

Consolidated Financial Statements of

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

Year ended December 31, 2010

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

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For the year ended December 31, 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Corporation of the Township of Centre Wellington ("the Entity"), which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corporation of the Township of Centre Wellington as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Accountants, Licensed Public Accountants

September 26, 2011
Waterloo, Canada

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Consolidated Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
Financial Assets		
Cash (note 5)	\$ 24,676,813	\$ 25,381,098
Short-term investments (note 6)	4,031,019	4,031,019
Taxes receivable	3,252,314	2,534,234
Accounts receivable	6,156,407	4,151,608
Long-term receivables (note 8)	1,381,201	1,428,400
Investment in Centre Wellington Energy Inc. (note 10)	13,604,637	13,286,277
Total financial assets	53,102,391	50,812,636
Financial Liabilities		
Accounts payable and accrued liabilities	2,878,968	2,026,373
Other current liabilities	140,247	139,169
Deferred revenue (note 12)	6,890,277	6,276,223
Employee future benefits (note 14)	438,772	399,763
Net long-term liabilities (note 9)	15,323,399	14,048,092
Total financial liabilities	25,671,663	22,889,620
Net financial assets	27,430,728	27,923,016
Non-Financial Assets		
Tangible capital assets (note 13)	176,870,173	168,819,657
Inventories of supplies	52,912	52,705
Prepaid expenses	22,021	8,724
	176,945,106	168,881,086
Contingencies and commitments (note 4)		
Accumulated surplus (note 15)	\$ 204,375,834	\$ 196,804,102

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, 2010 with comparative figures for 2009

	Budget 2010 (unaudited)	Actual 2010	Actual 2009
Revenue:			
Net taxation	\$ 9,310,636	\$ 9,493,699	\$ 9,027,475
Government transfers:			
Provincial	1,433,600	2,960,460	2,889,191
Federal	2,601,000	3,395,283	1,213,135
Municipal	25,500	422,003	89,695
Development charges earned	1,630,050	2,106,562	1,960,429
Licenses and permits	726,400	781,238	715,145
Fees, rents and concessions	8,801,690	9,508,611	8,888,231
Penalties and interest on taxes	305,000	390,643	351,749
Interest, donations and other	716,301	1,246,319	948,113
Equity earnings from Centre Wellington			
Energy Inc. (note 10)	-	318,360	222,289
Developer contributions	452,000	217,692	903,945
Gaming revenue (note 11)	1,900,000	2,202,954	2,153,067
Loss on disposal of tangible capital assets	-	(189,718)	(1,596,560)
Total revenue	27,902,177	32,854,106	27,765,904
Expenses:			
General government	2,487,563	2,738,159	2,854,242
Protection to persons and property	2,253,356	2,397,109	2,492,586
Transportation services	4,589,256	8,234,581	7,871,797
Environmental services	4,418,078	5,783,632	5,288,439
Health services	164,100	151,236	147,808
Social and family services	371,317	369,710	367,350
Recreation and cultural services	4,097,708	4,686,727	4,657,648
Planning and development	1,003,437	921,220	891,936
Total expenses	19,384,815	25,282,374	24,571,806
Annual surplus	8,517,362	7,571,732	3,194,098
Accumulated surplus, beginning of year	196,804,102	196,804,102	193,343,235
Effect of change in accounting policy of Centre Wellington Energy Inc.	-	-	266,769
Accumulated surplus, end of year	\$ 205,321,464	\$ 204,375,834	\$ 196,804,102

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, 2010, with comparative figures for 2009

	2010	2009
Annual surplus	\$ 7,571,732	\$ 3,194,098
Acquisition of tangible capital assets	(14,752,107)	(9,001,340)
Amortization of tangible capital assets	6,453,185	6,246,427
Loss on disposal of tangible capital assets	189,718	1,596,559
Proceeds on sale of tangible capital assets	58,688	61,324
	(478,784)	2,097,068
Acquisition of inventories of supplies	(52,912)	(52,705)
Acquisition of prepaid expenses	(22,021)	(8,724)
Consumption of inventories of supplies	52,705	25,626
Use of prepaid expenses	8,724	52,900
Change in net financial assets	(492,288)	2,114,165
Net financial assets, beginning of year	27,923,016	25,542,082
Effect of change in accounting policy of Centre Wellington Energy Inc.	-	266,769
Net financial assets, end of year	\$ 27,430,728	\$ 27,923,016

