

CORPORATION OF THE
TOWN OF WASAGA BEACH

COUNTY OF SIMCOE

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2019

CORPORATION OF THE TOWN OF WASAGA BEACH

DECEMBER 31, 2019

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CORPORATION OF THE TOWN OF WASAGA BEACH

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL REPORT

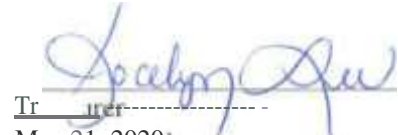
The accompanying consolidated financial statements of the The Corporation of the Town of Wasaga Beach ("the Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with Canadian public sector accounting standards, established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management. Council meets with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Baker Tilly SGB LLP, the independent external auditor appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.


Chief Administrative Officer
May 21, 2020


Tracy
May 21, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the The Corporation of the Town of Wasaga Beach:

Opinion

We have audited the consolidated financial statements of the The Corporation of the Town of Wasaga Beach ("the Municipality"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2019, and its consolidated results of operations and 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 consolidated 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 Municipality'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 Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

tsafu 7"4 St/8 LLP

Licensed Public Accountants
Collingwood, Ontario
May 21, 2020

CORPORATION OF THE TOWN OF WASAGA BEACH

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

	<u>2019</u>	2018
	\$	\$
Financial assets		
Cash and cash equivalents (Note 8)	10,934,057	10,481,554
Short-term investments (Note 8)	22,993,515	17,574,959
Portfolio investments (Note 7)	29,636,209	29,173,505
Taxes receivable	2,642,831	2,574,082
Water and sewer billings receivable	1,400,917	1,858,354
Accounts receivable	1,285,221	2,703,533
Local improvements receivable (Note 9)	1,635,978	2,029,777
Note receivable from government business enterprise (Note 18)	3,593,269	3,593,269
<u>Investment in government business enterprise (Note 18)</u>	<u>16,953,624</u>	16,421,972
	91,075,621	86,411,005
Liabilities		
Accounts payable and accruals	5,858,835	5,730,536
Developer deposits	3,893,779	2,718,483
Deferred revenue - obligatory reserve funds and other (Note 10)	22,927,104	19,938,425
Long-term liabilities (Note 11)	13,438,649	14,470,220
<u>Employee future benefits (Note 13)</u>	<u>1,081,700</u>	<u>963,300</u>
	47,200,067	43,820,964
Net financial assets	43,875,554	42,590,041
Non-financial assets		
Tangible capital assets - net (Schedule 2 and Note 3)	251,007,077	238,169,085
<u>Prepaid expenses</u>	<u>317,724</u>	2,063,9
	251,324,801	238,189,724
Accumulated surplus (Note 14)	295,200,355	280,779,765

Approved



Mayor

Date

CORPORATION OF THE TOWN OF WASAGA BEACH

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31

	Budget 2019 \$ (Note 2)	Actual 2019 \$	Actual 2018 \$
Revenues			
Net municipal taxation (Note 15)	23,184,243	23,369,261	21,721,403
Payments in lieu of taxation	513,447	539,025	538,627
User charges	8,530,740	9,046,538	9,737,576
Government grants	2,430,540	2,965,183	2,820,730
Payments from other municipalities	158,000	148,530	135,212
Contributions from deferred revenue - obligatory reserve funds and other (Note 10)	83,750	37,133	138,934
Investment (Note 7 and 8)	306,800	562,177	511,417
Penalties and interest on taxes	450,000	466,297	359,805
Other (Note 16)	2,316,320	2,191,769	1,939,708
	3,7973,840	39,325,913	37,903,412
Expenses			
General government	3,355,940	1,988,647	3,675,713
Protection to persons and property	9,980,070	10,896,180	10,782,821
Transportation	6,143,270	8,897,354	9,330,980
Environmenta I	5,270,540	7,551,091	7,515,518
Recreation and cultural	5,033,760	5,759,015	5,667,017
Planning and development	2,977,130	2,723,255	3,063,921
Health, social and family	331,760	409,747	163,669
Note 3(d)	33,092,470	38,225,289	40,199,639
Net revenues <u>(expenses)</u>	4,881,70	1,100,624	(2,296,227)
Other			
Grants and transfers related to capital			
User charges	777,160	137,914	145,413
Government grants	809,490		1,574,832
Payments from other municipalities	20,000	374,314	152,157
Contributions from deferred revenue - obligatory reserve funds and other (Note 10)	11,290,130	6,214,599	2,903,661
Investment		382,685	330,570
Other (Note 16)	220,000	8,975	12,468
Loss on disposal or tangible capital assets		(398,689)	(20,695)
Contributed tangible capital assets (Note 3)		5,566,690	960,086
Income from government business <u>enterprise</u> (Note 18)	500,000	1,033,478	1,061,598
	13,616,780	13,319,966	7,120,090
Annual surplus (Note 17)	18,498,150	14,420,590	4,823,863
Accumulated <u>surplus, beginning of year</u>	280,779,765	280,779,765	775,955,902
Accumulated surplus, end of year (Note 14)	299,277,915	295,200,355	280,779,765

