
**THE CORPORATION OF THE
TOWNSHIP OF WELLESLEY**

Financial Statements

December 31, 2007

THE CORPORATION OF THE TOWNSHIP OF WELLESLEY
Consolidated Financial Statements
Year Ended December 31, 2007

THE CORPORATION OF THE TOWNSHIP OF WELLESLEY

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Year Ended December 31, 2007

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AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of The Corporation of the Township of Wellesley as at December 31, 2007 and the consolidated statements of financial activities and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Moore & Steel Professional Corporation

Waterloo, Ontario
March 12, 2008

Chartered accountants
Authorized to practise public accounting by
The Institute of Chartered Accountants of Ontario

CORPORATION OF THE TOWNSHIP OF WELLESLEY

Consolidated Statement of Financial Position

December 31, 2007, with comparative figures for 2006

	2007	2006
Financial Assets		
Cash and deposits	\$ 5,075,448	\$ 4,766,866
Taxes receivable	492,258	395,394
Accounts receivable	624,870	706,554
Other current assets	60,695	65,499
Investment in Waterloo North Hydro Holding Corporation (Note 5)	6,295,536	5,972,664
	<u>12,548,807</u>	<u>11,906,977</u>
Liabilities		
Accounts payable and accrued liabilities	1,262,553	1,089,411
Deferred revenue - obligatory reserve funds (Note 6)	743,563	673,101
Net long-term liabilities (Note 7)	743,719	842,716
	<u>2,749,835</u>	<u>2,605,228</u>
Net Financial Assets	<u>\$ 9,798,972</u>	<u>\$ 9,301,749</u>
Municipal Position		
Amounts to be recovered from future operations for capital projects	\$ (743,719)	\$ (842,716)
Fund balances:		
Current fund (Note 8)	-	-
Capital fund (Note 8)	(184,466)	(231,533)
Reserves and reserve funds (Note 9)	4,431,621	4,403,334
Net equity in Waterloo North Hydro Holding Corporation (Note 5)	6,295,536	5,972,664
	<u>10,542,691</u>	<u>10,144,465</u>
Total Municipal Position	<u>\$ 9,798,972</u>	<u>\$ 9,301,749</u>

See accompanying notes to consolidated financial statements

CORPORATION OF THE TOWNSHIP OF WELLESLEY

Consolidated Statement of Financial Activities

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Revenues		
Residential and farm taxation	\$ 2,340,977	\$ 2,196,433
Commercial, industrial and business taxation	456,170	385,963
Taxation from other governments	26,882	28,035
User charges	1,162,318	1,151,358
Government grants	667,247	1,056,605
Contributions from developers	9,327	114,949
Investment income	392,275	540,428
Interest and penalties on taxes	78,118	88,887
Donations	126,162	176,165
Other	31,322	331,812
	5,290,798	6,070,635
Expenditures		
General government	781,212	1,033,564
Protection to persons and property	777,535	971,909
Transportation services	2,208,321	1,556,198
Environmental services	261,084	258,084
Social and family services	11,585	13,645
Recreation and cultural services	1,038,204	898,593
Planning and development	106,702	111,595
	5,189,030	4,851,310
Net (expenditures) revenues	101,768	1,219,325
Change in amounts to be recovered	(98,996)	(76,025)
Equity earnings in Waterloo North Hydro Holding Corporation	322,872	183,529
Transfer to deferred revenue	72,582	(91,305)
Issue of long term debt	-	350,000
Change in fund balances	398,226	1,585,524
Opening fund balances	10,144,465	8,558,941
Closing fund balances	\$ 10,542,691	\$ 10,144,465

See accompanying notes to consolidated financial statements.

