

Consolidated Financial Statements of

**THE CORPORATION OF
THE TOWNSHIP OF
CENTRE WELLINGTON**

Year ended December 31, 2023

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

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For the year ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Township of Centre Wellington

Opinion

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

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes 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, 2023, and its consolidated results of operations, its consolidated changes in 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.



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Emphasis of Matter - comparative information

We draw attention to Note 2 to the financial statements ("Note 2"), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2022 and as at January 1, 2022.

In our opinion, such adjustments are appropriate and have been properly applied.

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.



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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.



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- 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

October 3, 2024

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Consolidated Statement of Financial Position

December 31, 2023, with comparative figures for 2022

	2023	2022
		(Restated – note 2)
Financial Assets		
Cash (note 3)	\$ 50,522,046	\$ 55,303,989
Short-term investments (note 4)	30,905,583	32,519,216
Taxes receivable	3,264,624	2,826,975
Accounts receivable	8,122,913	5,909,767
Loans receivable (note 5)	770,656	843,862
Investment in Centre Wellington Energy Inc. (note 6)	16,446,981	15,609,564
Investment in Centre Wellington Communications Inc. (note 6)	669,657	570,382
Total financial assets	110,702,460	113,583,755
Financial Liabilities		
Accounts payable and accrued liabilities	9,112,015	6,062,589
Other liabilities	459,484	437,098
Deferred revenue (note 7)	44,935,727	43,550,734
Employee future benefits (note 8)	1,935,309	1,905,062
Net long-term liabilities (note 10)	18,411,117	20,730,038
Asset retirement obligation liabilities (note 11)	1,576,935	1,486,258
Total financial liabilities	76,430,587	74,171,779
Net financial assets	34,271,873	39,411,976
Non-Financial Assets		
Tangible capital assets (note 12)	270,159,243	246,982,201
Inventories of supplies	94,861	105,906
Prepaid expenses	438,996	445,717
	270,693,100	247,533,824
Contingencies and commitments (note 20)		
Accumulated surplus (note 15)	\$ 304,964,973	\$ 286,945,800

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

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Consolidated Statement of Operations

Year ended December 31, 2023, with comparative figures for 2022

	Budget 2023 (note 13)	Actual 2023	Actual 2022 (Restated – note 2)
Revenue:			
Net taxation	\$ 19,132,639	\$ 19,334,066	\$ 18,127,151
Government transfers:			
Provincial	3,341,185	3,857,395	3,171,018
Federal	932,955	1,719,688	2,102,327
Municipal	813,320	1,031,358	717,911
Development charges earned	9,357,591	8,899,145	4,873,026
Licenses and permits	2,011,900	1,789,025	1,515,199
Fees, rents, and concessions	15,222,259	15,472,423	14,314,671
Penalties and interest on taxes	360,000	518,772	434,236
Interest, donations and other	1,848,590	3,673,190	2,062,955
Equity earnings from Centre Wellington Energy Inc. (note 6)	-	837,417	595,652
Equity earnings from Centre Communications Inc. (note 6)	-	99,275	134,055
Developer contributions	563,750	2,519,698	1,176,110
Gaming revenue (note 9)	2,700,000	2,990,430	2,790,022
Gain/(loss) on disposal of tangible capital assets	-	(990,215)	(83,821)
Total revenue	56,284,189	61,751,667	51,930,512
Expenses:			
General government	4,565,921	4,792,522	4,415,305
Protection to persons and property	3,814,222	4,246,773	3,873,739
Transportation services	7,081,986	12,786,406	12,333,434
Environmental services	9,245,467	11,673,306	10,784,020
Health services	170,419	193,020	180,468
Social and family services	658,739	708,078	682,493
Recreation and cultural services	6,424,075	7,534,081	6,810,993
Planning and development	1,885,091	1,798,308	1,586,365
Total expenses	33,845,920	43,732,494	40,666,817
Annual surplus	22,438,269	18,019,173	11,263,695
Accumulated surplus, beginning of year as previously reported	288,195,091	286,945,800	276,849,242
Change in accounting policy (note 2)	-	-	(1,167,137)
Accumulated surplus, beginning of year, as restated	288,195,091	286,945,800	275,682,105
Accumulated surplus, end of year	\$ 310,633,360	\$ 304,964,973	\$ 286,945,800

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

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative figures for 2022

	Budget (note 13)	2023	2022 (Restated – note 2)
Annual surplus	\$ 22,438,269	\$ 18,019,173	\$ 11,263,695
Acquisition of tangible capital assets, including contributed tangible capital assets	(32,029,460)	(34,289,867)	(14,080,740)
Amortization of tangible capital assets	-	9,842,918	9,692,506
Amortization of asset retirement obligations	-	8,399	8,233
(Gain)/loss on disposal of tangible capital assets	-	990,215	83,821
Proceeds on sale of tangible capital assets	-	271,293	149,257
	(9,591,191)	(5,157,869)	7,116,772
Change in inventories of supplies	-	11,045	30,426
Change in prepaid expenses	-	6,721	6,408
Change in net financial assets	(9,591,191)	(5,140,103)	7,153,606
Net financial assets, beginning of year as previously reported	40,898,234	39,411,976	33,433,740
Change in accounting policy (note 2)	-	-	(1,175,370)
Net financial assets, beginning of the year, as restated	-	-	32,258,370
Net financial assets, end of year	\$ 31,307,043	\$ 34,271,873	\$ 39,411,976

