

**THE CORPORATION OF THE  
TOWNSHIP OF WELLESLEY**

**CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008**



**DECEMBER 31, 2008  
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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 financial position of **The Corporation of the Township of Wellesley** as at December 31, 2008 and the consolidated statements of financial activities and cash flows 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 Corporation of the Township of Wellesley** as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Graham Mathew Professional Corporation*

Cambridge, Ontario  
May 12, 2009

CHARTERED ACCOUNTANTS, authorized to practice public  
accounting by The Institute of Chartered Accountants of Ontario



**CONSOLIDATED FINANCIAL POSITION  
DECEMBER 31, 2008**

	2008	2007
	\$	\$
<b>ASSETS</b>		
Cash and deposits	7,000,119	5,075,448
Taxes receivable	641,427	492,258
Accounts receivable	681,933	624,870
Other current assets	94,613	60,695
Investment in Waterloo North Hydro Holding Corporation (note 5)	6,496,993	6,295,536
	<b>14,915,085</b>	<b>12,548,807</b>

<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,653,225	1,262,553
Deferred revenue - obligatory reserve funds (note 6)	1,138,751	743,563
Net long-term liabilities (note 7)	639,778	743,719
	<b>3,431,754</b>	<b>2,749,835</b>
	<b>11,483,331</b>	<b>9,798,972</b>

<b>MUNICIPAL POSITION</b>		
Fund balances:		
Capital fund (note 8)	( 407,736)	( 184,466)
Reserves and reserve funds (note 9)	6,033,852	4,431,621
Net equity in Waterloo North Hydro Holding Corporation (note 5)	6,496,993	6,295,536
	<b>12,123,109</b>	<b>10,542,691</b>
Amounts to be recovered from future operations for capital projects (note 7)	( 639,778)	( 743,719)
	<b>11,483,331</b>	<b>9,798,972</b>

Approved on behalf of council:

*Ross Ketterton*  
*Jim Olander*

The explanatory financial notes form an integral part of these financial statements.



**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2008**

	2008	2007
	\$	\$
<b>Revenues</b>		
Residential and farm taxation	2,599,598	2,340,977
Commercial, industrial and business taxation	467,922	456,170
Taxation from other governments	27,074	26,882
User charges	1,114,981	1,162,318
Government grants	3,720,937	667,247
Investment income	438,010	392,275
Interest and penalties on taxes	87,209	78,118
Donations	275,312	126,162
Other	55,880	40,649
	<b>8,786,923</b>	<b>5,290,798</b>
<b>Expenditures</b>		
General government	2,098,987	781,212
Protection to persons and property	974,463	777,535
Transportation services	2,951,797	2,208,321
Environmental services	242,373	261,084
Social and family services	11,055	15,972
Recreation and cultural services	921,559	1,038,204
Planning and development	103,787	106,702
	<b>7,304,021</b>	<b>5,189,030</b>
<b>Net revenues</b>	<b>1,482,902</b>	<b>101,768</b>
Change in amounts to be recovered	( 103,941)	( 98,996)
Equity earnings in Waterloo North Hydro Holding Corporation, net of dividend received (note 5)	201,457	322,872
Transfer from (to) deferred revenue		72,582
<b>Change in fund balances</b>	<b>1,580,418</b>	<b>398,226</b>
Opening fund balances	<b>10,542,691</b>	<b>10,144,465</b>
<b>Closing fund balances</b>	<b>12,123,109</b>	<b>10,542,691</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2008**

	2008	2007
	\$	\$
<b>Cash flows from operating activities:</b>		
Net revenues	1,482,902	101,768
Net change in non-cash working capital balances relating to operations:		
Taxes receivable	( 149,169)	( 96,864)
Accounts receivable	( 57,063)	81,684
Other current assets	( 33,918)	4,804
Accounts payable and accrued liabilities	390,672	173,142
	<u>1,633,424</u>	<u>264,534</u>
<b>Cash flows from financing activities:</b>		
Change in deferred revenue - obligatory reserve funds	395,188	143,044
Repayment of long-term liabilities	( 103,941)	( 98,996)
	<u>291,247</u>	<u>44,048</u>
<b>Net increase in cash</b>	<b>1,924,671</b>	<b>308,582</b>
Cash position, beginning of year	5,075,448	4,766,866
<b>Cash position, end of year</b>	<b>7,000,119</b>	<b>5,075,448</b>



