

Consolidated Financial Statements of

**THE CORPORATION
OF THE TOWNSHIP
OF WOOLWICH**

And Independent Auditors' Report thereon

Year ended December 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Woolwich

Opinion

We have audited the consolidated financial statements of the Corporation of the Township of Woolwich (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated results of operations, its changes in consolidated net financial assets, and its consolidated 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 auditors’ report.

We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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.



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- 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 Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada
June 27, 2022

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 20,542,568	\$ 19,673,023
Investments (note 4)	9,360,243	9,160,692
Taxes receivable	2,073,391	2,204,534
User charges receivable	862,874	873,269
Accounts receivable	5,115,106	4,360,341
Development charges receivable (note 5)	12,682	–
Investment in Waterloo North Hydro Holding Corporation (note 6)	25,773,382	24,056,551
Total financial assets	63,740,246	60,328,410
Liabilities		
Accounts payable and accrued liabilities	\$ 12,323,613	\$ 8,664,777
Deferred revenue - obligatory reserve funds (note 5)	8,689,609	7,467,453
Deferred revenue - other	4,902,764	3,934,139
Net long-term liabilities (note 7)	2,638,566	2,897,814
Post employment benefits (note 8)	1,106,016	1,064,203
Total liabilities	29,660,568	24,028,386
Net financial assets	\$ 34,079,678	\$ 36,300,024
Non-Financial Assets		
Tangible capital assets (note 9)	\$ 198,944,801	\$ 189,443,842
Inventories of supplies	58,598	18,518
Prepaid expenses	74,347	48,892
	199,077,746	189,511,252
Accumulated surplus (note 10)	\$ 233,157,424	\$ 225,811,276

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	Budget (Note 14)	2021	2020
Revenue:			
Net taxation and user charges	\$ 12,400,169	\$ 12,825,410	\$ 11,954,820
User fees and charges	6,868,143	6,976,602	7,121,674
Government grants	3,389,173	2,289,609	1,648,321
Municipal revenue	219,800	326,750	97,442
Permits, late payment charges and other	1,343,281	1,708,089	1,490,436
Interest, donations and sundry	1,374,656	865,410	1,273,567
Obligatory reserve fund revenue recognized (note 5)	5,688,998	4,111,062	1,929,684
Sale of assets	–	118,280	14,115
Equity earnings from Waterloo North Hydro Holding Corporation (note 6)	–	2,385,855	415,022
Contributed assets	–	1,669,489	1,819,933
Total revenue	31,284,220	33,276,556	27,765,014
Expenses:			
General government	1,728,541	1,997,845	1,663,739
Protection to persons and property	3,058,348	4,071,906	3,785,887
Transportation services	4,682,310	7,931,741	7,290,574
Environmental services	2,492,898	4,316,516	4,552,668
Health services	94,983	94,934	81,519
Social and family services	45,656	85,431	49,507
Recreation and cultural services	4,825,005	5,737,371	5,290,783
Planning and development	1,751,623	1,694,664	1,323,651
Total expenses	18,679,364	25,930,408	24,038,328
Annual surplus	12,604,856	7,346,148	3,726,686
Accumulated surplus, beginning of year	248,409,752	225,811,276	222,084,590
Accumulated surplus, end of year	\$ 261,014,608	\$ 233,157,424	\$ 225,811,276

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Annual surplus	\$ 7,346,148	\$ 3,726,686
Acquisition of tangible capital assets	(14,881,704)	(7,520,646)
Amortization of tangible capital assets	6,855,583	6,535,782
Net loss on disposal of tangible capital assets	76,371	210,320
Proceeds on sale of tangible capital assets	118,280	14,115
Contributed tangible capital assets	(1,669,489)	(1,819,933)
Acquisition of inventories of supplies	(58,598)	(18,518)
Acquisition of prepaid expenses	(74,347)	(48,892)
Consumption of inventories of supplies	18,518	25,574
Use of prepaid expenses	48,892	78,620
Change in net financial assets	(2,220,346)	1,183,108
Net financial assets, beginning of year	36,300,024	35,116,916
Net financial assets, end of year	\$ 34,079,678	\$ 36,300,024