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

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative figures for 2022

	2023	2022 (Restated – note 2)
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 18,019,173	\$ 11,263,695
Items not involving cash:		
Amortization of tangible capital assets	9,842,918	9,692,506
Amortization of asset retirement obligations	8,399	8,233
(Gain)/loss on sale of tangible capital assets	990,215	83,821
Change in asset retirement obligation liabilities	90,677	73,921
Change in employee benefits and other liabilities	30,247	79,634
Equity earnings from Centre Wellington Energy Inc.	(837,417)	(595,652)
Equity earnings from Centre Wellington Communications Inc.	(99,275)	(134,055)
Contributed tangible capital assets	(2,812,191)	(3,090)
Change in non-cash assets and liabilities:		
Taxes receivable	(437,649)	(277,236)
Accounts receivable	(2,213,146)	(1,434,611)
Inventories of supplies	11,045	30,426
Prepaid expenses	6,721	6,408
Accounts payable and accrued liabilities	3,049,426	(2,290,287)
Other liabilities	22,386	8,167
Deferred revenue	1,384,993	7,858,835
Net change in cash from operating activities	27,056,522	24,370,715
Capital activities:		
Proceeds on sale of tangible capital assets	271,293	149,257
Cash used to acquire tangible capital assets	(31,477,676)	(13,840,683)
Net change in cash from capital activities	(31,206,383)	(13,691,426)
Investing activities:		
Purchase of short-term investments	(30,905,583)	(44,019,216)
Redemption of short-term investments	32,519,216	37,090,998
Net change in loans receivable	73,206	816,900
Net change in cash from investing activities	1,686,839	(6,111,318)
Financing activities:		
Long-term debt repaid	(2,318,921)	(8,189,712)
Long-term debt acquired	-	6,000,000
Net change in cash from financing activities	(2,318,921)	(2,189,712)
Net change in cash position during the year	(4,781,943)	2,378,259
Cash position, beginning of year	55,303,989	52,925,730
Cash position, end of year	\$ 50,522,046	\$ 55,303,989

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

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements

Year ended December 31, 2023

1. Accounting policies:

The consolidated financial statements of The Corporation of the Township of Centre Wellington (“the Township”) are prepared by management in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Township are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

These consolidated statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township except for the Township’s government business enterprises which are accounted for on the modified equity basis of accounting.

These entities and organizations include:

- Fergus - Business Improvement Area Board
- Elora - Business Improvement Area Board

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

(ii) Investment in Government Business Enterprises:

The Township’s investments in Centre Wellington Energy Inc. and Centre Wellington Communications Inc. are accounted for on a modified equity basis, consistent with Canadian public sector accounting standards as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, Centre Wellington Energy Inc.’s and Centre Wellington Communications Inc.’s accounting policies are not adjusted to conform to those of the municipality and inter-organizational transactions and balances are not eliminated. The Township recognizes its equity interest in the annual income or loss of Centre Wellington Energy Inc. and Centre Wellington Communications Inc. in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Township may receive from Centre Wellington Energy Inc. or Centre Wellington Communications Inc. will be reflected as reductions in the investment asset account.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

1. Accounting policies (continued):

(a) Basis of consolidation (continued):

(iii) Accounting for county and school board transactions:

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the County of Wellington are not reflected in these consolidated financial statements.

(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 operations and financial position.

(b) Basis of accounting:

The Township follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay. Property tax revenue is recognized on the accrual basis using the approved mill rates and the anticipated assessment related to the current year.

(c) Deferred revenue:

In accordance with PSAB requirements obligatory reserve funds are reported as a component of deferred revenue. The Township has obligatory development charge reserve funds that have been set aside, as required by the Development Charges Act, to finance a portion of the cost of growth-related projects. Revenue recognition occurs after the funds have been collected and when the Township has incurred the expenditures for the capital works for which the development charges were raised.

Unexpended funds received by the Township subject to a Municipal Funding Agreement for the transfer of Canada Community-Building Fund revenues are reported as deferred revenue and will be recognized as revenue in the fiscal year in which the eligible expenditures are incurred.

(d) Government transfers:

Government transfers received relate to social services, general government activities and various capital projects. 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.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

1. Accounting policies (continued):

(e) 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.

(i) 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 is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land	N/A
Land improvements	20 - 60
Buildings	5 - 50
Vehicles	6 - 20
Equipment	3 - 15
Water and wastewater infrastructure	20 - 80
Road and structure infrastructure	20 - 50

Asset retirement obligations are amortized using the same basis and useful life as the underlying asset.

No amortization is charged in the year of acquisition. In the year of disposal, a full year of amortization is charged. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

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

(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.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

1. Accounting policies (continued):

(e) Non-financial assets (continued):

(v) Leased tangible capital assets

Leases which transfer substantially all of 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.

(vi) Inventories of supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(f) Use of estimates:

The preparation of consolidated 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, contaminated site liability, actuarial valuations of employee future benefits and the historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(g) Employee future benefits:

The Township provides certain employee benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and life insurance, extended health and dental benefits for early retirees.

The costs of benefits under the WSIB Act and life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities, compensated absences and health, dental and life insurance benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

1. Accounting policies (continued):

(g) Employee future benefits (continued):

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

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.

(h) 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.

(i) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. The Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- (i) an environmental standard exists
- (ii) contamination exceeds the environmental standard
- (iii) the organization is directly responsible or accepts responsibility for the liability
- (iv) future economic benefits will be given up, and
- (v) a reasonable estimate of the liability can be made.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

1. Accounting policies (continued):

(j) Financial instruments:

The Township classifies all of its financial instruments at amortized cost. The maximum exposure to credit risk is the carrying value of the financial instruments. These financial instruments include cash, taxes receivable, trade and other receivables, long-term investments, loans receivable, accounts payable and accrued liabilities, and long-term liabilities. All financial instruments are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement remeasurement. As all financial instruments are measured at cost or amortized cost, there have been no re-measurement gains or losses and the statement of remeasurement has been excluded.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

(k) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- (i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset and other contract obligations;
- (ii) The past transactions or events giving rise to the liability has occurred;
- (iii) It is expected that future economic benefits will be given up; and
- (iv) A reasonable estimate of the amount can be made.

The asset retirement obligation is based on management's best estimate of the expenditures to settle the obligation.

