

Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF WELLESLEY**

Year Ended December 31, 2022

	Page
Management Responsibility for Financial Reporting	1
Independent Auditors' Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Accumulated Surplus	5
Statement of Change in Net Financial Assets	6
Statement of Cash Flows	7
Explanatory Financial Notes	8 - 23
Schedule	
Six-Year Financial Review (Unaudited)	24 - 25

Management Responsibility For Financial Reporting

December 31, 2022

The accompanying financial statements and all other information contained in this annual report are the responsibility of the management of The Corporation of the Township of Wellesley. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These financial statements have been prepared by management within the reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the financial statements are reviewed and approved by management. In addition, management meets periodically with the Township's external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Graham Mathew Professional Corporation, Chartered Professional Accountants, as the Township's appointed external auditors, have audited the financial statements. The external auditors have full and free access to management and Council. The Independent Auditors' Report is dated May 30, 2023 and appears on the following pages. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatements and present fairly the financial position and results of operations of the Township in accordance with Canadian public sector accounting standards.



Rik Louwagie, CBCO, CMMIII
Chief Administrative Officer



Fiona Gilbert
Treasurer

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Township of Wellesley

Opinion

We have audited the accompanying financial statements of **The Corporation of the Township of Wellesley** (the Township), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2022, and its financial performance 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 report. We are independent of the Township 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 these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 Township'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 Council either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Township'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 these financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 Township'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 Township'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 Township 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.

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.

A handwritten signature in black ink that reads "Graham Mathew Professional Corporation". The signature is written in a cursive, flowing style.

Cambridge, Ontario
May 30, 2023

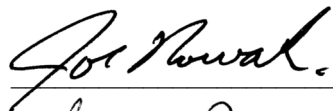
Chartered Professional Accountants, authorized to practise public
accounting by the Chartered Professional Accountants of Ontario

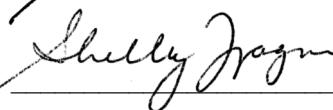
Statement of Financial Position

December 31, 2022

	2022 \$	2021 \$
Financial Assets		
Cash	10,407,774	8,691,971
Taxes receivable	356,507	329,115
Accounts receivable	1,830,398	820,700
Investment in hydro utility (note 6)	11,839,802	9,857,038
	24,434,481	19,698,824
Liabilities		
Accounts payable and accrued liabilities	5,797,140	2,731,264
Deferred revenue - obligatory reserve funds (note 7)	4,717,657	3,896,532
Net long-term liabilities (note 8)	8,582,000	690,000
	19,096,797	7,317,796
Net Financial Assets	5,337,684	12,381,028
Non-Financial Assets		
Tangible capital assets (note 9)	44,984,543	36,801,609
Inventories of supplies	112,510	55,649
Prepaid expenses	85,416	89,609
	45,182,469	36,946,867
Accumulated surplus (note 14)	50,520,153	49,327,895

Approved on behalf of Council:





Statement of Operations and Accumulated Surplus
Year Ended December 31, 2022

	2022 Budget (note 11) \$	2022 Actual \$	2021 Actual \$
Revenues			
Residential and farm taxation	4,809,363	4,783,672	4,255,078
Commercial, industrial and business taxation	1,200,234	1,278,382	1,145,480
Taxation from other governments	24,500	25,397	24,570
User charges	2,103,146	1,446,850	1,271,305
Government transfers	847,900	1,130,384	841,359
Investment income	33,000	208,118	36,303
Interest and penalties on taxes	75,000	71,501	78,520
Fundraising and other		308,134	60,099
Total revenues	9,093,143	9,252,438	7,712,714
Expenses			
General government	1,885,711	1,795,264	1,588,830
Protection to persons and property	1,839,669	1,720,450	1,588,473
Transportation services	3,285,135	5,397,776	5,351,963
Environmental and social services	7,400	53,005	79,307
Health services		3,911	4,594
Recreation and cultural services	1,874,416	2,116,973	1,554,398
Planning and development	259,926	194,727	154,339
Total expenses (note 10)	9,152,257	11,282,106	10,321,904
Net expenses before other revenue (expense)	(59,114)	(2,029,668)	(2,609,190)
Other revenue (expense)			
Grants and transfers related to capital			
Deferred revenue earned (note 7)		1,036,953	961,541
Donations, capital		56,099	
Gain (loss) on disposal of tangible capital assets		40,752	(10,892)
Interest earned, hydro investment (note 6)		105,358	117,411
Change in equity of hydro investment		701,215	779,537
Gain on merger of hydro utilities (note 6)		1,281,549	
		3,221,926	1,847,597
Annual surplus (deficit)	(59,114)	1,192,258	(761,593)
Accumulated surplus, beginning of year		49,327,895	50,089,488
Accumulated surplus, end of year		50,520,153	49,327,895