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, 2010 with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 7,571,732	\$ 3,194,098
Items not involving cash:		
Amortization	6,453,185	6,246,427
Loss on sale of tangible capital assets	189,718	1,596,559
Change in employee benefits and other liabilities	39,009	203,087
Equity earnings from Centre Wellington Energy Inc.	(318,360)	(222,289)
Contributed tangible capital assets	(275,000)	-
Change in non-cash assets and liabilities:		
Taxes receivable	(718,080)	(294,149)
Accounts receivable	(2,004,799)	(2,267,890)
Inventories of supplies	(207)	(27,079)
Prepaid expenses	(13,297)	44,176
Accounts payable and accrued liabilities	852,595	463,212
Other current liabilities	1,078	1,108
Deferred revenue	614,054	(562,072)
Net change in cash from operating activities	12,391,628	8,375,188
Capital activities:		
Proceeds on sale of tangible capital assets	58,688	61,324
Cash used to acquire tangible capital assets	(14,477,107)	(9,001,340)
Net change in cash from capital activities	(14,418,419)	(8,940,016)
Investing activities:		
Decrease in long-term receivables	47,199	44,901
Purchase of short-term investments	-	(4,031,019)
Net change in cash from investing activities	47,199	(3,986,118)
Financing activities:		
Long-term debt repaid	(990,693)	(951,536)
Long-term debt issued	2,266,000	-
Net change in cash from financing activities	1,275,307	(951,536)
Net change in cash position during the year	(704,285)	(5,502,482)
Cash position, beginning of year	25,381,098	30,883,580
Cash position, end of year	\$ 24,676,813	\$ 25,381,098
Cash paid for interest	\$ 694,463	\$ 737,438
Cash received from interest	756,973	697,443

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, 2010

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 generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board (“PSAB”) of the Canadian Institute of Chartered Accountants. 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 enterprise which is 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 Enterprise:

The Township's investment in Centre Wellington Energy Inc. is accounted for on a modified equity basis, consistent with Canadian generally accounting principles as recommended by PSAB for investments in government business enterprises. Under the modified equity basis, Centre Wellington Energy Inc.'s accounting policies are not adjusted to conform with 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. 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. 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, 2010

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.

(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 in the amount of \$3,440,149 (2009 - \$3,556,639). These funds 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 of \$194,096 (2009 - \$29,228) received by the Township subject to a Municipal Funding Agreement for the Transfer of Federal Gas Tax Revenues Under the New Deal for Cities and Communities 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 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, 2010

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

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 financial statements.

(iv) Interest capitalization

The Township does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(v) Leased tangible capital assets

Leases which transfer substantially all 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.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

1. Accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits.

In addition, the Township's implementation of the Public Sector Accounting Handbook PS3150 requires management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(g) Employee future benefits:

(i) 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 Workplace Safety and Insurance Board 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, and 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.

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.

(ii) 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.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

1. Accounting policies (continued):

(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.

2. 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	\$ 9,105,693	\$ 20,601,156

3. Trust funds:

Trust funds administered by the municipality amounting to \$733,080 (2009 - \$696,582) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

4. 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) Minimum annual lease payments:

The Township rents premises with minimum annual lease payments as follows:

2011	\$ 20,370
2012	21,000
2013	21,600
	<hr/>
	\$ 62,970

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

5. Cash:

At December 31, 2010, the Township had undrawn capacity under a credit facility of \$7,000,000. Interest on the credit facility is at prime less 0.25%.

6. Short-term investments:

Short-term investments consist of term deposits held at a schedule 1 bank. The term deposits earn interest at a rate of 2.55% and mature in March 2011. The short-term investment balance includes accrued interest earned on the term deposits of \$31,019 (2009 - \$31,019).

7. 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. 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 in 2010 was \$442,318 (2009 - \$400,674) for current service and past service costs and is included as an expense on the consolidated statement of operations.

8. Long-term receivables:

The Township entered into a loan agreement with Centre Wellington Community Medical Offices to provide a loan to a maximum of \$1,700,000. 75% of the draws (Part B) bear interest at a rate of 5%. Repayment is due in monthly blended payments of \$8,091 and is due November 2025. The remaining 25% of the draws (Part A) are non-interest bearing, and principal repayments are due in equal monthly installments over five years, with the first payment due following repayment of Part B.