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. This liability is discounted using a present value calculation, and adjusted yearly for accretion expense where there is a known retirement date. The liability for the removal of asbestos in buildings has also been recognized based on estimated future expenses on closure of the site and post-closure care. The recognition of a liability results in an accompanying increase to the respective tangible capital assets.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

2. Adoption of new accounting standards:

(a) PS 3280 – Asset Retirement Obligations:

On January 1, 2022, the Township adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets and resulted in a withdrawal of Section PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability. The standard was adopted on the modified retrospective basis at the date of adoption and the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

On January 1, 2022, the Township recognized an additional asset retirement obligation relating to the removal of asbestos in buildings. The liability was measured as of the date of purchase of the buildings which represents when the liability was assumed. The accompanying increase to the respective tangible capital assets was amortized in accordance with the useful lives and depreciation accounting policies outlined in note 1.

In accordance with the modified retrospective provisions of this new standard, the Township reflected the following adjustments at January 1, 2022:

A summary of the impact of the adjustments are as follows:

	December 31, 2022, as previously reported	Adjustment	December 31, 2022, as restated
Statement of financial position:			
Tangible capital assets	\$ 246,745,234	\$ 236,967	\$ 246,982,201
Asset retirement obligations	-	1,486,258	1,486,258
Accumulated surplus	288,195,091	(1,249,291)	286,945,800
Statement of operations:			
Amortization of asset retirement obligations	-	8,233	8,233
Excess of revenue over expenses	11,345,849	(82,154)	11,263,695
Accumulated surplus, beginning of year	276,849,242	(1,167,137)	275,682,105
Cash flows:			
Amortization of asset retirement obligations	-	8,233	8,233

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

2. Adoption of new accounting standards (continued):

(b) PS 3450 - Financial Instruments and PS 2601 - Foreign Currency Translation:

On January 1, 2023, the Township adopted other Public Accounting Standards, PS - 3450 Financial Instruments and PS - 2601 Foreign Currency Translation. These standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured at cost or amortized cost based on the characteristics of the instrument and the Township's accounting policy choices (see note 1 – Significant Accounting Policies). These standards have no significant impact on the presentation of the financial statements and do not require the adoption of the statement of remeasurement gains. A cumulative adjustment was made on January 1, 2023 and the prior year comparative information has not been restated.

3. Cash:

At December 31, 2023, the Township had undrawn capacity under a credit facility of \$7,000,000. Interest on the credit facility is at prime less 0.25%.

4. Short-term investments:

Short-term investments consist of the following:

	2023	2022
Guaranteed investment certificates held at a credit union	\$ 30,905,582	\$ 32,519,215
Credit union shares	1	1
	\$ 30,905,583	\$ 32,519,216

The guaranteed investment certificates held at a credit union earn interest at rates ranging from 5.46% to 6.11% (2022 – 1.65% to 5.61%) and mature in January, April, July, October, and December 2024. The short-term investment balance includes accrued interest earned on the guaranteed investment certificates of \$1,008,575 (2022 - \$470,272).

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

5. Loans receivable:

	2023	2022
Centre Wellington Communications Inc. – interest of 7%, blended principal and interest payments of \$8,185, due June 1, 2033	\$ 683,069	\$ 732,301
Water and Sewer Connection Loans – notes receivable from Township ratepayers bearing interest between 1.63% to 3.72%, blended principal and interest payments ranging from \$290 to \$1,754, maturing from 2023 to 2031	87,587	111,561
Total loans receivable	\$ 770,656	\$ 843,862

The Township and Centre Wellington Communications Inc. are related parties as the Township owns 100% of the outstanding shares of Centre Wellington Communications Inc. The loan and related interest charged are in the normal course of operations and are measured at the exchange amount, being the amounts agreed to by the related parties. Interest earned on the loan during the year was \$48,708 (2022 - \$55,074).

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

6. Government business enterprises:

Centre Wellington Energy Inc. is a corporation, incorporated under the laws of the Province of Ontario on December 4, 2008, providing municipal electrical distribution services. The Corporation of the Township of Centre Wellington owns 100% of the outstanding shares of Centre Wellington Energy Inc. Centre Wellington Energy Inc. owns 100% of the outstanding shares of Centre Wellington Hydro Ltd. and 100% of the outstanding shares of Centre Wellington Energy Innovations Inc. Centre Wellington Hydro Ltd. commenced operations on November 1, 2000 and Centre Wellington Energy Innovations Inc. was incorporated on December 1, 2015.

Centre Wellington Communications Inc. is a corporation, incorporated under the laws of the Province of Ontario on May 8, 2012, providing municipal high-speed communications services through a fibre optic system in Centre Wellington. The Corporation of the Township of Centre Wellington owns 100% of the outstanding shares of Centre Wellington Communications Inc.

The following summarizes the financial position and operations of Centre Wellington Energy Inc. which has been reported in these consolidated financial statements using the modified equity method:

	2023	2022
Assets	\$ 26,820,684	\$ 26,577,994
Other liabilities	15,420,456	16,015,183
Net assets	11,400,228	10,562,811
Promissory note due to the Township of Centre Wellington	5,046,753	5,046,753
Investment in Centre Wellington Energy Inc.	\$ 16,446,981	15,609,564

	2023	2022
Revenues	\$ 23,388,692	\$ 23,022,100
Expenditures	22,551,275	22,426,448
Net earnings for the year	837,417	595,652
Retained earnings, beginning of year	5,040,765	4,445,113
Retained earnings, end of year	\$ 5,878,182	\$ 5,040,765

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

6. Government business enterprises (continued):

The following summarizes the financial position and operations of Centre Wellington Communications Inc. which has been reported in these consolidated financial statements using the modified equity method:

	2023	2022
Assets	\$ 1,616,242	\$ 1,517,109
Other liabilities	946,585	946,727
Net assets	\$ 669,657	\$ 570,382