Statement of Change in Net Financial Assets

Year Ended December 31, 2022

	2022 Budget (note 11) \$	2022 Actual \$	2021 Actual \$
Annual surplus (deficit)		1,192,258	(761,593)
Amortization of tangible capital assets	3,556,856	3,556,856	3,553,824
Acquisition of tangible capital assets	(2,748,622)	(11,787,393)	(1,597,982)
(Gain) loss on disposal of tangible capital assets		(40,752)	10,892
Proceeds on sale of tangible capital assets		88,355	
Change in inventories of supplies		(56,861)	19,691
Change in prepaid expenses		4,193	8,572
Change in net financial assets	808,234	(7,043,344)	1,233,404
Net financial assets, beginning of year	12,381,028	12,381,028	11,147,624
Net financial assets, end of year	13,189,262	5,337,684	12,381,028

Statement of Cash Flows
Year Ended December 31, 2022

	2022 \$	2021 \$
Operating activities		
Annual surplus (deficit)	1,192,258	(761,593)
Sources (uses)		
Taxes receivable	(27,392)	131,433
Accounts receivable	(1,009,698)	(74,543)
Accounts payable and accrued liabilities	3,065,876	674,688
Deferred revenue - obligatory reserve funds	821,125	1,000,773
Inventories of supplies	(56,861)	19,691
Prepaid expenses	4,193	8,572
	3,989,501	999,021
Non-cash charge to operations		
Amortization	3,556,856	3,553,824
Gain on merger of hydro utilities	(1,281,549)	
(Gain) loss on sale of tangible capital assets	(40,752)	10,892
	2,234,555	3,564,716
Cash provided from operations	6,224,056	4,563,737
Capital activities		
Acquisition of tangible capital assets	(11,787,393)	(1,597,982)
Proceeds on sale of capital assets	88,355	
	(11,699,038)	(1,597,982)
Investing activities		
Change in hydro investment	(701,215)	(560,945)
Financing activities		
Proceeds from long-term liabilities	8,000,000	
Repayment of long-term liabilities	(108,000)	(106,000)
Net change in cash	1,715,803	2,298,810
Cash position, beginning of year	8,691,971	6,393,161
Cash position, end of year	10,407,774	8,691,971

The explanatory financial notes form an integral part of these financial statements.

1. Municipal Status

The Corporation of the Township of Wellesley was created on January 1, 1973 when the former municipalities of Wellesley and the Township of Wellesley were amalgamated into a single legal entity under the name, The Corporation of the Township of Wellesley. This amalgamation was implemented through the final approval of Bill 167, The Region of Waterloo Act by the Government of Ontario in 1973.

The Township of Wellesley operates as a lower tier government in the Regional Municipality of Waterloo, in the Province of Ontario, Canada. The Township provides services within the spheres of jurisdiction afforded to a lower tier municipality under the Ontario Municipal Act such as fire protection and related services; public works, not including sewers and water; appropriate land use planning for the municipality including rural and urban elements; recreation facilities; building permits and related functions including the approval of individual subsurface sewage treatment facilities; and, other general government services, such as municipal drains, animal control, parking regulations and property standards by-law enforcement.

2. Summary of Significant Accounting Policies

The financial statements of The Corporation of the Township of Wellesley (the "Township") are the representation of management, prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

(a) Basis of presentation

i) Financial Statements

These financial statements reflect the financial assets, liabilities, operating revenues and expenses, reserve funds and reserves, changes in investment in tangible capital assets and cash flows and include the activities of all governmental functions controlled and exercised by the Township Council. All interfund transfers have been eliminated.

ii) Government Business Enterprise

The investment in Enova Energy Corporation (Waterloo North Hydro Holding Corporation in 2021) and its affiliates are accounted for on the modified equity basis which reflects the Township's investment in the enterprise and its share of net income or loss less dividends received since acquisition. Under the modified equity basis, the enterprise's accounting principles are not adjusted to conform with those of the Township and inter-organizational transactions and balances are not eliminated.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of presentation (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 Regional Municipality of Waterloo, are not reflected in these financial statements (see note 3).

iv) Trust Funds

Trust funds and their related operations administered by the Township are not consolidated herein, but are reported separately (see note 4).