See accompanying notes to the financial statements

CORPORATION OF THE TOWN OF WASAGA BEACH

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31

	Bud gel 201 9	Actual 2019	Ac tual 201 8
	\$ (Note 2)	\$	\$
Annual surplus	18,498,150	14,420,590	4, 823,863
Acquisition of tangible capital assets	(20,962,840)	(14,890,336)	(8,868,147)
Amortization of tangible capital assets		7,172,110	7 725,737
Loss on disposal of tangible capital assets		398,689	20 695
Proceeds on disposal of tangible capital assets		48,235	
Contributed tangible capital assets		(5,566,690)	(960 ,086)
Change in prepaid expenses		(297,085)	388
Reallocation of land <u>previously</u> held for resale			<u>(356,500)</u>
Change in net financial assets	(2,464,690)	1 285 513	2,385,950
Net financial assets, <u>beginning</u> of <u>year</u>	42,590,041	42,590,041	40,204,091
Net financial assets, end of <u>year</u>	40,125,351	<u>43,875,554</u>	42,590,041

See accompanying notes to the financial statements

CORPORATION OF THE TOWN OF WASAGA BEACH

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

	2019	2018
	\$	\$
Cash flows from (for):		
Operating activities		
Annual surplus	14,420,590	4,823,863
Non-cash items:		
Change in government business enterprise (Note 18)	(531,652)	(525,772)
Amortization of tangible capital assets	7,172,110	7,725,737
Employee future benefits	118,400	115,500
Contributed tangible capital assets	(5,566,690)	(960,086)
Loss on disposal of <u>tangible capital</u> assets	398,689	20,695
	16,011,447	11,199,937
Changes in:		
Taxes receivable	(68,749)	(373,245)
Water and sewer billings receivable	457,437	(608,657)
Accounts receivable	(302,506)	741,440
Accounts payable and accruals	95,286	(930,144)
Developer deposits	1,175,296	202,147
Prepaid expenses	(297,085)	388
	17,071,126	10,231,866
Capital activities		
Acquisition of tangible capital assets	(14,890,336)	(8,868,147)
Proceeds on disposal of tangible capital assets	48,235	
Accounts receivable related to tangible capital assets	1,720,818	(1,648,926)
Accounts payable related to tangible capital assets	33,013	934,475
Local <u>improvements</u> receivable	393,799	411,355
	(12,694,471)	(9,171,243)
Investing activities		
Portfolio investments	(462,704)	3,423,363
Short-term investments	(5,418,556)	841,421
	(5,881,260)	4,264,784
Financing activities		
Long-term liabilities repaid	(1,031,571)	(1,017,885)
Deferred revenue - <u>obivigato.v</u> reserve funds and other	2,988,679	1,697,863
	1,957,108	679,978
Net change in cash position	452,503	6,005,385
Cash and cash <u>equivalents, beginning</u> of year	10,481,554	4,476,169
Cash and cash <u>equivalents, end of year</u> (Note 8)	10,934,057	10,481,554

See accompanying notes to the financial statements

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

Nature of operations

The Corporation of the Town of Wasaga Beach ("the Municipality") is a lower-tier municipality located in the County of Simcoe, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Summary of significant accounting policies

The consolidated financial statements have been prepared by management of the Municipality in accordance with Canadian generally accepted accounting principles for organizations operating in the local government sector as recommended by the Public Sector Accounting Board (PSAB) of The Chartered Professional Accountants of Canada.

The focus of PSAB consolidated financial statements is on the financial position of the Municipality and the changes thereto. The consolidated statement of financial position includes all of the assets and liabilities of the Municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position and is the difference between assets and liabilities. This provides information about the Municipality's overall future revenue requirements and its ability to finance activities and meet its obligations. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of all committees of Council and the following organizations which are accountable to, and owned or controlled by, the Municipality:

Corporation of the Town of Wasaga Beach Public Library Board

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

In addition, the consolidated financial statements include the consolidated operations of Geosands Inc. as disclosed in Note 18. This government business enterprise (GBE) is accounted for using the modified equity method. Under this method, the enterprise's accounting principles are not adjusted to conform with those of the Municipality and inter-organizational transactions are not eliminated.

(b) Basis of accounting

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

(c) Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term, highly liquid financial instruments with a maturity of three months or less from the date of acquisition.

