

Consolidated Financial Statements of

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

Year ended December 31, 2011

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

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For the year ended December 31, 2011

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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 financial position as at December 31, 2011, 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 our 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.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.



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, 2011, and the results of its operations changes in net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

July 16, 2012
Waterloo, Canada

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Consolidated Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Financial Assets		
Cash (note 5)	\$ 18,174,777	\$ 24,676,813
Short-term investments (note 6)	11,037,208	4,031,019
Taxes receivable	2,649,820	3,252,314
Accounts receivable	5,691,827	6,156,407
Long-term receivables (note 7)	1,331,587	1,381,201
Investment in Centre Wellington Energy Inc. (note 9)	13,716,317	13,604,637
Total financial assets	52,601,536	53,102,391
Financial Liabilities		
Accounts payable and accrued liabilities	2,796,670	2,878,968
Other current liabilities	107,796	140,247
Deferred revenue (note 12)	9,301,442	6,890,277
Employee future benefits (note 14)	462,930	438,772
Net long-term liabilities (note 8)	14,180,278	15,323,399
Total financial liabilities	26,849,116	25,671,663
Net financial assets	25,752,420	27,430,728
Non-Financial Assets		
Tangible capital assets (note 13)	182,748,137	176,870,173
Inventories of supplies	57,139	52,912
Prepaid expenses	25,411	22,021
	182,830,687	176,945,106
Contingencies and commitments (note 4)		
Accumulated surplus (note 15)	\$ 208,583,107	\$ 204,375,834

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, 2011 with comparative figures for 2010

	Budget 2011 (unaudited)	Actual 2011	Actual 2010
Revenue:			
Net taxation	\$ 9,826,410	\$ 9,822,409	\$ 9,493,699
Government transfers:			
Provincial	1,230,300	1,808,392	2,960,460
Federal	993,000	2,200,793	3,395,283
Municipal	129,500	1,125,283	422,003
Development charges earned	47,635	1,396,280	2,106,562
Licenses and permits	771,500	914,496	781,238
Fees, rents and concessions	9,204,030	9,495,514	9,508,611
Penalties and interest on taxes	320,000	401,990	390,643
Interest, donations and other	806,500	1,007,230	1,246,319
Equity earnings from Centre Wellington			
Energy Inc. (note 9)	-	111,680	318,360
Developer contributions	276,300	687,027	217,692
Gaming revenue (note 11)	1,950,000	2,220,916	2,202,954
Gain (loss) on disposal of tangible capital assets	-	106,883	(189,718)
Total revenue	25,555,175	31,298,893	32,854,106
Expenses:			
General government	2,451,437	2,800,348	2,738,159
Protection to persons and property	2,366,496	2,448,106	2,397,109
Transportation services	4,575,100	9,009,178	8,234,581
Environmental services	5,203,713	6,482,492	5,783,632
Health services	171,000	167,696	151,236
Social and family services	368,659	411,905	369,710
Recreation and cultural services	4,242,492	4,894,504	4,686,727
Planning and development	815,680	877,391	921,220
Total expenses	20,194,577	27,091,620	25,282,374
Annual surplus	5,360,598	4,207,273	7,571,732
Accumulated surplus, beginning of year	204,375,834	204,375,834	196,804,102
Accumulated surplus, end of year	\$ 209,736,432	\$ 208,583,107	\$ 204,375,834

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, 2011, with comparative figures for 2010

	2011	2010
Annual surplus	\$ 4,207,273	\$ 7,571,732
Acquisition of tangible capital assets, including contributed tangible capital assets	(12,849,780)	(14,752,107)
Amortization of tangible capital assets	6,831,494	6,453,185
Loss (gain) on disposal of tangible capital assets	(106,883)	189,718
Proceeds on sale of tangible capital assets	247,205	58,688
	(1,670,691)	(478,784)
Acquisition of inventories of supplies	(57,139)	(52,912)
Acquisition of prepaid expenses	(25,411)	(22,021)
Consumption of inventories of supplies	52,912	52,705
Use of prepaid expenses	22,021	8,724
Change in net financial assets	(1,678,308)	(492,288)
Net financial assets, beginning of year	27,430,728	27,923,016
Net financial assets, end of year	\$ 25,752,420	\$ 27,430,728