	2010	2009
Loan receivable – Part A	\$ 409,046	\$ 409,046
Loan receivable – Part B	1,019,354	1,064,255
	1,428,400	1,473,301
Less current portion included in accounts receivable	47,199	44,901
Total long-term receivables	\$ 1,381,201	\$ 1,428,400

The Township and Centre Wellington Community Medical Offices are related parties as the Township has the ability to appoint 2 of the 5 members of the Board of Directors. The loans 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 \$52,193 (2009 - \$54,378).

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

9. 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.

	2010	2009
Total long-term liabilities incurred by the Township with varying maturities up to 2026 and weighted average interest rate of 4.87% (2009 - 5.05%)	\$15,408,490	\$14,148,029
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage loans has been assumed by individuals	(85,091)	(99,937)
Net long-term liabilities, end of year	\$15,323,399	\$14,048,092

- (b) Principal and interest payments for the next five years and thereafter by the Township are as follows:

	Principal	Interest	Total
2011	\$ 1,143,123	\$ 729,846	\$ 1,872,969
2012	1,119,174	677,570	1,796,744
2013	1,031,060	622,227	1,653,287
2014	987,211	577,908	1,565,119
2015	1,029,010	531,728	1,560,738
2016 and thereafter	10,013,821	2,457,073	12,470,894
Total	\$ 15,323,399	\$ 5,596,352	\$ 20,919,751

- (c) The long-term liabilities in (a) issued in the name of the municipality have received approval of the Ontario Municipal Board (or approval by private legislation) for those approved on or before December 31, 1992. Those approved after January 1, 1993, have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (d) Total interest on long-term liabilities which are reported on the consolidated statement of operations amounted to \$694,282 (2009 - \$737,438). The long-term liabilities carry interest rates ranging from 0% to 9.875%. The interest on long-term liabilities assumed by individuals for tile drainage loans is not reflected in the financial statements.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

10. Government business enterprises:

Centre Wellington Energy Inc. is a corporation, incorporated under the laws of the Province of Ontario on December 4, 2009, 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. Centre Wellington Hydro Ltd. commenced operations on November 1, 2000.

The following summarizes the financial position and operations of the government business enterprise which has been reported in these Financial Statements using the modified equity method:

	2010	2009
Assets	\$ 17,058,658	\$ 17,362,110
Other liabilities	8,500,774	9,122,586
Net assets	8,557,884	8,239,524
Promissory note due to the Township of Centre Wellington	5,046,753	5,046,753
Investment in Centre Wellington Energy Inc.	\$ 13,604,637	\$ 13,286,277

	2010	2009
Revenues	\$ 14,172,038	\$ 12,625,405
Expenditures	13,853,585	12,386,085
Net earnings for the year	318,453	239,320
Retained earnings, beginning of year	3,184,222	2,678,133
Effect of change in accounting policy	-	266,769
Retained earnings, end of year	\$ 3,502,675	\$ 3,184,222

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

11. Gaming revenue:

The Township has entered into a Racetrack Municipality Contribution Agreement with the Ontario Lottery and Gaming Corporation (OLGC). As part of the agreement, OLGC provides quarterly payments to the Township in the amount of 5% of the net proceeds derived from the slot machines at the Grand River Raceway.

Pursuant to an agreement between the Township and the County of Wellington, 21% of the gross quarterly proceeds due to the Township are paid to the County of Wellington. This payment is designed to cover additional costs incurred by the County of Wellington due to the Grand River Raceway.