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Cash Flows

Year ended December 31, 2021 with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 7,346,148	\$ 3,726,686
Items not involving cash:		
Amortization	6,855,583	6,535,782
Net loss on disposal of tangible capital assets	76,371	210,320
Contributed tangible capital assets	(1,669,489)	(1,819,933)
Change in employee benefits and other liabilities	41,813	(157,924)
Equity earnings from Government Business Enterprise	(2,385,855)	(415,022)
Change in non-cash assets and liabilities:		
Taxes, user charges, and accounts receivable	(625,910)	900,758
Accounts payable and accrued liabilities	3,658,836	1,884,713
Deferred revenue – obligatory reserve funds	1,222,156	2,334,050
Deferred revenue – other	968,626	(1,310,203)
Inventories of supplies	(40,080)	7,056
Prepaid expenses	(25,455)	29,728
Net change in cash from operating activities	15,422,744	11,926,011
Capital activities:		
Proceeds on sale of tangible capital assets	118,280	14,115
Cash used to acquire tangible capital assets	(14,881,704)	(7,520,646)
Net change in cash from capital activities	(14,763,424)	(7,506,531)
Investing activities:		
Change in investments	(199,551)	(233,737)
Dividends received from Waterloo North Hydro Holding Corporation	669,024	714,474
Net change in cash from investing activities	469,473	480,737
Financing activities:		
Long-term debt repaid	(259,248)	(250,000)
Net change in cash from financing activities	(259,248)	(250,000)
Net change in cash	869,545	4,650,217
Cash and cash equivalents, beginning of year	19,673,023	15,022,806
Cash and cash equivalents, end of year	\$ 20,542,568	\$ 19,673,023

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Significant accounting policies:

The consolidated financial statements of The Corporation of the Township of Woolwich (the "Township") are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing and the standards established by the Public Sector Accounting and Auditing Board (PSAB) of the Chartered Professional Accountants of Canada. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

The focus of PSAB financial statements is on the financial position of the Township and the changes thereto. The consolidated statement of financial position includes all assets and liabilities of the Township. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position and is the difference between assets and liabilities. This provides information about the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) Basis of consolidation:

(i) Consolidated statements:

These consolidated statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity include the activities of all committees of Council and the following boards, municipal enterprises and utilities which are under the control of Council except for the Township's government business enterprise which is accounted for on a modified equity basis of accounting:

- Woolwich Sewer and Water Systems
- Elmira Business Improvement Area Board of Management
- St. Jacobs Business Improvement Area Board of Management

Inter-organizational transactions and balances between these entities have been eliminated.

(ii) Non-consolidated entities:

Government business enterprises and partnerships are separate legal entities which do not rely on the municipality for funding. Investments in government business enterprises are accounted for using the modified equity method. The following government business enterprise is reflected in the consolidated financial statements:

- Waterloo North Hydro Holding Corporation

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(a) Basis of consolidation (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 Region of Waterloo are not reflected in these consolidated financial statements. Overlevies (underlevies) are reported on the consolidated financial statement of financial position as "other liabilities" "other assets".

(iv) Trust funds:

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately on the trust funds statement of financial operations and financial position.

(b) Basis of accounting:

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

(c) Government transfers:

Government transfers received relate to social services, child care, housing and health programs, transportation and environmental services. Government transfers paid relate to social services programs. Transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(d) Deferred revenue - other:

Deferred revenues represent licenses, permits and other fees which have been collected, but for which the related services or inspections have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(e) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(f) Cash equivalents:

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.

(g) Land held for resale:

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(h) Investments:

Investments consist of bonds and debentures and are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

(i) Long-term debt:

Long-term debt is recorded net of related sinking fund balances.

(j) Employee future benefits:

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(k) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(l) Tangible capital assets:

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

Asset	Useful Life - Years
Land improvements	5 - 50
Buildings and building improvements	25 - 50
Vehicles	5 - 30
Machinery and equipment	5 - 30
Water and wastewater infrastructure	15 - 100
Roads infrastructure - Base	50
- Surface	15

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(l) Tangible capital assets (continued):

No amortization will be charged in the year of acquisition. In the year of disposal, the balance of amortization is removed. Assets under construction (capital work in progress) are not amortized until the asset is available for productive use or placed in service.