(b) Non-financial assets

Non-financial assets are not normally 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 excess revenues over expenses, provides the change in net financial assets for the year.

i) 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 is amortized on a straight-line basis over their estimated useful lives as follows:

Land	Not amortized
Buildings	25 to 50 years
Vehicles	
Fire trucks	15 to 25 years
Vehicles	8 to 10 years
Office furniture and equipment	5 to 20 years
Computer hardware and software	3 years
Transportation	
Roadway system	10 to 50 years
Bridges and structures	75 years
Water and waste water	45 to 75 years
Other	
Machinery and equipment	10 to 30 years
Land improvements	15 to 25 years
Trails	3 to 15 years

Assets under construction are not amortized until the asset is available for productive use.

2. Summary of Significant Accounting Policies (Continued)

(b) Non-financial assets (continued)

ii) Contributions of tangible capital assets (donated)

Tangible capital assets received as contributions, if any, are recorded at their fair value at the date of receipt and are recorded in income as 'donated tangible capital assets'.

iii) Interest capitalization

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

iv) Works of art and cultural and historic assets

These non-operational assets are not recorded in these financial statements.

v) Leases

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

vi) Inventories and prepaid expenses

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

Prepaid expenses relate to expenditures incurred in the current period which relate to and will be expensed in a future fiscal period.

(c) Investments

Investments generally consist of interest rate savings accounts and are recorded at the lower of cost and market value.

Investment income is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is considered deferred until the funds are applied.

(d) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.



Explanatory Financial Notes
Year Ended December 31, 2022

2. Summary of Significant Accounting Policies (Continued)

(d) Revenue recognition (continued)

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible assets are acquired.

Tax revenue is recognized when it is authorized and in the period for which the tax is levied.

(e) Liability for contaminated sites

The Township adopted Public Sector Accounting Board Standard PS 3260 Liability for Contaminated Sites effective in 2014. Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. The Township adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

(f) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. These estimates and assumptions, including taxation assessment appeals, legal claims provisions, the valuation of tangible capital assets and their related useful lives and amortization, are based on management's best information and judgement and may differ significantly from future actual results.

3. Operations of School Boards and the Region of Waterloo

Further to note 2(a)(iii), the taxation, other revenues, and requisitions levied on behalf of the School Boards and the Region of Waterloo are comprised of the following:

	School Boards \$	Region \$
Taxation and user charges	4,290,207	10,335,950
Share of payments in lieu of taxes		16,057
	4,290,207	10,352,007
Requisitions paid	4,290,207	10,352,007
Balance receivable, end of year	NIL	NIL

4. Trust Funds

Further to note 2(a)(iv), trust funds administered by the Township amounting to **\$517,862** (\$497,632 in 2021) have not been included in the statement of financial position nor have their operations been included in the statement of operations and accumulated surplus. They are comprised of cemetery perpetual care funds amounting to **\$137,025** (\$116,109 in 2021) and other estate funds amounting to **\$380,837** (\$381,523 in 2021).

5. Ontario Municipal Employees' Retirement Fund

The Township makes contributions to the Ontario Municipal Employees' Retirement Fund (OMERS), which is a multi-employer plan, on behalf of **36** (35 in 2021) 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.

Employee contributions for 2022 were at rates ranging from **9.0%** to **14.6%** based on member earnings and were matched by the Township on a dollar for dollar basis. The amount contributed to OMERS by the Township for 2022 was **\$240,640** (\$235,949 in 2021) for current service and is included as an expense on the statement of operations and accumulated surplus. Deficits, if any, in the plan will be financed by increases in future employee and employer contributions. There were no changes to contribution rates or benefits for 2022. The Township does not participate in any past service provisions of the OMERS agreement.

The OMERS pension plan has a deficit. The last available report for the OMERS plan was on December 31, 2022. At that time the plan reported a \$6.7 billion actuarial deficit (\$3.1 billion in 2021), based on actuarial liabilities of \$130.3 billion (\$120.8 billion in 2021) and actuarial assets of \$123.6 billion (\$117.7 billion in 2021). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

6. Investment in Enova Energy Corporation/Waterloo North Hydro Holding Corporation

Until August 31, 2022, the Township owned 6.6% of the class A special shares and common shares of Waterloo North Hydro Holding Corporation which in turn owned 100% of Waterloo North Hydro Inc. The Township was also invested in certain long-term Junior and Senior notes receivable from Waterloo North Hydro Holding Corporation.