Cash equivalents and short-term investments are recorded at cost which approximates fair market value.

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

1. Summary of significant accounting policies (continued)

(d) Portfolio investments

Portfolio investments are recorded at cost plus accrued interest less amortization of purchase premium discounts.

(e) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the consolidated change in net financial assets for the year.

Tangible capital assets

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

Land improvements	- 10 years to infinite life
Buildings	- 10 to 100 years
Machinery and equipment	- 2 to 25 years
Vehicles	- 5 to 20 years
Linear assets	- 3 to 100 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Construction in progress is not amortized until the asset is available for productive use.

Linear assets represent roads, bridges, sidewalks and water and wastewater infrastructure.

(f) Deferred revenue

Revenue restricted by legislation, regulation, or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of operations in the year in which it is used for the specified purpose.

(g) County and school boards

The Municipality collects taxation revenue on behalf of the school boards and the County of Simcoe. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards and the County of Simcoe are not reflected in these consolidated financial statements.

(h) Segment disclosures

Municipal services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment. Net municipal taxation revenue has been allocated to segments based on budget.

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

1. Summary of significant accounting policies (continued)

(i) Taxation and related revenues

Municipal tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Council, incorporating amounts to be raised for local services. A normal part of the assessment process is the issue of supplementary assessment rolls, which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued.

Assessments and the related municipal taxes are subject to appeal. Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For municipal taxes, the taxable event is the period for which the tax is levied. Taxes receivable are recognized net of allowance for anticipated uncollectible amounts.

The Municipality is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

(j) Government grants

Government grants are recognized in the consolidated financial statements as revenues in the period in which the 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. Conditional government grants are recognized to the extent the conditions imposed on them have been fulfilled. Unconditional government grants are recognized when monies are receivable. Government grants for acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made. Grants are recognized as deferred revenue when grant stipulations give rise to a liability. Grant revenue is recognized in the consolidated statement of operations as the stipulation liabilities are settled.

(k) Revenue recognition

Fees for water and waste water usage are recorded as user charges in the period service is provided. Connection fee revenues are recognized when the connection has been established.

Subdivider contributions and fees for services (included in user charges and other revenues) are recognized over the period of service or when required expenditures occur if applicable.

Investment income (other than on obligatory reserve funds) is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances. Revenue from the obligatory reserve funds is recognized in the year in which eligible expenditures are made.

Other user charges, payments from other municipalities and other revenues are recognized as invoiced if collection is reasonably assured.

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

1. Summary of significant accounting policies (continued)

(l) Pension plan

The Municipality offers a pension plan for its full-time employees through the Ontario Municipal Employee Retirement System ("OMERS"). OMERS is a multi-employer, contributory, public sector pension fund established for employees of municipalities, local boards and school boards in Ontario. Participating employers and employees are required to make plan contributions based on participating employees' contributory earnings. The Municipality accounts for its participation in OMERS as a defined contribution plan and recognizes the expense related to this plan as contributions are made, even though OMERS is itself a defined benefit plan.

(m) Other post-employment benefits

Employee future benefits other than pension provided by the Municipality include medical, dental and vision benefits. These plans provide benefits to employees when they are no longer providing active service. Employee future benefit expense is recognized in the period in which the employees render services on an accrual basis.

The accrued benefit obligations and the current service costs are calculated using the projected benefit method, prorated on service, and based on assumptions that reflect management's best estimates. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gains or losses over 10% of the accrued benefit obligation is amortized to expense over the average remaining service period of active employees to full eligibility.

(n) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements and the reported amounts of revenues and expenses during the year. Significant estimates have been made of historical cost and useful lives of tangible capital assets and employee future benefits. Actual results could differ from those estimates.

2. Budget amounts

The operating budget approved by Council for 2019 is reflected on the consolidated statement of operations, consolidated statement of change in net financial assets and Schedule I. The budgets established for investment in tangible capital assets are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current year's actual expenditure amounts.

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

3. Tangible capital assets

Schedule 2 provides information on the tangible capital assets of the Municipality by major asset class, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

(a) Construction in progress

Construction in progress with a value of \$4,716,049 (2018 - \$7,869,715) has not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$5,566,690 (2018 - \$960,086).

(c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values have been assigned.

(d) Amortization

Amortization expense for the year totaled \$7,172,110 (2018 - \$7,725,737). Amortization is not budgeted for annually and, as a result, is not included in the budget figures on the Statement of Operations.

4. Contingencies

(a) In the ordinary course of business, various claims and lawsuits are brought against the Municipality. No provision has been made for pending expropriations of land beyond the payments already made to affected property owners. Any payment made by the Municipality pursuant to claims, lawsuits or expropriations will be charged in the year of settlement.

