

Financial Statements of

**THE CORPORATION OF THE
TOWNSHIP OF WELLESLEY**

Year Ended December 31, 2021

	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 - 22
Schedule	
Six-Year Financial Review (Unaudited)	23 - 24

Management Responsibility For Financial Reporting

December 31, 2021

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 24, 2022 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
Deputy 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, 2021, 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, 2021, 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 24, 2022

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



Statement of Financial Position

December 31, 2021

	2021 \$	2020 \$
Financial Assets		
Cash	8,691,971	6,393,161
Taxes receivable	329,115	460,548
Accounts receivable	820,700	746,157
Investment in Waterloo North Hydro (note 6)	9,857,038	9,296,093
	19,698,824	16,895,959
Liabilities		
Accounts payable and accrued liabilities	2,731,264	2,056,576
Deferred revenue - obligatory reserve funds (note 7)	3,896,532	2,895,759
Net long-term liabilities (note 8)	690,000	796,000
	7,317,796	5,748,335
Net Financial Assets	12,381,028	11,147,624
Non-Financial Assets		
Tangible capital assets (note 9)	36,801,609	38,768,343
Inventories of supplies	55,649	75,340
Prepaid expenses	89,609	98,181
	36,946,867	38,941,864
Accumulated surplus (note 14)	49,327,895	50,089,488

Approved on behalf of Council:

Statement of Operations and Accumulated Surplus

Year Ended December 31, 2021

	2021 Budget (note 11) \$	2021 Actual \$	2020 Actual \$
Revenues			
Residential and farm taxation	4,371,684	4,255,078	4,096,430
Commercial, industrial and business taxation	977,768	1,145,480	1,113,840
Taxation from other governments	23,000	24,570	24,565
User charges	1,830,392	1,271,305	1,165,067
Government transfers	826,464	841,359	1,001,472
Investment income	25,000	36,303	37,350
Interest and penalties on taxes	76,000	78,520	72,653
Fundraising and other		60,099	142,724
Total revenues	8,130,308	7,712,714	7,654,101
Expenses			
General government	1,701,824	1,588,830	1,502,524
Protection to persons and property	1,801,962	1,588,473	1,583,970
Transportation services	3,164,366	5,351,963	5,067,627
Environmental and social services		79,307	76,271
Health services	7,350	4,594	3,455
Recreation and cultural services	1,727,026	1,554,398	1,536,846
Planning and development	198,868	154,339	178,018
Total expenses (note 10)	8,601,396	10,321,904	9,948,711
Net expenses before other revenue (expense)	(471,088)	(2,609,190)	(2,294,610)
Other revenue (expense)			
Grants and transfers related to capital			
Deferred revenue earned (note 7)	1,048,580	961,541	722,671
Loss on disposal of tangible capital assets		(10,892)	(67,363)
Interest earned, Waterloo North Hydro (note 6)	135,938	117,411	136,315
Share of net income for year from Waterloo North Hydro (note 6)	209,000	779,537	135,601
	1,393,518	1,847,597	927,224
Annual surplus (deficit)	922,430	(761,593)	(1,367,386)
Accumulated surplus, beginning of year		50,089,488	51,456,874
Accumulated surplus, end of year		49,327,895	50,089,488



Statement of Change in Net Financial Assets

Year Ended December 31, 2021

	2021 Budget (note 11) \$	2021 Actual \$	2020 Actual \$
Annual deficit		(761,593)	(1,367,386)
Amortization of tangible capital assets	3,553,824	3,553,824	3,493,578
Acquisition of tangible capital assets	(3,415,637)	(1,597,982)	(1,421,386)
Loss on disposal of tangible capital assets		10,892	67,363
Change in inventories of supplies		19,691	(4,466)
Change in prepaid expenses		8,572	(7,214)
Change in net financial assets	138,187	1,233,404	760,489
Net financial assets, beginning of year	11,147,624	11,147,624	10,387,135
Net financial assets, end of year	11,285,811	12,381,028	11,147,624

