

Consolidated Financial Statements of

**THE CORPORATION
OF THE TOWNSHIP
OF WOOLWICH**

And Independent Auditors' Report thereon

Year ended December 31, 2020



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the consolidated statement of the financial position as at December 31, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020, and its consolidated results of operations, its changes in consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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.



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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.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
June 29, 2021

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 19,673,023	\$ 15,022,806
Investments (note 4)	9,160,692	8,926,955
Taxes receivable	2,204,534	2,229,935
User charges receivable	873,269	1,045,673
Accounts receivable	4,360,341	5,063,294
Investment in Waterloo North Hydro Holding Corporation (note 5)	24,056,551	24,356,003
Total financial assets	60,328,410	56,644,666
Liabilities		
Accounts payable and accrued liabilities	\$ 8,664,777	\$ 6,780,064
Deferred revenue - obligatory reserve funds (note 6)	7,467,453	5,133,403
Deferred revenue - other	3,934,139	5,244,342
Net long-term liabilities (note 7)	2,897,814	3,147,814
Post employment benefits (note 8)	1,064,203	1,222,127
Total liabilities	24,028,386	21,527,750
Net financial assets	\$ 36,300,024	\$ 35,116,916
Non-Financial Assets		
Tangible capital assets (note 9)	\$ 189,443,842	\$ 186,863,480
Inventories of supplies	18,518	25,574
Prepaid expenses	48,892	78,620
	189,511,252	186,967,674
Accumulated surplus (note 10)	\$ 225,811,276	\$ 222,084,590

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget (Note 14)	2020	2019
Revenue:			
Net taxation and user charges	\$ 11,863,712	\$ 11,954,820	\$ 11,283,446
User fees and charges	7,288,138	7,121,674	9,244,580
Government grants	1,719,793	1,648,321	1,263,983
Municipal revenue	130,120	97,442	105,349
Permits, late payment charges and other	1,371,000	1,490,436	2,217,876
Interest, donations and sundry	1,271,434	1,273,567	2,331,424
Obligatory reserve fund revenue recognized (note 6)	4,051,818	1,929,684	3,662,289
Sale of assets	-	14,115	-
Equity earnings from Waterloo North Hydro Holding Corporation (note 5)	-	415,022	1,368,632
Contributed assets	-	1,819,933	-
Total revenue	27,696,015	27,765,014	31,477,579
Expenses:			
General government	1,659,224	1,663,739	1,711,015
Protection to persons and property	2,822,062	3,785,887	4,061,622
Transportation services	4,296,850	7,290,574	7,260,823
Environmental services	2,769,406	4,552,668	3,803,536
Health services	81,098	81,519	80,318
Social and family services	50,633	49,507	54,917
Recreation and cultural services	5,211,407	5,290,783	6,607,034
Planning and development	1,533,687	1,323,651	1,146,010
Total expenses	18,424,367	24,038,328	24,725,275
Annual surplus	9,271,648	3,726,686	6,752,304
Accumulated surplus, beginning of year	239,138,104	222,084,590	215,332,286
Accumulated surplus, end of year	\$ 248,409,752	\$ 225,811,276	\$ 222,084,590

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Annual surplus	\$ 3,726,686	\$ 6,752,304
Acquisition of tangible capital assets	(7,520,646)	(8,737,637)
Amortization of tangible capital assets	6,535,782	6,515,832
Net loss (gain) on disposal of tangible capital assets	210,320	263,225
Proceeds on sale of tangible capital assets	14,115	4,380
Contributed tangible capital assets	(1,819,933)	-
Acquisition of inventories of supplies	(18,518)	(25,574)
Acquisition of prepaid expenses	(48,892)	(78,620)
Consumption of inventories of supplies	25,574	44,334
Use of prepaid expenses	78,620	58,433
Change in net financial assets	1,183,108	4,796,677
Net financial assets, beginning of year	35,116,916	30,320,239
Net financial assets, end of year	\$ 36,300,024	\$ 35,116,916