(b) Annually, the Municipality is unable to estimate its Ontario Provincial Police adjustment. As a result, any adjustment is recorded in the year in which it is received or paid.

5. Development and letters of credit

As part of various developments, the Municipality has received letters of credit to cover the costs of completing these projects. Letters of credit held by the Municipality at December 31, 2019 were \$16,955,659 (2018- \$16,977,561).

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

6. Commitments

- (a) The Municipality has an agreement with Floyd Sinton Limited for the operation of the Municipality's buses. The Municipality paid Floyd Sinton Limited \$497,044 in 2019. The previous contract, which expired August 31, 2019, has been renewed for two years ending July 31, 2021. Total future payments on the remaining contract is \$798,382.
- (b) The Municipality has a servicing agreement with the Ontario Clean Water Agency to operate and maintain the Wasaga Beach Water Treatment Plant and Water Control Pollution Plant for a term of ten (10) years ending on December 31, 2025 with a renewal option for successive five (5) year terms. The Municipality paid the Ontario Clean Water Agency \$1,169,472 in 2019 and will increase by annual insurance and Consumer Price Index adjustments in subsequent years.

7. Portfolio investments

Portfolio investments include fixed income federal, provincial and corporate bonds, rated by S&P at a risk level of AA or higher in accordance with the Municipality's investment policy. The bond portfolio investments balance is reduced by \$15,206 (2018 - \$12,100) of purchase premiums. Also included in portfolio investments are investments held in The ONE Investment Program. It is designed specifically for the municipal and broader Ontario public sector. The investments held within the Program are valued at their purchase cost, plus any reinvested income earned.

Investments include:

	2019		2018	
	Book Value	Market Value	Book Value	Market Value
Bond Portfolio Investments	15,964,724	16,164,383	15,694,278	15,675,981
<i>ONE Fund Investments</i>				
Bond Portfolio	3,784,368	3,627,721	3,702,681	3,535,367
Universal Corporate Bond Portfolio	4,887,117	4,751,841	4,776,546	4,527,435
Equities Portfolio	5,000,000	6,923,157	5,000,000	5,852,571
	29,636,209	31,467,702	29,173,505	29,591,354

Investment income earned on the bond portfolio investments during the year was \$272,585, \$174,797 or which was recorded as \$97,788 (2018 - \$146,898). Investment income earned in the ONE Fund portfolio during the year was \$182,799 (2018 - \$172,273).

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

8. Cash and cash equivalents and short-term investments

Cash and cash equivalents and short-term investments total as follows:

	2019	2018
	\$	\$
Cash and cash equivalents	10,934,057	10,481,554
Short-term investments	22,993,515	17,574,959
	33,927,572	28,056,513

The total is comprised of unrestricted and restricted amounts as follows :

	\$	\$
Unrestricted	11,000,468	8,118,088
Restricted - obligatory reserve funds	22,927,104	19,938,425
	33,927,572	28,056,513

Cash and cash equivalents includes cash held in financial institutions.

Short-term investments consists of 8 non-redeemable GICs with maturity dates between June 8, 2020 to August 23, 2021, earning interest rates ranging from 2.35% to 3.00% per annum. The 2018 balance consisted of 4 non-redeemable GICs with maturity dates between March 6, 2019 and November 1, 2019, earning interest rates of 2.05% to 3.00% per annum.

The available line of credit has a limit of \$2,000,000. Interest is paid on outstanding balances at a rate of prime less 0.75%. As of year end the balance was \$NIL (2018 - \$NIL).

Restricted cash relates to obligatory reserve funds as described in Note 10.

9. Local improvements receivable

Benefiting land owners of local improvements had the option to pay for their share of the cost in full or finance over increments of 5, 10, 15 or 20 years. Interest rates on the receivable balance range from 1.60% to 6.50% per annum.

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

10. Deferred revenue - obligatory reserve funds and other

A requirement of the public sector accounting principles of the Chartered Professional Accountants of Canada 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 and under certain circumstances these funds may be refunded.

