

**THE CORPORATION OF THE  
TOWNSHIP OF WELLESLEY**

**CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2009**



	<b>Page</b>
<b>Management Responsibility for Financial Reporting</b>	1
<b>Auditors' Report</b>	2
<b>Financial Statements</b>	
Consolidated Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Explanatory Financial Notes	7 - 17
Schedule	
Accumulated Surplus	18



---

**MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING  
DECEMBER 31, 2009**

---

The accompanying consolidated financial statements and all other information contained in this annual report are the responsibility of the management of The Corporation of the Township of Wellesley. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These consolidated financial statements have been prepared by management within the reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the consolidated financial statements are reviewed and approved by management. In addition, management meets periodically with the Township's external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Graham Mathew Professional Corporation, Chartered Accountants, as the Township's appointed external auditors have audited the consolidated financial statements. The external auditors have full and free access to management and Council. The Auditors' Report is dated June 16, 2010 and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatements and present fairly the financial position and results of operations of the Township in accordance with Canadian generally accepted accounting principles.

Susan Duke  
Chief Administrative Officer

Diane Lorbetski  
Director of Finance

## 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, 2009 and the statements of financial position, operations and accumulated surplus 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 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Cambridge, Ontario  
June 16, 2010

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



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2009**

	2009	2008 (note 16)
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and deposits	5,421,783	7,000,119
Taxes receivable	535,091	641,427
Accounts receivable	1,411,001	681,933
Investment in Waterloo North Hydro (note 6)	6,753,429	6,496,993
	<b>14,121,304</b>	<b>14,820,472</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,919,217	1,653,225
Deferred revenue - obligatory reserve funds (note 8)	1,828,513	1,352,878
Net long-term liabilities (note 9)	928,673	639,778
	<b>4,676,403</b>	<b>3,645,881</b>
<b>Net Financial Assets</b>	<b>9,444,901</b>	<b>11,174,591</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 7)	58,120,770	58,221,850
Inventories of supplies	57,739	64,628
Prepaid expenses	30,221	29,985
	<b>58,208,730</b>	<b>58,316,463</b>
<b>Accumulated surplus (pages 4 and 18)</b>	<b>67,653,631</b>	<b>69,491,054</b>

Approved on behalf of Council:

*Ross Keetelton*  
*Jim Olencher*



**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS  
YEAR ENDED DECEMBER 31, 2009**

	2009 \$	2008 (note 16) \$
<b>Revenues</b>		
Residential and farm taxation	2,694,796	2,599,598
Commercial, industrial and business taxation	468,448	467,922
Taxation from other governments	23,857	27,074
User charges	1,115,074	1,114,981
Government transfers	544,600	558,763
Investment income	28,087	357,921
Interest and penalties on taxes	93,605	87,209
Other	46,579	55,880
<b>Total revenues</b>	<b>5,015,046</b>	<b>5,269,348</b>
<b>Expenses</b>		
General government	973,474	920,170
Protection to persons and property	883,934	813,881
Transportation services	5,858,814	6,077,993
Environmental services	11,344	15,573
Social and family services	13,425	11,055
Recreation and cultural services	1,047,291	992,514
Planning and development	146,958	105,865
<b>Total expenses</b>	<b>8,935,240</b>	<b>8,937,051</b>
<b>Net expenses before other revenue</b>	<b>( 3,920,194)</b>	<b>( 3,667,703)</b>
<b>Other</b>		
Grants and transfers related to capital		
Government transfers		
Ontario	1,802,535	3,132,174
Other		305,312
	1,802,535	3,437,486
Interest earned on reserve funds	23,800	80,089
Increase in equity in Waterloo North Hydro	256,436	201,457
	2,082,771	3,719,032
<b>Surplus (deficit) for year</b>	<b>( 1,837,423)</b>	<b>51,329</b>
<b>Accumulated surplus, beginning of year</b>	<b>69,491,054</b>	<b>69,439,725</b>
<b>Accumulated surplus, end of year</b>	<b>67,653,631</b>	<b>69,491,054</b>