CORPORATION OF THE TOWNSHIP OF WELLESLEY

Consolidated Statement of Changes in Financial Position

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Net (expenditures) revenues	\$ 101,768	\$ 1,219,325
Sources (uses) of cash:		
Taxes receivable	(96,864)	187,256
Accounts receivable	81,684	655,851
Other current assets	4,804	(18,484)
Accounts payable and accrued liabilities	173,142	(467,974)
	<u>264,534</u>	<u>1,575,974</u>
Financing:		
Change in deferred revenue - obligatory reserve funds	143,044	7,104
Issue of long-term debt	-	350,000
Repayment of long-term liabilities	(98,996)	(76,025)
	<u>44,048</u>	<u>281,079</u>
Net change in cash	<u>308,582</u>	<u>1,857,053</u>
Opening cash	<u>4,766,866</u>	<u>2,909,813</u>
Closing cash	<u>\$ 5,075,448</u>	<u>\$ 4,766,866</u>

See accompanying notes to consolidated financial statements.

CORPORATION OF THE TOWNSHIP OF WELLESLEY

Schedule of Current Fund Operations

Year ended December 31, 2007, with comparative figures for 2006

	Budget 2007	Actual 2007	Actual 2006
Revenues			
Residential and farm taxation	\$ 2,326,359	\$ 2,340,977	\$ 2,196,433
Commercial, industrial and business taxation	443,639	456,170	385,963
Taxation from other governments	22,900	26,882	28,035
User charges	1,056,675	1,162,318	1,151,358
Government grants	556,354	545,520	547,632
Investment income	215,000	333,192	505,613
Interest and penalties on taxes	88,000	78,118	88,887
Other	4,000	25,822	34,117
	<u>4,712,927</u>	<u>4,968,999</u>	<u>4,938,038</u>
Expenditures			
General government	840,588	736,198	677,818
Protection to persons and property	808,475	605,603	588,823
Transportation services	1,417,206	1,405,478	1,218,558
Environmental services	57,168	34,284	31,284
Social and family services	16,310	11,585	13,645
Health services	2,200	4,387	7,722
Recreation and cultural services	865,330	772,905	704,780
Planning and development	113,260	106,702	111,595
	<u>4,120,537</u>	<u>3,677,142</u>	<u>3,354,225</u>
Net revenues	<u>592,390</u>	<u>1,291,857</u>	<u>1,583,813</u>
Financing and transfers			
Change in amounts to be recovered	-	(98,996)	(76,025)
Transfer to reserves and reserve funds	(579,000)	(1,179,471)	(1,494,398)
Transfer to capital fund	(13,390)	(13,390)	(13,390)
	<u>(592,390)</u>	<u>(1,291,857)</u>	<u>(1,583,813)</u>
Change in current fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Opening current fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Closing current fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

CORPORATION OF THE TOWNSHIP OF WELLESLEY

Schedule of Capital Fund Operations

Year ended December 31, 2007, with comparative figures for 2006

	Budget 2007	Actual 2007	Actual 2006
Revenues			
Sale of property	\$ -	\$ -	\$ 294,770
Sale of equipment	-	5,500	250
Government grants	121,727	121,727	508,973
Other municipalities	6,600	-	2,675
Contributions from developers	75,000	9,327	114,949
Donations	-	126,162	176,165
	<u>203,327</u>	<u>262,716</u>	<u>1,097,782</u>
Expenditures			
General government	645,000	45,014	355,746
Protection to persons and property	248,000	171,932	383,086
Transportation services	842,333	802,843	337,640
Environmental services	226,800	226,800	226,800
Recreation and cultural services	413,750	265,299	193,813
	<u>2,375,883</u>	<u>1,511,888</u>	<u>1,497,085</u>
Net expenditures	(2,172,556)	(1,249,172)	(399,303)
Financing and transfers			
Transfer from current fund	13,390	13,390	13,390
Transfer from reserves and reserve funds	1,871,783	1,210,267	494,059
Transfer (to) from deferred revenue	(121,727)	72,582	(91,305)
Issuance of long-term debt	400,000	-	350,000
	<u>2,163,446</u>	<u>1,296,239</u>	<u>766,144</u>
Change in capital fund balance	(9,110)	47,067	366,841
Opening capital fund balance	(231,533)	(231,533)	(598,374)
Closing capital fund balance	\$ (240,643)	\$ (184,466)	\$ (231,533)

See accompanying notes to consolidated financial statements.