	2023	2022
Revenue	\$ 401,479	\$ 367,940
Expenditures	302,204	233,885
Net earnings for the year	99,275	134,055
Retained earnings, beginning of year	570,382	436,327
Retained earnings, end of year	\$ 669,657	\$ 570,382

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

7. Deferred revenue:

The deferred revenues, reported on the consolidated statement of financial position, consist of the following:

2023	Contributions					Ending
	Opening	Received (Refunded)	Investment Income	Revenue Recognized		
Obligatory:						
Development charges	\$29,905,246	\$ 7,118,411	\$ 1,650,224	\$ (8,899,145)	\$ 29,774,736	
Recreational land	818,436	19,850	51,736	(11,167)	878,855	
Parking revenues	39,158	-	2,444	-	41,602	
Subdivider contributions	764,704	22,142	39,732	-	826,578	
Building code	4,308,301	-	268,877	(193,150)	4,384,028	
Federal CCBF funding	633,352	932,955	40,487	(874,049)	732,745	
Other:						
Grading and damage deposits	3,551,226	145,188	-	-	3,696,414	
Builder and other deposits	3,046,502	937,809	-	-	3,984,311	
Other	483,809	616,458	-	(483,809)	616,458	
	\$43,550,734	\$ 9,792,813	\$ 2,053,500	\$(10,461,320)	\$ 44,935,727	

2022	Contributions					Ending
	Opening	Received (Refunded)	Investment Income	Revenue Recognized		
Obligatory:						
Development charges	\$21,873,509	\$12,391,747	\$ 513,016	\$(4,873,026)	\$ 29,905,246	
Recreational land	805,081	-	13,355	-	818,436	
Parking revenues	38,519	-	639	-	39,158	
Subdivider contributions	676,820	74,237	13,647	-	764,704	
Building code	3,785,332	462,048	62,793	(1,872)	4,308,301	
Federal CCBF funding	1,398,277	894,082	16,883	(1,675,890)	633,352	
Other:						
Grading and damage deposits	3,237,168	314,058	-	-	3,551,226	
Builder and other deposits	3,327,136	(280,634)	-	-	3,046,502	
Other	550,057	483,809	-	(550,057)	483,809	
	\$35,691,899	\$14,339,347	\$ 620,333	\$(7,100,845)	\$ 43,550,734	

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

8. Employee benefits and other liabilities:

The Township provides certain employee benefits, which will require funding in future periods. An actuarial estimate of the future liabilities for these benefits has been completed as at December 31, 2023.

	2023	2022
Post-employment benefits	\$ 763,218	\$ 724,575
Future payments required to WSIB	1,172,091	1,180,487
	<u>\$ 1,935,309</u>	<u>\$ 1,905,062</u>

(a) Post-employment benefits:

The Township pays health, dental, travel and life insurance benefits on behalf of its eligible senior management early retirees to age 65. Senior management are eligible for retiree benefits if they retire on an OMERS pension, before the age of 65.

The Township pays health, dental, travel and life insurance benefits on behalf of its non-management employees for early retirees to age 65.

Non-management members are eligible for retiree benefits if they retire on an OMERS pension after 55 years of age with at least 25 years' service.

The Township has a sick leave plan that does not provide a sick leave payout upon termination, death or retirement. Members are granted 12 days at the start of each year. The maximum number of carryover days is 10, regardless of the number of days at the start of the year. Therefore, the maximum number of days at the start of any year is 22 (12 new days and 10 days carried over). The most recent actuarial valuation was performed as at December 31, 2020.

Information about the post-employment benefit plan is as follows:

	2023	2022
Accrued benefit obligation:		
Balance, beginning of year	\$ 785,959	\$ 761,952
Current benefit cost	53,384	50,690
Interest	25,635	24,752
Benefit payments	(47,740)	(51,435)
Expected accrued benefit obligation, end of year	817,238	785,959
Unamortized actuarial loss	(54,020)	(61,384)
Liability for post-employment benefits	<u>\$ 763,218</u>	<u>\$ 724,575</u>

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

8. Employee benefits and other liabilities (continued):

(a) Post-employment benefits (continued):

Included in expenses is \$7,364 (2022 - \$7,364) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average service life of 14 and 16 years (2022 – 14 and 16 years).

The main actuarial assumptions employed for the valuation are as follows:

(i) Interest (discount rate):

The obligation as at December 31, 2023, of the present value of future liabilities and the expense for the 12 months ended December 31, 2023, were determined using a discount rate of 3.25% (2022 – 3.25%).

(ii) Medical costs:

Medical costs were assumed to increase at the rate of 5.42% for 2022, reducing by 0.33% per year to 3.75% in 2027 and 3.75% per year thereafter.

(iii) Dental costs:

Dental costs were assumed to increase at the rate of 3.75% (2022 - 3.75%) per year.

The Township has established a reserve to mitigate the future impact of the post-employment benefits obligation. The balance at the end of the year is \$56,144 (2022 - \$49,409).

(b) WSIB:

With respect to responsibilities under provisions of the WSIB Act the Township has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The most recent actuarial valuation was performed as at December 31, 2022, which is extrapolated to December 31, 2023.

Information about the WSIB liability is as follows:

	2023	2022
Accrued benefit obligation:		
Balance, beginning of year	\$ 1,109,591	\$ 1,568,495
Current benefit cost	39,320	79,380
Interest	48,720	54,254
Benefit payments	(93,151)	(116,116)
Actuarial gain	-	(476,422)
Expected accrued benefit obligation, end of year	1,104,480	1,109,591
Unamortized actuarial gain	67,611	70,896
WSIB liability	\$ 1,172,091	\$ 1,180,487

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

8. Employee benefits and other liabilities (continued):

(b) WSIB (continued):

Included in expenses is a gain of \$3,285 (2022 – \$30,745 loss) for amortization of the actuarial gain. The unamortized actuarial loss on future payments required to the WSIB is amortized over the expected period of the liability which is 14 years (2022 - 14 years).