On January 12, 2022, a Merger Participation Agreement ("MPA") was signed between: the Corporation of the City of Kitchener ("Kitchener"); the Corporation of the Township of Wilmot ("Wilmot"); the Corporation of the City of Waterloo ("Waterloo"); the Corporation of the Township of Woolwich ("Woolwich"); the Corporation of the Township of Wellesley ("Wellesley"); Kitchener-Wilmot Hydro Inc. ("KWHI"); Kitchener Energy Services Inc. ("KESI"); Waterloo North Hydro Inc. ("WNHI"); Waterloo North Hydro Holding Corporation ("WNHHC"); and Alliance Metering Solutions Inc. ("AMS"). WNHHC is the parent company of WNHI and AMS.

The MPA provided the terms and conditions under which KPC and WNHHC would amalgamate (the "MergeCo Amalgamation"), followed immediately by the amalgamation of the KWHI and WNHI ("LDC Amalgamation"). The LDC Amalgamation was subject to the approval of the Ontario Energy Board ("OEB") based on a Mergers, Acquisitions, Amalgamations and Divestitures Application ("MAADs Application") process. The MAADs Application included a request for OEB approval for the continuation of regulated rates and charges of the predecessor LDCs of the Corporation. On June 28, 2022, the OEB issued a Decision and Order approving the LDC Amalgamation.

Explanatory Financial Notes
Year Ended December 31, 2022

6. Investment in Enova Energy Corporation/Waterloo North Hydro Holding Corporation (Continued)

The MergeCo Amalgamation occurred on August 31, 2022 (the “closing date”) and the parent Corporation continues as Enova Energy Corporation, a corporation amalgamated under the laws of Ontario. On September 1, 2022, immediately following the MergeCo Amalgamation, KWHI and WNHI legally amalgamated and continue as Enova Power Corporation., a corporation amalgamated under the laws of Ontario.

Until August 31, 2022, Wellesley held 6.6% of the common shares of Kitchener Power Corp. and a 6.6% share in long-term notes payable of WNHHC.

Following the merger, the Township holds 2.78% of the common shares of Enova Energy Corporation and a 2.30% share in long-term notes payable of Enova Energy Corporation.

As a result of this transaction, the Township recorded a gain on merger from its prior interest in Waterloo North Hydro Holding Corporation of \$1,281,549.

The investment in Enova Energy Corporation (Waterloo North Hydro Holding Corporation in 2021) is comprised of the following:

	2022 \$	2021 \$
Enova Energy Corporation, common shares initial valuation	9,069,694	
Enova Energy Corporation, long-term notes receivable	2,532,446	
Senior note receivable from Waterloo North Hydro Holding Corporation		1,436,033
Junior note receivable from Waterloo North Hydro Holding Corporation		1,096,413
132 common shares of Waterloo North Hydro Holding Corporation		1,661,119
14,397 Class A special shares of Waterloo North Hydro Holding Corporation		143,967
	11,602,140	4,337,532
Accumulated equity increase	237,662	5,519,506
Cost of investment	11,839,802	9,857,038

The continuity of the Township's investment in Enova Energy Corporation (Waterloo North Hydro Holding Corporation in 2021) is as follows:

Balance, beginning of year	9,857,038	9,296,093
Share of net income of WNHHC for the period	850,049	779,537
Dividends from WNHHC for the period	(386,496)	(218,592)
	10,320,591	9,857,038
Gain on merger of hydro utilities	1,281,549	
Share of net income of Enova Energy Corporation for the period	237,662	
	11,839,802	9,857,038



Explanatory Financial Notes

Year Ended December 31, 2022

6. Investment in Enova Energy Corporation/Waterloo North Hydro Holding Corporation (Continued)

Interest earned on the unsecured Senior and Junior notes receivable totalling \$105,358 (\$117,411 in 2021) is included in the Statement of Operations and Accumulated Surplus.

The Enova Energy Corporation notes bear interest of 3.23% and are unsecured.

Special shares were issued as part of the amalgamation transaction on September 1, 2022, to effect post-closing adjustments provided for in corresponding agreements. The Township of Wellesley was issued 660 Class B special shares. As of December 31, 2022, the redemption value has not been set.

The following table provides condensed financial information with respect to Enova Energy Corporation (Waterloo North Hydro Holding Corporation in 2021).