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Cash Flows

Year ended December 31, 2020 with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 3,726,686	\$ 6,752,304
Items not involving cash:		
Amortization	6,535,782	6,515,832
Loss/(gain) on disposal of tangible capital assets	210,320	263,225
Contributed tangible capital assets	(1,819,933)	-
Change in employee benefits and other liabilities	(157,924)	(430,028)
Equity in income of Government Business Enterprise	(415,022)	(1,368,632)
Change in non-cash assets and liabilities:		
Taxes, user charges, and accounts receivable	900,758	464,630
Accounts payable and accrued liabilities	1,884,713	(172,117)
Deferred revenue - obligatory reserve funds	2,334,050	2,021,959
Deferred revenue - other	(1,310,203)	1,894,071
Inventories of supplies	7,056	18,761
Prepaid expenses	29,728	(20,187)
Net change in cash from operating activities	11,926,011	15,939,818
Capital activities:		
Proceeds on sale of tangible capital assets	14,115	4,380
Cash used to acquire tangible capital assets	(7,520,646)	(8,737,637)
Net change in cash from capital activities	(7,506,531)	(8,733,257)
Investing activities:		
Change in investments	(233,737)	1,547,713
Dividends received from Waterloo North Hydro Holding Corporation	714,474	731,846
Net change in cash from investing activities	480,737	2,279,559
Financing activities:		
Long-term debt repaid	(250,000)	(241,090)
Net change in cash from financing activities	(250,000)	(241,090)
Net change in cash	4,650,217	9,245,030
Cash and cash equivalents, beginning of year	15,022,806	5,777,776
Cash and cash equivalents, end of year	\$ 19,673,023	\$ 15,022,806

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements

Year ended December 31, 2020

1. Significant accounting policies:

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

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

(a) Basis of consolidation:

(i) Consolidated statements:

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

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

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

(ii) Non-consolidated entities:

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

- Waterloo North Hydro Holding Corporation

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

1. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(iii) Accounting for region and school board transactions:

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

(iv) Trust funds:

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

(b) Basis of accounting:

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(c) Government transfers:

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

(d) Deferred revenue - other:

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

(e) Investment income:

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

(f) Cash equivalents:

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

(g) Land held for resale:

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

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

1. Significant accounting policies (continued):

(h) Investments:

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

(i) Long-term debt:

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

(j) Employee future benefits:

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

(k) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(l) Tangible capital assets:

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

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

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

1. Significant accounting policies (continued):

(l) Tangible capital assets (continued):

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

(i) Contributions of tangible capital assets:

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

(ii) Natural resources:

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

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

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

(iv) Interest capitalization:

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

(v) Leased tangible capital assets:

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

(m) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and the historical cost of useful lives of tangible capital assets.

Actual results could differ from these estimates.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

1. Significant accounting policies (continued):

(n) Liability for Contaminated Sites:

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

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

2. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

(a) Current year impacts:

During they year, and up to the approval date of these financial statements, the Township has experienced the following in relation to the pandemic:

- Mandatory working from home requirements for those able to do so
- Temporary and or permanent termination of employees
- Major project delays or costs
- 6-month pandemic principal deferral payments on debt
- Limiting in-person activities affecting certain user fees and charges; and
- Investment in infrastructure to support mandatory working from home requirements for those able to do so.

(b) Subsequent events related to COVID-19

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Township's operations and financial position is not known at this time. There remains uncertainty over the resumption of in-person activities and services for the upcoming year.

These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated surplus to sustain operations. An estimate of the financial effect of the pandemic on the Township is not practicable at this time.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

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

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

	School Boards	Region
Taxation and user charges	\$ 13,626,671	\$ 26,477,007
Requisitions paid	13,528,453	26,102,050
(Under)/Overlevies, end of year	\$ 98,218	\$ 374,957

4. Investments:

The total of investments of \$9,160,692 (2019 - \$8,926,955) reported on the consolidated statement of financial position at cost, have a fair value of \$9,264,791 (2019 - \$9,032,161) at the end of the year.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

