

The Corporation of the Township of Wellesley
Financial Statements
December 31, 2024

The Corporation of the Township of Wellesley

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For the year ended December 31, 2024

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Management's Responsibility

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

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Council is composed entirely of members who are neither management nor employees of the Township. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Township's external auditors.

MNP LLP is appointed by Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

June 24, 2025



Chief Administrative Officer

Director of Corporate Services

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

Opinion

We have audited the financial statements of The Corporation of the Township of Wellesley (the "Township"), which comprise the statement of financial position as at December 31, 2024, and the statements of operations and accumulated operating 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, 2024, and the results of its operations, change in its net financial assets 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 Auditor's 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.

Other Matter

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on May 28, 2024.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 management 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 auditor's 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 auditor's 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Township as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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.

Waterloo, Ontario

June 24, 2025

Chartered Professional Accountants

Licensed Public Accountants



The Corporation of the Township of Wellesley

Statement of Financial Position

As at December 31, 2024

	2024	2023
Financial assets		
Cash	5,996,290	12,327,857
Taxes receivable	582,618	434,384
Accounts receivable	3,954,511	1,935,154
Investment in Enova Energy Corporation (Note 7)	11,983,017	11,914,154
Total of financial assets	22,516,436	26,611,549
Liabilities		
Accounts payable and accrued liabilities (Note 8)	2,624,330	6,801,447
Deferred revenue - obligatory reserve funds (Note 9)	3,590,116	4,623,062
Net long-term liabilities (Note 10)	10,584,000	11,075,000
Asset retirement obligations (Note 11)	250,352	241,964
Total of financial liabilities	17,048,798	22,741,473
Net financial assets	5,467,638	3,870,076
Commitments (Note 15)		
Subsequent event (Note 22)		
Non-financial assets		
Tangible capital assets (Note 12) (Schedule 1)	65,874,839	61,498,601
Inventory	59,316	83,147
Prepaid expenses	106,277	86,244
Total non-financial assets	66,040,432	61,667,992
Accumulated surplus (Note 17)	71,508,070	65,538,068

Approved on behalf of the Council



Councillor



Councillor

The Corporation of the Township of Wellesley

Statement of Operations and Accumulated Operating Surplus

For the year ended December 31, 2024

	2024 <i>Budget</i> <i>(Note 14)</i>	2024	2023
Revenue			
Taxation			
Residential and farm taxation	5,833,803	5,848,972	5,593,158
Commercial, industrial and business taxation	1,542,075	1,888,273	1,574,108
Taxation from other governments	22,160	27,208	22,164
User charges	2,479,984	1,847,592	1,678,218
Government transfers <i>(Note 18)</i>	886,400	856,900	864,800
Investment income	200,000	284,275	304,123
Interest and penalties on taxes	73,000	105,971	80,899
Fundraising and other	-	220,478	98,332
Grants and transfers related to capital			
Grants - Ontario <i>(Note 18)</i>	-	4,124,623	13,483,184
Deferred revenue earned	-	1,975,679	2,084,273
Donations, capital	-	1,098,873	874,346
Gain on disposal of tangible capital assets	-	119,141	88,658
Interest earned - Enova Energy Corporation	81,292	81,798	81,948
Change in equity of Enova Energy Corporation <i>(Note 7)</i>	322,000	390,562	358,648
	11,440,714	18,870,345	27,186,859
Expenses <i>(Note 13)</i>			
General government	2,171,758	2,381,258	2,104,106
Protection to persons and property	2,124,591	1,955,454	1,944,605
Transportation services	3,773,600	4,938,001	5,152,290
Environmental and social services	-	-	97,785
Health services	6,200	5,798	5,651
Recreation and cultural services	3,003,285	3,329,732	2,629,327
Planning and development	361,280	290,100	235,180
	11,440,714	12,900,343	12,168,944
Annual surplus	-	5,970,002	15,017,915
Accumulated surplus, beginning of year	65,538,068	65,538,068	50,520,153
Accumulated surplus, end of year	65,538,068	71,508,070	65,538,068

