017 Budget
	\$
Revenues	
Operating Budget	526,000
Capital Budget	80,000
Less:	
Transfers from other funds	(80,000)
Total Revenues	<u>526,000</u>
Expenses	
Operating Budget	526,000
Capital Budget	80,000
Less:	
Transfer to other funds	(125,000)
Capital Expenses	(80,000)
Debt principal payments	(127,200)
Total Expenses	<u>273,800</u>
Annual Surplus	<u>252,200</u>