The main actuarial assumptions employed for the valuation are as follows:

(i) Interest (discount rate):

The obligation as at December 31, 2023, of the present value of future liabilities and the expense for the 12 months ended December 31, 2023, were determined using a discount rate of 4.5% (2022 - 3.5%).

(ii) Administration costs:

Administration costs were assumed to be 23% (2022 - 28%) of the compensation expense.

(iii) Compensation expense:

Compensation costs, which include loss of earnings benefits, health care costs, survivor awards and non-economic loss awards, were assumed to increase at rates ranging from 0.5% to 2.5% (2022 - (2%) to 0%) depending on the benefit type.

The Township has established a reserve to mitigate the future impact of the WSIB obligation. The balance at the end of the year is \$1,598,048 (2022 - \$1,252,506).

9. Gaming revenue:

Effective October 28, 2022, the Township entered into a new Municipality Contribution Agreement with the Ontario Lottery and Gaming Corporation (OLGC). As part of the agreement, OLGC provides quarterly payments to the Township, based on revenue at the Grand River Raceway, as follows:

- (a) 5.25% of the electronic games revenue that is less than \$65,000,000; plus
- (b) 3.00% of the electronic games revenue that is between \$65,000,000 and \$200,000,000; plus
- (c) 2.50% of the electronic games revenue that is between \$200,000,000 and \$500,000,000; plus
- (d) 0.50% of the electronic games revenue that is greater than \$500,000,000; plus
- (e) 4.00% of live table games revenue; and
- (f) 4.00% of sportsbook revenue

2023 gaming revenue proceeds of \$2,990,430 (2022 - \$2,790,022) were placed in Township reserve funds in accordance with the Township's OLG Funding Allocation Policy.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

10. Net long-term liabilities:

(a) The balance of net long-term liabilities reported on the consolidated statement of financial position is made up of the following.

	2023	2022
Federation of Canadian Municipalities loan payable, bearing interest at 2.0%, semi-annual payments of \$304,545 including interest, due November 3, 2034	\$ 5,987,682	\$ 6,469,801
TD loan payable, bearing interest at 5.136%, monthly payments of \$72,993 including interest, due April 26, 2025	1,128,125	1,923,787
CMHC loan payable, bearing interest at 3.59%, annual payments of \$198,007 including interest, due December 1, 2025	375,665	553,791
County of Wellington loans payable, non-interest bearing, annual payments of between \$6,615 - \$14,076, maturing between September 1, 2023 and September 1, 2025	28,152	48,847
Infrastructure Ontario loan payable, bearing interest at 2.48%, semi-annual payments of \$74,787 including interest, due March 2, 2040	2,015,287	2,113,059
Infrastructure Ontario loan payable, bearing interest at 2.95%, semi-annual payments of \$125,151 including interest, due December 15, 2041	3,476,206	3,620,753
County of Wellington loan payable, bearing interest at 2.8% to 3.85%, repayable in annual principal and semi-annual interest payments of approximately \$720,000, due June 2, 2032	5,400,000	6,000,000
	<u>\$ 18,411,117</u>	<u>\$ 20,730,038</u>

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

10. Net long-term liabilities (continued):

(b) Principal payments required for the next five years and thereafter are due as follows:

2024	\$ 2,376,902
2025	1,853,561
2026	1,374,874
2027	1,392,477
2028	1,410,449
Thereafter	10,002,854
Total	\$ 18,411,117

(c) Total interest on long-term liabilities, which are reported on the consolidated statement of operations, amounted to \$584,158 (2022 - \$759,544).

11. Asset retirement obligations:

(a) Asbestos obligation:

The Township owns and operates buildings that are known to have asbestos. Following the adoption of PS3280 – Asset retirement obligations, the Township recognized an obligation relating to the removal and post-removal care of the asbestos in these building as estimated at January 1, 2022. The buildings have an estimated useful life of 50 years.

The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings capital assets and the restatement of prior year numbers (see note 2). Changes to the asset retirement obligations in the year are as follows:

Asset retirement obligations	Other	Asbestos removal	Water and wastewater decommission	Balance at December 31, 2023
Opening balance	\$ 526,451	\$ 880,373	\$ 79,434	\$ 1,486,258
Accretion expense	26,322	44,019	3,972	74,313
In year change estimate	18,579	2,785	-	21,364
In year settlement	(5,000)	-	-	(5,000)
Closing balance	\$ 566,352	\$ 927,177	\$ 83,406	\$ 1,576,935

Asset retirement obligations		Asbestos removal	Water and wastewater decommission	Balance at December 31, 2022
Opening balance	\$ 498,235	\$ 838,451	\$ 75,651	\$ 1,412,337
Accretion expense	28,216	41,922	3,783	73,921
In year change estimate	-	-	-	-
In year settlement	-	-	-	-
Closing balance	\$ 526,451	\$ 880,373	\$ 79,434	\$ 1,486,258

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Financial Statements, continued

Year ended December 31, 2023

12. Tangible capital assets:

	Land	Land Improvements	Buildings	Vehicles	Equipment	Water & Wastewater	Roads & Structures	Assets under construction	Total 2023
Cost									
Beginning of year	\$ 6,421,859	\$ 9,239,041	\$ 26,506,941	\$ 14,220,635	\$ 12,397,202	\$ 132,515,529	\$ 211,742,903	\$ 9,096,033	\$ 422,140,143
Asset retirement obligations	-	15,771	2,808	-	-	2,785	-	-	21,364
Additions	276,702	1,525,675	5,596,423	2,185,883	901,168	6,522,801	18,441,493	2,748,374	38,198,519
Disposals	-	(20,032)	(1,080,510)	(1,013,404)	(331,062)	(95,068)	(2,395,165)	(3,930,017)	(8,865,258)
Cost, end of year	6,698,561	10,760,455	31,025,662	15,393,114	12,967,308	138,946,047	227,789,231	7,914,390	451,494,768
Accumulated amortization									
Beginning of year	-	2,849,807	11,395,306	8,364,659	6,145,742	45,786,979	100,615,449	-	175,157,942
Asset retirement obligations	-	-	-	-	-	-	-	-	-
Amortization	-	249,066	683,953	946,482	831,552	2,685,547	4,454,717	-	9,851,317
Disposals	-	(20,032)	(954,718)	(991,546)	(331,062)	(77,597)	(1,298,779)	-	(3,673,734)
Accumulated amortization, end of year	-	3,078,841	11,124,541	8,319,595	6,646,232	48,394,929	103,771,387	-	181,335,525
Net book value, end of year	\$ 6,698,561	\$ 7,681,614	\$ 19,901,121	\$ 7,073,519	\$ 6,321,076	\$ 90,551,118	\$ 124,017,844	\$ 7,914,390	\$ 270,159,243

