

Consolidated Financial Statements of

**THE CORPORATION
OF THE TOWNSHIP
OF WOOLWICH**

And Independent Auditor's Report thereon

Year ended December 31, 2022



KPMG LLP
120 Victoria Street South
Suite 600
Kitchener ON N2G 0E1
Canada
Tel 519-747-8800
Fax 519-747-8811

INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s 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.

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 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 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 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
September 21, 2023

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets		
Cash	\$ 11,928,809	\$ 20,542,568
Investments (note 3)	9,563,443	9,360,243
Taxes receivable	2,115,468	2,073,691
User charges receivable	857,801	862,574
Accounts receivable	5,593,963	5,115,106
Development charges receivable (note 4)	12,682	12,682
Investment in Enova Energy Corporation (note 5)	55,796,370	25,773,382
	<u>85,868,536</u>	<u>63,740,246</u>
Financial liabilities		
Accounts payable and accrued liabilities	10,398,172	12,323,613
Deferred revenue - obligatory reserve funds (note 4)	7,355,103	8,689,609
Deferred revenue - other	5,270,266	4,902,764
Net long-term liabilities (note 6)	2,413,718	2,638,566
Post-employment retirement benefit (note 7)	1,145,896	1,106,016
	<u>26,583,155</u>	<u>29,660,568</u>
Net financial assets	<u>59,285,381</u>	<u>34,079,678</u>
Non-financial assets		
Tangible capital assets (note 8)	207,292,076	198,944,801
Inventory	177,457	58,598
Prepaid expenses	670,649	74,347
	<u>208,140,182</u>	<u>199,077,746</u>
Accumulated surplus (note 9)	<u>\$ 267,425,563</u>	<u>\$ 233,157,424</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (note 13)	Actual 2022	Actual 2021
Revenue:			
Taxation	\$ 13,667,563	\$ 13,787,170	\$ 12,825,410
User fees and charges	7,890,248	7,641,935	6,976,602
Government grants	2,920,163	3,449,925	2,289,609
Municipal revenue	224,500	528,034	326,750
Permits, late payment charges and other	1,340,801	1,319,083	1,708,089
Interest, donations and sundry	2,350,466	610,143	865,410
Obligatory reserve fund revenue (note 4)	6,464,739	4,203,620	4,111,062
Gain on sale of assets	-	73,908	118,280
Equity earnings from Waterloo North Hydro Holding Corporation (note 5)	-	2,601,666	2,385,855
Gain on amalgamation of Waterloo North Hydro Holding Corporation (note 5)	-	28,604,234	
Contributed assets	-	-	1,669,489
Total revenue	34,858,480	62,819,718	33,276,556
Expenses:			
General government	1,811,627	1,973,215	1,997,845
Protection to persons and property	3,284,695	4,298,092	4,071,906
Transportation services	4,762,126	8,406,033	7,931,741
Environmental services	2,609,460	4,857,885	4,316,516
Health services	76,988	111,413	94,934
Social and family services	75,494	85,219	85,431
Recreational and culture	5,531,763	7,030,034	5,737,371
Planning and development	1,950,322	1,789,688	1,694,664
Total expenses	20,102,475	28,551,579	25,930,408
Annual surplus	14,756,005	34,268,139	7,346,148
Accumulated surplus, beginning of year	233,157,424	233,157,424	225,811,276
Accumulated surplus, end of year	\$ 247,913,429	\$ 267,425,563	\$ 233,157,424

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Actual 2022	Actual 2021
Annual surplus	\$ 34,268,139	\$ 7,346,148
Acquisition of tangible capital assets	(15,396,004)	(14,881,704)
Amortization of tangible capital assets	7,048,729	6,855,583
Net loss on disposal of tangible capital assets	(73,908)	76,371
Proceeds on sale of tangible capital assets	73,908	118,280
Contributed tangible capital assets	-	(1,669,489)
Net change in inventories of supplies	(118,859)	(40,080)
Net change in prepaid expenses	(596,302)	(25,455)
	(9,062,436)	(9,566,494)
Change in net financial assets	25,205,703	(2,220,346)
Net financial assets, beginning of year	34,079,678	36,300,024
Net financial assets, end of year	\$ 59,285,381	\$ 34,079,678