**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
YEAR ENDED DECEMBER 31, 2009**

	2009 \$	2008 (note 16) \$
Surplus (deficit) for year	( 1,837,423)	51,329
Amortization of tangible capital assets	4,668,961	4,587,763
Acquisition of tangible capital assets	( 4,567,881)	( 2,954,733)
Change in inventories of supplies	6,889	( 56,548)
Change in prepaid expenses	( 236)	22,630
<b>Increase (decrease) in net financial assets</b>	<b>( 1,729,690)</b>	<b>1,650,441</b>
<b>Net financial assets, beginning of year</b>	<b>11,174,591</b>	<b>9,524,150</b>
<b>Net financial assets, end of year</b>	<b>9,444,901</b>	<b>11,174,591</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2009**

	2009 \$	2008 (note 16) \$
<b>Operating activities</b>		
Surplus (deficit) for year	( 1,837,423)	51,329
Sources (uses)		
Taxes and grants-in-lieu	106,336	( 149,169)
Trade and other receivables	( 729,068)	( 57,063)
Accounts payable and accrued liabilities	265,992	390,672
Deferred revenue	475,635	395,188
Inventories of supplies	6,889	( 56,548)
Prepaid expenses	( 236)	22,630
	( 1,711,875)	597,039
Non-cash charge to operations		
Amortization	4,668,961	4,587,763
Cash provided from operations	2,957,086	5,184,802
<b>Capital activities</b>		
Acquisition of tangible capital assets	( 4,567,881)	( 2,954,733)
<b>Investing activities</b>		
Increase in investments	( 256,436)	( 201,457)
<b>Financing activities</b>		
Change in long-term liabilities, net	288,895	( 103,941)
<b>Net increase (decrease) in cash</b>	<b>( 1,578,336)</b>	1,924,671
Cash position, beginning of year	7,000,119	5,075,448
<b>Cash position, end of year</b>	<b>5,421,783</b>	7,000,119



---

**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2009**

---

**1. Municipal Status**

The Corporation of the Township of Wellesley was created on January 1, 1973 when the former municipalities of Wellesley and the Township of Wellesley were amalgamated into a single legal entity under the name, Corporation of the Township of Wellesley. This amalgamation was implemented through the final approval of Bill 167, The Region of Waterloo Act by the Government of Ontario in 1973.

The Township of Wellesley operates as a lower tier government in the Regional Municipality of Waterloo, in the Province of Ontario, Canada. The Township of Wellesley provides services within the spheres of jurisdiction afforded to a lower tier municipality under the Ontario Municipal Act such as fire protection and related services; public works, not including sewers and water; appropriate land use planning for the municipality including rural and urban elements; recreation facilities; building permits and related functions including the approval of individual subsurface sewage treatment facilities; and, other general government services, such as Municipal Drains, animal control, parking regulations and Property Standards by-law enforcement.

The Township of Wellesley is a minority 6.6% shareholder in Waterloo North Hydro Corporation and its affiliates.

**2. 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 local government accounting standards established by the Public Sector Accounting Board (PSAB) 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. However, because of the inherent uncertainty in making estimates, actual results could differ from those estimates.

The focus of PSAB financial statements is on the financial position of the Municipality and the changes thereto and emphasizes those assets which could provide resources to discharge existing liabilities or finance future operations. This provides information about the Township's overall future revenue requirements and its ability to finance activities and meet its obligations. The following is a summary of the significant accounting policies followed in the preparation of these financial statements.

**(a) Basis of consolidation**

i) Consolidated financial statements

These consolidated statements reflect the financial assets, liabilities, operating revenues and expenses, reserve funds and reserves, changes in investment in tangible capital assets and cash flows and include the activities of all governmental functions controlled and exercised by the Township Council.



---

**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2009**

---

**2. Summary of Significant Accounting Policies (Continued)**

**(a) Basis of consolidation (continued)**

ii) Government business enterprise

The Waterloo North Hydro Holding Corporation and its affiliates are not consolidated but are accounted for on the "modified equity basis" which reflects the Municipality's investment in the enterprises and its share of net income or loss less dividends received since acquisition. Under the modified equity basis, the Enterprise's accounting principles are not adjusted to conform with those of the Township and inter-organizational transactions and balances are not eliminated.

iii) Accounting for region and school board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the School Boards and the Region of Waterloo, are not reflected in these consolidated financial statements.

iv) Trust funds

Trust funds and their related operations administered by the Township are not consolidated, but are reported separately.

