

Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF WELLESLEY**

Year Ended December 31, 2023

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Management Responsibility For Financial Reporting

December 31, 2023

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 28, 2024 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, 2023, 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, 2023, 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.

Carolan Mathew Professional Corporation

Cambridge, Ontario
May 28, 2024

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



Statement of Financial Position

December 31, 2023

	2023 \$	2022 \$
Financial Assets		
Cash	12,327,857	10,407,774
Taxes receivable	434,384	356,507
Accounts receivable	1,935,154	1,830,398
Investment in hydro utility (note 6)	11,914,154	11,839,802
	26,611,549	24,434,481
Liabilities		
Accounts payable and accrued liabilities	6,801,447	5,797,140
Deferred revenue - obligatory reserve funds (note 7)	4,623,062	4,717,657
Net long-term liabilities (note 8)	11,075,000	8,582,000
Asset retirement obligation (note 10)	241,964	
	22,741,473	19,096,797
Net Financial Assets	3,870,076	5,337,684
Non-Financial Assets		
Tangible capital assets (note 9)	61,498,601	44,984,543
Inventories of supplies	83,147	112,510
Prepaid expenses	86,244	85,416
	61,667,992	45,182,469
Accumulated surplus (note 15)	65,538,068	50,520,153

Approved on behalf of Council:

Statement of Operations and Accumulated Surplus
Year Ended December 31, 2023

	2023 Budget (note 12) \$	2023 Actual \$	2022 Actual \$
Revenues			
Residential and farm taxation	5,557,708	5,593,158	4,783,672
Commercial, industrial and business taxation	1,469,090	1,574,108	1,278,382
Taxation from other governments	28,410	22,164	25,397
User charges	2,122,306	1,678,218	1,446,850
Government transfers	889,800	864,800	1,130,384
Investment income	120,000	304,123	208,118
Interest and penalties on taxes	70,000	80,899	71,501
Fundraising and other		98,332	308,134
Total revenues	10,257,314	10,215,802	9,252,438
Expenses			
General government	2,079,776	2,104,106	1,795,264
Protection to persons and property	2,121,874	1,944,605	1,720,450
Transportation services	3,574,820	5,152,290	5,397,776
Environmental and social services		97,785	53,005
Health services	6,200	5,651	3,911
Recreation and cultural services	2,598,709	2,629,327	2,116,973
Planning and development	276,968	235,180	194,727
Total expenses (note 11)	10,658,347	12,168,944	11,282,106
Net expenses before other revenue (expense)	(401,033)	(1,953,142)	(2,029,668)
Other revenue			
Grants and transfers related to capital			
Grants - Ontario		13,483,184	
Deferred revenue earned (note 7)		2,084,273	1,036,953
Donations, capital		874,346	56,099
Gain on disposal of tangible capital assets		88,658	40,752
Interest earned, hydro investment (note 6)		81,948	105,358
Change in equity of hydro investment (note 6)		358,648	701,215
Gain on merger of hydro utilities (note 6)			1,281,549
		16,971,057	3,221,926
Annual surplus	(401,033)	15,017,915	1,192,258
Accumulated surplus, beginning of year		50,520,153	49,327,895
Accumulated surplus, end of year		65,538,068	50,520,153

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



Statement of Change in Net Financial Assets

Year Ended December 31, 2023

	2023 Budget (note 12) \$	2023 Actual \$	2022 Actual \$
Annual surplus		15,017,915	1,192,258
Amortization of tangible capital assets	3,640,100	3,640,100	3,556,856
Accretion of asset retirement obligation		11,741	-
Acquisition of tangible capital assets	(6,053,487)	(19,905,609)	(11,787,393)
Gain on disposal of tangible capital assets		(88,658)	(40,752)
Proceeds on sale of tangible capital assets		70,332	88,355
Change in asset retirement obligation		(241,964)	
Change in inventories of supplies		29,363	(56,861)
Change in prepaid expenses		(828)	4,193
Change in net financial assets	(2,413,387)	(1,467,608)	(7,043,344)
Net financial assets, beginning of year	5,337,684	5,337,684	12,381,028
Net financial assets, end of year	2,924,297	3,870,076	5,337,684