5. Government business enterprises:

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

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

	2020	2019
Junior notes receivable	\$ 3,355,689	\$ 3,355,689
66 common shares, initial valuation	5,084,032	5,084,032
Class A special shares	440,627	440,627
Accumulated net equity earnings, beginning of year	15,475,655	14,838,869
Equity earnings for the year ended December 31	415,022	1,368,632
Dividends received during the year	(714,474)	(731,846)
Net assets	\$ 24,056,551	\$ 24,356,003

The following table provides condensed financial information in respect of the Township's investment in Waterloo North Hydro Holding Corporation as at December 31, 2020 and 2019:

	2020	2019
Current assets	\$ 242,149	\$ 194,653
Long-term assets	136,278,046	137,163,438
Total assets	136,520,195	137,358,091
Current liabilities	748,679	104,137
Long-term liabilities	33,292,001	33,292,001
Total liabilities	34,040,680	33,396,138
Net assets	\$ 102,479,515	\$ 103,961,953

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

6. Deferred revenue - obligatory reserve funds:

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

	2020	2019
Building administration	\$ 1,363,295	\$ 1,064,961
Development charges	5,206,734	2,917,502
Federal gas tax revenue	1,061,336	1,189,725
Park fund	(163,912)	(38,785)
	<u>\$ 7,467,453</u>	<u>\$ 5,133,403</u>

Continuity of deferred revenue is as follows:

	2020	2019
Balance, beginning of year:		
Building administration	\$ 1,064,961	\$ 226,928
Development charges	2,917,502	2,103,544
Federal gas tax revenue	1,189,725	502,667
Park fund	(38,785)	226,160
Main Street revitalization	-	52,144
	<u>5,133,403</u>	<u>3,111,443</u>
Developer contributions received	3,419,996	3,751,069
Capital grants received	758,588	1,509,508
Interest earned	85,150	423,672
Total revenue	<u>4,263,734</u>	<u>5,684,249</u>
Contributions used	(1,929,684)	(3,662,289)
Balance, end of year	<u>\$ 7,467,453</u>	<u>\$ 5,133,403</u>

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

7. Net long-term liabilities:

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

	2020	2019
Ontario Strategic Infrastructure Financing Authority Water drainage \$685,000 20-year loan (OSIFA04-02) issued December 2004 with an annual interest rate of 2.7891% - interest and principal repayable in semi- annual installments	\$ 168,675	\$ 208,023
Township, through the Region of Waterloo, issued a \$3,720,000 25-year capital program debenture (ID09-61) December 1, 2009 with an annual interest rate of 4.88% - interest repayable in semi-annual installments and principal repayable annually	2,601,264	2,728,872
Township, through the Region of Waterloo, issued a \$385,000 10-year hot mix resurfacing capital program debenture (CDS11-068) November 7, 2011 with a varying annual interest rate of 1.35% to 3.40% - interest repayable in semi-annual installments and principal repayable annually	43,000	85,000
Township, through the Region of Waterloo, issued a \$389,000 10-year hot mix resurfacing capital program debenture (CDS12-074) November 8, 2012 with a varying annual interest rate of 1.40% to 3.10% - interest repayable in semi-annual installments and principal repayable annually	84,875	125,919
Net long-term liabilities, end of year	\$ 2,897,814	\$ 3,147,814

- (b) The long-term liabilities in (a) issued in the name of the Township have been approved by By-Law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment prescribed by the Ministry of Municipal Affairs and Housing.
- (c) Interest paid during the year on long-term liabilities amounted to \$145,205 (2019 - \$154,484). Principal paid during the year on long-term liabilities amounted to \$250,000 (2019 - \$241,090).