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Financial Statements, continued

Year ended December 31, 2023

12. Tangible capital assets (continued):

Restated	Land	Land Improvements	Buildings	Vehicles	Equipment	Water & Wastewater	Roads & Structures	Assets under construction	Total 2022
Cost									
Beginning of year, as previously stated	\$ 6,421,859	\$ 8,820,465	\$ 25,377,118	\$ 14,100,180	\$ 11,496,814	\$ 129,411,999	\$ 209,061,930	\$ 4,795,665	\$ 409,486,030
Asset retirement obligations – policy change	-	162,064	179,485	-	-	52,346	-	-	393,895
Additions	-	420,892	981,391	655,531	1,214,202	3,083,559	3,187,830	4,562,504	14,105,909
Disposals	-	(164,380)	(31,053)	(535,076)	(313,814)	(32,375)	(506,857)	(262,136)	(1,845,691)
Cost, end of year	6,421,859	9,239,041	26,506,941	14,220,635	12,397,202	132,515,529	211,742,903	9,096,033	422,140,143
Accumulated amortization									
Beginning of year, as previously stated	-	2,691,256	10,642,695	7,986,971	5,622,939	43,178,504	96,536,620	-	166,658,985
Asset retirement obligations – policy change	-	41,839	90,012	-	-	16,843	-	-	148,694
Amortization	-	235,251	682,484	912,764	836,616	2,624,007	4,409,618	-	9,700,740
Disposals	-	(118,539)	(19,885)	(535,076)	(313,813)	(32,375)	(330,789)	-	(1,350,477)
Accumulated amortization, end of year	-	2,849,807	11,395,306	8,364,659	6,145,742	45,786,979	100,615,449	-	175,157,942
Net book value, end of year	\$ 6,421,859	\$ 6,389,234	\$ 15,111,635	\$ 5,855,976	\$ 6,251,460	\$ 86,728,550	\$ 111,127,454	\$ 9,096,033	\$ 246,982,201

(a) Assets under construction:

Assets under construction having a value of \$7,914,390 (2022 - \$9,096,033) 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 have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$2,812,191 (2022 - \$3,090).

(c) Tangible capital assets disclosed at nominal values:

Were an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land and building are the only categories where nominal values were assigned.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

13. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2023 operating and capital budgets approved by Council on February 27, 2023. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget Amount
Revenues:	
Operating budget	\$ 48,706,239
Capital budget	35,394,460
Less:	
Transfers from other funds	(25,492,000)
Proceeds on debt issue	(2,324,510)
Total revenue	56,284,189
Expenses:	
Operating budget	48,706,239
Capital budget	35,394,460
Less:	
Transfers to other funds	(15,906,401)
Capital expenses	(32,029,460)
Debt principal payments	(2,318,918)
Total expenses	33,845,920
Annual surplus	\$ 22,438,269

14. Operations of School Boards and the County of Wellington:

Further to note 1(a)(iii), the taxation and other revenues for the School Boards and the County of Wellington are comprised of the following:

	School Boards	County
Taxation and user charges	\$ 10,737,822	\$ 36,010,308

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

15. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2023	2022
Surplus:		
Invested in tangible capital assets	\$ 270,159,243	\$ 246,982,201
General purposes	2,714,661	5,996,383
Unfunded asset retirement obligations	(1,576,935)	(1,486,258)
Investment in Centre Wellington Energy Inc.	16,446,981	15,609,564
Investment in Centre Wellington Communications Inc.	669,657	570,382
Amounts to be recovered:		
Post-employment benefits	(763,218)	(724,575)
WSIB	(1,172,091)	(1,180,487)
Net long-term liabilities	(18,411,117)	(20,730,038)
Total surplus	268,067,181	245,037,172
Reserves set aside by Council for:		
Capital works - Wastewater	11,613,871	10,712,052
Working capital	1,109,662	1,109,662
Capital works - Roads	493,868	463,871
Replacement of equipment	6,140,139	5,662,291
Capital works - Waterworks	8,379,408	8,932,340
Other	5,738,582	5,870,149
Capital works - Fire	56,238	52,022
Capital works - Parks and Recreation	25,100	25,100
Contingencies	164,515	161,429
Total reserves	33,721,383	32,988,916
Reserve funds set aside for specific purposes by Council for:		
Capital works - Other	757,889	2,359,326
Capital works - Social services	362,684	290,321
Capital works - Roads	2,055,836	6,270,065
Total reserve funds	3,176,409	8,919,712
Accumulated surplus	\$ 304,964,973	\$ 286,945,800

16. Trust funds:

Trust funds administered by the municipality amounting to \$1,381,504 (2022 - \$1,175,682) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

17. Public liability insurance:

The Township has undertaken a portion of the risk for public liability as a means of achieving efficient and cost effective risk management. The Township has opted for a self-insured retention or deductible, of \$25,000 for each occurrence involving public liability claims. In excess of the self-insured retention, the Township insurance program carries limits up to \$15,000,000 per occurrence.