	2022 (in thousands) \$	2021 (in thousands) \$
Current assets	93,352	844
Long-term assets	783,381	144,928
Total assets	876,733	145,772
Current liabilities	71,051	1,501
Long-term liabilities	362,378	33,292
Total liabilities	433,429	34,793
Net equity	443,304	110,979

	2022 8 months (in thousands) \$	2021 12 months (in thousands) \$
Results of operations - Waterloo North Hydro Holding Corporation		
Revenue	14,032	13,603
Operating expenses	(1,152)	(1,792)
Net income	12,880	11,811
Township's share of net income at 6.6%	850	780

	2022 4 months (in thousands) \$	2021 (in thousands) \$
Results of operations - Enova Energy Corporation:		
Revenue	155,208	
Operating expenses	(146,659)	
Net income	8,549	NIL
Township's share of net income at 2.78%	238	NIL

Explanatory Financial Notes
Year Ended December 31, 2022

7. Deferred Revenue - Obligatory Reserve Funds

A requirement of the Public Sector Accounting Board 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 possibly be refunded.

(a) The balances in the obligatory reserve funds are summarized as follows:

	2022	2021
	\$	\$
Recreation parkland	363,331	342,452
Development charges and sub-dividers contributions	1,197,160	1,118,870
Building department (Bill 124)	741,957	776,260
Gas tax funding	1,024,271	870,129
OCLIF funding	20,400	19,914
OCIF funding	1,364,696	621,942
Healthy Kids Community Challenge	5,842	5,703
COVID-19 Recovery funding		131,762
Main Street revitalization		9,500
	4,717,657	3,896,532

(b) Continuity schedule

Contributions from developers	391,805	459,691
Interest earned	122,172	26,557
Canada Gas Tax Funding	357,113	700,415
Ontario Community Infrastructure Fund	986,988	518,917
COVID-19 Recovery		251,734
Ontario Cannabis Legalization Implementation Fund		5,000
	1,858,078	1,962,314
Deferred revenue recognized	(1,036,953)	(961,541)
	821,125	1,000,773
Balance, beginning of year	3,896,532	2,895,759
Balance, end of year	4,717,657	3,896,532



Explanatory Financial Notes
Year Ended December 31, 2022

8. Net Long-Term Liabilities

The balance of net long-term liabilities reported on the statement of financial position is comprised of the following:

	2022	2021
	\$	\$
The Township has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by the Region of Waterloo. At the end of the year, the outstanding principal amount of these liabilities are	8,582,000	690,000

(a) For the long-term liabilities reported above, future principal payments are summarized as follows:

	2023 to 2027	2028 and Thereafter	Total
	\$	\$	\$
From general municipal revenues	2,049,000	6,533,000	8,582,000

(b) The long-term liabilities included above, 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 limit prescribed by the Ministry of Municipal Affairs and Housing.

(c) Interest charges for 2022 on net long-term liabilities amounted to **\$246,111** (\$16,489 in 2021). The long-term debt rates of interest range from 1.95% to 3.90% per annum on debentures issued by the Region of Waterloo.

(d) During the year, the Township incurred \$8,000,000 of new debt to finance construction of a new recreation facility in the Town of Wellesley.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

9. Tangible Capital Assets

	Land \$	Trails \$	Buildings \$	Infrastructure \$	Machinery and equipment \$	Vehicles \$	2022 Total \$
Cost							
Balance, beginning of year	4,451,310	163,298	12,744,230	120,677,720	5,165,734	4,463,312	147,665,604
Additions		49,031	148,805	1,081,144	427,357	1,211,119	2,917,456
Disposals			(10,460)	(23,588)	(96,958)	(102,419)	(233,425)
Cost, end of year	4,451,310	212,329	12,882,575	121,735,276	5,496,133	5,572,012	150,349,635
Accumulated Amortization							
Balance, beginning of year		49,363	5,263,501	100,783,385	3,052,858	2,183,550	111,332,657
Disposals			(4,393)	(23,588)	(94,923)	(62,918)	(185,822)
Amortization expense		11,636	337,967	2,562,411	310,901	333,941	3,556,856
Accumulated amortization, end of year		60,999	5,597,075	103,322,208	3,268,836	2,454,573	114,703,691
Assets under construction							9,338,599
Net book value, end of year	4,451,310	151,330	7,285,500	18,413,068	2,227,297	3,117,439	44,984,543



EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022

9. Tangible Capital Assets (Continued)

	Land \$	Trails \$	Buildings \$	Infrastructure \$	Machinery and equipment \$	Vehicles \$	2021 Total \$
Cost							
Balance, beginning of year	4,451,310	163,298	12,253,810	120,425,001	5,163,808	4,171,152	146,628,379
Additions			493,835	284,877	132,200	292,160	1,203,072
Disposals			(3,415)	(32,158)	(130,274)		(165,847)
Cost, end of year	4,451,310	163,298	12,744,230	120,677,720	5,165,734	4,463,312	147,665,604
Accumulated Amortization							
Balance, beginning of year		38,953	4,946,423	98,141,330	2,933,751	1,873,331	107,933,788
Disposals			(991)	(29,166)	(124,798)		(154,955)
Amortization expense		10,410	318,069	2,671,221	243,905	310,219	3,553,824
Accumulated amortization, end of year		49,363	5,263,501	100,783,385	3,052,858	2,183,550	111,332,657
Assets under construction							468,662
Net book value, end of year	4,451,310	113,935	7,480,729	19,894,335	2,112,876	2,279,762	36,801,609

During the year, the Township added **\$11,787,393** (\$1,597,982 in 2021) in tangible capital assets. Contributed capital assets amounted to Nil during the year (Nil in 2021). Amortization for the year amounted to \$3,556,856 (\$3,553,824 in 2021).



Explanatory Financial Notes
Year Ended December 31, 2022

10. Expenditures by Object	2022	2021
	\$	\$
The following is a summary of the total expenditures on the Statement of Operations and Accumulated Surplus by the object of expenditure:		
Salaries, wages and employee benefits	4,138,229	3,691,621
Materials	3,320,757	3,017,598
Contracted services	20,153	42,372
Long-term debt interest	246,111	16,489
Amortization	3,556,856	3,553,824
	11,282,106	10,321,904

11. Budget Figures - Unaudited

The unaudited budget figures reported on the Statement of Operations and Accumulated Surplus are based on the 2022 municipal operating and capital budgets as approved by Council. Approved budget figures have been reclassified and adjusted for the purposes of these financial statements to comply with Public Sector Accounting Board ("PSAB") reporting requirements. The Township has provided the following reconciliation of the PSAB reported surplus to the approved Council budget.

	Budget Amount \$
Approved operating budget revenues	9,408,747
Approved capital budget revenues	2,748,622
Total approved revenues	12,157,369
PSAB reporting adjustments:	
Dividends from Waterloo North Hydro	(211,200)
Interest earned from Waterloo North Hydro	(105,358)
Contributions from reserves and reserve funds	(2,747,668)
Net operating budget revenues	9,093,143
Approved operating budget expenses	9,408,747
Approved capital budget expenses	2,748,622
Total approved expenses	12,157,369
PSAB reporting adjustments:	
Amortization of tangible capital assets	3,556,856
Capital expenses	(11,787,393)
Profit/loss on disposal of TCA's	40,752
Contribution to reserves and reserve funds	(2,707,327)
Debt principal repayments	(108,000)
Proceeds of debt	8,000,000
Net operating budget expenses	9,152,257
Net expenses before other income	(59,114)



Explanatory Financial Notes

Year Ended December 31, 2022

12. Commitments and Obligations

- (a) The Township has entered into an arrangement whereby the City of Kitchener will provide fire dispatch service to Wellesley on a fee for service basis.

The amount paid pursuant to this service agreement for 2022 was **\$28,428** (\$33,413 in 2021).

- (b) Under the sick leave benefit plan, unused sick leave can accumulate; however, employees are not entitled to receive a cash payment when they leave the Township's employment for these accumulated sick leave days.

13. Self Insurance Coverage

The Township has an agreement with other Waterloo Region municipalities to purchase property damage and public liability insurance on a group basis and share a retained level of risk. The members pay an annual levy to fund insurance coverage, losses and contribute to a surplus. The pool has purchased insurance to fund losses above a pre-determined deductible and any losses above a pre-determined total in any year.

In order to decrease insurance premium costs, the Township has assumed a portion of the risk by assuming deductibles. The Township is self insured up to **\$5,000** (2022 and 2021). Insurance coverage is in place for claims in excess of this deductible limit.

During the year, claims amounting to **\$Nil** (\$13,347 in 2021) were paid and insurance premiums of **\$176,700** (\$181,711 in 2021) were paid. Both amounts are reported as expenditures on the Statement of Operations and Accumulated Surplus.

The Township is, from time to time, involved in legal suits of varying dollar amounts for which no provision for possible liability has been recorded in these financial statements. In the event that the Township is found liable, any amounts not recoverable from the Township insurers will be adjusted against future revenues.