CORPORATION OF THE TOWNSHIP OF WELLESLEY

Schedule of Reserves and Reserve Funds

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Revenues		
Investment income	\$ 59,083	\$ 34,815
Transfer from current fund	1,179,471	1,494,398
Transfer from (to) capital fund	(1,210,267)	(494,059)
	<u>(30,796)</u>	<u>1,000,339</u>
Change in reserves and reserve fund balances	28,287	1,035,154
Opening reserves and reserves fund balances	4,403,334	3,368,180
Closing reserves and reserves fund balances	\$ 4,431,621	\$ 4,403,334
Reserves and reserve funds consist of:		
Reserves	\$ 3,190,672	\$ 3,051,970
Reserve funds	1,240,949	1,351,364
	<u>\$ 4,431,621</u>	<u>\$ 4,403,334</u>

See accompanying notes to consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF WELLESLEY

Notes to Consolidated Financial Statements

Year Ended December 31, 2007

1. Accounting Policies

The consolidated financial statements of the Corporation of the Township of Wellesley (the "Township") are the representation of management prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. 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 judgements.

a) Basis of consolidation

i) Consolidated statement of financial position:

This statement reflects the assets and liabilities of the current fund, capital fund and reserve funds.

All interfund assets and liabilities have been eliminated with the exception of formalized loans or advances between reserve funds and any other fund of the Township.

ii) Consolidated statement of financial activities:

This statement reflects the consolidated sources of revenues and expenditures of the current fund, capital fund, reserves and reserve funds of the Township.

iii) Government business enterprise:

The government business enterprise, Waterloo North Hydro Holding Corporation is accounted for on the modified equity basis which reflects the Township's investment in the enterprise and its share of net income (loss) since acquisition. Under the modified equity basis, the enterprise's accounting principles are not adjusted to conform to those of the Township, and inter-organizational transactions and balances are not eliminated.

iv) 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 the municipal fund balances of these financial statements.

v) Trust funds and their related operations administered by the Township are not consolidated.

(continues)

THE CORPORATION OF THE TOWNSHIP OF WELLESLEY

Notes to Consolidated Financial Statements

Year Ended December 31, 2007

1. Accounting Policies *(continued)*

b) Basis of accounting:

i) Accrual basis of accounting.

Revenues and expenditures are reported on the accrual 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.

ii) Capital assets

The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the consolidated statement of financial activities in the year of acquisition.

iii) Government transfers

Government transfers are recognized in the financial statements in the period in which the 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.

iv) Investment income

Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) is reported as revenue in the period earned. Investment income earned on development charges and parkland obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

2. Operations of School Boards and the Region of Waterloo

Further to note 1(a)(iv), the taxation, other revenues, and requisitions levied on behalf of the School Boards and the Region of Waterloo are comprised of the following:

	School Boards	Region
Taxation and user charges	\$ 3,389,629	\$ 5,255,064
Share of Payments in lieu of taxes	-	12,108
Requisitions	\$ 3,389,629	\$ 5,267,172

3. Trust Funds:

Further to note 1(a)(v), trust funds administered by the Township amounting to \$413,902 have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of financial activities. They are comprised of cemetery perpetual care funds - \$66,999 and the Koehler Estate Historical Fund - \$346,903.

THE CORPORATION OF THE TOWNSHIP OF WELLESLEY

Notes to Consolidated Financial Statements

Year Ended December 31, 2007

4. Ontario Municipal Employees' Retirement Fund

The Township makes contributions to the Ontario Municipal Employee's Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 21 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.