The net proceeds are placed in a Township reserve fund. A summary of gaming revenue is as follows:

	2010	2009
Gross gaming proceeds	\$ 2,202,954	\$ 2,153,067
Less: payments to the County of Wellington	(462,620)	(452,144)
Net proceeds	\$ 1,740,334	\$ 1,700,923

12. Deferred revenue:

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

	Opening	Contributions Received (Repaid)	Investment Income (Loss)	Revenue Recognized	Ending
Obligatory:					
Development charges	\$ 3,556,639	\$ 1,954,066	\$ 36,006	\$(2,106,562)	\$ 3,440,149
Recreational land	141,970	117,645	1,897	(90,000)	171,512
Parking revenues	51,424	-	397	-	51,821
Subdivider contributions	501,002	15,502	3,994	-	520,498
Lot levies	35,656	-	276	-	35,932
Federal gas tax funding	29,228	799,053	1,394	(635,579)	194,096
Other:					
Grading and damage deposits	742,117	226,137	-	-	968,254
Builder and other deposits	1,157,711	260,604	-	-	1,418,315
Other	60,476	89,700	-	(60,476)	89,700
	\$ 6,276,223	\$ 3,462,707	\$ 43,964	\$(2,892,617)	\$ 6,890,277

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

13. Tangible capital assets:

Cost	Balance at December 31, 2009	Additions	Disposals	Balance at December 31, 2010
Land	\$ 1,614,758	\$ 371,139	\$ -	\$ 1,985,897
Land improvements	2,951,218	486,435	(15,921)	3,421,732
Buildings	18,425,948	2,675,031	(673,543)	20,427,436
Vehicles	8,424,281	839,361	(277,596)	8,986,046
Equipment	4,720,946	258,283	(289,150)	4,690,079
Water and wastewater infrastructure	74,126,923	1,090,817	(47,841)	75,169,899
Road and structure infrastructure	149,961,611	5,785,881	(290,065)	155,457,427
Assets under construction	1,519,990	4,388,654	(1,143,494)	4,765,150
Total	\$ 261,745,675	\$ 15,895,601	\$ (2,737,610)	\$ 274,903,666

Accumulated amortization	Balance at December 31, 2009	Disposals	Amortization	Balance at December 31, 2010
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	996,549	(12,737)	75,071	1,058,883
Buildings	4,889,587	(461,274)	452,546	4,880,859
Vehicles	4,264,579	(268,992)	664,049	4,659,636
Equipment	2,189,749	(289,150)	514,104	2,414,703
Water and wastewater infrastructure	20,815,345	(35,107)	1,430,451	22,210,689
Road and structure infrastructure	59,770,209	(278,450)	3,316,964	62,808,723
Assets under construction	-	-	-	-
Total	\$ 92,926,018	\$ (1,345,710)	\$ 6,453,185	\$ 98,033,493

	Net book value December 31, 2009	Net book value December 31, 2010
Land	\$ 1,614,758	\$ 1,985,897
Land improvements	1,954,669	2,362,849
Buildings	13,536,361	15,546,577
Vehicles	4,159,702	4,326,410
Equipment	2,531,197	2,275,376
Water and wastewater infrastructure	53,311,578	52,959,210
Road and structure infrastructure	90,191,402	92,648,704
Assets under construction	1,519,990	4,765,150
Total	\$ 168,819,657	\$ 176,870,173

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

13. Tangible capital assets (continued):

Cost	Balance at December 31, 2008	Additions	Disposals	Balance at December 31, 2009
Land	\$ 1,276,901	\$ 337,857	\$ -	\$ 1,614,758
Land improvements	2,789,909	169,550	(8,241)	2,951,218
Buildings	17,941,307	734,618	(249,977)	18,425,948
Vehicles	8,161,111	680,522	(417,352)	8,424,281
Equipment	4,282,440	461,609	(23,103)	4,720,946
Water and wastewater infrastructure	71,450,788	2,817,805	(141,670)	74,126,923
Road and structure infrastructure	147,618,943	5,061,124	(2,718,456)	149,961,611
Assets under construction	2,781,735	1,339,540	(2,601,285)	1,519,990
Total	\$ 256,303,134	\$ 11,602,625	\$ (6,160,084)	\$ 261,745,675

Accumulated amortization	Balance at December 31, 2008	Disposals	Amortization	Balance at December 31, 2009
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	933,831	(6,516)	69,234	996,549
Buildings	4,696,433	(238,449)	431,603	4,889,587
Vehicles	3,967,042	(372,856)	670,393	4,264,579
Equipment	1,735,283	(18,031)	472,497	2,189,749
Water and wastewater infrastructure	19,489,481	(54,996)	1,380,860	20,815,345
Road and structure infrastructure	57,758,437	(1,210,068)	3,221,840	59,770,209
Assets under construction	-	-	-	-
Total	\$ 88,580,507	\$ (1,900,916)	\$ 6,246,427	\$ 92,926,018