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 34,268,139	\$ 7,346,148
Items not involving cash:		
Amortization of tangible capital assets	7,048,729	6,855,583
Loss on disposal of tangible capital assets	(73,908)	76,371
Contributed tangible capital assets	-	(1,669,489)
Change in accrued post-retirement benefit obligations	39,880	41,813
Equity earnings from government business enterprise	(2,601,666)	(2,385,855)
Gain on amalgamation of Waterloo North Hydro	(28,604,234)	-
	10,076,940	10,264,571
Change in non-cash assets and liabilities:		
Taxes receivable	(41,777)	131,142
User charges receivable	4,773	10,395
Accounts receivable	(478,857)	(754,765)
Development charges receiveable	-	(12,682)
Accounts payable and accrued liabilities	(1,925,441)	3,658,836
Deferred revenue - obligatory reserve funds (note 4)	(1,334,506)	1,222,156
Deferred revenue - other	367,502	968,626
Inventories of supplies	(118,859)	(40,080)
Prepaid expenses	(596,302)	(25,455)
Net change in cash from operating activities	5,953,473	15,422,744
Capital activities:		
Cash used to acquire tangible capital assets	(15,396,004)	(14,881,704)
Proceeds on disposal of tangible capital assets	73,908	118,280
	(15,322,096)	(14,763,424)
Investing activities:		
Change in investments	(203,200)	(199,551)
Dividends received from Waterloo North Hydro Holding Corporation	1,182,912	669,024
	979,712	469,473
Financing activities:		
Principal repayment of long-term debt	(224,848)	(259,248)
Net change in cash	(8,613,759)	869,545
Cash, beginning of year	20,542,568	19,673,023
Cash, end of year	\$ 11,928,809	\$ 20,542,568

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements

Year ended December 31, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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. 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	\$ 12,819,960	\$ 30,024,079
Requisitions paid	(12,819,960)	(30,024,079)
(Under)/overlevies, end of year	\$ —	\$ —

3. Investments:

The total of investments of \$9,563,443 (2021 - \$9,360,243) reported on the consolidated statement of financial position at cost, have a fair value of \$9,425,066 (2021 - \$9,395,878) at the end of the year.

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

4 . 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. The 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:

	2022	2021
Building administration	\$ 1,278,735	\$ 1,656,226
Development charges	5,801,794	6,387,297
Canada Community – Building Fund	387,618	981,947
Park fund	(113,044)	(335,861)
	<u>\$ 7,355,103</u>	<u>\$ 8,689,609</u>

Continuity of deferred revenue is as follows:

	2022	2021
Balance, beginning of year:		
Building administration	\$ 1,656,226	\$ 1,363,295
Development charges	6,387,297	5,206,734
Canada Community – Building Fund	981,947	1,061,336
Park fund	(335,861)	(163,912)
	<u>8,689,609</u>	<u>7,467,453</u>
Developer contributions received	1,609,508	3,684,304
Capital grants received	793,069	1,555,469
Other	275,000	–
Interest earned	191,537	93,445
Total revenue	<u>2,869,114</u>	<u>5,333,218</u>
Contributions used	(4,203,620)	(4,111,062)
Balance, end of year	<u>\$ 7,355,103</u>	<u>\$ 8,689,609</u>

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. 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.

The investment in Waterloo North Hydro Holding Corporation was comprised of the following at December 31, 2021:

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

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:

	2021
Current assets	\$ 843,942
Long-term assets	144,927,422
Total assets	145,771,364
Current liabilities	1,500,686
Long-term liabilities	33,292,001
Total liabilities	34,792,687
Net assets	\$ 110,978,677

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

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

5. Government business enterprises (continued):

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

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

Until August 31, 2022, the Township held 20.2% of the common shares of Waterloo North Hydro Holding Corporation and \$3,355,689 long-term notes payable by WNHI.

Following the merger, the Township holds 8.% of the common shares of Enova Energy Corp. and \$3,355,689 long-term notes payable of Enova Energy Corp.

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

	2022
Enova Energy Corporation debt	\$ 3,355,689
Enova Energy Corporation dividend receivable	–
Enova Energy Corporation common shares	52,440,681
Balance, end of year	\$ 55,796,370

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Net long-term liabilities:

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

	2022	2021
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	\$ 86,658	\$ 128,230
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	2,327,060	2,467,428
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
Net long-term liabilities, end of year	\$ 2,413,718	\$ 2,638,566

- (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 \$125,006 (2021 - \$135,366). Principal paid during the year on long-term liabilities amounted to \$224,848 (2021 - \$259,248).