The net change during the year in the restricted deferred revenue balances is made up as follows:

	2019	2018
	\$	\$
Deferred revenue, beginning of year	19,938,425	18,240,562
New deposits:		
Government grants	2,158,245	1,355,211
Private sources	6,592,991	3,012,144
Investment income	489,175	373,103
Transfers to revenue	(6,251,732)	(3,042,595)
Deferred revenue, end of year	22,927,104	19,938,425
	2019	2018
	\$	\$
Obligatory reserve funds:		
Development Charges Act	17,554,380	13,562,919
Recreational land	422,473	1,785,488
Federal and Provincial gas tax allocation	3,626,683	2,863,915
Building Code Act	920,112	654,328
Other:		
Government grants	313,616	1,071,775
Library donations	89,840	
	22,927,104	19,938,425

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

11. Long-term liabilities

(a) Long-term liabilities consist of the following:

	2019	2018
	\$	\$
OILC debenture for the West End Servicing Contract, 4.18% interest, semi-annual blended payments of \$92,534 principal and interest, due September 2019.		179,423
OILC debenture for the purchase of a fire pumper truck, 1.84% interest, semi-annual payments of \$60,000 plus interest, due September 2019.		120,000
Toronto Dominion bank loan for the purchase of beachfront properties, 3.163% interest, monthly blended payments of \$33,310 principal and interest, due May 2025.	6,007,649	6,213,797
OILC debenture for the purchase of beachfront properties, 3.28% interest, monthly payments of \$23,000 plus interest, due July 2040.	5,681,000	5,957,000
OILC debenture for the retrofit of Streetlights with LED light bulbs, 2.2% interest, semi-annual payments of \$125,000 plus interest, due July 2026.	1,750,000	2,000,000
	13,438,649	14,470,220

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

11. Long-term liabilities (continued)

(b) Principal, interest and total debt payments for the next 5 years are as follows :

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
2020	738,246	407,570	1,145,816
2021	745,587	385,045	1,130,632
2022	752,634	363,420	1,116,054
2023	759,908	341,569	1,101,477
2024	766,963	320,381	1,087,344
and thereafter	9,675,311	1,182,707	10,858,018
	13,438,649	3,000,692	16,439,341

The above long-term liabilities issued in the name of the Municipality have been approved through by-laws. 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.

12. Pension agreements

The employees of the Municipality participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the Municipality cannot be identified. The Municipality has applied defined contribution plan accounting as it has insufficient information to apply defined benefit plan accounting. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant. Amounts paid to OMERS for 2019 were \$1,075,623 (2018 - \$1,039,281) for current service.

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. The most recent actuarial valuation of the Plan was conducted at December 31, 2019.

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

13. Employee future benefits

The Municipality pays certain post-retirement benefits on behalf of its retired employees, including extended health and dental coverage. The Municipality recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit obligation at December 31, 2019 of \$1,369,000 and the net periodic benefit cost were determined by an actuarial valuation dated February 27, 2018. Actuarial valuations will be prepared every third year or when there are significant changes to the workforce.

Information about the Municipality's obligation for employee future benefits is as follows:

	2019	2018
	\$	\$
Accrued plan liability, beginning of year	963,300	847,800
Current service cost	84,400	81,700
Interest cost	44,500	41,900
Amortization of actuarial loss	37,500	37,500
Benefits paid for the period	(48,000)	(45,600)
Accrued plan liability, end of year	1,081,700	963,300
Unrecognized actuarial loss	287,300	324,800
Accrued benefit obligation, end of year	1,369,000	1,288,100

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

- (a) General inflation
Future general inflation levels, as measured by changes in the Consumer Price Index (CPI), were assumed at 2.0% in 2019 and thereafter.
- (b) Interest (discount) rate
The obligation as at December 31, 2019 of the present value of future liabilities and the expense, was determined using an annual discount rate of 3.30%. This corresponds to the assumed CPT rate plus an assumed real rate of return of 1.75%.
- (c) Health care costs
Health care costs were assumed to increase 6.9% in 2019 and 6.70% in 2020 and thereafter.
- (d) Dental costs
Dental costs were assumed to increase 4.0% in 2019 and thereafter.

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

14. Accumulated surplus

The accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2019	2018
	\$	
Surplus:		
Investment in <u>tangible capital</u> assets	<u>237,568,428</u>	223,698,861
Reserves set aside for specific purposes by Council		
Working funds	1,249,137	711,264
Government business enterprise	3,593,269	3,593,269
Water and wastewater	21,030,639	18,658,512
Operating	2,734,297	2,769,676
Tax rate stabilization	1,000,087	933,156
<u>Acquisition of tangible capital</u> assets	<u>10,645,247</u>	13,569,161
Total reserves	40,252,676	40,235,038
Reserve funds set aside for specific purposes by Council		
<u>Acquisition of tangible capital</u> assets	<u>425,627</u>	423,894
Investment in <u>government</u> business enterprises (Note 18)	<u>16,953,624</u>	16,421,972
Total accumulated <u>surplus</u>	<u>295,200,355</u>	<u>280,779,765</u>

15. Net municipal taxation

Net municipal taxation consists of:

	2019	2018
	\$	\$
Taxation revenue	44,020,904	42,843,006
Amount levied and remitted to School Boards	(8,632,063)	(9,058,620)
Amount levied and remitted to the County of Simcoe	(12,019,580)	(12,062,983)
Net municipal taxation	<u>23,369,261</u>	21,721,403

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

16. Other revenues

Other revenues on the consolidated statement of operations consists of the following:

	2019	2018
	\$	\$
Rent and concessions	989,596	930,077
Licences and permits	898,419	715,949
Fines	283,089	243,726
Donations, sale of publications and equipment	29,640	62,424
	2,200,744	1,952,176

17. Annual surplus transferred to reserves

At the end of 2019 \$NIL of unspent funds were transferred to the working funds and tax rate stabilization reserves by council resolution. In 2018 \$59,505 was transferred to the working funds and tax rate stabilization reserve.

A reconciliation between adjusted annual surplus as transferred to reserves and recorded annual surplus as per the consolidated statements is reflected below. The need for this is generated by the actual recorded results complying with PSAB reporting requirements.

	2019	2018
	\$	\$
Recorded annual surplus as per consolidated statement of operations	14,420,590	4,822,363
Transfers to reserves and reserve funds	(19,371)	(1,137,405)
Change in government business enterprise	(531,652)	(525,772)
Amortization of tangible capital assets	7,172,110	7,725,738
Loss on disposal of tangible capital assets	398,689	20,695
Proceeds on disposal of tangible capital assets	48,235	
Tangible capital asset additions	(20,457,030)	(9,828,229)
Principal payments on long-term liabilities	(1,031,571)	(1,017,885)
Adjusted annual surplus		59,505

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

18. Government business enterprise (GBE)

The following balances represent the consolidation of Geosands Inc., Wasaga Distribution Inc., Wasaga Genco Inc. and Wasaga Resource Services Inc. for the year ended December 31. The following operations are included in the consolidated statement of operations, accounted for on a modified equity basis:

	Notes	2019	2018
		\$	\$
Total assets		28,249,082	24,787,143
Total liabilities	(a)	(1,295,458)	(8,365,171)
Net assets		16,953,624	16,421,972
Common shares		2,745,596	2,745,596
Miscellaneous paid-in capital		5,175,468	5,175,468
Retained income		9,032,560	8,500,908
Investment in government business enterprise		16,953,624	16,421,972
Total revenues	(b)	21,879,832	19,870,475
Total expenditures		(20,982,180)	(18,944,703)
Net revenues for the year		897,652	925,772
Dividends		(366,000)	(400,000)
Change in investment in government business enterprise equity		531,652	525,772
Income from government business enterprise :			
Change in investment in GBE equity	(c)	531,652	525,772
Dividends	(d)	366,000	400,000
Interest on note receivable	(e)	135,826	135,826
		1,033,478	1,061,598

(a) Note receivable from Wasaga Distribution Inc.

Geosands' liabilities include a note receivable from Wasaga Distribution Inc., repayable to the Municipality, in the amount of \$3,593,269 (2018 - \$3,593,269), which has no fixed terms of principal repayment. Interest is determined on the principal amount outstanding on the 30th day following December 31st of each year in which principal is owing. The note bears interest at the rate approved by the Ontario Energy Board (OEB) in connection with the current decision and order issued by the OEB approving the electricity distribution rates that Wasaga Distribution Inc. is permitted to recover. Interest may be receivable in cash or in additional common shares issued by the government business enterprise. The interest rate during the year was 3.78% (2018 - 3.78%).

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

18. Government business enterprise (GBE) (continued)

(b) Rent revenue

Included in total revenue of the GBE is rental income from the Municipality. In 2011, a lease agreement was entered into with Wasaga Distribution Inc., effective January 1, 2012 for the construction of a fire hall on a portion of the land owned by Wasaga Distribution Inc. The Municipality was charged rent of \$25,943 (2018 - \$25,311). Rent will increase by the same percentage as the Consumer Price Index for the first ten years. On the eleventh year of the lease there will be a revaluation of rent based on fair market value. The term of the lease is forty years, including options for two extensions of twenty years.

(c) Change in investment in government business enterprise equity

Change in investment in government business enterprise equity represents the annual increase or decrease in the retained earnings of Geosands Inc., Wasaga Distribution Inc. and Wasaga Resources Services Inc., after eliminating any intercompany transactions between the three companies. The amount of change in retained earnings is calculated as the companies' annual net income, less any dividends paid to the Municipality. The amount retained by those companies is determined by their Board of Directors, in their anticipation of investments in property, plant and equipment and their cash requirements to effectively operate the companies. The Municipality only receives cash from the investment in the government business enterprise when dividends are declared as described in (d) below.