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

7. Net long-term liabilities (continued):

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

	Principal	Interest
2021	\$ 259,248	\$ 135,366
2022	224,848	125,007
2023	189,950	115,667
2024	198,326	107,291
2025	161,936	98,841
Thereafter	1,863,506	483,492
	<u>\$ 2,897,814</u>	<u>\$ 1,065,664</u>

8. Post employment benefits:

The Township provides certain benefits, including post-employment benefits of extended health and dental benefits and sick leave benefits, to its employees. The post-employment benefit at December 31, 2020 includes the following components:

	2020	2019
Post employment benefits	\$ 716,726	\$ 707,581
Sick leave	240,186	235,175
Other	-	175,794
	<u>\$ 956,912</u>	<u>\$ 1,118,550</u>
Unamortized actuarial gains	107,291	103,577
	<u>\$ 1,064,203</u>	<u>\$ 1,222,127</u>

Actuarial valuations for accounting purposes are performed using the projected benefit method, prorated on services. The most recent actuarial report was prepared as at December 31, 2020.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, medical inflation rates, wage increases, employee turnover and mortality rates. The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 2.70% (2019 – 2.70%). The sick leave liability was determined using a discount rate of 2.40% (2019 – 2.40%). For extended health care costs, a 5.5% annual rate of increase, decreasing by 0.25% annually to an ultimate rate of 4.5% was assumed. For dental costs, a 2.75% annual rate of increase was assumed.

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

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

9. Tangible capital assets:

	2020							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Assets Under Construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	17,962,331	7,137,086	41,093,748	13,211,891	76,489,506	107,955,817	7,416,009	271,266,388
Additions	-	229,825	306,288	2,118,430	2,560,581	4,526,365	(400,910)	9,340,579
Disposals	-	(6,613)	(74,825)	(263,364)	(51,771)	(826,238)	-	(1,222,811)
Balance, end of year	17,962,331	7,360,298	41,325,211	15,066,957	78,998,316	111,655,944	7,015,099	279,384,156
Accumulated amortization								
Balance, beginning of year	-	3,188,872	12,194,557	6,878,629	17,160,264	44,980,586	-	84,402,908
Disposals	-	(5,947)	(31,274)	(233,912)	(51,771)	(675,472)	-	(998,376)
Amortization expense	-	293,612	1,087,970	768,768	1,309,452	3,075,980	-	6,535,782
Balance, end of year	-	3,476,537	13,251,253	7,413,485	18,417,945	47,381,094	-	89,940,314
Net book value, end of year	17,962,331	3,883,761	28,073,958	7,653,472	60,580,371	64,274,850	7,015,099	189,443,842

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

9. Tangible capital assets (continued):

	2019							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Assets Under Construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	17,962,331	6,929,466	40,884,724	12,871,038	76,347,263	105,734,827	2,904,064	263,633,713
Additions	-	440,291	378,012	528,462	191,730	2,687,197	4,511,945	8,737,637
Disposals	-	(232,671)	(168,988)	(187,609)	(49,487)	(466,207)	-	(1,104,962)
Balance, end of year	17,962,331	7,137,086	41,093,748	13,211,891	76,489,506	107,955,817	7,416,009	271,266,388
Accumulated amortization								
Balance, beginning of year	-	3,104,377	11,189,269	6,262,999	15,901,146	42,266,642	-	78,724,433
Disposals	-	(185,929)	(75,435)	(183,128)	(49,487)	(343,378)	-	(837,357)
Amortization expense	-	270,424	1,080,723	798,758	1,308,605	3,057,322	-	6,515,832
Balance, end of year	-	3,188,872	12,194,557	6,878,629	17,160,264	44,980,586	-	84,402,908
Net book value, end of year	17,962,331	3,948,214	28,899,191	6,333,262	59,329,242	62,975,231	7,416,009	186,863,480

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

9. Tangible capital assets (continued):

a) Assets under construction:

Assets under construction having a value of \$7,015,099 (2019 - \$7,416,009) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed tangible capital assets:

Contributed capital assets during the year were \$1,819,933 (2019 - \$ nil).

c) Works of art and historical treasures:

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

d) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$ nil (2019 - \$ nil).