Statement of Cash Flows
Year Ended December 31, 2021

	2021 \$	2020 \$
Operating activities		
Annual deficit	(761,593)	(1,367,386)
Sources (uses)		
Taxes receivable	131,433	(37,041)
Accounts receivable	(74,543)	65,018
Accounts payable and accrued liabilities	674,688	201,019
Deferred revenue - obligatory reserve funds	1,000,773	622,461
Inventories of supplies	19,691	(4,466)
Prepaid expenses	8,572	(7,214)
	999,021	(527,609)
Non-cash charge to operations		
Amortization	3,553,824	3,493,578
Loss on sale of tangible capital assets	10,892	67,363
	3,564,716	3,560,941
Cash provided from operations	4,563,737	3,033,332
Capital activities		
Acquisition of tangible capital assets	(1,597,982)	(1,421,386)
Investing activities		
Change in investment in Waterloo North Hydro	(560,945)	97,841
Financing activities		
Repayment of long-term liabilities	(106,000)	(105,000)
Net change in cash	2,298,810	1,604,787
Cash position, beginning of year	6,393,161	4,788,374
Cash position, end of year	8,691,971	6,393,161

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.

The Township owns a 6.6% share of Waterloo North Hydro Holding Corporation and its affiliates.

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 Waterloo North Hydro Holding Corporation 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, 2021

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	4,138,529	9,692,781
Share of payments in lieu of taxes		(15,428)
	4,138,529	9,677,353
Requisitions paid	4,138,529	9,677,353
Balance receivable, end of year	NIL	NIL

Explanatory Financial Notes
Year Ended December 31, 2021

4. Trust Funds

Further to note 2(a)(iv), trust funds administered by the Township amounting to **\$497,632** (\$491,942 in 2020) 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 **\$116,109** (\$109,777 in 2020) and other estate funds amounting to **\$381,523** (\$382,165 in 2020).

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 **35** (36 in 2020) 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 2021 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 2021 was **\$235,949** (\$233,293 in 2020) 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 2021. 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, 2021. At that time the plan reported a \$3.1 billion actuarial deficit (\$3.2 billion in 2020), based on actuarial liabilities of \$120.8 billion (\$113.1 billion in 2020) and actuarial assets of \$117.7 billion (\$109.9 billion in 2020). 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 Waterloo North Hydro Holding Corporation

Further to note 2(a)(ii), the Township owns 6.6% of the class A special shares and common shares of Waterloo North Hydro Holding Corporation which in turn owns 100% of Waterloo North Hydro Inc., 100% of Lifetime Energy Inc. and 25% of Eyedro Green Solutions Inc. During 2016 the Company entered into a joint venture with Cambridge and North Dumfries Energy Solutions and Kitchener Power Corp. to create a new company called GRE Corporation that will focus on generation and renewable energy solutions. The Township has also invested in long-term Junior and Senior notes receivable from Waterloo North Hydro Holding Corporation. There are no specific terms of repayment.

Mergers of the holding companies, Kitchener Power Corp. and Waterloo North Hydro Holding Corporation and the local distribution companies, Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc. were proposed in 2021. The proposals have been agreed to by the Township of Wellesley and City of Waterloo Councils. A Mergers, Amalgamations, Acquisitions, and Divestitures (MAADs) application was filed on February 2, 2022 seeking permission from the Ontario Energy Board ("OEB") to proceed with the proposed merger.



Explanatory Financial Notes

Year Ended December 31, 2021

	2021	2020
	\$	\$

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

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

Cost of investment, beginning of year	9,296,093	9,393,934
Increase in equity for year:		
Share of net income for year	779,537	135,601
Dividends received during year	(218,592)	(233,442)
	560,945	(97,841)
Cost of investment, end of year	9,857,038	9,296,093

Senior note receivable from Waterloo North Hydro Holding Corporation	1,436,033	1,436,033
Junior note receivable from Waterloo North Hydro Holding Corporation	1,096,413	1,096,413
132 common shares of Waterloo North Hydro Holding Corporation	1,661,119	1,661,119
14,397 Class A special shares of Waterloo North Hydro Holding Corporation	143,967	143,967
Share of net income since acquisition	5,519,506	4,958,561
	9,857,038	9,296,093

Interest earned on the unsecured Senior and Junior notes receivable totalling \$117,411 (\$136,315 in 2020) is included in the Statement of Operations and Accumulated Surplus. The senior note bears annual interest at a rate of 6% and the junior debt bears interest at a rate of 2.85% (4.54% in 2020).

The following table provides condensed financial information with respect to Waterloo North Hydro Holding Corporation for 2021 and 2020.