(d) Dividends

During the year the Municipality received \$366,000 (2018 - \$400,000) cash in the form of dividends from Geosands Inc. The amount of dividends paid each year is determined by the Board of Directors of Wasaga Resources Services Inc., Wasaga Distribution Inc. and Geosands Inc. based on their annual earnings, their anticipated amount of investment required in property, plant and equipment and their available cash flow.

(e) Interest on note receivable

During the year the Municipality received \$135,826 (2018 - \$135,826) cash in the form of interest from the note receivable from Wasaga Distribution Inc., as described in (a) above.

19. Trust funds

Trust funds administered by the Municipality amounting to \$227,081 (2018 - \$215,358) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations. The trust funds are comprised of the following:

	2019	2018
	\$	\$
Cemetery Pre-Need	34,382	34,218
Cemetery Perpetual Care and Maintenance	192,699	181,139

CORPORATION OF THE TOWN OF WASAGA BEACH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

20. Comparative figures

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

21. Subsequent event

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The measures introduced at various levels of government to curtail the spread of the virus, such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing, could mean that the Municipality's revenues and collections are reduced. Management is actively monitoring the situation and operations, however, the full effect of the possible impacts described above can not be quantified at this time.

CORPORATION OF THE TOWN OF WASAGA BEACH

SCHEDULE 1 SCHEDULE OF LIBRARY OPERATIONS FOR THE YEAR ENDED DECEMBER 31

	Budget 2019	Actual 2019	Actual 2018
	\$ (Note 2)	\$	\$
Revenue			
Government grants	32,480	36,539	44,791
Contribution from municipality	625,410	664,078	591,786
Copier, duplicating fees and miscellaneous	9,850	14,243	15,451
Donations	54,500	8,689	5,660
	722,240	723,549	657,688
Expenses			
Salaries, wages and benefits	575,620	600,074	573,193
Services	7,190	50,051	12,643
Materials and supplies	76,380	63,290	61,664
Memberships and training	9,050	8,403	7,204
	668,240	721,818	654,704
Annual surplus	54,000	1,731	2,984
Accumulated surplus, beginning of the year	380,121	380,121	377,137
Accumulated surplus, end of the year	434,121	381,852	380,121

The supplemental information provided above has been extracted from the records of the Municipality and is included in the consolidated statement of operations.

CORPORATION OF THE TOWN OF WASAGA BEACH

**SCHEDULE 2
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31**

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Linear Assets	Construction in Progress	2019 Total	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Balance, beginning of year	36,424,860	11,765,494	51,456,873	10,455,995	11,721,550	210,714,000	7,511,715	318,649,487	300,117,011
Additions	6,327,824	411,545	584,750	1,206,427	1,100,000	13,111,111	1,711,113	16,052,770	11,112,555
Disposals		(114,923)		(403,195)	(651,800)	(702,300)	(5,948,290)	(7,818,677)	(3,185,111)
Write downs		(254,829)	(59,063)					(318,892)	
Balance, end of year	42,752,684	11,807,287	51,982,560	11,259,227	12,732,946	223,444,104	4,716,049	358,694,857	340,425,570
Accumulated amortization									
Balance, beginning of year		1,011,111	21,042,331	4,774,000	8,019,959	64,122,551		102,256,485	95,139,466
Amortization		112,111	1,321,841	97,766	807,491	4,050,941		7,172,110	7,725,737
Disposals		(111,111)		(403,115)	(1,111,111)	(572,240)		(1,740,815)	(608,718)
Balance, end of year		4,038,675	22,364,172	4,736,311	8,247,470	68,301,152		107,687,780	102,256,485
Net book value, end of year	42,752,684	7,768,612	29,618,388	6,522,916	4,485,476	155,142,952	4,716,049	251,007,077	238,169,085