**(b) 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.

**(c) Non-financial assets**

Non-financial assets are not normally 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. The change in non-financial assets during the year, together with the excess revenues over expenses, provides the consolidated change in net financial assets for the year.



**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2009**

**2. Summary of Significant Accounting Policies (Continued)**

**(c) Non-financial assets (continued)**

i) Tangible capital assets

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

Land	Not amortized
Buildings	25 to 50 years
Vehicles	
Fire trucks	25 years
Vehicles	10 years
Office furniture and equipment	5 to 20 years
Computer hardware and software	3 to 10 years
Transportation	
Roadway system	10 to 50 years
Bridges and structures	30 to 50 years
Water reservoirs	45 years
Storm system	75 years
Other	
Machinery and equipment	10 to 20 years
Land improvements	15 to 25 years

Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of tangible capital assets (donated)

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

iii) Leases

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

iv) Inventories and prepaid expenses

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

Prepaid expenses relate to expenditures incurred in the current period which relate to and will be expensed in a future fiscal period.



**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2009**

**2. Summary of Significant Accounting Policies (Continued)**

**(d) Deferred revenue**

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible assets are acquired.

**(e) Investments**

Investment income is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is considered deferred until the funds are applied.

**(f) Government transfers**

Government transfers are recognized in the financial statements as revenue 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.

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

Further to note 2(a)(iii), the taxation, other revenues, and requisitions levied on behalf of the School Boards and the Region of Waterloo are comprised of the following:

	<b>School Boards</b>	<b>Region</b>
	\$	\$
Taxation and user charges	3,474,866	5,840,896
Share of payments in lieu of taxes		12,071
	3,474,866	5,852,967
Requisitions paid	3,479,812	5,852,967
Overlevy, end of year	4,946	NIL



**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2009**

**4. Trust Funds**

Further to note 2(a)(iv), trust funds administered by the Township amounting to **\$487,961** (\$495,794 in 2008) 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 **\$73,957** (\$72,605 in 2008) and other estate funds amounting to **\$414,004** (\$423,189 in 2008).

**5. 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 **24** (23 in 2008) 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 2009 was **\$89,428** (\$80,614 in 2008) for current service. The Township does not participate in any past service provisions of the OMERS agreement.

**6. 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>2009</b>	2008
	\$	(note 16) \$
Cost of investment, beginning of year	<b>6,496,993</b>	6,295,536
Increase in equity for year:		
Share of net income for year	<b>292,868</b>	359,857
Dividends received during year	<b>( 36,432)</b>	( 158,400)
	<b>256,436</b>	201,457
Net increase in equity	<b>6,753,429</b>	6,496,993



**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2009**

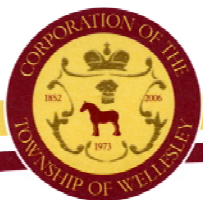
	2009 \$	2008 (note 16) \$
<b>6. Investment in Waterloo North Hydro Holding Corporation (Continued)</b>		
Senior note receivable from Waterloo North Hydro Holding Corporation	1,436,033	1,436,033
Junior note receivable from Waterloo North Hydro Holding Corporation	1,096,413	1,096,413
132 common shares 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	2,415,897	2,159,461
	<b>6,753,429</b>	6,496,993

Interest received on the Senior and Junior notes receivable is included in the Consolidated Statement of Operations and Accumulated Surplus.

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 for 2009 and 2008.