**SCHEDULE OF CURRENT FUND OPERATIONS  
YEAR ENDED DECEMBER 31, 2008**

	Budget 2008 \$	Actual 2008 \$	Actual 2007 \$
<b>Revenues</b>			
Residential and farm taxation	2,524,924	<b>2,599,598</b>	2,340,977
Commercial, industrial and business taxation	491,712	<b>467,922</b>	456,170
Taxation from other governments	22,000	<b>27,074</b>	26,882
User charges	1,014,520	<b>1,114,981</b>	1,162,318
Government grants	554,853	<b>558,763</b>	545,520
Investment income	272,600	<b>357,921</b>	333,192
Interest and penalties on taxes	70,000	<b>87,209</b>	78,118
Other		<b>12,355</b>	25,822
	<b>4,950,609</b>	<b>5,225,823</b>	4,968,999
<b>Expenditures</b>			
General government	911,525	<b>893,627</b>	736,198
Protection to persons and property	835,375	<b>652,194</b>	605,603
Transportation services	1,460,925	<b>1,572,407</b>	1,405,478
Environmental services	27,732	<b>15,573</b>	34,284
Social and family services	21,310	<b>11,055</b>	15,972
Recreation and cultural services	960,441	<b>816,591</b>	772,905
Planning and development	137,750	<b>103,787</b>	106,702
	<b>4,355,058</b>	<b>4,065,234</b>	3,677,142
<b>Net revenues</b>	595,551	<b>1,160,589</b>	1,291,857
<b>Financing and transfers</b>			
Change in amounts to be recovered		<b>( 103,941)</b>	( 98,996)
Transfer to reserves and reserve funds	( 595,551)	<b>( 561,496)</b>	( 1,179,471)
Transfer to capital fund		<b>( 495,152)</b>	( 13,390)
	<b>( 595,551)</b>	<b>( 1,160,589)</b>	( 1,291,857)
<b>Change in current fund balance</b>	-	-	-
Opening current fund balance	-	-	-
<b>Closing current fund balance</b>	-	-	-



**SCHEDULE OF CAPITAL FUND OPERATIONS  
YEAR ENDED DECEMBER 31, 2008**

	Budget 2008 \$	Actual 2008 \$	Actual 2007 \$
<b>Revenues</b>			
Sale of equipment			5,500
Government grants	2,551,768	<b>3,132,174</b>	121,727
Other municipalities	32,600	<b>30,000</b>	
Contributions from developers			9,327
Donations	8,000	<b>275,312</b>	126,162
	<b>2,592,368</b>	<b>3,437,486</b>	262,716
<b>Expenditures</b>			
General government	998,500	<b>1,205,360</b>	45,014
Protection to persons and property	382,500	<b>322,269</b>	171,932
Transportation services	3,429,383	<b>1,379,390</b>	802,843
Environmental services	226,800	<b>226,800</b>	226,800
Recreation and cultural services	464,500	<b>104,968</b>	265,299
	<b>5,501,683</b>	<b>3,238,787</b>	1,511,888
<b>Net expenditures</b>	<b>( 2,909,315)</b>	<b>198,699</b>	<b>( 1,249,172)</b>
<b>Financing and transfers</b>			
Transfer from current fund	43,500	<b>495,152</b>	13,390
Transfer from (to) reserves and reserve funds	2,465,815	<b>( 917,121)</b>	1,210,267
Transfer from deferred revenue			72,582
Issuance of long-term debt	400,000		
	<b>2,909,315</b>	<b>( 421,969)</b>	1,296,239
<b>Change in current fund balance</b>	<b>-</b>	<b>( 223,270)</b>	47,067
Opening capital fund balance	<b>( 184,466)</b>	<b>( 184,466)</b>	<b>( 231,533)</b>
<b>Closing capital fund balance</b>	<b>( 184,466)</b>	<b>( 407,736)</b>	<b>( 184,466)</b>