	Net book value December 31, 2008	Net book value December 31, 2009
Land	\$ 1,276,901	\$ 1,614,758
Land improvements	1,856,078	1,954,669
Buildings	13,244,874	13,536,361
Vehicles	4,194,069	4,159,702
Equipment	2,547,157	2,531,197
Water and wastewater infrastructure	51,961,307	53,311,578
Road and structure infrastructure	89,860,506	90,191,402
Assets under construction	2,781,735	1,519,990
Total	\$ 167,722,627	\$ 168,819,657

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

13. Tangible Capital Assets (continued):

(a) Assets under construction

Assets under construction having a value of \$4,765,149 (2009 - \$1,519,900) 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 \$275,000 (2009 - \$NIL).

(c) Tangible capital assets disclosed at nominal values

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

(d) Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$NIL (2009 - \$NIL).

14. 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, 2010.

	2010	2009
Post employment benefits	\$ 285,467	\$ 265,287
Future payments required to WSIB	153,305	134,476
	<u>\$ 438,772</u>	<u>\$ 399,763</u>

(a) Post employment benefits:

The Township pays health, dental 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 and dental 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 most recent actuarial valuation was performed as at December 31, 2008.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

14. Employee benefits and other liabilities:

(a) Post employment benefits (continued)

Information about the post employment benefit plan is as follows:

	2010	2009
Accrued benefit obligation:		
Balance, beginning of year	\$ 265,287	\$ 81,211
Current benefit cost	17,594	16,428
Increase due to plan amendment	-	166,638
Interest	13,433	12,516
Expected benefit payments	(10,847)	(11,506)
Expected accrued benefit obligation, end of year	285,467	265,287
Unamortized actuarial loss	-	-
Liability for post employment benefits	\$ 285,467	\$ 265,287

The unamortized actuarial loss is amortized over the expected average service life of 14 years.

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

(i) Interest (discount rate):

The obligation as at December 31, 2010, of the present value of future liabilities and the expense for the 12 months ended December 31, 2010, were determined using a discount rate of 5.0% (2009 – 5.0%).

(ii) Medical costs:

Medical costs were assumed to increase at the rate of 7.214% for 2010 and 2009, reducing by 0.357% per year to 4.0% in 2019 and 4.0% per year thereafter.

(iii) Dental costs:

Dental costs were assumed to increase at the rate of 4.0% (2009 – 4.0%) 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 \$39,517 (2009 - \$40,600).

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

14. Employee benefits and other liabilities (continued):

a) WSIB:

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board (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, 2007.

Information about the WSIB liability is as follows:

	2010	2009
Accrued benefit obligation:		
Balance, beginning of year	\$ 174,186	\$ 160,139
Current benefit cost	40,252	39,049
Interest	8,835	8,155
Expected benefit payments	(35,222)	(33,157)
Expected accrued benefit obligation, end of year	188,051	174,186
Unamortized actuarial loss	(34,746)	(39,710)
WSIB liability	\$ 153,305	\$ 134,476

Included in expenses is \$4,964 (2009 - \$4,964) for amortization of the actuarial loss. The unamortized actuarial loss on future payments required to WSIB is amortized over the expected period of the liability which is 10 years.

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

(i) Interest (discount rate):

The obligation as at December 31, 2010, of the present value of future liabilities and the expense for the 12 months ended December 31, 2010, were determined using a discount rate of 5.0%.

(ii) Administration costs:

Administration costs were assumed to be 27.0% of the compensation expense.

(iii) Compensation expense:

Compensation costs, which include loss of earnings benefits, health care costs and non-economic loss awards, were assumed to increase at rates ranging from -1.0% to 5.0% 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 \$85,718 (2009 - \$104,426).