Current assets	1,919,440	1,931,844
Long-term assets	96,775,489	99,462,581
<b>Total assets</b>	<b>98,694,929</b>	101,394,425
Current liabilities	1,448,635	8,303,525
Long-term liabilities	33,292,001	33,292,001
<b>Total liabilities</b>	<b>34,740,636</b>	41,595,526
<b>Net equity</b>	<b>63,954,293</b>	59,798,899
Results of operations		
Revenue	7,364,706	8,348,541
Operating expenses	2,657,313	2,867,750
<b>Net income for year</b>	<b>4,707,393</b>	5,480,791



**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2009**

	2009 \$	2008 (note 16) \$
<b>6. Investment in Waterloo North Hydro Holding Corporation (Continued)</b>		
The Township's share in earnings is as follows:		
Township's share of net income at 6.6%	310,688	361,732
Prior period adjustment	( 17,820)	1,875
	<b>292,868</b>	<b>359,857</b>
Less dividend received	( 36,432)	158,400
<b>Net increase in equity</b>	<b>256,436</b>	<b>201,457</b>
<b>7. Tangible Capital Assets</b>		
<b>Cost</b>		
Land	3,253,409	3,253,409
Buildings	7,796,243	7,617,921
Infrastructure	99,719,255	99,510,532
Machinery and equipment	2,617,037	2,334,721
Vehicles	2,153,748	2,033,513
Office furniture and equipment	71,019	54,578
	<b>115,610,711</b>	<b>114,804,674</b>
<b>Accumulated amortization</b>		
Buildings	2,328,658	2,133,881
Infrastructure	57,180,501	53,035,170
Machinery and equipment	1,027,798	843,525
Vehicles	746,129	604,689
Office furniture and equipment	12,360	9,217
	<b>61,295,446</b>	<b>56,626,482</b>
<b>Net Book Value</b>	<b>54,315,265</b>	<b>58,178,192</b>
<b>Net book value</b>	<b>54,315,265</b>	<b>58,178,192</b>
<b>Assets under construction</b>	<b>3,805,505</b>	<b>43,658</b>
<b>Total tangible capital assets</b>	<b>58,120,770</b>	<b>58,221,850</b>

During the year, the Municipality added **\$4,567,881** (\$2,954,733 in 2008) in tangible capital assets. Amortization for the year amounted to **\$4,668,961** (\$4,587,763 in 2008).



**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2009**

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

A requirement of the Public Sector Accounting Board of the CICA 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 are summarized as follows:

	<b>2009</b>	2008 (note 16)
	\$	\$
Recreation parkland	<b>491,484</b>	482,653
Development charges and sub-dividers contributions	<b>466,802</b>	375,966
Federal Gas Tax	<b>585,484</b>	280,132
Building department (Bill 124)	<b>284,743</b>	214,127
	<b>1,828,513</b>	1,352,878

(b) Continuity schedule

Contributions from developers	<b>96,519</b>	218,801
Interest earned	<b>3,764</b>	28,364
Canada Gas Tax Funding	<b>305,352</b>	152,149
Contribution from operations (Bill 124)	<b>70,000</b>	70,000
	<b>475,635</b>	469,314
Balance, beginning of year	<b>1,352,878</b>	883,564
<b>Balance, end of year</b>	<b>1,828,513</b>	1,352,878

**9. Net Long-Term Liabilities**

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

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>1,003,953</b>	719,804
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>( 75,280)</b>	( 80,026)
	<b>928,673</b>	639,778



**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2009**

**9. Net Long-Term Liabilities (Continued)**

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

	<b>2010 to 2014</b>	<b>2015 and</b>	<b>Total</b>
	<b>\$</b>	<b>Thereafter</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>
From general municipal revenues	<b>582,014</b>	<b>346,659</b>	<b>928,673</b>
From benefiting landowners	<b>39,174</b>	<b>36,106</b>	<b>75,280</b>
	<b>621,188</b>	<b>382,765</b>	<b>1,003,953</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.

**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 Operations and Accumulated Surplus are as follows:

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>(note 16)</b>
		<b>\$</b>
Principal payments	<b>91,105</b>	103,941
Interest	<b>41,694</b>	39,498
	<b>132,799</b>	143,439

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

**11. Expenditures by Object**

The following is a summary of the total expenditures on the Consolidated Statement of Operations and Accumulated Surplus by the object of expenditure:

Salaries, wages and employee benefits	<b>2,232,121</b>
Materials	<b>1,458,472</b>
Contracted services	<b>492,118</b>
Rents and financial expenses	<b>36,734</b>
Long-term debt interest	<b>46,834</b>
Amortization	<b>4,668,961</b>
	<b>8,935,240</b>