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

10. Accumulated Surplus:

	2020	2019
Surplus:		
Invested in tangible capital assets	\$ 189,443,842	\$ 186,863,480
General deficit	326,289	(43,045)
Unfunded:		
Employee benefits -sick leave	(1,064,203)	(1,222,127)
Debenture - long-term	(2,897,814)	(3,147,814)
Equity in Government Business Enterprise	24,056,551	24,356,003
Total surplus	209,864,665	206,806,497
Reserves set aside by Council:		
Operating budget contingency	499,373	516,377
Working capital	1,927,806	1,927,806
Insurance	171,601	238,511
Capital budget contingency	252,832	220,532
Ontario Municipal Board legal	29,595	3,036
Special circumstance funding	983,050	781,025
Winter stabilization	20,428	20,428
Total reserves	3,884,685	3,707,715
Reserve funds set aside for specific purposes by Council:		
Equipment replacement	962,308	1,407,431
Infrastructure investment	954,073	1,428,964
Recreation fitness centre	36,082	35,598
Water	5,807,825	4,917,418
Sewer	2,986,930	3,016,231
Property building	412,247	167,691
Parking lot	14,046	13,857
Development administration	413,510	195,756
Transient Accommodation Tax	113,134	84,008
Walter Bean Trail Fund	298,746	303,424
Greening/Climate Action	63,025	-
Total reserve funds	12,061,926	11,570,378
Accumulated surplus	\$ 225,811,276	\$ 222,084,590

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 20120

11. Public liability insurance:

The Township is self insured for public liability claims up to \$10,000 (2019 - \$10,000) for any individual claim and \$10,000 (2019 - \$10,000) for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

The Township has made provision for a reserve for self insurance which, as at December 31, 2020, amounted to \$171,601 (2019 - \$238,511) and is reported on the consolidated statement of financial position. The provision for the year amounted to \$312,415 (2019 - \$327,760). During the year, claims amounting to \$122,652 (2019 - \$31,449) were settled and insurance premiums of \$256,673 (2019 - \$258,614) were paid. Both amounts are reported as an expenditure on the consolidated statement of operations and have been funded from the reserve.

12. Pension agreements:

The Township makes contributions to OMERS which is a multi-employer plan, on behalf of members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees, based on the length of service and rates of pay. Contributions to OMERS in 2020 were \$516,551 (2019 - \$482,881).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2020. At that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 billion actuarial deficit), based on actuarial liabilities of \$111.8 billion (2019 - \$106.4 billion) and actuarial assets of \$108.6 billion (2019 - \$103.0 billion). Ongoing adequacy of the current contribution rate will need to be monitored as the fluctuations in the financial markets may lead to increased future funding requirements.

13. Cemetery trust funds:

Cemetery trust funds administered by the Township amounting to \$399,770 (2019 - \$381,230) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

14. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2020 operating and capital budgets approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

15. Segmented information:

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

(i) Protection:

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

(ii) Public Works - Transportation:

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

(iii) Public Works - Environment:

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

(iv) Recreation and Cultural Services:

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

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

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2020

15. Segmented information (continued):

	2020					
	Protection	Public Works – Transportation	Public Works – Environmental	Recreation and Cultural Services	Other and Unallocated	Total
Revenues:						
Taxation	2,159,493	4,753,329	-	2,650,608	2,391,390	11,954,820
User fees and charges	205,797	68,345	4,185,155	1,074,312	1,588,065	7,121,674
Government grants	-	714,737	-	96,482	837,102	1,648,321
Municipal revenue	52,789	42,653	-	2,000	-	97,442
Permits, late payment, other	14,213	-	-	31,200	1,445,023	1,490,436
Interest, donations, sundry	29,163	383,873	144,857	213,740	501,934	1,273,567
Obligatory reserve fund recognized	-	1,006,846	304,810	259,641	358,387	1,929,684
Equity from Waterloo North Hydro	-	-	-	-	415,022	415,022
Gain on disposal of assets	-	14,115	-	-	-	14,115
Contributed assets	-	-	1,819,933	-	-	1,819,933
Total revenues	2,461,455	6,983,898	6,454,755	4,327,983	7,536,923	27,765,014
Expenses:						
Salaries, wages and employee benefits	1,865,439	1,146,476	772,669	2,053,828	2,688,306	8,526,718
Materials	769,236	1,389,905	189,246	1,215,868	1,454,068	5,018,323
Contracted services	158,915	1,631,850	1,222,713	359,042	360,583	3,733,103
Rents and financial expenses	-	14,779	-	801	7,805	23,385
External transfers	-	-	-	-	49,507	49,507
Debt services	-	6,544	11,797	133,169	-	151,510
Amortization	485,734	3,315,388	1,319,463	1,181,408	233,789	6,535,782
Inter-functional adjustments/Program allocation	506,563	(214,368)	1,036,780	346,667	(1,675,642)	-
Total expenses	3,785,887	7,290,574	4,552,668	5,290,783	3,118,416	24,038,328
Annual surplus (deficit)	(1,324,432)	(306,676)	1,902,087	(962,800)	4,418,507	3,726,686