(i) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are recorded as revenue.

(ii) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(iv) Interest capitalization:

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

(v) Leased tangible capital assets:

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

(m) Use of estimates:

The preparation of financial statements 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 revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and the historical cost of useful lives of tangible capital assets.

Actual results could differ from these estimates.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

1. Significant accounting policies (continued):

(n) Liability for Contaminated Sites:

PS 3260 requires that a liability for a contaminated site be recognized when, as at the financial reporting date, all the following criteria are met with respect to a site or partial site:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the government:
 - (i) is directly responsible; or
 - (ii) accepts responsibility;
- (d) it is expected that future economic benefits will be given up; and
- (e) a reasonable estimate of the amount can be made.

2. Impact of COVID-19 pandemic:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

Current year impacts:

During they year, and up to the approval date of these financial statements, the Township has experienced the following in relation to the pandemic:

- Mandatory working from home requirements for those able to do so
- Temporary and or permanent termination of employees
- Major project delays or costs
- 6-month pandemic principal deferral payments on debt
- Limiting in-person activities affecting certain user fees and charges; and
- Investment in infrastructure to support mandatory working from home requirements for those able to do so.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Township's operations and financial position is not known at this time. There remains uncertainty over the resumption of in-person activities and services for the upcoming year.

These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated surplus to sustain operations. An estimate of the financial effect of the pandemic on the Township is not practicable at this time.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. Operations of School Boards and the Region of Waterloo:

Further to note 1(a) (iii), the taxation, other revenues, expenditures and overlevies for the School Boards and The Region of Waterloo are comprised of the following:

	School Boards	Region
Taxation and user charges	\$ 12,425,204	\$ 28,176,669
Requisitions paid	11,881,568	26,864,498
(Under)/Overlevies, end of year	\$ 543,636	\$ 1,312,171

4. Investments:

The total of investments of \$9,360,243 (2020 - \$9,160,692) reported on the consolidated statement of financial position at cost, have a fair value of \$9,395,878 (2020 - \$9,264,791) at the end of the year.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

5 . Deferred revenue - obligatory reserve funds:

A requirement of the public sector accounting principles 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. 2021 ending balance for development charges includes \$12,682 of development charges receivable for which collection has been deferred in accordance with Section 26.1 of the Development Charges Act, 1997.

The balances in the obligatory reserve funds of the Township are summarized below:

	2021	2020
Building administration	\$ 1,656,226	\$ 1,363,295
Development charges	6,387,297	5,206,734
Federal gas tax revenue	981,947	1,061,336
Park fund	(335,861)	(163,912)
	<u>\$ 8,689,609</u>	<u>\$ 7,467,453</u>

Continuity of deferred revenue is as follows:

	2021	2020
Balance, beginning of year:		
Building administration	\$ 1,363,295	\$ 1,064,961
Development charges	5,206,734	2,917,502
Federal gas tax revenue	1,061,336	1,189,725
Park fund	(163,912)	(38,785)
	<u>7,467,453</u>	<u>5,133,403</u>
Developer contributions received	3,684,304	3,419,996
Capital grants received	1,555,469	758,588
Interest earned	93,445	85,150
Total revenue	<u>5,333,218</u>	<u>4,263,734</u>
Contributions used	(4,111,062)	(1,929,684)
Balance, end of year	<u>\$ 8,689,609</u>	<u>\$ 7,467,453</u>

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

6. Government business enterprises:

In compliance with legislation enacted to restructure the electricity industry in Ontario, Council, in conjunction with the City of Waterloo and the Township of Wellesley, approved the incorporation of the electricity distribution business of the former Hydro-Electric Commission of Waterloo, Wellesley and Woolwich. As a result, the Township retained 20.2% of the newly incorporated business Waterloo North Hydro Holding Corporation.

On October 1, 2021, the Township entered into a Memorandum of Understanding to merge Waterloo North Hydro Holding Corporation and Kitchener Power Corp., and their subsidiary companies Waterloo North Hydro Inc. and Kitchener-Wilmot Hydro Inc. The municipal councils of the City of Kitchener, City of Waterloo, Township of Wellesley, Township of Wilmot and Township of Woolwich approved the Memorandum of Understanding on October 4, and October 5, 2021. 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. As at June 20, 2022, the MAADs application is still awaiting decision from the OEB.