---

**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2009**

---

**12. Commitments and Obligations**

- (a) 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.
- (b) Effective January, 2009, the Township entered into a new lease arrangement for computer equipment at an annual cost of approximately \$31,600 for a term of 3 years.
- (c) The Township has participated in the Infrastructure Stimulus Fund Program under which qualifying capital expenditures are financed 1/3 each by the the Township and the Federal and Ontario governments. The portion financed by the Township was done entirely out of accumulated reserve funds without incurring any debenture debt.
- (d) Under the sick leave benefit plan, unused sick leave can accumulate; however, employees are not entitled to receive a cash payment when they leave the Township's employment for these accumulated sick leave days.

No liability has been recorded in these financial statements for these accumulated sick leave days.

**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, 2009 is **\$75,280** (\$80,026 in 2008) and is not recorded on the Consolidated Statement of Financial Position (see note 9).

**14. Budget Figures**

Council approved operating budgets for 2009 that include funding contributions for Capital Projects and various Reserves, the costs for which may be carried over one or more years. In addition, the approved budgets have excluded certain costs such as amortization expense now included in the actual expenses under PSAB generally accepted accounting principles.

As such, the budgets are not directly comparable with the current year's actual expense amounts and, accordingly, budget amounts have not been included in these financial statements.



---

**EXPLANATORY FINANCIAL NOTES  
YEAR ENDED DECEMBER 31, 2009**

---

**15. Self Insurance Coverage**

In order to decrease insurance premium costs, the Township has assumed a portion of the risk by assuming deductibles. The Township is self insured up to \$5,000. Insurance coverage is in place for claims in excess of this deductible limit.

The Township has an agreement with members of the Waterloo Region municipalities to purchase property damage and public liability insurance on a group basis and share a retained level of risk. The members pay an annual levy to fund insurance coverage, losses and contribute to a surplus. The pool has purchased insurance to fund losses above a pre-determined deductible and any losses above a pre-determined total in any year.

**16. Change in Accounting Policy**

Effective January 1, 2009, the Township changed its accounting and financial reporting to conform to the revised guidelines in the Public Sector Accounting Handbook on financial reporting presentation (section PS 1200) and tangible capital accounting (PS 3150). Current year data is presented on the new basis. Prior year data has been restated on the same basis, wherever possible, to be comparable with the current year data. The most significant change is the reporting on tangible capital assets for the first time, and the inclusion of the Consolidated Statement of Change in Net Financial Assets.

Previously, the Township recorded tangible capital assets as capital expenditures in the consolidated statement of financial activities. The Township is now recording tangible capital assets in the statement of financial position at historic cost and they are amortized over their estimated useful life. The resulting amortization is recorded in the Consolidated Statement of Operations and Accumulated Surplus as an expense.

The change has been accounted for retrospectively resulting in accumulated surplus at January 1, 2008 being increased to \$69,439,725 reflecting primarily the values of tangible capital assets.

**17. Comparative Figures**

Comparative figures have, in some instances, been restated in order to present them in a form comparable to those for the current year (see note 16 above).



**SCHEDULE OF ACCUMULATED SURPLUS  
YEAR ENDED DECEMBER 31, 2009**

	2009	2008
	\$	(note 16) \$
<b>Reserve and Reserve Funds</b>		
Tax rate stabilization	1,162,990	1,215,799
Working capital	120,000	120,000
Waterloo North Hydro reserve	279,457	511,883
General government	232,205	165,654
Fire		
Equipment	170,184	101,796
Other	73,536	78,536
Infrastructure - roads, equipment and structures	1,362,849	3,239,739
Recreation	103,558	213,727
Planning	90,000	70,000
Other reserves	113,196	102,592
	<b>3,707,975</b>	<b>5,819,726</b>
<b>Surplus</b>		
Invested in tangible capital assets	58,120,770	58,221,850
Operating Fund	5,824,886	5,449,478
<b>Total Surplus</b>	<b>63,945,656</b>	<b>63,671,328</b>
	<b>67,653,631</b>	<b>69,491,054</b>