**SCHEDULE OF RESERVES AND RESERVE FUNDS  
YEAR ENDED DECEMBER 31, 2008**

	<b>Actual 2008 \$</b>	<b>Actual 2007 \$</b>
<b>Revenues</b>		
Investment income	<b>80,089</b>	59,083
Other	<b>43,525</b>	
Transfer from current fund	<b>561,496</b>	1,179,471
Transfer from (to) capital fund	<b>917,121</b>	( 1,210,267)
<b>Net revenues</b>	<b>1,602,231</b>	28,287
<b>Change in reserves and reserve fund balances</b>	<b>1,602,231</b>	28,287
Opening reserves and reserves fund balances	<b>4,431,621</b>	4,403,334
<b>Closing reserves and reserves fund balances</b>	<b>6,033,852</b>	4,431,621
Reserves and reserve funds consist of:		
Reserve funds	<b>3,441,560</b>	1,117,500
Reserves	<b>2,592,292</b>	3,314,121
	<b>6,033,852</b>	4,431,621



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**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2008**

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**1. Summary of Significant 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 estimated and approximations. These have been made using careful judgements. Actual results could differ from those estimates.

**(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.

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 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

Trust funds and their related operations administered by the Township are not consolidated in these financial statements.



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**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2008**

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**1. Summary of Significant 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. Commencing in 2009, municipalities are required by PSAB to report all capital assets at cost and amortize capital assets over their estimated useful life. This change will be adopted by the Township and will be reflected in the 2009 financial statements (see note 15).

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.

v) Deferred revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.



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**EXPLANATORY FINANCIAL NOTES**  
**YEAR ENDED DECEMBER 31, 2008**

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**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	3,442,291	5,481,207
Share of payments in lieu of taxes		12,405
	<u>3,442,291</u>	<u>5,493,612</u>
Requisitions paid	3,442,291	5,493,612
	<u>3,442,291</u>	<u>5,493,612</u>
Overlevies (underlevies), end of year	NIL	NIL

**3. Trust Funds**

Further to note 1(a)(v), trust funds administered by the Township amounting to \$495,794 (\$413,902 in 2007) 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 amounting to \$72,605 (\$66,999 in 2007) and the Koehler and Brenner Estates amounting to 423,189 (\$346,903 in 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 23 (21 in 2007) 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 2008 was \$80,614 (\$68,251 in 2007) for current service. The Township does not participate in any past service provisions of the OMERS agreement.



**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2008**

**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. and 50% of Lifetime Energy Inc. The investment in Waterloo North Hydro Holding Corporation is comprised of the following:

	<b>2008</b>	2007
	\$	\$
Senior note receivable from Waterloo North Hydro Holding Corporation	<b>1,436,033</b>	1,436,033
Junior note receivable from Waterloo North Hydro Holding Corporation	<b>1,096,413</b>	1,096,413
132 common shares of Waterloo North Hydro Holding Corporation	<b>1,661,119</b>	1,661,119
14,397 Class A special shares of Waterloo North Hydro Holding Corporation	<b>143,967</b>	143,967
Share of net income since acquisition	<b>2,159,461</b>	1,958,004
	<b>6,496,993</b>	6,295,536

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

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 following table provides condensed financial information in respect of Waterloo North Hydro Holding Corporation as at December 31, 2008 and 2007.

	<b>2008</b>	2007
	\$	\$
Current assets	<b>1,931,844</b>	5,794,335
Long-term assets	<b>99,732,581</b>	94,315,090
<b>Total assets</b>	<b>101,664,425</b>	100,109,425
Current liabilities	<b>8,303,525</b>	1,440,095
Long-term liabilities	<b>33,292,001</b>	41,681,222
<b>Total liabilities</b>	<b>41,595,526</b>	43,121,317
<b>Net assets</b>	<b>60,068,899</b>	56,988,108



**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2008**

**5. Investment in Waterloo North Hydro Holding Corporation (Continued)**

	2008	2007
	\$	\$
Results of operations		
Revenues	8,348,541	7,768,857
Operating expenses	2,867,750	2,905,254
<b>Net income</b>	<b>5,480,791</b>	<b>4,863,603</b>
Township's share of net income at 6.6%	361,732	322,872
Prior period adjustment	1,875	-
Less dividend received	359,857	322,872
	158,400	-
<b>Net increase in equity</b>	<b>201,457</b>	<b>322,872</b>

**6. Deferred Revenue - Obligatory Reserve Funds**

A requirement of PSAB is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded.