The amount contributed to OMERS for 2007 was \$65,133 (2006 -\$64,706) for current service. The Township does not participate in any past service provisions of the OMERS agreement.

5. Investment in Waterloo North Hydro Holding Corporation

The Township owns 6.6% of the common shares of Waterloo North Hydro Holding Corporation which in turn owns 100% of Waterloo North Hydro Inc., 25% of Atria Networks Inc. and 50% of Lifetime Energy Inc. The investment in Waterloo North Hydro Holding Corporation is comprised of the following:

	2007	2006
Senior note receivable from Waterloo North Hydro Holding Corporation	\$ 1,436,033	\$ 1,436,033
Junior note receivable from Waterloo North Hydro Holding Corporation	1,096,413	1,096,413
66 common shares of Waterloo North Hydro Holding Corporation	1,661,119	1,661,119
14,397 Class A special shares of Waterloo North Hydro Holding Corporation	143,967	143,967
Share of net income since acquisition	1,958,004	1,635,132
	\$ 6,295,536	\$ 5,972,664

Interest received on the Senior and Junior note receivable is included in the Schedule of Current Fund Operations.

Interest earned, but not received on the Junior note receivable as at December 31, 2007 is \$94,084 and has been included in accounts receivable.

The debt in Waterloo North Hydro is to be paid or converted into equity by 2010. It is anticipated that the Senior debt will be paid and the Junior debt converted to Class A special shares at that time.

THE CORPORATION OF THE TOWNSHIP OF WELLESLEY

Notes to Consolidated Financial Statements

Year Ended December 31, 2007

The following table provides condensed financial information in respect of Waterloo North Hydro Holding Corporation as at December 31, 2007 and 2006.

	2007	2006
Current assets	\$ 5,794,335	\$ 5,748,616
Long-term assets	94,343,494	94,563,858
Total assets	100,137,829	100,312,474
Current liabilities	1,440,095	6,506,747
Long-term liabilities	41,681,222	41,681,222
Total liabilities	43,121,317	48,187,969
Net assets	\$ 57,016,512	\$ 52,124,505

6. Deferred revenue - obligatory reserve funds

Deferred revenue set aside for specific purposes by legislation, regulation or agreement is comprised of the following:

	2007	2006
(a) The balances in the obligatory reserve funds of the Township are summarized as follows:		
Recreation parkland	\$ 332,736	\$ 262,743
Development charges and sub-dividers contributions	287,378	222,278
Deferred revenue - Federal Gas Tax	123,449	188,080
	\$ 743,563	\$ 673,101
(b) Continuity schedule		
Contributions from developers	\$ 120,929	\$ 96,156
Interest earned	31,441	25,897
Canada Gas Tax Funding	121,727	91,305
Application of Canada Gas Tax Funding for capital projects	(194,309)	-
Contributions to capital fund	(9,326)	(114,949)
Increase (decrease) during the year	70,462	98,409
Balance, beginning of year	673,101	574,692
Balance, end of year	\$ 743,563	\$ 673,101

THE CORPORATION OF THE TOWNSHIP OF WELLESLEY

Notes to Consolidated Financial Statements

Year Ended December 31, 2007

7. Net long-term liabilities

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

	2007	2006
The Township has assumed responsibility for the payment of principal and interest charges on certain long-term liabilities issued by the Region of Waterloo. At the end of the year, the outstanding principal amount of these liabilities are	\$ 791,624	\$ 903,864
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage has been assumed by individuals. At the end of the year, the outstanding principal amount of these liabilities are	(47,905)	(61,148)
Net long-term liabilities at end of year	\$ 743,719	\$ 842,716

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

	2008 to 2012	2013 and thereafter	Total
From general municipal revenues	\$ 427,665	\$ 316,054	\$ 743,719
From benefitting landowners	38,898	9,007	47,905
	\$ 466,563	\$ 325,061	\$ 791,624

The long-term liabilities included above issued in the name of the Township have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual limited prescribed by the Ministry of Municipal Affairs and Housing.