Current assets	843,942	242,149
Long-term assets	144,927,422	136,278,046
Total assets	145,771,364	136,520,195
Current liabilities	1,500,686	748,679
Long-term liabilities	33,292,001	33,292,001
Total liabilities	34,792,687	34,040,680
Net equity	110,978,677	102,479,515



Explanatory Financial Notes

Year Ended December 31, 2021

	2021 \$	2020 \$
6. Investment in Waterloo North Hydro Holding Corporation (Continued)		
Results of operations		
Revenue	13,602,981	4,114,449
Operating expenses	1,791,819	2,059,887
Net income for year	11,811,162	2,054,562

The Township's share of earnings is as follows:

Township's share of net income at 6.6%	779,537	135,601
Less dividend received	(218,592)	(233,442)
Net increase (decrease) in equity	560,945	(97,841)

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:

Recreation parkland	342,452	320,120
Development charges and sub-dividers contributions	1,118,870	782,597
Building department (Bill 124)	776,260	802,797
Main Street revitalization	9,500	9,500
OCLIF funding	19,914	14,786
OCIF funding	621,942	521,414
Healthy Kids Community Challenge	5,703	5,664
COVID-19 Recovery funding	131,762	-
Gas tax funding	870,129	438,881
	3,896,532	2,895,759

Explanatory Financial Notes
Year Ended December 31, 2021

	2021 \$	2020 \$
7. Deferred Revenue - Obligatory Reserve Funds (Continued)		
(b) Continuity schedule		
Contributions from developers	459,691	454,516
Interest earned	26,557	30,113
Canada Gas Tax Funding	700,415	341,586
Ontario Community Infrastructure Fund	518,917	518,917
COVID-19 Recovery	251,734	
Ontario Cannabis Legalization Implementation Fund	5,000	
	1,962,314	1,345,132
Deferred revenue recognized	(961,541)	(722,671)
	1,000,773	622,461
Balance, beginning of year	2,895,759	2,273,298
Balance, end of year	3,896,532	2,895,759

8. Net Long-Term Liabilities

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

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

	690,000	796,000
--	---------	---------

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

	2022 to 2026 \$	2027 and Thereafter \$	Total \$
From general municipal revenues	561,000	129,000	690,000

- (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 2021 on net long-term liabilities amounted to **\$16,489** (\$18,197 in 2020). The long-term debt rates of interest range from 1.60% to 1.95% per annum on debentures issued by the Region of Waterloo.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2021**

9. Tangible Capital Assets

	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

EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2021

9. Tangible Capital Assets (Continued)

	Land \$	Trails \$	Buildings \$	Infrastructure \$	Machinery and equipment \$	Vehicles \$	2020 Total \$
Cost							
Balance, beginning of year	4,451,310	163,298	12,253,057	119,056,921	6,040,319	3,867,440	145,832,345
Additions			37,953	1,429,332	109,505	508,730	2,085,520
Disposals			(37,200)	(61,252)	(986,016)	(205,018)	(1,289,486)
Cost, end of year	4,451,310	163,298	12,253,810	120,425,001	5,163,808	4,171,152	146,628,379
Accumulated Amortization							
Balance, beginning of year		28,543	4,649,693	95,567,815	3,670,075	1,746,207	105,662,333
Disposals			(8,184)	(59,672)	(986,016)	(168,251)	(1,222,123)
Amortization expense		10,410	304,914	2,633,187	249,692	295,375	3,493,578
Accumulated amortization, end of year		38,953	4,946,423	98,141,330	2,933,751	1,873,331	107,933,788
Assets under construction							73,752
Net book value, end of year	4,451,310	124,345	7,307,387	22,283,671	2,230,057	2,297,821	38,768,343

During the year, the Township added **\$1,597,982** (\$1,421,386 in 2020) in tangible capital assets. Contributed capital assets amounted to Nil during the year (Nil in 2020). Amortization for the year amounted to \$3,553,824 (\$3,493,578 in 2020).



Explanatory Financial Notes

Year Ended December 31, 2021

10. Expenditures by Object	2021	2020
	\$	\$
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	3,691,621	3,779,530
Materials	3,017,598	2,628,208
Contracted services	42,372	29,198
Long-term debt interest	16,489	18,197
Amortization	3,553,824	3,493,578
	10,321,904	9,948,711

11. Budget Figures - Unaudited

The unaudited budget figures reported on the Statement of Operations and Accumulated Surplus are based on the 2021 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	8,601,399
Approved capital budget revenues	3,415,637
Total approved revenues	12,017,036
PSAB reporting adjustments:	
Dividends from Waterloo North Hydro	(209,000)
Interest earned from Waterloo North Hydro	(135,938)
Contributions from reserves and reserve funds	(3,541,790)
Net operating budget revenues	8,130,308
Approved operating budget expenses	8,601,399
Approved capital budget expenses	3,415,637
Total approved expenses	12,017,036
PSAB reporting adjustments:	
Amortization of tangible capital assets	3,553,824
Capital expenses	(1,597,983)
Profit/loss on disposal of TCA's	(10,892)
Contribution to reserves and reserve funds	(5,254,589)
Debt principal repayments	(106,000)
Net operating budget expenses	8,601,396
Net expenses before other income	(471,088)

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 2021 was **\$33,413** (\$33,248 in 2020).