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

	2021	2020
Junior notes receivable	\$ 3,355,689	\$ 3,355,689
66 common shares, initial valuation	5,084,032	5,084,032
Class A special shares	440,627	440,627
Accumulated net equity earnings, beginning of year	15,176,203	15,475,655
Equity earnings for the year ended December 31	2,385,855	415,022
Dividends received during the year	(669,024)	(714,474)
Net assets	\$ 25,773,382	\$ 24,056,551

The following table provides condensed financial information in respect of the Township's investment in Waterloo North Hydro Holding Corporation as at December 31, 2021 and 2020:

	2021	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 assets	\$ 110,978,677	\$ 102,479,515

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Net long-term liabilities:

- (a) The balance of long-term liabilities reported on the Consolidated Statement of Financial Position consists of the following:

	2021	2020
Ontario Strategic Infrastructure Financing Authority Water drainage \$685,000 20-year loan (OSIFA04-02) issued December 2004 with an annual interest rate of 2.7891% - interest and principal repayable in semi- annual installments	\$ 128,230	\$ 168,675
Township, through the Region of Waterloo, issued a \$3,720,000 25-year capital program debenture (ID09-61) December 1, 2009 with an annual interest rate of 4.88% - interest repayable in semi-annual installments and Principal repayable annually	2,467,428	2,601,264
Township, through the Region of Waterloo, issued a \$385,000 10-year hot mix resurfacing capital program debenture (CDS11-068) November 7, 2011 with a varying annual interest rate of 1.35% to 3.40% - interest repayable in semi-annual installments and principal repayable annually	–	43,000
Township, through the Region of Waterloo, issued a \$389,000 10-year hot mix resurfacing capital program debenture (CDS12-074) November 8, 2012 with a varying annual interest rate of 1.40% to 3.10% - interest repayable in semi-annual installments and principal repayable annually	42,908	84,875
Net long-term liabilities, end of year	\$ 2,638,566	\$ 2,897,814

- (b) The long-term liabilities in (a) 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 debt repayment prescribed by the Ministry of Municipal Affairs and Housing.
- (c) Interest paid during the year on long-term liabilities amounted to \$135,366 (2020 - \$145,205). Principal paid during the year on long-term liabilities amounted to \$259,248 (2020 - \$250,000).

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

7. Net long-term liabilities (continued):

(a) The total Township principal and interest repayments in each of the next five years and thereafter are due as follows:

	Principal	Interest
2022	\$ 224,848	\$ 125,007
2023	189,950	115,667
2024	198,326	107,291
2025	161,936	98,841
2026	169,839	90,939
Thereafter	1,693,667	392,554
	<u>\$ 2,638,566</u>	<u>\$ 930,299</u>

8. Post employment benefits:

The Township provides certain benefits, including post-employment benefits of extended health and dental benefits and sick leave benefits, to its employees. The post-employment benefit at December 31, 2021, includes the following components:

	2021	2020
Post employment benefits	\$ 690,773	\$ 716,726
Sick leave	245,412	240,186
	<u>936,185</u>	<u>956,912</u>
Unamortized actuarial gains	169,831	107,291
	<u>\$ 1,106,016</u>	<u>\$ 1,064,203</u>

Actuarial valuations for accounting purposes are performed using the projected benefit method, pro-rated on services. The most recent actuarial report was prepared as at December 31, 2021.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, medical inflation rates, wage increases, employee turnover and mortality rates. The assumptions used reflect management's best estimates. The post-employment benefit liability was determined using a discount rate of 1.80% (2020 - 2.70%). The sick leave liability was determined using a discount rate of 1.20% (2020 - 2.40%). For extended health care costs, a 5.5% annual rate of increase, decreasing by 0.25% annually to an ultimate rate of 4.5% was assumed. For dental costs, a 2.75% annual rate of increase was assumed.