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, 2011 with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 4,207,273	\$ 7,571,732
Items not involving cash:		
Amortization	6,831,494	6,453,185
Loss (gain) on sale of tangible capital assets	(106,883)	189,718
Change in employee benefits and other liabilities	24,158	39,009
Equity earnings from Centre Wellington Energy Inc.	(111,680)	(318,360)
Contributed tangible capital assets	-	(275,000)
Change in non-cash assets and liabilities:		
Taxes receivable	602,494	(718,080)
Accounts receivable	464,580	(2,004,799)
Inventories of supplies	(4,227)	(207)
Prepaid expenses	(3,390)	(13,297)
Accounts payable and accrued liabilities	(82,298)	852,595
Other current liabilities	(32,451)	1,078
Deferred revenue	2,411,165	614,054
Net change in cash from operating activities	14,200,235	12,391,628
Capital activities:		
Proceeds on sale of tangible capital assets	247,205	58,688
Cash used to acquire tangible capital assets	(12,849,780)	(14,477,107)
Net change in cash from capital activities	(12,602,575)	(14,418,419)
Investing activities:		
Decrease in long-term receivables	49,614	47,199
Purchase of short-term investments	(11,037,208)	-
Redemption of short-term investments	4,031,019	-
Net change in cash from investing activities	(6,956,575)	47,199
Financing activities:		
Long-term debt repaid	(1,143,121)	(990,693)
Long-term debt issued	-	2,266,000
Net change in cash from financing activities	(1,143,121)	1,275,307
Net change in cash position during the year	(6,502,036)	(704,285)
Cash position, beginning of year	24,676,813	25,381,098
Cash position, end of year	\$ 18,174,777	\$ 24,676,813
Cash paid for interest	\$ 734,380	\$ 694,463
Cash received from interest	849,381	756,973

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, 2011

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, 2011

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 \$5,253,630 (2010 - \$3,440,149). 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 \$266,835 (2010 - \$194,096) 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, 2011

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, 2011

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

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

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, 2011

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	\$ 9,074,674	\$ 20,925,583

3. Trust funds:

Trust funds administered by the municipality amounting to \$763,471 (2010 - \$733,080) 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:

2012	\$ 21,000
2013	21,600
	<hr/>
	\$ 42,600

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

5. Cash:

At December 31, 2011, 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 the following:

	2011	2010
Term deposits held at a credit union	\$ 10,034,166	\$ -
Term deposits held at a schedule 1 bank	-	4,031,019
Investment in money market fund	1,003,017	-
Credit union shares	25	-
Total	\$ 11,037,208	\$ 4,031,019

The term deposits held at a credit union earn interest at rates ranging from 1.70% to 2.0% and mature in October 2012. The short-term investment balance includes accrued interest earned on the term deposits of \$34,169 (2010 - \$31,019).

The market value of the money market fund at December 31, 2011 was \$1,001,837.

7. 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.

	2011	2010
Loan receivable – Part A	\$ 409,046	\$ 409,046
Loan receivable – Part B	972,155	1,019,354
	1,381,201	1,428,400
Less current portion included in accounts receivable	49,614	47,199
Total long-term receivables	\$ 1,331,587	\$ 1,381,201

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 \$49,896 (2010 - \$52,193).

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

8. 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.

	2011	2010
Total long-term liabilities incurred by the Township with varying maturities up to 2026 and weighted average interest rate of 4.90% (2010 - 4.87%)	\$ 14,244,122	\$ 15,408,490
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.	(63,844)	(85,091)
Net long-term liabilities at end of year	\$ 14,180,278	\$ 15,323,399

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

	Principal	Interest	Total
2012	\$ 3,079,061	\$ 667,607	\$ 3,746,668
2013	882,348	507,488	1,389,836
2014	829,228	472,440	1,301,668
2015	861,178	436,109	1,297,287
2016	780,771	398,224	1,178,995
2017 and thereafter	7,747,692	1,722,005	9,469,697
Total	\$ 14,180,278	\$ 4,203,873	\$ 18,384,151

- (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 \$729,846 (2010 - \$694,282). 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, 2011

9. Government business enterprises:

Centre Wellington Energy Inc. is a corporation, incorporated under the laws of the Province of Ontario on December 4, 2008, providing municipal electrical distribution services. The Corporation of the Township of Centre Wellington owns 100% of the outstanding shares of Centre Wellington Energy Inc. Centre Wellington Energy Inc. owns 100% of the outstanding shares of Centre Wellington Hydro Ltd. 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:

	2011	2010
Assets	\$ 16,878,063	\$ 17,058,658
Other liabilities	8,208,499	8,500,774
Net assets	8,669,564	8,557,884
Promissory note due to the Township of Centre Wellington	5,046,753	5,046,753
Investment in Centre Wellington Energy Inc.	\$ 13,716,317	\$ 13,604,637

	2011	2010
Revenues	\$ 15,335,096	\$ 14,171,945
Expenditures	15,223,416	13,853,585
Net earnings for the year	111,680	318,360
Retained earnings, beginning of year	3,522,818	3,204,458
Retained earnings, end of year	\$ 3,634,498	\$ 3,522,818

10. Pension agreements:

The Township makes contributions to the OMERS Fund, 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 2011 was \$519,250 (2010 - \$442,318) for current service and past service costs and is included as an expense on the consolidated statement of operations.

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

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:

	2011	2010
Gross gaming proceeds	\$ 2,220,916	\$ 2,202,954
Less: payments to the County of Wellington	(466,392)	(462,620)
Net proceeds	\$ 1,754,524	\$ 1,740,334

12. Deferred revenue:

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

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory:					
Development charges	\$ 3,440,149	\$ 3,143,186	\$ 66,575	\$(1,396,280)	\$ 5,253,630
Recreational land	171,512	32,705	1,557	(75,000)	130,774
Parking revenues	51,821	-	676	-	52,497
Subdivider contributions	520,498	29,274	6,784	-	556,556
Lot levies	35,932	-	469	-	36,401
Federal gas tax funding	194,096	799,053	989	(727,303)	266,835
Other:					
Grading and damage deposits	968,254	204,436	-	-	1,172,690
Builder and other deposits	1,418,315	364,489	-	-	1,782,804
Other	89,700	49,255	-	(89,700)	49,255
	\$ 6,890,277	\$ 4,622,398	\$ 77,050	\$(2,288,283)	\$ 9,301,442

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

13. Tangible capital assets:

Cost	Balance at December 31, 2010	Additions	Disposals	Balance at December 31, 2011
Land	\$ 1,985,897	\$ 48,424	\$ -	\$ 2,034,321
Land improvements	3,421,732	300,880	-	3,722,612
Buildings	20,427,436	239,569	(22,152)	20,644,853
Vehicles	8,986,046	1,177,405	(624,827)	9,538,624
Equipment	4,690,079	582,372	(190,091)	5,082,360
Water and wastewater infrastructure	75,169,899	6,240,495	(100,555)	81,309,839
Road and structure infrastructure	155,457,427	6,269,108	(788,902)	160,937,633
Assets under construction	4,765,150	2,171,567	(4,180,039)	2,756,678
Total	\$ 274,903,666	\$ 17,029,820	\$ (5,906,566)	\$ 286,026,920

Accumulated amortization	Balance at December 31, 2010	Disposals	Amortization	Balance at December 31, 2011
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	1,058,883	-	87,410	1,146,293
Buildings	4,880,859	(21,044)	539,434	5,399,249
Vehicles	4,659,636	(610,708)	710,825	4,759,753
Equipment	2,414,703	(190,091)	519,739	2,744,351
Water and wastewater infrastructure	22,210,689	(85,165)	1,474,507	23,600,031
Road and structure infrastructure	62,808,723	(679,196)	3,499,579	65,629,106
Assets under construction	-	-	-	-
Total	\$ 98,033,493	\$ (1,586,204)	\$ 6,831,494	\$ 103,278,783

	Net book value December 31, 2010	Net book value December 31, 2011
Land	\$ 1,985,897	\$ 2,034,321
Land improvements	2,362,849	2,576,319
Buildings	15,546,577	15,245,604
Vehicles	4,326,410	4,778,871
Equipment	2,275,376	2,338,009
Water and wastewater infrastructure	52,959,210	57,709,808
Road and structure infrastructure	92,648,704	95,308,527
Assets under construction	4,765,150	2,756,678
Total	\$ 176,870,173	\$ 182,748,137

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

13. Tangible capital assets (continued):

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, 2011

13. Tangible Capital Assets (continued):

(a) Assets under construction

Assets under construction having a value of \$2,756,678 (2010 - \$4,765,150) 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 \$nil (2010 - \$275,000).

(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 (2010 - \$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, 2011.