The accompanying notes are an integral part of these financial statements

The Corporation of the Township of Wellesley

Statement of Change in Net Financial Assets

For the year ended December 31, 2024

	2024 Budget (Note 14)	2024	2023
Annual surplus	-	5,970,002	15,017,915
Amortization of tangible capital assets	3,516,613	3,516,613	3,640,100
Acquisition of tangible capital assets	(4,177,039)	(7,903,730)	(19,905,609)
Gain on disposal of tangible capital assets	-	(119,143)	(88,658)
Proceeds on sale of tangible capital assets	-	130,022	70,332
Net addition of asset retirement obligation	-	-	(230,223)
Change in inventories of supplies	-	23,831	29,363
Change in prepaid expenses	-	(20,033)	(828)
Increase (decrease) in net financial assets	(660,426)	1,597,562	(1,467,608)
Net financial assets, beginning of year	3,870,076	3,870,076	5,337,684
Net financial assets, end of year	3,209,650	5,467,638	3,870,076

The accompanying notes are an integral part of these financial statements

The Corporation of the Township of Wellesley

Statement of Cash Flows

For the year ended December 31, 2024

	2024	2023
Operating activities		
Annual surplus	5,970,002	15,017,915
Non-cash items		
Amortization	3,516,613	3,640,100
Accretion of asset retirement obligation	8,388	11,741
Gain on disposal of tangible capital assets	(119,143)	(88,658)
	9,375,860	18,581,098
Changes in working capital accounts		
Accounts receivable	(2,019,357)	(104,756)
Inventory	23,831	29,363
Prepaid expenses	(20,033)	(828)
Taxes receivable	(148,234)	(77,877)
Accounts payable and accrued liabilities	(4,177,117)	1,004,307
Deferred revenue - obligatory reserve funds	(1,032,946)	(94,595)
	2,002,004	19,336,712
Financing activities		
Advances of long-term debt	-	2,900,000
Long-term debt repayments	(491,000)	(407,000)
	(491,000)	2,493,000
Capital activities		
Purchases of tangible capital assets	(7,903,730)	(19,905,609)
Proceeds from disposal of tangible capital assets	130,022	70,332
	(7,773,708)	(19,835,277)
Investing activities		
Change in Enova Energy Corporation	(68,863)	(74,352)
Increase (decrease) in cash resources	(6,331,567)	1,920,083
Cash resources, beginning of year	12,327,857	10,407,774
Cash resources, end of year	5,996,290	12,327,857

The accompanying notes are an integral part of these financial statements

The Corporation of the Township of Wellesley

Notes to the Financial Statements

For the year ended December 31, 2024

1. Municipal status

The Corporation of the Township of Wellesley (the "Township") 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; and, other general government services, such as municipal drains, animal control, parking regulations and property standards by-law enforcement.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Reporting entity

The financial statements reflect the financial activities of the reporting entity. This entity is comprised of the municipal operations plus all organizations that are owned or controlled by the Township and are, therefore, accountable to Council for the administration of their financial affairs and resources. The financial statements exclude trust funds that are administered for the benefit of external parties (see Note 5) and the taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the School Boards and the Regional Municipality of Waterloo (see Note 4).

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Government business entities, owned or controlled by the Township's Council but not dependent on the Township for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the government business entity accounting principles are not adjusted to conform to those of the Township. Thus, the Township's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Enova Energy Corporation

Measurement uncertainty (Use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable and taxes receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets.

Asset retirement obligations

A liability for an asset retirement obligation reflects management's best estimate of the amount required to retire the related tangible capital asset (or component thereof). The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future asset retirement.

The Corporation of the Township of Wellesley

Notes to the Financial Statements

For the year ended December 31, 2024

2. Significant accounting policies (Continued from previous page)

Measurement uncertainty (Use of estimates) (Continued from previous page)

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the years in which they become known.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets, prepaid expenses and inventory.

Net financial assets

The Township's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the Township is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprise a second indicator of financial position, accumulated annual surplus.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Tangible capital assets

Tangible capital assets are initially recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

When conditions indicate that a tangible capital asset no longer contributes to the Township's ability to provide goods and services, or that the value of future economic benefits associated with a tangible capital asset is less than its net book value, the Township reduces the cost of the asset to reflect the decline in its value. Write-downs of tangible capital assets are not reversed.

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Trails	straight-line	3 to 15 years
Buildings	straight-line	25 to 50 years
Infrastructure	straight-line	10 to 75 years
Machinery and equipment	straight-line	3 to 30 years
Vehicles	straight-line	8 to 25 years

Land is not amortized.