The liability for sick leave benefits includes a provision for non-vested benefits. Under the sick leave benefit plan, unused sick leave can accumulate but employees leaving the Township's employment are not entitled to a cash payment.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Tangible capital assets:

	2021							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Assets Under Construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	17,962,331	7,360,298	41,325,211	15,066,957	78,998,316	111,655,944	7,015,099	279,384,156
Additions	–	354,236	999,755	1,766,983	3,146,039	1,223,791	9,060,388	16,551,192
Disposals	–	(158,064)	(321,494)	(1,150,029)	(137,545)	(185,216)	–	(1,952,348)
Balance, end of year	17,962,331	7,556,470	42,003,472	15,683,911	82,006,810	112,694,519	16,075,487	293,983,000
Accumulated amortization								
Balance, beginning of year	–	3,476,537	13,251,253	7,413,485	18,417,945	47,381,094	–	89,940,314
Disposals	–	(152,558)	(192,628)	(1,136,547)	(101,359)	(174,606)	–	(1,757,698)
Amortization expense	–	295,434	1,095,121	905,579	1,350,084	3,209,365	–	6,855,583
Balance, end of year	–	3,619,413	14,153,746	7,182,517	19,666,670	50,415,853	–	95,038,199
Net book value, end of year	17,962,331	3,937,057	27,849,726	8,501,394	62,340,140	62,278,666	16,075,487	198,944,801

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Tangible capital assets (continued):

	2020							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Assets Under Construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	17,962,331	7,137,086	41,093,748	13,211,891	76,489,506	107,955,817	7,416,009	271,266,388
Additions	–	229,825	306,288	2,118,430	2,560,581	4,526,365	(400,910)	9,340,579
Disposals	–	(6,613)	(74,825)	(263,364)	(51,771)	(826,238)	–	(1,222,811)
Balance, end of year	17,962,331	7,360,298	41,325,211	15,066,957	78,998,316	111,655,944	7,015,099	279,384,156
Accumulated amortization								
Balance, beginning of year	–	3,188,872	12,194,557	6,878,629	17,160,264	44,980,586	–	84,402,908
Disposals	–	(5,947)	(31,274)	(233,912)	(51,771)	(675,472)	–	(998,376)
Amortization expense	–	293,612	1,087,970	768,768	1,309,452	3,075,980	–	6,535,782
Balance, end of year	–	3,476,537	13,251,253	7,413,485	18,417,945	47,381,094	–	89,940,314
Net book value, end of year	17,962,331	3,883,761	28,073,958	7,653,472	60,580,371	64,274,850	7,015,099	189,443,842

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Tangible capital assets (continued):

a) Assets under construction:

Assets under construction having a value of \$16,075,487 (2020 - \$7,015,099) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed tangible capital assets:

Contributed capital assets during the year were \$1,669,489 (2020 - \$1,819,933).

c) Works of art and historical treasures:

The Township of Woolwich manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Township sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

d) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$ nil (2020 - \$ nil).

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

10. Accumulated surplus:

	2021	2020
Surplus:		
Invested in tangible capital assets	\$ 198,944,801	\$ 189,443,842
General (surplus)/deficit	(515,720)	326,289
Unfunded:		
Employee benefits -sick leave	(1,106,016)	(1,064,203)
Debenture - long-term	(2,638,566)	(2,897,814)
Equity in Government Business Enterprise	25,773,382	24,056,551
Total surplus	220,457,881	209,864,665
Reserves set aside by Council:		
Operating budget contingency	266,447	499,373
Working capital	1,927,806	1,927,806
Insurance	107,661	171,601
Capital budget contingency	198,621	252,832
Ontario Municipal Board legal	41,516	29,595
Special circumstance funding	886,679	983,050
Winter stabilization	20,428	20,428
Total reserves	3,449,158	3,884,685
Reserve funds set aside for specific purposes by Council:		
Equipment replacement	800,655	962,308
Infrastructure investment	788,125	954,073
Recreation fitness centre	23,487	36,082
Water	4,830,600	5,807,825
Sewer	1,536,726	2,986,930
Property building	308,234	412,247
Parking lot	14,209	14,046
Development administration	316,607	413,510
Transient Accommodation Tax	214,948	113,134
Walter Bean Trail Fund	296,756	298,746
Greening/Climate Action	120,038	63,025
Total reserve funds	9,250,385	12,061,926
Accumulated surplus	\$ 233,157,424	\$ 225,811,276