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

Statement of Cash Flows
Year Ended December 31, 2023

	2023 \$	2022 \$
Operating activities		
Annual surplus	15,017,915	1,192,258
Sources (uses)		
Taxes receivable	(77,877)	(27,392)
Accounts receivable	(104,756)	(1,009,698)
Accounts payable and accrued liabilities	1,004,307	3,065,876
Deferred revenue - obligatory reserve funds	(94,595)	821,125
Inventories of supplies	29,363	(56,861)
Prepaid expenses	(828)	4,193
	15,773,529	3,989,501
Non-cash charge to operations		
Amortization	3,640,100	3,556,856
Asset retirement obligation accretion	11,741	
Gain on merger of hydro utilities		(1,281,549)
Gain on sale of tangible capital assets	(88,658)	(40,752)
	3,563,183	2,234,555
Cash provided from operations	19,336,712	6,224,056
Capital activities		
Acquisition of tangible capital assets	(19,905,609)	(11,787,393)
Proceeds on sale of capital assets	70,332	88,355
	(19,835,277)	(11,699,038)
Investing activities		
Change in hydro investment	(74,352)	(701,215)
Financing activities		
Proceeds from long-term liabilities	2,900,000	8,000,000
Repayment of long-term liabilities	(407,000)	(108,000)
Net change in cash	1,920,083	1,715,803
Cash position, beginning of year	10,407,774	8,691,971
Cash position, end of year	12,327,857	10,407,774

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 and its affiliates is 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, 2023

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.

(g) Asset retirement obligation

The Township prospectively adopted Public Sector Accounting Board Standard PS 3280 Asset Retirement Obligations effective in 2023. Under PS 3280, the Township recognizes the fair value of an Asset Retirement Obligation ("ARO") for statutory, contractual, or legal obligations, associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the assets. The liability is measured initially at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations.

Explanatory Financial Notes
Year Ended December 31, 2023

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	4,464,981	11,560,730
Share of payments in lieu of taxes		17,470
	4,464,981	11,578,200
Requisitions paid	4,464,981	11,578,200
Balance receivable, end of year	NIL	NIL

4. Trust Funds

Further to note 2(a)(iv), trust funds administered by the Township amounting to **\$605,462** (\$517,862 in 2022) 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 **\$230,881** (\$137,025 in 2022) and other estate funds amounting to **\$374,581** (\$380,837 in 2022).

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 **54** (36 in 2022) 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 2023 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 2023 was **\$270,972** (\$240,640 in 2022) 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 2023. 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, 2023. At that time the plan reported a \$4.2 billion actuarial deficit (\$6.7 billion in 2022), based on actuarial liabilities of \$136.2 billion (\$130.3 billion in 2022) and actuarial assets of \$132 billion (\$123.6 billion in 2022). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

Explanatory Financial Notes
Year Ended December 31, 2023

6. Investment in Enova Energy Corporation

On August 31, 2022 Kitchener Power Corporation and Waterloo North Hydro Holding Corporation amalgamated and continued operations as Enova Energy Corporation, a corporation amalgamated under the laws of Ontario. On September 1, 2022, immediately following the aforementioned amalgamation, Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc. legally amalgamated and continue as Enova Power Corporation., a corporation amalgamated under the laws of Ontario.

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 during the 2022 fiscal year.

The investment in Enova Energy Corporation is comprised of the following:

	2023 \$	2022 \$
Enova Energy Corporation, common shares initial valuation	9,069,694	9,069,694
Enova Energy Corporation, long-term notes receivable	2,532,446	2,532,446
14,397 Class A special shares of Waterloo North Hydro		
	11,602,140	11,602,140
Accumulated equity increase	312,014	237,662
Cost of investment	11,914,154	11,839,802

The continuity of the Township's investment in Enova Energy Corporation is as follows:

Balance, beginning of year	11,839,802	9,857,038
Share of net income of WNHHC for the period		850,049
Dividends from WNHHC for the period		(386,496)
	11,839,802	10,320,591
Gain on merger of hydro utilities		1,281,549
Share of net income of Enova Energy Corporation for the period	358,648	237,662
Dividends received from Enova Energy Corporation for the period	(284,296)	
	11,914,154	11,839,802

Interest earned on the unsecured Senior and Junior notes receivable totalling **\$81,948** (\$105,358 in 2022) 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, which were redeemed during the year for \$0.07.