(a) The balances in the obligatory reserve funds on the Township are summarized as follows:

Recreation parkland	482,653	332,736
Development charges and sub-dividers contributions	375,966	287,378
Deferred revenue - Federal Gas Tax	280,132	123,449
	<b>1,138,751</b>	<b>743,563</b>

(b) Continuity schedule

Contributions from developers	218,801	120,929
Interest earned	24,238	31,441
Canada Gas Tax Funding	152,149	121,727
Application of Canada Gas Tax Funding for capital projects		( 194,309)
Contributions to capital fund		( 9,326)
	<b>395,188</b>	<b>70,462</b>
Balance, beginning of year	743,563	673,101
<b>Balance, end of year</b>	<b>1,138,751</b>	<b>743,563</b>



**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2008**

**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:

	<b>2008</b>	<b>2007</b>
	\$	\$
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	<b>719,804</b>	791,624
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	( <b>80,026</b> )	( 47,905 )
	<b>639,778</b>	743,719

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

	<b>2009 to 2013</b>	<b>2014 and Thereafter</b>	<b>Total</b>
	\$	\$	\$
From general municipal revenues	<b>410,084</b>	<b>229,694</b>	<b>639,778</b>
From benefiting landowners	<b>44,260</b>	<b>35,766</b>	<b>80,026</b>
	<b>454,344</b>	<b>265,460</b>	<b>719,804</b>

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:

	<b>2008</b>	<b>2007</b>
	\$	\$
Current fund	-	-
Capital fund		
Acquisition of capital assets to be recovered through taxation, user charges, debenture or donations	( <b>407,736</b> )	( 184,466 )



**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2008**

**9. Reserves and Reserve Funds**

The total balance of reserves \$2,592,292 (\$3,314,121 in 2007) and reserve funds \$3,441,560 (\$1,117,500 in 2007) are comprised of the following:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Reserves</b>		
Tax rate stabilization	<b>1,215,799</b>	1,164,960
Replacement of capital	<b>511,883</b>	1,209,755
Water	-	226,800
Recreation	<b>305,060</b>	208,839
Working capital	<b>120,000</b>	120,000
Building department reserve	<b>214,127</b>	140,000
Insurance	<b>56,721</b>	56,721
Other	<b>39,728</b>	69,212
COMRIF infrastructure	-	18,860
Planning and GRAAC	<b>128,974</b>	98,974
	<b>2,592,292</b>	3,314,121
<b>Reserves Funds</b>		
Infrastructure, roads and bridges	<b>3,441,560</b>	1,117,500
	<b>6,033,852</b>	4,431,621

**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:

Principal payments	<b>103,941</b>	98,996
Interest	<b>39,498</b>	44,471
	<b>143,439</b>	143,467

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



**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2008**

**11. Expenditures by Object**

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

	2008	2007
	\$	\$
Current expenditures consist of:		
Salaries, wages and employee benefits	2,097,000	1,889,029
Materials	1,291,982	1,322,260
Contracted services	589,960	389,111
Rents and financial expenses	46,795	32,271
Net long-term debt charges (interest)	39,497	44,471
	<b>4,065,234</b>	<b>3,677,142</b>

**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 at a cost of \$60 per call plus any increase in actual dispatch costs or the consumer price index, whichever is less.

In 2008, the Township was in year three of a three year lease agreement for computer equipment with annual payments totalling approximately \$22,000. Effective January, 2009, the Township has entered into a new lease arrangement for computer equipment at an annual cost of approximately \$31,600.

**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, 2008 is \$80,026 (\$47,905 in 2007) 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. Budget amounts which are presented on pages 5 and 6 of the financial statements are unaudited.



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**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2008**

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**15. Future Accounting Changes**

Effective January 1, 2009, the Township adopted Section 3150 of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of "tangible capital assets" of local governments.

Tangible capital assets are to be reported as assets in the statement of financial position at historic cost and amortized over their estimated useful life. Currently, the Township records tangible capital assets as capital expenditures in the consolidated statement of financial activities.

The Township has prepared an accounting policy with respect to tangible capital assets and is continuing to work towards full compliance of the recommendation of Section 3150 in compiling an inventory of tangible capital assets and is identifying assets according to their category and their estimated useful lives.