The Township has established a reserve for allocated self-insurance claims. The balance at the end of the year is \$219,733 (2022 - \$126,770).

18. Pension agreements:

The Township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of members of its staff. This 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. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are the joint responsibility of Ontario municipal organizations and their employees. As a result, the Township does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2023 was \$1,205,439 (2022 - \$1,057,263) for current service. The contribution rate for 2023 was 9% to 15.8% (2022 - 9% to 15.8%) depending on age and income level.

The latest available report for the OMERS plan was December 31, 2023. At that time the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion deficit), based on actuarial liabilities of \$134.6 billion (2022 - \$128.8 billion) and actuarial assets of \$130.4 billion (2022 - \$122.1 billion). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

19. Financial instrument risk:

The fair value of the Township's financial instruments that are comprised of cash, taxes receivable, trade and other receivables, long-term investments, loans receivable, accounts payable and accrued liabilities, and long-term liabilities approximate their carrying value due to their short term nature and are measured at cost or amortized cost in the statement of financial position. The fair value of investments is disclosed in note 4. It is management's opinion that the Township is not exposed to significant risk arising from these financial instruments and there have been no significant changes to these risk exposures from 2022.

(a) Credit risk

The Township is exposed to credit related losses through cash, accounts receivable and investments in the event of non-performance by counterparties to the financial instruments. Credit risk is minimized by dealing with reputable financial institutions. Accounts receivable of \$5,094,415 (2022 - \$2,606,006) are mainly due from governments.

(b) Liquidity risk

Liquidity risk is the risk that the Township will be unable to meet all cash outflow obligations as they come due. Liquidity risk is minimized by monitoring cash activities and through cash flow forecasting including a laddered investment maturity approach to match large cash outflows.

(c) Market risk

Market risk is the risk that changes in market price such as foreign exchange rates, interest rates and other price risks will affect the annual surplus or the fair value of financial instruments. Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at year end. Revenue and expenses are translated at the exchange rate prevailing on the transaction date. Exchange gains and losses are included in the consolidated statement of operations. Interest rate risk is minimized through a diversified investment portfolio held in accordance with the Township's consolidated investment policy.

20. Contingencies and commitments:

- (a) The Township is contingently liable for long-term liabilities with respect to tile drainage loans and for those for which the responsibility for payment of principal and interest has been assumed by school boards and the County of Wellington.
- (b) From time to time, the Township is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. These claims may be covered by the Township's insurance up to a maximum of \$15,000,000 per occurrence. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

21. Segmented information:

The Township of Centre Wellington is a diversified municipal government institution that provides a wide range of services to its citizens, including roads, water and wastewater services, planning, parks and recreation, fire, administration of the building code, stray animal control, cemetery operations and various cultural and social activities. For management reporting purposes, the Township's operations and activities are reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Township services are provided by departments and their activities are reported in these funds. Certain departments have been separately disclosed in the segmented information in the following schedule.

	General Government	Protection	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation & Culture	Planning & Development	2023 Consolidated
Revenues									
Taxation	\$ 3,906,566	\$ 2,183,223	\$ 6,679,535	\$ -	\$ -	\$ 686,500	\$ 5,038,809	\$ 839,433	\$ 19,334,066
Government transfers	265,141	455,484	4,075,857	609,653	-	55,938	1,116,368	30,000	6,608,441
Development charges earned	5,192	1,700	5,745,169	2,191,798	-	-	696,559	258,727	8,899,145
Licences and permits	42,777	1,707,761	32,708	-	-	-	698	5,081	1,789,025
Fees, rents and concessions	416,079	43,966	61,467	11,972,302	217,751	196,611	2,078,114	486,133	15,472,423
Penalties and interest on taxes	518,772	-	-	-	-	-	-	-	518,772
Interest, donations and other	3,175,159	35,695	219,784	46,701	64,709	23,724	19,497	87,921	3,673,190
Equity earnings from Centre Wellington Energy Inc.	837,417	-	-	-	-	-	-	-	837,417
Equity earnings from Centre Communications Inc.	99,275	-	-	-	-	-	-	-	99,275
Developer contributions	4,000	-	1,096,418	1,269,718	-	-	149,562	-	2,519,698
Gaming revenue	-	-	2,700,359	-	20,933	-	182,416	86,722	2,990,430
Gain/(loss) on disposal of tangible capital assets	-	-	(906,154)	(16,985)	-	-	(112,251)	45,175	(990,215)
Total Revenues	\$ 9,270,378	\$ 4,427,829	\$ 19,705,143	\$ 16,073,187	\$ 303,393	\$ 962,773	\$ 9,169,772	\$ 1,839,192	\$ 61,751,667
Expenses									
Salaries and benefits	\$ 2,633,877	\$ 3,070,616	\$ 2,627,761	\$ 4,063,043	\$ 85,326	\$ 335,992	\$ 3,639,751	\$ 1,078,580	\$ 17,534,946
Goods and services	1,760,730	677,972	4,758,327	4,203,789	91,107	325,538	2,631,484	660,345	15,109,292
Transfer payments	-	114,608	-	220,995	-	-	162,820	-	498,423
Interest and rental	46,807	-	107,774	367,383	-	-	91,333	50,907	664,204
Amortization	346,233	379,650	5,247,017	2,806,877	16,263	46,377	1,000,944	7,955	9,851,316
Accretion	4,875	3,927	45,527	11,219	324	171	7,749	521	74,313
Total Expenses	\$ 4,792,522	\$ 4,246,773	\$ 12,786,406	\$ 11,673,306	\$ 193,020	\$ 708,078	\$ 7,534,081	\$ 1,798,308	\$ 43,732,494