	2011	2010
Post employment benefits	\$ 308,807	\$ 285,467
Future payments required to WSIB	154,123	153,305
	<u>\$ 462,930</u>	<u>\$ 438,772</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, 2011

14. Employee benefits and other liabilities (continued):

(a) Post employment benefits (continued)

Information about the post employment benefit plan is as follows:

	2011	2010
Accrued benefit obligation:		
Balance, beginning of year	\$ 285,467	\$ 265,287
Current benefit cost	18,843	17,594
Increase due to plan amendment	-	-
Interest	14,494	13,433
Expected benefit payments	(9,997)	(10,847)
Expected accrued benefit obligation, end of year	308,807	285,467
Unamortized actuarial loss	-	-
Liability for post employment benefits	\$ 308,807	\$ 285,467

The unamortized actuarial loss is amortized over the expected average service life of 14 years (2010 – 14 years).

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

(i) Interest (discount rate):

The obligation as at December 31, 2011, of the present value of future liabilities and the expense for the 12 months ended December 31, 2011, were determined using a discount rate of 4.25% (2010 – 5.0%).

(ii) Medical costs:

Medical costs were assumed to increase at the rate of 6.142% for 2012 and 2013, 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% (2010 – 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 \$48,863 (2010 - \$39,517).

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

14. Employee benefits and other liabilities (continued):

(b) 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, 2010.

Information about the WSIB liability is as follows:

	2011	2010
Accrued benefit obligation:		
Balance, beginning of year	\$ 153,305	\$ 174,186
Current benefit cost	12,965	40,252
Interest	6,840	8,835
Expected benefit payments	(25,737)	(35,222)
Expected accrued benefit obligation, end of year	147,373	188,051
Unamortized actuarial gain (loss)	6,750	(34,746)
WSIB liability	\$ 154,123	\$ 153,305

Included in expenses is \$905 (2010 - \$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 (2010 – 10 years).

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

(i) Interest (discount rate):

The obligation as at December 31, 2011, of the present value of future liabilities and the expense for the 12 months ended December 31, 2011, were determined using a discount rate of 4.75% (2010 – 5.0%).

(ii) Administration costs:

Administration costs were assumed to be 24.0% (2010 – 27%) 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 -1.25% to 4.75% (2010 - -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 \$100,256 (2010 - \$85,718).

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

15. Accumulated surplus:

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

	2011	2010
Surplus:		
Invested in tangible capital assets	\$ 182,748,137	\$ 176,870,173
General purposes	8,114,658	11,491,871
Investment in Centre Wellington Energy Inc.	13,716,317	13,604,637
Amounts to be recovered:		
Post employment benefits	(308,807)	(285,467)
WSIB	(154,123)	(153,305)
Net long-term liabilities	(14,180,278)	(15,323,399)
Total surplus	189,935,904	186,204,510
Reserves set aside by Council for:		
Capital works - Wastewater	3,250,124	3,465,603
Working capital	1,109,662	1,109,662
Capital works - Roads	215,761	221,538
Replacement of equipment	1,311,200	1,209,162
Capital works - Waterworks	3,997,362	4,559,727
Other	2,667,634	1,808,030
Capital works - Cultural	12,398	8,862
Capital works - Fire	10,316	7,770
Planning	65,375	24,760
Contingencies	130,100	5,100
Total reserves	12,769,932	12,420,214
Reserve funds set aside for specific purposes by Council for:		
Capital works - Other	1,803,479	2,222,642
Capital works - Social services	104,618	83,746
Capital works - Roads	12,381	12,225
Capital works - Wastewater	2,526,747	2,380,676
Capital works - Waterworks	1,430,046	1,051,821
Total reserve funds	5,877,271	5,751,110
Accumulated surplus	\$ 208,583,107	\$ 204,375,834