Explanatory Financial Notes
Year Ended December 31, 2023

6. Investment in Enova Energy Corporation (Continued)

The following table provides condensed financial information with respect to Enova Energy Corporation:

	2023 (in thousands) \$	2022 (in thousands) \$
Current assets	82,238	93,352
Long-term assets	808,794	783,381
Total assets	891,032	876,733
Current liabilities	188,476	71,051
Long-term liabilities	239,088	362,378
Total liabilities	427,564	433,429
Net equity	463,468	443,304

	2023 12 months (in thousands) \$	2022 4 months (in thousands) \$
Results of operations - Enova Energy Corporation:		
Revenue	473,096	155,208
Operating expenses	(460,195)	(146,659)
Net income	12,901	8,549
Township's share of net income at 2.78%	359	238

Explanatory Financial Notes
Year Ended December 31, 2023

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:

	2023	2022
	\$	\$
Recreation parkland	390,711	363,331
Development charges and sub-dividers contributions	1,490,910	1,197,160
Building department (Bill 124)	777,793	741,957
Gas tax funding	1,458,665	1,024,271
OCLIF funding	21,492	20,400
OCIF funding	477,336	1,364,696
Healthy Kids Community Challenge	6,155	5,842
	4,623,062	4,717,657

(b) Continuity schedule

Contributions from developers	299,338	391,805
Interest earned	273,677	122,172
Canada Gas Tax Funding	372,639	357,113
Ontario Community Infrastructure Fund	1,046,122	986,988
Building Code Act 1992	(2,098)	
	1,989,678	1,858,078
Deferred revenue recognized	(2,084,273)	(1,036,953)
	(94,595)	821,125
Balance, beginning of year	4,717,657	3,896,532
Balance, end of year	4,623,062	4,717,657

Explanatory Financial Notes
Year Ended December 31, 2023

8. Net Long-Term Liabilities

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

	2023 \$	2022 \$
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 is	11,125,000	8,582,000
	11,125,000	8,582,000
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals. At the end of the year, the outstanding principal amount of these liabilities is	(50,000)	
	11,075,000	8,582,000

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

	2024 to 2028 \$	2029 and Thereafter \$	Total \$
From general municipal revenues	2,508,000	8,567,000	11,075,000
From benefiting landowners		50,000	50,000
	2,508,000	8,617,000	11,125,000

(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 2023 on net long-term liabilities amounted to **\$296,868** (\$246,111 in 2022). The long-term debt rates of interest range from 1.95% to 5.4% per annum on debentures issued by the Region of Waterloo.

(d) During the year, the Township incurred \$2,900,000 of new debt to finance construction of a new recreation facility in the Town of Wellesley.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2023**

9. Tangible Capital Assets

	Land \$	Trails \$	Buildings \$	Infrastructure \$	Machinery and equipment \$	Vehicles \$	2023 Total \$
Cost							
Balance, beginning of year	4,451,310	212,329	13,112,798	121,735,276	5,496,133	5,572,012	150,579,858
Additions			147,845	405,434	730,419	174,402	1,458,100
Disposals				(123,674)	(778,351)	(75,553)	(977,578)
Cost, end of year	4,451,310	212,329	13,260,643	122,017,036	5,448,201	5,670,861	151,060,380
Accumulated Amortization							
Balance, beginning of year		60,999	5,597,075	103,322,208	3,268,836	2,454,573	114,703,691
Disposals				(159,834)	(760,517)	(75,553)	(995,904)
Amortization expense		12,862	478,061	2,428,010	388,578	332,589	3,640,100
Accumulated amortization, end of year		73,861	6,075,136	105,590,384	2,896,897	2,711,609	117,347,887
Assets under construction							27,786,108
Net book value, end of year	4,451,310	138,468	7,185,507	16,426,652	2,551,304	2,959,252	61,498,601



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2023**

9. Tangible Capital Assets (Continued)

	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

During the year, the Township added **\$19,905,609** (\$11,787,393 in 2022) in tangible capital assets. Contributed capital assets amounted to Nil during the year (Nil in 2022). Amortization for the year amounted to \$3,640,100 (\$3,556,856 in 2022).



Explanatory Financial Notes
Year Ended December 31, 2023

10. Assets Retirement Obligation

The Township has recorded an asset retirement obligation (ARO) for the removal of asbestos from certain buildings. The ARO is being amortized over the remaining life of the affected buildings. A discount rate of 5% is used to estimate the future value of restoration costs of \$278,350 for multiple buildings over various years. It is management’s opinion that these assumptions are reasonable in the circumstances as at December 31, 2023.