- (b) During the year, the Township committed to construct a new recreation facility in Wellesley with total costs not to exceed \$26,500,000, with an additional option to include a solar array and EV charging stations at a cost not to exceed \$700,000. As of December 31, 2021, the provincial government has committed \$16,128,438 in funding from the Strategic Priorities Infrastructure Fund (SPIF) towards this project.

- (c) 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** (2021 and 2020). Insurance coverage is in place for claims in excess of this deductible limit.

During the year, claims amounting to **\$13,347** (\$3,514 in 2020) were settled and insurance premiums of **\$181,711** (\$151,425 in 2020) 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, 2021

	2021 \$	2020 \$
14. Accumulated Surplus		
Reserve and Reserve Funds		
Tax rate stabilization	792,649	646,931
Working capital	120,000	120,000
General government	907,762	1,023,902
Fire	1,045,955	712,913
Infrastructure - roads, equipment and structures	1,618,989	1,358,928
Recreation	958,440	942,524
Planning	176,302	170,702
Total Reserves and Reserve Funds	5,620,097	4,975,900
Surplus (deficit)		
Invested in tangible capital assets	36,801,609	38,768,343
Invested in Government Business Enterprise	9,857,038	9,296,093
Operating Fund	(2,950,849)	(2,950,848)
Total Surplus	43,707,798	45,113,588
Accumulated Surplus	49,327,895	50,089,488

15. Uncertainty Regarding COVID-19

As the COVID-19 pandemic continues to impact the economy, it could result in a significant negative impact on the Township's operations. As of the time of authorization of these financial statements, it is not possible to estimate the length and severity of these developments and their impact on the financial results and operations of the Township.

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.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2021**

16. 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	146,396	145,826	916,674	7,307	423	11,225		11,225
Ontario	5,594	5,572	18,826	279	16	143,224	14,221	1,374,071
Investment income	78,520					5,472	544	36,303
Interest and penalty on taxes								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) before other income	431,734	82,985	(1,060,256)	(29,995)	1,227	(194,221)	6,933	(761,593)

EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2021

16. Segmented Information (Continued)

	General Government \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Recreation and Cultural Services \$	Development Services \$	2020 Total \$
Revenue								
Taxation	790,601	833,457	2,666,495	40,132	1,818	808,661	93,670	5,234,834
User fees and charges	58,518	621,826	228,606		1,433	251,454	37,500	1,199,337
Government transfers								
Canada								
Ontario	162,693	155,456	898,610	7,485	339	9,842	17,471	1,392,885
Investment income	5,641	5,947	19,025	286	13	5,770	668	37,350
Interest and penalty on taxes	72,653							72,653
Other	274,610	22,870	327,593			5,625	3,726	634,424
Total revenue	1,364,716	1,639,556	4,140,329	47,903	3,603	1,232,183	153,035	8,581,325
Operating expenses								
Salaries, wages and benefits	973,690	838,226	1,038,783			776,857	151,974	3,779,530
Materials and services	476,065	483,354	1,182,277	50,381	3,455	406,632	26,044	2,628,208
Debenture debt interest		8,513				9,684		18,197
Contracted services				29,198				29,198
Amortization	51,395	253,877	2,846,567			341,739		3,493,578
Total expenses	1,501,150	1,583,970	5,067,627	79,579	3,455	1,534,912	178,018	9,948,711
Annual surplus (deficit) before other income	(136,434)	55,586	(927,298)	(31,676)	148	(302,729)	(24,983)	(1,367,386)



Six-Year Financial Review (Unaudited)

Year Ended December 31, 2021

	2021	2020	2019	2018	2017	2016
Population at the end of the year	11,318	11,260	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	32	32	32	32	32	30
Number of Households	3,416	3,402	3,376	3,372	3,368	3,351