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

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	2011 Consolidated
Revenues									
Taxation	\$ 2,026,177	\$ 1,388,888	\$ 3,532,737	\$ -	\$ 36,185	\$ 269,974	\$ 2,008,737	\$ 559,711	\$ 9,822,409
Government transfers	1,115,030	143,196	3,059,412	254,053	-	39,999	504,036	18,742	5,134,468
Development charges earned	17,385	201,160	175,216	696,902	-	-	300,494	5,123	1,396,280
Licences and permits	23,989	890,507	-	-	-	-	-	-	914,496
Fees, rents and concessions	186,747	37,984	71,264	7,003,469	110,218	126,166	1,813,898	145,768	9,495,514
Penalties and interest on taxes	401,990	-	-	-	-	-	-	-	401,990
Interest, donations and other	772,632	12,214	13,729	71,158	47,021	13,857	74,591	2,028	1,007,230
Equity earnings from Centre Wellington Energy Inc.	111,680	-	-	-	-	-	-	-	111,680
Developer contributions	25,995	-	524,415	-	-	-	80,495	56,122	687,027
Gaming revenue	-	310,000	1,910,916	-	-	-	-	-	2,220,916
Loss on disposal of tangible capital assets	186,414	-	(66,001)	(14,421)	-	-	891	-	106,883
Total Revenues	\$ 4,868,039	\$ 2,983,949	\$ 9,221,688	\$ 8,011,161	\$ 193,424	\$ 449,996	\$ 4,783,142	\$ 787,494	\$ 31,298,893
Expenses									
Salaries and benefits	\$ 1,397,821	\$ 1,775,188	\$ 1,577,203	\$ 1,912,443	\$ 55,888	\$ 208,424	\$ 2,337,601	\$ 486,217	\$ 9,750,785
Goods and services	997,989	318,818	3,339,896	2,482,625	108,602	184,825	1,620,380	362,798	9,415,933
Transfer payments	-	120,705	-	147,540	-	-	51,300	-	319,545
Interest and rental	19,995	17,557	86,251	323,640	-	-	298,044	28,376	773,863
Amortization	384,543	215,838	4,005,828	1,616,244	3,206	18,656	587,179	-	6,831,494
Total Expenses	\$ 2,800,348	\$ 2,448,106	\$ 9,009,178	\$ 6,482,492	\$ 167,696	\$ 411,905	\$ 4,894,504	\$ 877,391	\$ 27,091,620

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

16. Segmented information (continued):

	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



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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 as at December 31, 2011 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, 2011, 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'.

Chartered Accountants, Licensed Public Accountants

July 16, 2012
Waterloo, Canada

THE CORPORATION OF THE TOWNSHIP OF CENTRE WELLINGTON

Trust Funds - Statement of Financial Position

As at December 31, 2011, with comparative figures for 2010

	Elora Cemetery Perpetual Care	Fergus Cemetery Perpetual Care	Mount Carmel Cemetery Perpetual Care	M.W. Baptie Scholarship	2011 Total	2010 Total
Assets:						
Cash	\$ 31,789	\$ 13,099	\$ 2,999	\$ 4,385	\$ 52,272	\$ 97,966
Term deposit certificates	240,955	436,731	32,127	1,000	710,813	627,000
CIBC stock – at cost	-	1,299	-	-	1,299	1,299
Due from Township	545	-	-	-	545	6,815
	\$ 273,289	\$ 451,129	\$ 35,126	\$ 5,385	\$ 764,929	\$ 733,080
Liabilities:						
Due to Township	\$ -	\$ 1,458	\$ -	\$ -	\$ 1,458	\$ -
Balance - Capital	273,289	449,671	35,126	5,385	763,471	733,080
	\$ 273,289	\$ 451,129	\$ 35,126	\$ 5,385	\$ 764,929	\$ 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, 2011, with comparative figures for 2010

	Elora Cemetery Perpetual Care	Fergus Cemetery Perpetual Care	Mount Carmel Cemetery Perpetual Care	M.W. Baptie Scholarship	2011 Total	2010 Total
Revenue:						
Sale of plots and cemetery fees	\$ 12,848	\$ 17,284	\$ -	\$ -	\$ 30,132	\$ 36,512
Interest earned	5,998	10,172	514	55	16,739	16,600
	18,846	27,456	514	55	46,871	53,112
Expenses:						
Reimbursement to Township	5,998	10,172	-	-	16,170	16,306
Reimbursement to Mount Carmel Cemetery	-	-	260	-	260	258
Scholarships	-	-	-	50	50	50
	5,998	10,172	260	50	16,480	16,614
Surplus	12,848	17,284	254	5	30,391	36,498
Net financial assets, beginning of year	260,441	432,387	34,872	5,380	733,080	696,582
Net financial assets, end of year	\$ 273,289	\$ 449,671	\$ 35,126	\$ 5,385	\$ 763,471	\$ 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, 2011

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.