8. Municipal fund balances at the end of the year

The municipal fund balances on the consolidated statement of financial position at the end of the year are comprised of the following:

	2007	2006
Current fund	\$ -	\$ -
Capital fund		
Acquisition of fixed assets to be recovered through taxation, user charges, debenture or donations	\$ (184,466)	\$ (231,533)

THE CORPORATION OF THE TOWNSHIP OF WELLESLEY

Notes to Consolidated Financial Statements

Year Ended December 31, 2007

9. Reserves and reserve funds

The total balance of reserves \$3,314,121 (2006 - \$3,051,970) and reserve funds \$1,240,949 (2006 - \$1,351,364) are comprised of the following:

	2007	2006
Reserves		
Tax rate stabilization	\$ 1,164,960	\$ 1,087,063
Replacement of capital	1,209,755	949,265
Water	226,800	453,600
Recreation	208,839	235,944
Working capital	120,000	120,000
Building Department Reserve	140,000	-
Insurance	56,721	56,721
Other	69,212	54,974
COMRIF Infastructure	18,860	50,159
Planning and GRAAC	98,974	44,244
Total reserves	\$ 3,314,121	\$ 3,051,970
Reserve Funds		
Infastructure	\$ 962,134	\$ 904,657
Roads and bridges - provincial funding	116,908	408,249
Road construction	38,458	38,458
Total reserves and reserve funds	\$ 4,431,621	\$ 4,403,334

The Region of Waterloo has assumed the responsibility for the water system in the Township. A payment arrangement has been negotiated with the Region to transfer the water reserve amount. The final payment for \$226,800 is due in 2008 plus interest at 4%.

10. Charges for net long-term liabilities

Total charges for the year for net long-term liabilities which are reported on the consolidated statement of financial activities are as follows:

	2007	2006
Principal payments	\$ 98,996	\$ 76,025
Interest	44,471	41,503
	\$ 143,467	\$ 117,528

The charges for long-term liabilities assumed by individuals in the case of tile drainage loans are not reflected in these financial statements.

THE CORPORATION OF THE TOWNSHIP OF WELLESLEY

Notes to Consolidated Financial Statements

Year Ended December 31, 2007

11. Expenditures by object

The following is a summary of the current and capital expenditures on the consolidated statement of financial activities by the object of expenditure:

	2007	2006
Current expenditures consist of		
Salaries, wages and employee benefits	\$ 1,889,029	\$ 1,737,122
Materials	1,322,260	1,175,937
Contracted services	389,111	347,385
Rents and financial expenses	32,271	52,278
Net long-term debt charges (interest)	44,471	41,503
	\$ 3,677,142	\$ 3,354,225
Capital expenditures consist of		
Salaries, wages and employee benefits	\$ 4,982	\$ 33,090
Equipment and materials	1,398,074	1,456,542
Contracted services	108,832	7,453
	\$ 1,511,888	\$ 1,497,085

12. Commitments

The Township has entered into an arrangement whereby the City of Kitchener will provide fire dispatch service to Wellesley on a fee for service basis. This agreement provides for annual payments based on the previous year's call volume multiplied by \$60 per call plus any increase in actual dispatch costs or the consumer price index, whichever is less.

The Township is in year two of a three year lease agreement for computer equipment with payments totalling \$57,000.

The Township completed a capital project at the end of 2007 costing \$81,135. A debenture is being processed in the amount of \$80,000 to finance the project.

13. Contingent liabilities

The Township is contingently liable for long-term liabilities with respect to tile drainage loans. The total amount outstanding as at December 31, 2007 is \$47,905 (2006 - \$61,148) and is not recorded on the Consolidated Statement of Financial Position.

14. Budget figures

Budgets established for capital funds, reserve and reserve funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts and budgets have therefore not been reflected on the consolidated statement of financial activities.