Management, as at December 31, 2023, does not foresee any events or circumstances in the future that would have a significant impact on the estimated value of the ARO.

The asset retirement obligation recorded in these financial statements is as follows:

	Total
	\$
Carrying amount, initial valuation	230,223
Accretion expense	11,741
Carrying amount, end of year	241,964

11. Expenditures by Object

	2023	2022
	\$	\$
Salaries, wages and employee benefits	4,583,037	4,138,229
Materials	3,532,574	3,320,757
Contracted services	104,624	20,153
Long-term debt interest	296,868	246,111
Accretion	11,741	
Amortization	3,640,100	3,556,856
	12,168,944	11,282,106

12. Budget Figures - Unaudited

The unaudited budget figures reported on the Statement of Operations and Accumulated Surplus are based on the 2023 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.

13. 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 2023 was **\$25,679** (\$28,428 in 2022).

- (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.

14. 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** (2023 and 2022). Insurance coverage is in place for claims in excess of this deductible limit.

During the year, claims amounting to **\$1,505** (\$NIL in 2022) were paid and insurance premiums of **\$193,706** (\$176,700 in 2022) 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, 2023

	2023	2022
	\$	\$
15. Accumulated Surplus		
Reserve and Reserve Funds		
Tax rate stabilization	858,021	806,735
Working capital	53,159	61,208
General government	703,989	910,732
Fire	781,416	479,202
Infrastructure - roads, equipment and structures	2,258,706	1,980,952
Recreation	607,804	(31,578)
Planning	197,803	177,803
Total Reserves and Reserve Funds	5,460,898	4,385,054
Surplus (deficit)		
Invested in tangible capital assets	61,498,601	44,984,543
Invested in Government Business Enterprise	11,914,154	11,839,802
Operating Fund	(13,335,585)	(10,689,246)
Total Surplus	60,077,170	46,135,099
Accumulated Surplus	65,538,068	50,520,153

16. 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.

16. Segmented Information (Continued)

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Development Services \$	2023 Total \$
Revenue								
Taxation	1,256,920	1,161,640	3,077,800	58,413	3,376	1,490,792	140,488	7,189,429
User fees and charges	66,171	704,786	79,537		1,302	603,201	68,330	1,523,327
Government transfers								
Ontario	151,192	139,731	2,536,587	23,539	406	13,717,698	16,899	16,586,052
Investment income	53,169	49,139	130,195	2,471	143	63,062	5,943	304,122
Interest and penalty on taxes	80,899							80,899
Other	531,352	99,930				871,748		1,503,030
Total revenue	2,139,703	2,155,226	5,824,119	84,423	5,227	16,746,501	231,660	27,186,859
Operating expenses								
Salaries, wages and benefits	1,108,868	1,046,008	1,229,880			1,030,435	167,846	4,583,037
Materials and services	796,426	620,766	1,250,577	49,450	5,651	777,532	32,172	3,532,574
Debt interest		6,310				290,558		296,868
Contracted services	21,127			48,335			35,162	104,624
Accretion						11,741		11,741
Amortization	177,685	271,521	2,671,833			519,061		3,640,100
Total expenses	2,104,106	1,944,605	5,152,290	97,785	5,651	2,629,327	235,180	12,168,944
Annual surplus (deficit)	35,597	210,621	671,829	(13,362)	(424)	14,117,174	(3,520)	15,017,915