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

11. Public liability insurance:

The Township is self insured for public liability claims up to \$10,000 (2020 - \$10,000) for any individual claim and \$10,000 (2020 - \$10,000) for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

The Township has made provision for a reserve for self insurance which, as at December 31, 2021, amounted to \$107,661 (2020 - \$171,601) and is reported on the consolidated statement of financial position. The provision for the year amounted to \$314,078 (2020 - \$312,415). During the year, claims amounting to \$65,469 (2020 - \$122,652) were settled and insurance premiums of \$286,188 (2020 - \$256,673) were paid. Both amounts are reported as an expenditure on the consolidated statement of operations and have been funded from the reserve.

12. Pension agreements:

The Township makes contributions to OMERS which is a multi-employer plan, on behalf of 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. Contributions to OMERS in 2021 were \$567,328 (2020 - \$516,551).

OMERS is a multi-employer plan, therefore any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2020. At that time, the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 billion actuarial deficit), based on actuarial liabilities of \$119.3 billion (2020 - \$111.8 billion) and actuarial assets of \$116.2 billion (2020 - \$108.6 billion). Ongoing adequacy of the current contribution rate will need to be monitored as the fluctuations in the financial markets may lead to increased future funding requirements.

13. Cemetery trust funds:

Cemetery trust funds administered by the Township amounting to \$410,364 (2020 - \$399,770) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

14. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2021 operating and capital budgets approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Segmented information:

Segmented information has been identified based on lines of service provided by the Township. Township services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(i) Protection:

Protection is comprised of the Fire and By-law Enforcement departments. The Fire department is responsible to provide fire suppression services, fire prevention programs; training and development related to prevention; and detection or extinguishment of fires. The mandate of the By-law Enforcement department is to enforce the By-laws passed by the Council of the Township of Woolwich.

(ii) Public Works - Transportation:

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, bridges and culverts, sidewalks, the maintenance of parks and open space, and street lighting.

(iii) Public Works - Environment:

The Township is responsible for environmental programs and the operation of Water and Wastewater Systems, specifically the distribution and collection systems; and storm collection systems.

(iv) Recreation and Cultural Services:

The Recreation and Facilities department is responsible for the planning, development, delivery and maintenance of all Township recreation programs, services and facilities.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes area allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government grants have been allocated to the segment based upon the purpose for which the grant was made.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Segmented information (continued):

	2021					Total
	Protection	Public Works – Transportation	Public Works – Environmental	Recreation and Cultural Services	Other and Unallocated	
	\$	\$	\$	\$	\$	\$
Revenues:						
Taxation	\$1,647,523	4,717,348	–	2,972,038	3,488,501	12,825,410
User fees and charges	213,920	23,635	4,271,564	947,280	1,520,203	6,976,602
Government grants	94,116	1,096,680	–	246,518	852,295	2,289,609
Municipal revenue	36,270	288,480	–	2,000	–	326,750
Permits, late payment, other	20,557	–	–	–	1,687,532	1,708,089
Interest, donations, sundry	27,169	126,961	110,814	120,282	480,184	865,410
Obligatory reserve fund recognized	15,893	2,497,280	1,155,939	341,430	100,520	4,111,062
Equity from Waterloo North Hydro	–	–	–	–	2,385,855	2,385,855
Gain on disposal of assets	52,121	53,151	–	13,008	–	118,280
Contributed assets	–	–	1,470,209	199,280	–	1,669,489
Total revenues	2,107,569	8,803,535	7,008,526	4,841,836	10,515,090	33,276,556
Expenses:						
Salaries, wages and employee benefits	1,965,744	1,315,061	902,571	2,112,912	3,067,623	9,363,911
Materials	959,039	1,342,569	265,363	1,522,556	1,583,148	5,672,675
Contracted services	225,120	2,031,149	703,799	429,262	405,339	3,794,669
Rents and financial expenses	–	14,420	–	765	7,588	22,773
External transfers	–	–	–	–	85,431	85,431
Debt services	–	4,030	4,394	126,942	–	135,366
Amortization	598,242	3,458,588	1,360,097	1,179,175	259,481	6,855,583
Inter-functional adjustments/Program allocation	323,761	(234,076)	1,080,292	365,759	(1,535,736)	–
Total expenses	4,071,906	7,931,741	4,316,516	5,737,371	3,872,874	25,930,408
Annual surplus (deficit)	(1,964,337)	871,794	2,692,010	(895,535)	6,642,216	7,346,148