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. 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
2023	\$ 189,950	\$ 115,667
2024	198,326	107,291
2025	161,936	98,841
2026	169,839	90,939
2027	178,127	82,651
Thereafter	1,515,540	309,903
	<u>\$ 2,413,718</u>	<u>\$ 805,292</u>

7. 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, 2022, includes the following components:

	2022	2021
Post employment benefits	\$ 734,475	\$ 690,773
Sick leave	260,378	245,412
	<u>994,853</u>	<u>936,185</u>
Unamortized actuarial gains	151,043	169,831
	<u>\$ 1,145,896</u>	<u>\$ 1,106,016</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 2.5% (2021 – 1.80%). The sick leave liability was determined using a discount rate of 2.0% (2021 – 1.20%). For extended health care costs, a 5.37% annual rate of increase, decreasing by 0.25% annually to an ultimate rate of 3.57% was assumed. For dental costs, a 2.75% annual rate of increase increasing by 0.40% annually to an ultimate rate of 3.57% 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

Year ended December 31, 2022

8. Tangible capital assets:

Cost	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Assets Under Construction	Balance at December 31, 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning 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
Additions during the year	-	330,413	-	915,919	981,473	1,588,348	11,618,402	15,434,555
Disposals during the year	-	(7,453)	-	(40,251)	(69,840)	(11,117)	-	(128,661)
Balance, end of year	17,962,331	7,879,430	42,003,472	16,559,579	82,918,443	114,271,750	27,693,889	309,288,894

Accumulated Amortization	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Assets Under Construction	Balance at December 31, 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	-	3,619,413	14,153,746	7,182,517	19,666,670	50,415,853	-	95,038,199
Disposals for the year	-	(2,981)	-	(40,251)	(35,759)	(11,118)	-	(90,109)
Amortization during the year	-	309,100	1,115,390	1,035,785	1,390,080	3,198,373	-	7,048,728
Total	-	3,925,532	15,269,136	8,178,051	21,020,991	53,603,108	-	101,996,818

Net book value of tangible capital assets	17,962,331	3,953,898	\$ 26,734,336	8,381,528	61,897,452	60,668,642	27,693,889	207,292,076
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THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements

Year ended December 31, 2022

8. Tangible capital assets:

Cost	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Assets Under Construction	Balance at December 31, 2021
	\$	\$	\$	\$	\$	\$	\$	\$
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	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Assets Under Construction	Balance at December 31, 2,021
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	-	3,476,537	13,251,253	7,413,485	18,417,945	47,381,094	-	89,940,314
Amortization	-	295,434	1,095,121	905,579	1,350,084	3,209,365	-	6,855,583
Disposals	-	(152,558)	(192,628)	(1,136,547)	(101,359)	(174,606)	-	(1,757,698)
Total	-	3,619,413	14,153,746	7,182,517	19,666,670	50,415,853	-	95,038,199

Net book value of tangible capital assets	17,962,331	3,937,057	27,849,726	8,501,394	62,340,140	62,278,666	16,075,487	198,944,801
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THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

8. Tangible capital assets (continued):

a) Assets under construction:

Assets under construction having a value of \$27,693,887 (2021 - \$16,075,487) 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 \$nil (2021 - \$1,669,489).

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 (2021 - \$nil).

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

9. Accumulated surplus:

	2022	2021
Surplus:		
Invested in tangible capital assets	\$ 207,292,076	\$ 198,944,801
General (surplus)/deficit	(2,868,630)	(515,720)
Unfunded:		
Employee benefits -sick leave	(1,145,896)	(1,106,016)
Debenture - long-term	(2,413,718)	(2,638,566)
Equity in Government Business Enterprise	55,796,370	25,773,382
Total surplus	256,660,202	220,457,881
Reserves set aside by Council:		
Operating budget contingency	553,127	266,447
Working capital	1,927,806	1,927,806
Insurance	90,479	107,661
Capital budget contingency	215,782	198,621
Ontario Municipal Board legal	133,693	41,516
Special circumstance funding	536,461	886,679
Winter stabilization	20,428	20,428
Total reserves	3,477,776	3,449,158
Reserve funds set aside for specific purposes by Council:		
Equipment replacement	1,052,351	800,655
Infrastructure investment	1,210,701	788,125
Recreation fitness centre	24,055	23,487
Water	2,909,624	4,830,600
Sewer	539,007	1,536,726
Property building	309,879	308,234
Parking lot	14,553	14,209
Development administration	190,631	316,607
Transient Accommodation Tax	455,292	214,948
Walter Bean Trail Fund	302,427	296,756
Greening/Climate Action	279,065	120,038
Total reserve funds	7,287,585	9,250,385
Accumulated surplus	\$ 267,425,563	\$ 233,157,424

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

10. Public liability insurance:

The Township is self insured for public liability claims up to \$10,000 (2021 - \$10,000) for any individual claim and \$10,000 (2021 - \$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, 2022, amounted to \$90,479 (2021 - \$107,661) and is reported on the consolidated statement of financial position. The provision for the year amounted to \$345,550 (2021 - \$314,078). During the year, claims amounting to \$121,523 (2021 - \$65,469) were settled and insurance premiums of \$296,106 (2021 - \$286,188) were paid. Both amounts are reported as an expenditure on the consolidated statement of operations and have been funded from the reserve.