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

Long-lived assets

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Corporation of the Township of Wellesley

Notes to the Financial Statements

For the year ended December 31, 2024

2. Significant accounting policies (Continued from previous page)

Long-lived assets (Continued from previous page)

The Township performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using quoted market prices. Any impairment is included in surplus for the year.

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the Township to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at December 31, 2024. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the Township reviews the carrying amount of the liability. The Township recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The Township continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Financial instruments

The Township recognizes its financial instruments when the Township becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Township may irrevocably elect to subsequently measure any financial instrument at fair value. The Township has not made such an election during the year.

The Township subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. The Township has not presented a statement of remeasurement gains and losses as it does not have any items giving rise to remeasurement gains (losses). Interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating annual surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Corporation of the Township of Wellesley

Notes to the Financial Statements

For the year ended December 31, 2024

2. Significant accounting policies (Continued from previous page)

Financial instruments (Continued from previous page)

All financial assets except derivatives are tested annually for impairment. Management considers recent collection experience for its taxes receivable and accounts receivable, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

The carrying values of financial assets and liabilities measured at cost or amortized cost have carrying values that approximate their fair values due to their short term nature, except for net long-term liabilities which has a fair value that approximates its carrying value due to having an interest rate that approximates the market at year end.

Revenue recognition

Government transfers

The Township recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Township recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Tax revenue

The Township recognizes taxes as assets and revenue when they meet the definition of an asset; are authorized by Council; and the taxable event has occurred. Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation. Tax rates are established annually by Council. Taxation revenues are recorded in the period for which the tax is levied.

The Township recognizes revenue from interest and penalties on overdue taxes. These non-exchange transactions have no performance obligations and are recognized at their realizable value when the interest and penalties are levied.

User charges and other revenues

The Township recognizes user charges and other revenues when related goods or services are provided, and collectability is reasonably assured. User charges and other revenues are typically satisfied at a point in time, such as the case with permits or community building rentals that are one day or less.

Segments

The Township conducts its business through seven reportable segments: General government, Protection to persons and property, Transportation services, Environmental and social services, Health services, Recreation and cultural services and Planning and development. These operating segments are established by senior management to facilitate the achievement of the Township's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

3. Change in accounting policy

Revenue

Effective January 1, 2024, the Township adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of revenue under PS 3400 *Revenue*. The new standard establishes when to recognize and how to measure revenue, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied retroactively, and prior periods have been restated.

The Corporation of the Township of Wellesley

Notes to the Financial Statements

For the year ended December 31, 2024

3. Change in accounting policy (Continued from previous page)

Revenue (Continued from previous page)

Under the new standard, revenue is differentiated between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions".

There was no material impact on the financial statements from the retroactive application of the new accounting recommendations.

4. Operations of School Boards and the Region of Waterloo

Further to Note 2, 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	4,694,694	13,035,511
Share of payments in lieu of taxes	-	18,959
Requisitions paid	(4,694,694)	(13,054,470)
	-	-

5. Trust funds

Further to Note 2, trust funds administered by the Township amounting to \$678,683 (2023 - \$605,462) 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 \$311,039 (2023 - \$230,881) and other estate funds amounting to \$367,643 (2023 - \$374,581).

6. 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 60 (2023 - 54) 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 2024 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 2024 was \$290,175 (2023 - \$270,972) 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 2024. 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, 2024. At that time the plan reported a \$2.9 billion actuarial deficit (2023 - \$4.2 billion actuarial deficit), based on actuarial liabilities of \$142.5 billion (2023 - \$136.2 billion) and actuarial assets of \$139.6 billion (2023 - \$132 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

The Corporation of the Township of Wellesley

Notes to the Financial Statements

For the year ended December 31, 2024

7. 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. The Township also holds \$2,532,446 of long-term notes receivable from Enova Energy Corporation, which is included in the carrying value of the investment and bear interest at 3.23% and are unsecured. Interest received during the year ended December 31, 2024 was \$81,798 (2023 - \$81,948).