Explanatory Financial Notes
Year Ended December 31, 2022

	2022	2021
	\$	\$
14. Accumulated Surplus		
Reserve and Reserve Funds		
Tax rate stabilization	806,735	792,649
Working capital	61,208	120,000
General government	910,732	907,762
Fire	479,202	1,045,955
Infrastructure - roads, equipment and structures	1,980,952	1,618,989
Recreation	(31,578)	958,440
Planning	177,803	176,302
Total Reserves and Reserve Funds	4,385,054	5,620,097
Surplus (deficit)		
Invested in tangible capital assets	44,984,543	36,801,609
Invested in Government Business Enterprise	11,839,802	9,857,038
Operating Fund	(10,689,246)	(2,950,849)
Total Surplus	46,135,099	43,707,798
Accumulated Surplus	50,520,153	49,327,895

15. Segmented Information

The Township of Wellesley is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, road, water distribution, sewer collection/conveyance, storm sewer, libraries and community services.

Segmented information has been prepared by major functional classification of activities provided, consistent with the Statement of Operations and Accumulated Surplus and provincially legislated requirements.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 2.

15. Segmented Information (Continued)

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Development Services \$	2022 Total \$
Revenue								
Taxation	968,665	928,298	2,912,462	28,600	2,110	1,142,249	105,068	6,087,452
User fees and charges	99,552	552,707	237,819		2,034	436,100	118,638	1,446,850
Government transfers								
Canada						4,200		4,200
Ontario	195,395	172,376	1,046,601	5,311	392	330,783	19,510	1,770,368
Investment income	33,117	31,737	99,571	978	72	39,051	3,592	208,118
Interest and penalty on taxes	71,501							71,501
Other	2,281,719	69,988	146,036			388,132		2,885,875
Total revenue	3,649,949	1,755,106	4,442,489	34,889	4,608	2,340,515	246,808	12,474,364
Operating expenses								
Salaries, wages and benefits	996,122	983,327	1,134,546			877,264	146,970	4,138,229
Materials and services	681,356	469,811	1,444,629	32,852	3,911	640,441	47,757	3,320,757
Debenture debt interest		7,070				239,041		246,111
Contracted services				20,153				20,153
Amortization	117,786	260,242	2,818,601			360,227		3,556,856
Total expenses	1,795,264	1,720,450	5,397,776	53,005	3,911	2,116,973	194,727	11,282,106
Annual surplus (deficit)	1,854,685	34,656	(955,287)	(18,116)	697	223,542	52,081	1,192,258

EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022

15. Segmented Information (Continued)

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Development Services \$	2021 Total \$
Revenue								
Taxation	835,925	832,668	2,813,381	41,726	2,417	817,810	81,201	5,425,128
User fees and charges	53,671	655,285	198,662		2,965	297,397	63,325	1,271,305
Government transfers								
Canada						11,225		11,225
Ontario	146,396	145,826	916,674	7,307	423	143,224	14,221	1,374,071
Investment income	5,594	5,572	18,826	279	16	5,472	544	36,303
Interest and penalty on taxes	78,520							78,520
Other	900,458	32,107	344,164			85,049	1,981	1,363,759
Total revenue	2,020,564	1,671,458	4,291,707	49,312	5,821	1,360,177	161,272	9,560,311
Operating expenses								
Salaries, wages and benefits	876,836	899,449	1,065,130			722,130	128,076	3,691,621
Materials and services	655,715	435,906	1,379,343	36,935	4,594	478,842	26,263	3,017,598
Debenture debt interest		7,791				8,698		16,489
Contracted services				42,372				42,372
Amortization	56,279	245,327	2,907,490			344,728		3,553,824
Total expenses	1,588,830	1,588,473	5,351,963	79,307	4,594	1,554,398	154,339	10,321,904
Annual surplus (deficit)	431,734	82,985	(1,060,256)	(29,995)	1,227	(194,221)	6,933	(761,593)