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2023

21. Segmented information (continued):

	General Government	Protection	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation & Culture	Planning & Development	2022 Consolidated
Revenues									
Taxation	\$ 3,605,475	\$ 2,221,097	\$ 6,093,755	\$ -	\$ -	\$ 705,640	\$ 4,579,335	\$ 921,849	\$ 18,127,151
Government transfers	322,049	226,023	4,675,199	387,457	-	73,490	283,349	23,689	5,991,256
Development charges earned	7,759	27,120	1,021,232	2,753,102	-	-	829,498	234,315	4,873,026
Licences and permits	46,342	1,432,173	33,003	-	-	-	-	3,681	1,515,199
Fees, rents and concessions	273,746	30,872	24,344	11,619,635	172,702	99,584	1,574,417	519,371	14,314,671
Penalties and interest on taxes	434,236	-	-	-	-	-	-	-	434,236
Interest, donations and other	1,780,586	32,064	105,076	48,402	35,441	8,812	23,419	29,155	2,062,955
Equity earnings from Centre Wellington Energy Inc.	595,652	-	-	-	-	-	-	-	595,652
Equity earnings from Centre Communications Inc.	134,055	-	-	-	-	-	-	-	134,055
Developer contributions	-	-	183,229	967,834	-	-	25,047	-	1,176,110
Gaming revenue	-	-	1,785,614	-	-	-	1,004,408	-	2,790,022
Gain/(loss) on disposal of tangible capital assets	-	38,109	(91,252)	9,514	-	-	(40,192)	-	(83,821)
Total Revenues	\$ 7,199,900	\$ 4,007,458	\$ 13,830,200	\$ 15,785,944	\$ 208,143	\$ 887,526	\$ 8,279,281	\$ 1,732,060	\$ 51,930,512
Expenses									
Salaries and benefits	\$ 2,340,039	\$ 2,777,019	\$ 2,395,790	\$ 3,577,795	\$ 65,032	\$ 356,174	\$ 3,248,438	\$ 983,479	\$ 15,743,766
Goods and services	1,605,625	626,500	4,615,072	3,754,012	98,865	279,779	2,411,165	541,037	13,932,055
Transfer payments	-	110,480	-	209,289	-	-	90,569	-	410,338
Interest and rental	37,576	-	116,665	491,265	-	-	107,094	53,398	805,998
Amortization	424,275	356,000	5,162,549	2,740,974	16,262	46,377	946,347	7,955	9,700,739
Accretion	7,790	3,740	43,358	10,685	309	163	7,380	496	73,921
Total Expenses	\$ 4,415,305	\$ 3,873,739	\$ 12,333,434	\$ 10,784,020	\$ 180,468	\$ 682,493	\$ 6,810,993	\$ 1,586,365	\$ 40,666,817



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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Centre Wellington

Opinion

We have audited the consolidated financial statements of the trust funds of The Corporation of the Township of Centre Wellington (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations and changes in net financial assets 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, 2023, and its results of operations and its changes in net financial assets 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.



- 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

October 3, 2024

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Trust Funds - Statement of Financial Position

As at December 31, 2023, with comparative figures for 2022

	Elora & Fergus Cemetery Perpetual Care	Mount Carmel Cemetery Perpetual Care	M.W. Baptie Scholarship	2023 Total	2022 Total
Assets					
Cash	\$ 237,728	\$ 7,224	\$ 5,155	\$ 250,107	\$ 229,187
Term deposit certificates (note 2)	940,734	42,238	1,000	983,972	940,159
CIBC stock	148,016	-	-	148,016	1,299
Due from Township	-	-	-	-	5,037
	\$ 1,326,478	\$ 49,462	\$ 6,155	\$ 1,382,095	\$ 1,175,682
Liabilities					
Due to Township	\$ 591	\$ -	\$ -	\$ 591	\$ -
Net assets	\$ 1,325,887	\$ 49,462	\$ 6,155	\$ 1,381,504	\$ 1,175,682
Net asset components					
Accumulated surplus	\$ 1,179,170	\$ 49,462	\$ 6,155	\$ 1,234,787	\$ 1,175,682
Accumulated remeasurement gains	146,717	-	-	146,717	-
Net assets	\$ 1,325,887	\$ 49,462	\$ 6,155	\$ 1,381,504	\$ 1,175,682

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Trust Funds - Statement of Operations, Changes in Accumulated Surplus and Remeasurement Gains

Year ended December 31, 2023, with comparative figures for 2022

	Elora & Fergus Cemeteries Perpetual Care	Mount Carmel Cemetery Perpetual Care	M.W. Baptie Scholarship	2023 Total	2022 Total
Revenue					
Sale of plots and cemetery fees	\$ 54,553	\$ 4,300	\$ -	\$ 58,853	\$ 46,212
Investment income	61,447	2,135	252	63,834	32,813
	116,000	6,435	252	122,687	79,025
Expenses					
Reimbursement to Township	61,447	-	-	61,447	31,697
Reimbursement to Mount Carmel Cemetery	-	2,135	-	2,135	1,024
	61,447	2,135	-	63,582	32,721
Surplus	54,553	4,300	252	59,105	46,304
Accumulated surplus, beginning of year	1,124,617	45,162	5,903	1,175,682	1,129,378
Accumulated surplus, end of year	\$ 1,179,170	\$ 49,462	\$ 6,155	\$ 1,234,787	\$ 1,175,682
Accumulated remeasurement gains, beginning of year					
Change in accounting policy	\$ -	\$ -	\$ -	\$ -	\$ -
Unrealized gains attributed to CIBC stock	125,768	-	-	125,768	-
Accumulated remeasurement gains, end of year	20,949	-	-	20,949	-
	\$ 146,717	\$ -	\$ -	\$ 146,717	\$ -

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Trust Funds

Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements of The Corporation of the Township of Centre Wellington Trust Funds are representations of management. They have been prepared in accordance with the Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB).

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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.

(b) Management responsibility:

The financial information of the Corporation of the Township of Centre Wellington Trust Funds are the representation of management. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review.

2. Investments:

The total investments of \$983,972 (2022 - \$940,159) reported on the statement of financial position have a market value of \$983,972 (2022 - \$940,159) at the end of the year.