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

				2024
	<i>Investment cost, beginning of year</i>	<i>Cumulative share of earnings</i>	<i>Dividends received</i>	<i>Investment cost, end of year</i>
Enova Energy Corporation	11,914,154	390,562	(321,699)	11,983,017
				2023
	<i>Investment cost, beginning of year</i>	<i>Cumulative share of earnings</i>	<i>Dividends received</i>	<i>Investment cost, end of year</i>
Enova Energy Corporation	11,839,802	358,648	(284,296)	11,914,154

Summary financial information for each business enterprise, accounted for using the modified equity method, for the respective year-end is as follows:

	<i>Enova Energy Corporation As at December 31, 2024</i>
Assets	
Cash	42,000
Accounts receivable	18,000
Short-term notes receivable	1,000,000
Deferred tax assets	656,000
Investment in subsidiary companies and associates	454,985,000
Notes receivable	33,513,000
Total assets	490,214,000
Liabilities	
Accounts payable and accruals	101,000
Short-term bank debt	2,500,000
Short-term loans payable to related parties	360,000
Long-term loans payable to related parties	33,292,000
Long-term notes payable	200,000
Total liabilities	36,453,000
Net assets	453,761,000

The Corporation of the Township of Wellesley

Notes to the Financial Statements

For the year ended December 31, 2024

7. Investment in Enova Energy Corporation (Continued from previous page)

	<i>Enova Energy Corporation As at December 31, 2024</i>
Total revenue	15,446,000
Total expenses	1,397,000
Net income	14,049,000

8. Accounts payable and accruals

	2024	2023
Trade accounts payable	1,098,710	3,038,767
Deposits	1,525,620	3,762,680
	2,624,330	6,801,447

9. 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.

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Recognized</i>	<i>Balance, end of year</i>
Recreation parkland	390,711	20,049	35,000	375,760
Development charges and sub-dividers contributions	1,490,910	443,119	567,361	1,366,668
Building department (Bill 124)	777,793	42,431	97,288	722,936
Gas tax funding	1,458,665	436,162	799,141	1,095,686
OCLIF funding	21,492	1,103	-	22,595
OCIF funding	477,336	930,983	1,408,319	-
Healthy Kids Community Challenge	6,155	316	-	6,471
	4,623,062	1,874,163	2,907,109	3,590,116

The Corporation of the Township of Wellesley

Notes to the Financial Statements

For the year ended December 31, 2024

10. Net long-term liabilities

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

	2024	2023
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	10,584,000	11,075,000

Principal repayments on long-term debt in each of the next five years , assuming all term debt is subject to contractual terms of repayment, are estimated as follows:

	Total
2025 to 2029	2,524,000
2030 and thereafter	8,060,000
	10,584,000

Interest on long-term debt amounted to \$432,820 (2023 - 296,868). The long-term debt rates of interest range from 1.95% to 5.40% per annum on debentures issued by the Region of Waterloo and are unsecured.

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.

11. Asset retirement obligation

The Township is required to remove asbestos from certain buildings it controls. The Township recognized a liability for the asset retirement obligation and a corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of buildings. The asset retirement cost is amortized on a straight-line basis over the useful life of the affected buildings.

The Township estimated the amount of the liability using discounted future expenditures estimated to restore the tangible capital asset. The significant assumptions used to determine the best estimate of the liability include:

- 5% discount rate; and
- Future estimated restoration costs of \$278,350 over several years.

	2024	2023
Balance, beginning of year	241,964	-
Liabilities incurred	-	230,223
Accretion	8,388	11,741
Balance, end of year	250,352	241,964

The Corporation of the Township of Wellesley

Notes to the Financial Statements

For the year ended December 31, 2024

12. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

13. Expenses by object

The following is a summary of the total expenses on the Statement of Operations and Accumulated Operating Surplus by the object of expenditure:

	2024	2023
Salaries, wages and employee benefits	5,051,646	4,583,037
Materials and services	3,820,324	3,532,574
Contracted services	70,552	104,624
Interest on long-term debt	432,820	296,868
Accretion	8,388	11,741
Amortization	3,516,613	3,640,100
	12,900,343	12,168,944

14. Budget information

The 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.

15. Commitments

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 2024 was \$31,150 (2023 - \$25,679)

16. Contingent liabilities

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.