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

15. Accumulated surplus:

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

	2010	2009
Surplus:		
Invested in tangible capital assets	\$ 176,870,173	\$ 168,819,657
General purposes	11,491,871	11,329,841
Investment in Centre Wellington Energy Inc.	13,604,637	13,286,277
Amounts to be recovered:		
Post employment benefits	(285,467)	(265,287)
WSIB	(153,305)	(134,476)
Net long-term liabilities	(15,323,399)	(14,048,092)
Total surplus	186,204,510	178,987,920
Reserves set aside by Council for:		
Capital works - Wastewater	3,465,603	2,733,329
Working capital	1,109,662	1,109,662
Capital works - Roads	221,538	193,280
Replacement of equipment	1,209,162	970,262
Capital works - Waterworks	4,559,727	5,070,255
Other	1,808,030	1,996,783
Capital works - Cultural	8,862	6,649
Capital works - Fire	7,770	5,800
Planning	24,760	24,760
Contingencies	5,100	5,100
Total reserves	12,420,214	12,115,880
Reserve funds set aside for specific purposes by Council for:		
Capital works - Other	2,222,642	2,223,316
Capital works - Social services	83,746	57,716
Capital works - Roads	12,225	12,131
Capital works - Wastewater	2,380,676	2,253,249
Capital works - Waterworks	1,051,821	1,153,890
Total reserve funds	5,751,110	5,700,302
Accumulated surplus	\$ 204,375,834	\$ 196,804,102

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

16. 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	2010 Consolidated
Revenues									
Taxation	\$ 1,958,438	\$ 1,347,897	\$ 3,411,452	\$ -	\$ 57,922	\$ 254,464	\$ 1,926,427	\$ 537,099	\$ 9,493,699
Government transfers	1,303,775	25,965	3,456,490	678,665	-	45,500	1,170,323	97,028	6,777,746
Development charges earned	76,054	21,160	1,133,297	581,900	-	-	284,754	9,397	2,106,562
Licences and permits	22,267	758,971	-	-	-	-	-	-	781,238
Fees, rents and concessions	124,047	37,310	73,326	7,255,395	116,127	116,365	1,720,734	65,307	9,508,611
Penalties and interest on taxes	390,643	-	-	-	-	-	-	-	390,643
Interest, donations and other	712,155	54,487	11,771	50,521	30,186	16,567	361,923	8,709	1,246,319
Equity earnings from Centre Wellington Energy Inc.	318,360	-	-	-	-	-	-	-	318,360
Developer contributions	3,000	-	37,265	870	-	-	90,000	86,557	217,692
Gaming revenue	180,000	-	1,925,327	-	-	-	97,627	-	2,202,954
Loss on disposal of tangible capital assets	1,486	-	37,066	(12,817)	(3,184)	(13,810)	(198,459)	-	(189,718)
Total Revenues	\$ 5,090,225	\$ 2,245,790	\$ 10,085,994	\$ 8,554,534	\$ 201,051	\$ 419,086	\$ 5,453,329	\$ 804,097	\$ 32,854,106
Expenses									
Salaries and benefits	\$ 1,430,261	\$ 1,726,509	\$ 1,517,025	\$ 1,783,435	\$ 63,462	\$ 181,694	\$ 2,227,685	\$ 495,574	\$ 9,425,645
Goods and services	921,218	305,234	2,821,948	2,060,263	85,242	171,163	1,586,394	425,646	8,377,108
Transfer payments	-	117,599	-	143,734	-	-	51,217	-	312,550
Interest and rental	19,786	18,313	93,211	272,414	-	-	310,162	-	713,886
Amortization	366,894	229,454	3,802,397	1,523,786	2,532	16,853	511,269	-	6,453,185
Total Expenses	\$ 2,738,159	\$ 2,397,109	\$ 8,234,581	\$ 5,783,632	\$ 151,236	\$ 369,710	\$ 4,686,727	\$ 921,220	\$ 25,282,374