Six-Year Financial Review (Unaudited)
Year Ended December 31, 2022

	2022	2021	2020	2019	2018	2017
Population at the end of the year	11,318	11,318	11,260	11,260	11,260	11,260
Area in acres at the end of the year	67,247	67,247	67,247	67,247	67,247	67,247
Employees - continuous F/T	34	32	32	32	32	32
Number of Households	3,427	3,416	3,402	3,376	3,372	3,368
Assessment - Taxable assessment upon which the years rates of taxation were set						
Residential, multi-residential, farm and Managed						
Forests	2,202,858,367	2,183,584,267	2,162,389,339	2,005,504,239	1,857,647,539	1,706,876,923
Commercial - all classes	59,640,300	57,579,800	56,191,102	50,073,463	47,173,980	45,117,380
Industrial - all classes	139,373,942	137,444,442	116,779,268	97,000,717	87,541,270	77,328,327
Pipeline	5,843,000	4,699,000	4,462,000	4,233,829	4,053,500	3,880,500
Total	2,407,715,609	2,383,307,509	2,339,821,709	2,156,812,248	1,996,416,289	1,833,203,130
Per Capita	\$ 212,733	\$ 210,577	\$ 207,799	\$ 191,546	\$ 177,302	\$ 162,807
Commercial and industrial, as a percentage of taxable assessment	6.030 %	8.183 %	7.392 %	6.819 %	6.748 %	6.679 %
Exempt Assessment	67,598,000	68,798,200	67,774,900	65,413,088	62,902,782	47,439,680
Tax Arrears -	\$ 356,507	\$ 329,115	\$ 460,548	\$ 423,507	\$ 385,962	\$ 617,469
- per capita	\$ 31.50	\$ 29.08	\$ 40.90	\$ 37.61	\$ 34.28	\$ 54.84
percentage of current levy	5.88 %	6.02 %	8.85 %	8.65 %	8.27 %	13.70 %
Expenditures - general municipal purposes	\$ 11,282,106	\$ 10,321,904	\$ 9,948,711	\$ 10,022,678	\$ 8,994,618	\$ 10,324,595
Transfers to the Region	\$ 10,335,950	\$ 9,692,781	\$ 9,532,723	\$ 8,876,441	\$ 8,384,637	-
Transfers to the School Boards	\$ 4,290,207	\$ 4,138,529	\$ 4,543,428	\$ 4,295,205	\$ 4,148,599	\$ 4,059,415



Six-Year Financial Review (Unaudited)
Year Ended December 31, 2022

	2022	2021	2020	2019	2018	2017
Revenue for General Municipal Services						
Taxation	6,062,054	5,400,558	5,210,270	4,898,577	4,664,969	4,506,095
Taxation from other governments	25,397	24,570	24,565	23,822	23,238	21,795
Fees and Service Charges	1,446,850	1,271,305	1,165,067	1,493,648	1,520,538	1,333,511
Government Transfers	1,130,384	841,359	1,001,472	1,478,087	843,532	826,931
Investment Income	208,118	36,303	37,350	81,890	87,061	44,900
Interest and Penalties on Taxes	71,501	78,520	72,653	76,928	79,618	81,794
Other	308,134	60,099	142,724	90,489	72,343	
Total	\$ 9,252,438	\$ 7,712,714	\$ 7,654,101	\$ 8,143,441	\$ 7,291,299	\$ 6,815,026
Net Long Term Liabilities						
General Municipal Activities	\$ 8,582,000	\$ 690,000	\$ 796,000	\$ 901,000	\$ 612,886	\$ 722,083
-per capita	\$ 758	\$ 61	\$ 71	\$ 80	\$ 54	\$ 64
-percentage of taxable assessment	141.57 %	12.62 %	15.29 %	18.39 %	13.14 %	16.02 %
Charges for Net Long Term Liabilities						
General Municipal Activities	\$ 246,111	\$ 16,489	\$ 18,197	\$ 11,432	\$ 14,286	\$ 16,396
-per capita	\$ 22	\$ 1	\$ 2	\$ 1	\$ 1	\$ 1
-as a tax rate	0.00010222 %	0.00000692 %	0.00000778 %	0.00000530 %	0.00000716 %	0.00000894 %
Accumulated Surplus (deficit)						
- Operating Fund	-10,689,246	-2,950,849	-2,950,848	-2,950,858	-2,662,744	-2,771,940
- Tangible Capital Assets	44,984,543	36,801,609	38,768,343	40,907,898	40,175,531	40,273,031
- Reserves and Reserve Funds	4,385,054	5,620,097	4,975,900	4,105,900	4,397,516	4,587,158
- Hydro Utility	11,839,802	9,857,038	9,296,093	9,393,934	9,185,875	8,954,810
Total Accumulated Surplus	\$ 50,520,153	\$ 49,327,895	\$ 50,089,488	\$ 51,456,874	\$ 51,096,178	\$ 51,043,059
Deferred Revenue - Obligatory						
Reserve Funds	\$ 4,717,657	\$ 3,896,532	\$ 2,895,759	\$ 2,273,298	\$ 2,428,734	\$ 2,031,193