See accompanying notes to the financial statements

CORPORATION OF THE TOWN OF WASAGA BEACH

**SCHEDULE 3
CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Government	Protection to Persons and Property	Transportation	Environmental	Recreation and Cultural	Planning and Development	Health, Social and Family	Total
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES								
Municipal Taxes	1,727,381	8,869,870	5,776,460	387,710	4,575,130	1,940,320	92,390	23,369,261
Property Taxes	539,025							539,025
Utilities	48,614	40,406	1,278,472	6,669,908	517,532	445,880	45,726	9,046,538
Grants	2,670,430	1,960	179,037		63,189	1,960	48,607	2,965,183
Professional Fees		131,428			14,345	2,757		148,530
Contributions								
Other Income	17,060				14,850	5,223		37,133
Interest	562,177							562,177
Other	466,297							466,297
	53,109	809,986	263,614	126,193	203,749	721,398	13,710	2,191,769
	6,084,09,	9,851,650	7,497,593	7,151,811	5,388,795	3,117,538	200,433	39,325,913
EXPENSES								
Salaries	620,861	5,047,449	3,502,938	1,482,737	3,583,493	1,373,864	223,167	15,834,509
Utilities		937	40,282	3,444		383,139		427,802
Supplies	645,545	304,923	1,472,868	1,544,248	952,655	277,007	70,625	5,267,871
Capital Expenses	294,483	271,731	175,237	128,044	113,055	224,381	20,000	1,226,931
Other	277,392	4,954,063	875,059	1,451,898	469,549	190,918	77,187	8,296,066
	150,361	317,077	1,330,970	2,940,720	640,263	273,946	8,768	7,171,110
	1,988,647	10,896,180	8,897,354	7,510,911	5,759,015	2,723,755	409,747	38,715,289
Net Revenue	4,119,546	(1,042,530)	(1,399,761)	(367,280)	(370,220)	394,283	(209,314)	1,100,624
Other								
Interest				137,914				137,914
Other				374,314				374,314
Capital Expenses			3,542,600	1,122,946	1,549,053			6,214,599
Other				382,685				-82,685
Other					8,975			8,975
Other	(59,012)	1,883	(106,557)	5,218	4,786	(244,977)		(398,789)
Other			1,988,551	3,230,140	348,000			5,566,690
	1,014,750							1,033,478
	1,074,410	1,881	542,459	5,237	1,910,814	(144,977)		13,319,966
Total	5,194,006	1,040,649	1,142,798	4,864,633	1,040,594	149,306	(209,314)	14,420,590

See accompanying notes to the financial statements

CORPORATION OF THE TOWN OF WASAGA BEACH

**SCHEDULE 4
CONSOLIDATED SCHEDULE OF SEGMENTED REVENUES AND EXPENSES
ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund, Immm	Protection to Persons Emergency	Transportation	Environment	Recreation and Cultural	Planning and Development	Health, Social and Fitness	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:								
Net Municipal taxation	1,111,360	8,555,820	5,511,490	244,950	4,154,820	1,547,440	244,520	19,140,380
Payments in lieu of taxation	5,862,717							5,862,717
Usual charges	4,150	86,709	1,549,722	7,142,643	528,272	345,060	40,661	13,695,117
Government grants	13,711		166,310	1,680	79,068	24,097	32,865	182,631
Payments from other municipalities		122,712				12,500		135,212
Contributions from other revenue sources	17,067	91,872		29,995				138,934
Investment	511,417							511,417
Permit fees, including taxes	359,805							359,805
Other	40,246		24,200	1,114	212,404	622,104	8,334	1,939,708
Total Revenue	15,110,422	8,776,611	7,046,722	256,647	4,367,284	1,884,141	353,519	29,448,736
Expenses:								
Salaries and employee benefits	784,874	1,111,360	3,297,267	1,393,363	3,372,429	1,274,154	68,753	15,174,237
Interest on long-term liabilities			45,809	10,771		39,616		96,196
Maintenance and supplies	664,755	4,411	1,440,611	1,541,116	959,213	277,277	36,299	5,267,754
Real financial expenses including external transfers	1,714,465	259,330	185,884	135,246	126,778	196,001		2,617,604
Contracted services	390,818	4,882,887	1,117,223	1,340,086	558,725	1,111,111	41,330	8,955,953
Utilities and other	105,589		3,244,164	3,040,000	649,872	202,000	17,157	7,058,682
Total Expenses	3,661,401	10,297,211	9,330,980	7,515,519	5,667,017	3,063,921	166,669	40,199,639
Net result of operations	11,449,021	(1,520,600)	(2,284,258)	(4,258,872)	(1,299,733)	(1,179,780)	186,850	(7,508,908)
Other:								
Grants and income tax credits			85,494	5,115	8,460			145,411
User charges			1,594,191		(19,359)			1,574,832
Government grants			24,576	1,111				25,687
Payments from other municipalities			2,469,567	1,111	102,065			2,900,661
Contributions from other revenue - non-regulatory reserve funds and other				1,111				1,111
Investment		8,218		1,111	4,200			13,529
Other	50		(14,904)		(5,791)			(14,645)
Loss on disposal of tangible capital assets			153,373	806,713				960,086
Contribution of tangible capital assets								
Income from government business	1,061,598							1,061,598
Total Other	1,061,598	8,218	1,741,941	811,824	2,440,715	(19,359)	186,850	4,033,787
Annual Surplus/Deficit	11,510,619	(1,512,382)	(4,542,517)	(3,447,047)	(1,299,733)	(1,179,780)	186,850	(7,542,822)

See accompanying notes to the financial statements