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2010

16. Segmented information (continued):

	General Government	Protection	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation & Culture	Planning & Development	2009 Consolidated
Revenues									
Taxation	\$ 1,868,416	\$ 1,388,914	\$ 3,242,526	\$ -	\$ 53,708	\$ 210,792	\$ 1,772,907	\$ 490,212	\$ 9,027,475
Government transfers	1,542,600	37,617	1,430,461	837,867	-	35,502	220,218	87,756	4,192,021
Development charges earned	56,397	21,160	279,024	1,251,729	-	-	325,919	26,200	1,960,429
Licences and permits	29,539	685,606	-	-	-	-	-	-	715,145
Fees, rents and concessions	106,522	59,634	54,695	6,632,983	94,886	125,420	1,737,073	77,018	8,888,231
Penalties and interest on taxes	351,749	-	-	-	-	-	-	-	351,749
Interest, donations and other	699,930	15,104	12,552	35,950	27,973	10,297	133,845	12,462	948,113
Equity earnings from Centre Wellington Energy Inc.	222,289	-	-	-	-	-	-	-	222,289
Developer contributions	1,000	-	552,590	220,100	-	-	34,000	96,255	903,945
Gaming revenue	-	-	1,381,743	-	-	-	771,324	-	2,153,067
Loss on disposal of tangible capital assets	(560)	-	(1,495,403)	(83,997)	-	-	(16,600)	-	(1,596,560)
Total Revenues	\$ 4,877,882	\$ 2,208,035	\$ 5,458,188	\$ 8,894,632	\$ 176,567	\$ 382,011	\$ 4,978,686	\$ 789,903	\$ 27,765,904
Expenses									
Salaries and benefits	\$ 1,435,115	\$ 1,663,706	\$ 1,518,293	\$ 1,596,787	\$ 70,952	\$ 177,819	\$ 2,134,332	\$ 460,779	\$ 9,057,783
Goods and services	1,062,601	333,369	2,546,589	1,925,607	74,919	172,678	1,667,014	431,157	8,213,934
Transfer payments	-	243,631	-	-	-	-	45,855	-	289,486
Interest and rental	32,493	20,422	99,653	287,884	-	-	323,723	-	764,175
Amortization	324,033	231,458	3,707,262	1,478,161	1,937	16,853	486,724	-	6,246,428
Total Expenses	\$ 2,854,242	\$ 2,492,586	\$ 7,871,797	\$ 5,288,439	\$ 147,808	\$ 367,350	\$ 4,657,648	\$ 891,936	\$ 24,571,806



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of financial position of the trust funds of The Corporation of the Township of Centre Wellington which comprise of the statement of financial position as at December 31, 2010 and the statement of financial activities of the trust funds for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many not-for-profit organizations, the trust funds of the Corporation of the Township of Centre Wellington derives revenue from sundry sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the entity and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the trust funds of The Corporation of the Township of Centre Wellington as at December 31, 2010, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the right end.

Chartered Accountants, Licensed Public Accountants

September 26, 2011
Waterloo, Canada

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Trust Funds - Statement of Financial Position

As at December 31, 2010

	Elora Cemetery Perpetual Care	Fergus Cemetery Perpetual Care	Mount Carmel Cemetery Perpetual Care	M.W. Baptie Scholarship	Total
Assets					
Cash	\$ 25,232	\$ 33,482	\$ 34,872	\$ 4,380	\$ 97,966
Term deposit certificates	233,000	393,000	-	1,000	627,000
CIBC stock – at cost	-	1,299	-	-	1,299
Due from Township	2,209	4,606	-	-	6,815
	\$ 260,441	\$ 432,387	\$ 34,872	\$ 5,380	\$ 733,080
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Balance - Capital	260,441	432,387	34,872	5,380	733,080
	\$ 260,441	\$ 432,387	\$ 34,872	\$ 5,380	\$ 733,080

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Trust Funds - Statement of Operations and Changes in Net Financial Assets

Year ended December 31, 2010

	Elora Cemetery Perpetual Care	Fergus Cemetery Perpetual Care	Mount Carmel Cemetery Perpetual Care	M.W. Baptie Scholarship	Total
Revenue:					
Sale of plots and cemetery fees	\$ 16,247	\$ 19,265	\$ 1,000	\$ -	\$ 36,512
Interest earned	6,082	10,224	260	34	16,600
	22,329	29,489	1,260	34	53,112
Expenses:					
Reimbursement to Township	6,082	10,224	-	-	16,306
Reimbursement to Mount Carmel Cemetery	-	-	258	-	258
Scholarships	-	-	-	50	50
	6,082	10,224	258	50	16,614
Surplus (deficit)	16,247	19,265	1,002	(16)	36,498
Net financial assets, beginning of year	244,194	413,122	33,870	5,396	696,582
Net financial assets, end of year	\$ 260,441	\$ 432,387	\$ 34,872	\$ 5,380	\$ 733,080

See accompanying notes to financial statements.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Trust Funds

Note to Financial Statements

Year ended December 31, 2010

1. Accounting policy:

Basis of accounting:

Expenditures, receipts, and income are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.