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

15. Segmented information (continued):

	2020					Total
	Protection	Public Works – Transportation	Public Works – Environmental	Recreation and Cultural Services	Other and Unallocated	
	\$	\$	\$	\$	\$	\$
Revenues:						
Taxation	2,159,493	4,753,329	–	2,650,608	2,391,390	11,954,820
User fees and charges	205,797	68,345	4,185,155	1,074,312	1,588,065	7,121,674
Government grants	–	714,737	–	96,482	837,102	1,648,321
Municipal revenue	52,789	42,653	–	2,000	–	97,442
Permits, late payment, other	14,213	–	–	31,200	1,445,023	1,490,436
Interest, donations, sundry	29,163	383,873	144,857	213,740	501,934	1,273,567
Obligatory reserve fund recognized	–	1,006,846	304,810	259,641	358,387	1,929,684
Equity from Waterloo North Hydro	–	–	–	–	415,022	415,022
Gain on disposal of assets	–	14,115	–	–	–	14,115
Contributed assets	–	–	1,819,933	–	–	1,819,933
Total revenues	2,461,455	6,983,898	6,454,755	4,327,983	7,536,923	27,765,014
Expenses:						
Salaries, wages and employee benefits	1,865,439	1,146,476	772,669	2,053,828	2,688,306	8,526,718
Materials	769,236	1,389,905	189,246	1,215,868	1,454,068	5,018,323
Contracted services	158,915	1,631,850	1,222,713	359,042	360,583	3,733,103
Rents and financial expenses	–	14,779	–	801	7,805	23,385
External transfers	–	–	–	–	49,507	49,507
Debt services	–	6,544	11,797	133,169	–	151,510
Amortization	485,734	3,315,388	1,319,463	1,181,408	233,789	6,535,782
Inter-functional adjustments/Program allocation	506,563	(214,368)	1,036,780	346,667	(1,675,642)	–
Total expenses	3,785,887	7,290,574	4,552,668	5,290,783	3,118,416	24,038,328
Annual surplus (deficit)	(1,324,432)	(306,676)	1,902,087	(962,800)	4,418,507	3,726,686



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Woolwich

Opinion

We have audited the accompanying financial statements of the trust funds of the Corporation of the Township of Woolwich (the Entity), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations 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 auditors’ report.

We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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.



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- 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 Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada
June 27, 2022

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Cash	\$ 569,668	\$ 555,919
Accrued interest receivable	341	397
	<u>570,009</u>	<u>556,316</u>
Liabilities		
Due to the Township of Woolwich	159,645	156,546
	<u>\$ 410,364</u>	<u>\$ 399,770</u>

See accompanying notes to financial statements.

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenues:		
Sale of plots	\$ 10,594	\$ 18,516
Interest earned	3,099	6,294
	<u>13,693</u>	<u>24,810</u>
Expenditures:		
Cemetery care	3,099	6,294
Net revenue	<u>10,594</u>	<u>18,516</u>
Net assets, beginning of year	399,770	381,254
Net assets, end of year	<u>\$ 410,364</u>	<u>\$ 399,770</u>

See accompanying notes to financial statements.

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Net revenues	\$ 10,594	\$ 18,516
Sources (uses) of cash:		
Accrued interest receivable	56	656
Due to the Township of Woolwich	3,099	5,753
Increase in cash	13,749	24,925
Cash, beginning of year	555,919	530,994
Cash, end of year	\$ 569,668	\$ 555,919

See accompanying notes to financial statements.

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Financial Statements

Year ended December 31, 2021

1. Accounting policy:

Basis of accounting:

Revenue and expenditures are reported on the accrual basis of accounting which recognizes expenditures as they are incurred and measureable as a result of the receipt of goods or services and the creation of a legal obligation to pay.