Assessment - Taxable assessment upon which the years rates of taxation were set

Residential, multi-residential, farm and Managed

Forests	2,183,584,267	2,162,389,339	2,005,504,239	1,857,647,539	1,706,876,923	1,567,233,564
Commercial - all classes	57,579,800	56,191,102	50,073,463	47,173,980	45,117,380	42,911,662
Industrial - all classes	137,444,442	116,779,268	97,000,717	87,541,270	77,328,327	73,550,413
Pipeline	4,699,000	4,462,000	4,233,829	4,053,500	3,880,500	2,873,000
Total	2,383,307,509	2,339,821,709	2,156,812,248	1,996,416,289	1,833,203,130	1,686,568,639

Per Capita	\$	210,577 \$	207,799 \$	191,546 \$	177,302 \$	162,807 \$	149,784
Commercial and industrial, as a percentage of taxable assessment		8.183 %	7.392 %	6.819 %	6.748 %	6.679 %	6.905 %
Exempt Assessment		68,798,200	67,774,900	65,413,088	62,902,782	47,439,680	50,603,470
Tax Arrears -	\$	329,115 \$	460,548 \$	423,507 \$	385,962 \$	617,469 \$	433,639
- per capita	\$	29.08 \$	40.90 \$	37.61 \$	34.28 \$	54.84 \$	38.51
percentage of current levy		6.02 %	8.85 %	8.65 %	8.27 %	13.70 %	10.08 %

Expenditures - general municipal purposes	\$	10,321,904 \$	9,948,711 \$	10,022,678 \$	8,994,618 \$	10,324,595 \$	10,374,086
Transfers to the Region	\$	9,692,781 \$	9,532,723 \$	8,876,441 \$	8,384,637 \$	8,048,470 \$	7,710,729
Transfers to the School Boards	\$	4,138,529 \$	4,543,428 \$	4,295,205 \$	4,148,599 \$	4,059,415 \$	3,986,440



Six-Year Financial Review (Unaudited)

Year Ended December 31, 2021

	2021	2020	2019	2018	2017	2016
Revenue for General Municipal Services						
Taxation	5,400,558	5,210,270	4,898,577	4,664,969	4,506,095	4,300,437
Taxation from other governments	24,570	24,565	23,822	23,238	21,795	22,948
Fees and Service Charges	1,271,305	1,165,067	1,493,648	1,520,538	1,333,511	1,433,510
Government Transfers	841,359	1,001,472	1,478,087	843,532	826,931	621,651
Investment Income	36,303	37,350	81,890	87,061	44,900	38,435
Interest and Penalties on Taxes	78,520	72,653	76,928	79,618	81,794	93,332
Other	60,099	142,724	90,489	72,343		
Total	\$ 7,712,714	\$ 7,654,101	\$ 8,143,441	\$ 7,291,299	\$ 6,815,026	\$ 6,510,313
Net Long Term Liabilities						
General Municipal Activities	\$ 690,000	\$ 796,000	\$ 901,000	\$ 612,886	\$ 722,083	\$ 829,654
-per capita	\$ 61	\$ 71	\$ 80	\$ 54	\$ 64	\$ 74
-percentage of taxable assessment	12.62 %	15.29 %	18.39 %	13.14 %	16.02 %	19.29 %
Charges for Net Long Term Liabilities						
General Municipal Activities	\$ 16,489	\$ 18,197	\$ 11,432	\$ 14,286	\$ 16,396	\$ 8,445
-per capita	\$ 1	\$ 2	\$ 1	\$ 1	\$ 1	\$ 1
-as a tax rate	0.00000692 %	0.00000778 %	0.00000530 %	0.00000716 %	0.00000894 %	0.00000501 %
Accumulated Surplus (deficit)						
- Operating Fund	-2,950,849	-2,950,848	-2,950,858	-2,662,744	-2,771,940	-2,036,322
- Tangible Capital Assets	36,801,609	38,768,343	40,907,898	40,175,531	40,273,031	50,463,070
- Reserves and Reserve Funds	5,620,097	4,975,900	4,105,900	4,397,516	4,587,158	4,460,173
- Waterloo North Hydro	9,857,038	9,296,093	9,393,934	9,185,875	8,954,810	8,635,123
Total Accumulated Surplus	\$ 49,327,895	\$ 50,089,488	\$ 51,456,874	\$ 51,096,178	\$ 51,043,059	\$ 61,522,044
Deferred Revenue - Obligatory Reserve Funds						
	\$ 3,896,532	\$ 2,895,759	\$ 2,273,298	\$ 2,428,734	\$ 2,031,193	\$ 1,492,530