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2019

15. Segmented information (continued):

	2019					
	Protection	Public Works – Transportation	Public Works – Environmental	Recreation and Cultural Services	Other and Unallocated	Total
Revenues:						
Taxation	2,026,740	4,372,113	-	2,583,470	2,301,123	11,283,446
User fees and charges	173,151	62,301	4,310,073	2,132,486	2,566,569	9,244,580
Government grants	30	669,860	-	62,093	532,000	1,263,983
Municipal revenue	62,611	40,738	-	2,000	-	105,349
Permits, late payment, other	23,120	-	-	100,987	2,093,769	2,217,876
Interest, donations, sundry	64,679	959,224	231,824	255,034	820,663	2,331,424
Obligatory reserve fund recognized	253,601	1,447,129	1,190,415	644,664	126,480	3,662,289
Equity from Waterloo North Hydro	-	-	-	-	1,368,632	1,368,632
Gain on disposal of assets	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-
Total revenues	2,603,932	7,551,365	5,732,312	5,780,734	9,809,236	31,477,579
Expenses:						
Salaries, wages and employee benefits	1,821,032	914,141	589,683	2,541,917	2,400,416	8,267,189
Materials	1,316,327	1,475,036	355,807	2,004,508	1,415,206	6,566,884
Contracted services	95,442	1,719,539	638,873	337,336	341,730	3,132,920
Rents and financial expenses	-	14,325	-	1,321	11,098	26,744
External transfers	-	-	-	-	54,917	54,917
Debt services	-	8,818	12,864	139,107	-	160,789
Amortization	495,327	3,310,976	1,318,617	1,153,715	237,197	6,515,832
Inter-functional adjustments/Program allocation	321,492	(171,997)	881,970	420,761	(1,452,226)	-
Total expenses	4,049,620	7,270,838	3,797,814	6,598,665	3,008,338	24,725,275
Annual surplus (deficit)	(1,445,688)	280,527	1,934,498	(817,931)	6,800,898	6,752,304



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of the financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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.



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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.



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- 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
June 29, 2021

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Cash	\$ 555,919	\$ 530,994
Accrued interest receivable	397	1,054
	<u>556,316</u>	<u>532,048</u>
Liabilities		
Due to the Township of Woolwich	156,546	150,794
Net assets	<u>\$ 399,770</u>	<u>\$ 381,254</u>

See accompanying notes to financial statements.

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenues:		
Sale of plots	\$ 18,516	\$ 16,109
Interest earned	6,294	12,121
	<u>24,810</u>	<u>28,230</u>
Expenditures:		
Cemetery care	6,294	12,121
Net revenue	<u>18,516</u>	<u>16,109</u>
Net assets, beginning of year	381,254	365,145
Net assets, end of year	<u>\$ 399,770</u>	<u>\$ 381,254</u>

See accompanying notes to financial statements.

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Net revenues	\$ 18,516	\$ 16,109
Sources (uses) of cash:		
Accrued interest receivable	656	(45)
Due to the Township of Woolwich	5,753	10,271
Increase in cash from operations	24,925	26,335
Investing:		
Decrease (increase) in long-term investments	-	372,145
Increase in cash	24,925	398,480
Opening cash	530,994	132,514
Closing cash	\$ 555,919	\$ 530,994

See accompanying notes to financial statements.

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Financial Statements

Year ended December 31, 2020

1. **Accounting policy:**

Basis of accounting:

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