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2023**

16. 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



Six-Year Financial Review (Unaudited)
Year Ended December 31, 2023

	2023	2022	2021	2020	2019	2018
Population at the end of the year	11,260	11,318	11,318	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	34	32	32	32	32
Number of Households	3,428	3,427	3,416	3,402	3,376	3,372
Assessment - Taxable assessment upon which the years rates of taxation were set						
Residential, multi-residential, farm and Managed						
Forests	2,230,677,367	2,202,858,367	2,183,584,267	2,162,389,339	2,005,504,239	1,857,647,539
Commercial - all classes	61,259,600	59,640,300	57,579,800	56,191,102	50,073,463	47,173,980
Industrial - all classes	150,589,542	139,373,942	137,444,442	116,779,268	97,000,717	87,541,270
Pipeline	5,870,000	5,843,000	4,699,000	4,462,000	4,233,829	4,053,500
Total	2,448,396,509	2,407,715,609	2,383,307,509	2,339,821,709	2,156,812,248	1,996,416,289
Per Capita	\$ 217,442	\$ 212,733	\$ 210,577	\$ 207,799	\$ 191,546	\$ 177,302
Commercial and industrial, as a percentage of taxable assessment	6.390 %	6.030 %	8.183 %	7.392 %	6.819 %	6.748 %
Exempt Assessment	68,908,600	67,598,000	68,798,200	67,774,900	65,413,088	62,902,782
Tax Arrears -	\$ 434,384	\$ 356,507	\$ 329,115	\$ 460,548	\$ 423,507	\$ 385,962
- per capita	\$ 38.58	\$ 31.50	\$ 29.08	\$ 40.90	\$ 37.61	\$ 34.28
percentage of current levy	6.06 %	5.88 %	6.02 %	8.85 %	8.65 %	8.27 %
Expenditures - general municipal purposes	\$ 12,168,944	\$ 11,282,106	\$ 10,321,904	\$ 9,948,711	\$ 10,022,678	\$ 8,994,618
Transfers to the Region	\$ 11,560,730	\$ 10,335,950	\$ 9,692,781	\$ 9,532,723	\$ 8,876,441	-
Transfers to the School Boards	\$ 4,464,981	\$ 4,290,207	\$ 4,138,529	\$ 4,543,428	\$ 4,295,205	\$ 4,148,599



Six-Year Financial Review (Unaudited)
Year Ended December 31, 2023

	2023	2022	2021	2020	2019	2018
Revenue for General Municipal Services						
Taxation	7,167,266	6,062,054	5,400,558	5,210,270	4,898,577	4,664,969
Taxation from other governments	22,164	25,397	24,570	24,565	23,822	23,238
Fees and Service Charges	1,678,218	1,446,850	1,271,305	1,165,067	1,493,648	1,520,538
Government Transfers	864,800	1,130,384	841,359	1,001,472	1,478,087	843,532
Investment Income	304,123	208,118	36,303	37,350	81,890	87,061
Interest and Penalties on Taxes	80,899	71,501	78,520	72,653	76,928	79,618
Other	98,332	308,134	60,099	142,724	90,489	72,343
Total	\$ 10,215,802	\$ 9,252,438	\$ 7,712,714	\$ 7,654,101	\$ 8,143,441	\$ 7,291,299
Net Long Term Liabilities						
General Municipal Activities	\$ 11,075,000	\$ 8,582,000	\$ 690,000	\$ 796,000	\$ 901,000	\$ 612,886
-per capita	\$ 984	\$ 758	\$ 61	\$ 71	\$ 80	\$ 54
-percentage of taxable assessment	154.52 %	141.57 %	12.62 %	15.29 %	18.39 %	13.14 %
Charges for Net Long Term Liabilities						
General Municipal Activities	\$ 296,868	\$ 246,111	\$ 16,489	\$ 18,197	\$ 11,432	\$ 14,286
-per capita	\$ 26	\$ 22	\$ 1	\$ 2	\$ 1	\$ 1
-as a tax rate	0.00012125 %	0.00010222 %	0.00000692 %	0.00000778 %	0.00000530 %	0.00000716 %
Accumulated Surplus (deficit)						
- Operating Fund	-13,335,585	-10,689,246	-2,950,849	-2,950,848	-2,950,858	-2,662,744
- Tangible Capital Assets	61,498,601	44,984,543	36,801,609	38,768,343	40,907,898	40,175,531
- Reserves and Reserve Funds	5,460,898	4,385,054	5,620,097	4,975,900	4,105,900	4,397,516
- Hydro Utility	11,914,154	11,839,802	9,857,038	9,296,093	9,393,934	9,185,875
Total Accumulated Surplus	\$ 65,538,068	\$ 50,520,153	\$ 49,327,895	\$ 50,089,488	\$ 51,456,874	\$ 51,096,178
Deferred Revenue - Obligatory						
Reserve Funds	\$ 4,623,062	\$ 4,717,657	\$ 3,896,532	\$ 2,895,759	\$ 2,273,298	\$ 2,428,734