17. Accumulated surplus

Accumulated surplus consists of the following:

	2024	2023
Reserve and Reserve Funds		
Tax rate stabilization	795,019	858,021
Working capital	52,141	53,159
General government	984,786	703,989
Fire	1,063,724	781,416
Infrastructure - roads, equipment and structures	3,080,052	2,258,706
Recreation	406,194	607,804
Planning	194,531	197,803
	6,576,447	5,460,898

The Corporation of the Township of Wellesley

Notes to the Financial Statements

For the year ended December 31, 2024

17. Accumulated surplus (Continued from previous page)

	2024	2023
General surplus		
Invested in tangible capital assets	65,874,839	61,498,601
Invested in Enova Energy Corporation	11,983,017	11,914,154
Operating fund deficiency	(12,926,233)	(13,335,585)
	64,931,623	60,077,170
	71,508,070	65,538,068

18. Government transfers

During the year, the Township recognized the following government transfers:

	2024	2023
Ontario Municipal Partnership Fund	856,900	864,800
Ontario Strategic Priorities Infrastructure Fund	4,124,623	13,483,184
	4,981,523	14,347,984

19. Segments

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.

20. Financial Instruments

The Township as part of its operations carries a number of financial instruments. It is management's opinion that the Township is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the Township's financial instruments best represents the maximum exposure to credit risk.

Risk management

The Township manages its credit risk by performing regular credit assessments of its customers, provides allowances for potentially uncollectible accounts receivables and holding its cash in reputable financial institutions.

The Corporation of the Township of Wellesley
Notes to the Financial Statements
For the year ended December 31, 2024

20. Financial Instruments *(Continued from previous page)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Township manages interest rate risk exposure by entering into fixed rate contracts.

The Township is exposed to interest rate risk with respect to its net long-term liabilities.

Liquidity Risk

Liquidity risk is the risk that the Township will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. Liquidity risk is measured by reviewing the Township's future net cash flows for the possibility of negative net cash flows.

Contractual maturities of long-term debt are disclosed in Note 10.

The Township manages the liquidity risk resulting from its accounts payable and long-term debt by monitoring future cash obligations and ensuring sufficient liquid assets exist to repay those obligations. All financial liabilities are due within 12 months of year end, with the exception of long-term debt which is due as disclosed in Note 10.

21. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

22. Subsequent event

Subsequent to year end, the United States government announced new tariffs on imported goods. The Canadian government then announced retaliatory tariffs and other measures. This has caused significant economic uncertainty and the effects on the Township are currently uncertain.

The Corporation of the Township of Wellesley
Schedule 1 - Schedule of Tangible Capital Assets

For the year ended December 31, 2024

	<i>Land</i>	<i>Trails</i>	<i>Buildings</i>	<i>Infrastructure</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	4,451,310	212,329	13,260,643	122,017,036	5,448,201	5,670,861	151,060,380
Acquisition of tangible capital assets	-	-	4,684,269	284,311	137,073	729,144	5,834,797
Construction-in-progress	-	-	25,573,403	-	-	-	25,573,403
Disposal of tangible capital assets	-	-	-	-	(13,020)	(426,509)	(439,529)
Balance, end of year	4,451,310	212,329	43,518,315	122,301,347	5,572,254	5,973,496	182,029,051
Accumulated amortization							
Balance, beginning of year	-	73,861	6,075,136	105,590,384	2,896,897	2,711,609	117,347,887
Annual amortization	-	12,862	719,577	1,957,792	396,090	430,292	3,516,613
Accumulated amortization on disposals	-	-	-	-	(13,020)	(415,630)	(428,650)
Balance, end of year	-	86,723	6,794,713	107,548,176	3,279,967	2,726,271	120,435,850
Net book value of tangible capital assets	4,451,310	125,606	36,723,602	14,753,171	2,292,287	3,247,225	61,593,201
2023 Net book value of tangible capital assets	4,451,310	138,468	7,185,507	16,426,652	2,551,304	2,959,252	33,712,493

The Corporation of the Township of Wellesley
Schedule 1 - Schedule of Tangible Capital Assets

For the year ended December 31, 2024

	<i>Subtotal</i>	<i>Assets under construction</i>	<i>2024</i>	<i>2023</i>
Cost				
Balance, beginning of year	151,060,380	27,786,108	178,846,488	150,579,858
Acquisition of tangible capital assets	5,834,797	2,068,933	7,903,730	1,458,100
Construction-in-progress	25,573,403	(25,573,403)	-	27,786,108
Disposal of tangible capital assets	(439,529)	-	(439,529)	(977,578)
Balance, end of year	182,029,051	4,281,638	186,310,689	178,846,488
Accumulated amortization				
Balance, beginning of year	117,347,887	-	117,347,887	114,703,691
Annual amortization	3,516,613	-	3,516,613	3,640,100
Accumulated amortization on disposals	(428,650)	-	(428,650)	(995,904)
Balance, end of year	120,435,850	-	120,435,850	117,347,887
Net book value of tangible capital assets	61,593,201	4,281,638	65,874,839	61,498,601
2023 Net book value of tangible capital assets	33,712,493	27,786,108	61,498,601	