11. 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 2022 were \$594,070 (2021 - \$567,328).

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, 2022. At that time, the plan reported a \$6.7 billion actuarial deficit (2021 - \$3.1 billion actuarial deficit), based on actuarial liabilities of \$128.8 billion (2021 - \$119.3 billion) and actuarial assets of \$122.1 billion (2021 - \$116.2 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.

12. Cemetery trust funds:

Cemetery trust funds administered by the Township amounting to \$428,154 (2021 - \$410,364) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

13. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2022 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, 2022

14. 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

Schedule to Note 14 - Segmented Information (continued)

Year ended December 31, 2022

	Protection	Public Works - Transportation	Public Works - Environmental	Recreation and Cultural Services	Other and Unallocated	2022	Total
Revenues:							
Taxation	\$ 2,442,621	5,322,897	-	2,873,079	3,148,573	\$ 13,787,170	
User fees and charges	241,685	87,551	3,691,192	1,999,847	1,621,660	7,641,935	
Government grants	-	2,015,703	3,589	761,323	669,310	3,449,925	
Municipal revenue	36,270	489,764	-	2,000	-	528,034	
Permits, late payment charges and other	36,659	-	-	94	1,282,330	1,319,083	
Interest, donations and sundry	(43,301)	325,656	76,349	33,825	217,614	610,143	
Obligatory reserve fund revenue (note 5)	57,650	2,285,679	1,058,054	333,791	468,446	4,203,620	
Gain on sale of assets	18,408	52,958	-	2,542	-	73,908	
Equity from Waterloo North Hydro	-	-	-	-	2,601,666	2,601,666	
Gain on amalgamation of Waterloo North Hydro	-	-	-	-	28,604,234	28,604,234	
Contributed assets	-	-	-	-	-	-	
Total Revenues	2,789,992	10,580,208	4,829,184	6,006,501	38,613,833	62,819,718	
Expenses:							
Salaries, wages and employee benefits	2,421,624	1,373,302	932,713	2,658,321	3,209,028	10,594,988	
Materials	719,159	1,711,142	414,981	2,028,176	1,583,714	6,457,172	
Contracted services	204,557	2,178,283	838,140	555,224	437,038	4,213,242	
Rents and financial expenses	-	14,317	-	1,336	11,570	27,223	
External transfers	-	-	-	-	85,219	85,219	
Debt services	-	1,330	3,266	120,410	-	125,006	
Amortization	628,725	3,522,634	1,400,091	1,228,122	269,157	7,048,729	
Inter-functional adjustments/Program allocation	324,027	(394,975)	1,268,694	438,446	(1,636,192)	-	
Total expenses	4,298,092	8,406,033	4,857,885	7,030,035	3,959,534	28,551,579	
Annual surplus (deficit)	\$ (1,508,100)	2,174,175	(28,701)	(1,023,534)	34,654,299	\$ 34,268,139	

THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2021

14. Segmented information (continued):

	2021					
	Protection	Public Works – Transportation	Public Works – Environmental	Recreation and Cultural Services	Other and Unallocated	Total
	\$	\$	\$	\$	\$	\$
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



KPMG LLP
120 Victoria Street South
Suite 600
Kitchener ON N2G 0E1
Canada
Tel 519-747-8800
Fax 519-747-8811

INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s 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.

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 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.



Page 3

- 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 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 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
September 21, 2023

CEMETERY TRUST FUNDS OF THE CORPORATION OF THE TOWNSHIP OF WOOLWICH

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Cash	\$ 587,208	\$ 569,668
Accrued interest receivable	2,293	341
	<u>589,501</u>	<u>570,009</u>
Liabilities		
Due to the Township of Woolwich	161,347	159,645
	<u>\$ 428,154</u>	<u>\$ 410,364</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, 2022, with comparative information for 2021

	2022	2021
Revenues:		
Sale of plots	\$ 17,790	\$ 10,594
Interest earned	13,904	3,099
	<u>31,694</u>	<u>13,693</u>
Expenditures:		
Cemetery care	13,904	3,099
Net revenue	<u>17,790</u>	<u>10,594</u>
Net assets, beginning of year	410,364	399,770
Net assets, end of year	<u>\$ 428,154</u>	<u>\$ 410,364</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, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Net revenues	\$ 17,790	\$ 10,594
Sources (uses) of cash:		
Accrued interest receivable	(1,952)	56
Due to the Township of Woolwich	1,702	3,099
Increase in cash	17,540	13,749
Cash, beginning of year	569,668	555,919
Cash, end of year	\$ 587,208	\$ 569,668

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, 2022

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 measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.