The Corporation of the Township of Wellesley
Schedule 2 - Schedule of Segmented Disclosure

For the year ended December 31, 2024

	<i>General government</i>	<i>Protection to persons and property</i>	<i>Transportation services</i>	<i>Environmental and social services</i>	<i>Health services</i>	<i>Recreation and cultural services</i>	<i>Planning and development</i>	2024
Revenue								
Taxation	1,409,470	1,181,365	2,983,236	-	3,503	2,011,619	175,260	7,764,453
User charges	57,829	554,615	81,952	-	-	1,034,752	118,444	1,847,592
Government transfers	155,551	130,378	329,236	-	387	222,006	19,342	856,900
Investment income	51,604	43,253	109,223	-	128	73,650	6,417	284,275
Grants and transfers related to capital	609,655	173,598	1,408,319	-	-	4,852,141	155,462	7,199,175
Fundraising and other	183,023	3,738	33,717	-	-	-	-	220,478
Interest and penalties on taxes	105,971	-	-	-	-	-	-	105,971
Interest earned - Enova Energy Corporation	81,798	-	-	-	-	-	-	81,798
Gain on disposal of tangible capital assets	45,325	-	73,816	-	-	-	-	119,141
Change in equity of Enova Energy Corporation	390,562	-	-	-	-	-	-	390,562
	3,090,788	2,086,947	5,019,499	-	4,018	8,194,168	474,925	18,870,345
Expenses								
Salaries, wages and benefits	1,153,306	1,136,357	1,301,171	-	-	1,231,728	229,084	5,051,646
Materials and services	960,509	549,295	1,342,269	-	5,798	921,056	41,397	3,820,324
Interest on long-term debt	-	5,530	-	-	-	427,290	-	432,820
Contracted services	50,933	-	-	-	-	-	19,619	70,552
Accretion of asset retirement obligation	-	-	-	-	-	8,388	-	8,388
Amortization	216,510	264,272	2,294,561	-	-	741,270	-	3,516,613
	2,381,258	1,955,454	4,938,001	-	5,798	3,329,732	290,100	12,900,343
Annual surplus (deficit)	709,530	131,493	81,498	-	(1,780)	4,864,436	184,825	5,970,002

The Corporation of the Township of Wellesley
Schedule 2 - Schedule of Segmented Disclosure

For the year ended December 31, 2024

	<i>General government</i>	<i>Protection to persons and property</i>	<i>Transportation services</i>	<i>Environmental and social services</i>	<i>Health services</i>	<i>Recreation and cultural services</i>	<i>Planning and development</i>	<i>2023</i>
Revenue								
Taxation	1,256,920	1,161,640	3,077,800	58,413	3,376	1,490,793	140,488	7,189,430
User charges	25,700	642,633	108,099	16,513	1,302	815,641	68,330	1,678,218
Government transfers	151,192	139,731	370,221	7,026	406	179,325	16,899	864,800
Investment income	53,169	49,139	130,195	2,471	143	63,062	5,943	304,122
Interest and penalties on taxes	80,899	-	-	-	-	-	-	80,899
Fundraising and other	42,569	2,232	53,531	-	-	-	-	98,332
Grants and transfers related to capital	-	159,851	2,084,273	-	-	14,197,680	-	16,441,804
Gain on disposal of tangible capital assets	88,658	-	-	-	-	-	-	88,658
Interest earned - Enova Energy Corporation	81,948	-	-	-	-	-	-	81,948
Change in equity of Enova Energy Corporation	358,648	-	-	-	-	-	-	358,648
	2,139,703	2,155,226	5,824,119	84,423	5,227	16,746,501	231,660	27,186,859
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
Interest on long-term debt	-	6,310	-	-	-	290,558	-	296,868
Contracted services	21,127	-	-	48,335	-	-	35,162	104,624
Accretion of asset retirement obligation	-	-	-	-	-	11,741	-	11,741
Amortization	177,685	271,521	2,671,833	-	-	519,061	-	3,640,100
	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