

CORPORATION OF THE TOWNSHIP OF PUSLINCH
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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Chartered Accountants
and Business Advisors

People Count.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Corporation of the Township of Puslinch, which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of operations, changes in net financial debt and cash flows for the year then ended, and 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.

Auditor's 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 the 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 the auditor's 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, the auditor considers 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the The Corporation of the Township of Puslinch 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.

Guelph, Ontario
June 15, 2011

RLB LLP
Chartered Accountants
Licensed Public Accountants

**THE CORPORATION OF THE TOWNSHIP OF PUSLINCH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010**

FINANCIAL ASSETS

	2010	2009
Cash	\$ 143,065	\$ 717,651
Taxes receivable	1,615,977	1,265,776
Accounts receivable	1,139,523	423,307
Portfolio investments	<u>149,495</u>	<u>148,547</u>
	<u>3,048,060</u>	<u>2,555,281</u>

LIABILITIES

Accounts payable and accrued liabilities	930,225	655,918
Grading deposits	233,110	219,350
Deferred revenue (schedule 3)	945,823	814,247
Long term debt (note 2)	<u>831,000</u>	<u>917,000</u>
	<u>2,940,158</u>	<u>2,606,515</u>

NET FINANCIAL ASSETS (NET DEBT)	<u>107,902</u>	<u>(51,234)</u>
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NON-FINANCIAL ASSETS

Tangible capital assets (schedule 2)	<u>23,619,490</u>	<u>22,971,997</u>
ACCUMULATED SURPLUS (schedule 4)	<u>\$ 23,727,392</u>	<u>\$ 22,920,763</u>

**THE CORPORATION OF THE TOWNSHIP OF PUSLINCH
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Budget (note 3)	2010 Actual	2009 Actual
REVENUE			
Taxation revenue	\$ 2,876,127	\$ 2,982,656	\$ 2,381,718
Taxation from special areas	0	105,939	81,395
Taxation from other governments	70,287	74,170	62,533
User charges	1,056,527	666,853	698,943
Licenses and permits	360,500	303,930	377,425
Canada grants	373,185	163,824	191,222
Ontario grants	1,901,424	1,558,152	462,378
County of Wellington grants	0	0	345,574
Penalties and interest on taxes	160,000	209,721	180,909
Investment income	6,540	14,797	10,169
Obligatory reserve fund revenue recognized	<u>0</u>	<u>488,363</u>	<u>203,962</u>
	<u>6,804,590</u>	<u>6,568,405</u>	<u>4,996,228</u>
EXPENSES (schedule 1)			
General government	964,920	898,665	993,277
Protection services	1,274,775	1,170,092	1,267,432
Transportation services	3,582,572	3,181,919	3,381,658
Recreation and cultural services	277,809	299,133	276,631
Planning and development	<u>25,850</u>	<u>15,409</u>	<u>29,916</u>
	<u>6,125,926</u>	<u>5,565,218</u>	<u>5,948,914</u>
LOSS ON DISPOSAL OF TANGIBLE CAPITAL ASSETS			
	<u>0</u>	<u>(196,558)</u>	<u>0</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 678,664</u>	<u>\$ 806,629</u>	<u>\$ (952,686)</u>
ACCUMULATED SURPLUS at beginning of year			
		\$ 22,920,763	\$ 23,873,449
Annual surplus (deficit)		<u>806,629</u>	<u>(952,686)</u>
ACCUMULATED SURPLUS at end of year (schedule 4)		<u>\$ 23,727,392</u>	<u>\$ 22,920,763</u>

**THE CORPORATION OF THE TOWNSHIP OF PUSLINCH
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 Budget (note 3)	2010 Actual	2009 Actual
Annual surplus (deficit)	\$ <u>678,664</u>	\$ <u>806,629</u>	\$ <u>(952,686)</u>
Acquisition of tangible capital assets	(3,418,257)	(3,149,903)	(2,159,942)
Amortization of tangible capital assets	2,471,392	2,278,726	2,471,392
Loss on disposal of tangible capital assets	0	196,558	0
Proceeds on disposal of tangible capital assets	<u>0</u>	<u>27,126</u>	<u>0</u>
	<u>(946,865)</u>	<u>(647,493)</u>	<u>311,450</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	\$ <u>(268,201)</u>	159,136	(641,236)
(NET DEBT) NET FINANCIAL ASSETS at beginning of year		<u>(51,234)</u>	<u>590,002</u>
NET FINANCIAL ASSETS (NET DEBT) at end of year		\$ <u>107,902</u>	\$ <u>(51,234)</u>

**THE CORPORATION OF THE TOWNSHIP OF PUSLINCH
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	2009
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 806,629	\$ (952,686)
Items not requiring an outlay of cash		
Amortization of tangible capital assets	2,278,726	2,471,392
Loss on disposal of assets	<u>196,558</u>	<u>0</u>
	<u>3,281,913</u>	<u>1,518,706</u>
Net changes in non-cash working capital		
Taxes receivable	(350,201)	(287,594)
Accounts receivable	(716,216)	1,156,566
Portfolio investments	(948)	(3,753)
Accounts payable and accrued liabilities	274,307	(718,405)
Grading deposits	13,760	25,240
Deferred revenue	<u>131,576</u>	<u>(46,212)</u>
	<u>(647,722)</u>	<u>125,842</u>
	<u>2,634,191</u>	<u>1,644,548</u>
CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(3,149,903)	(2,159,942)
Proceeds on disposal of tangible capital assets	<u>27,126</u>	<u>0</u>
	<u>(3,122,777)</u>	<u>(2,159,942)</u>
CASH (USED IN) FINANCING ACTIVITIES		
Long term debt	<u>(86,000)</u>	<u>(83,000)</u>
NET DECREASE IN CASH	(574,586)	(598,394)
CASH, beginning of year	<u>717,651</u>	<u>1,316,045</u>
CASH, end of year	\$ <u>143,065</u>	\$ <u>717,651</u>
INTEREST PAID DURING THE YEAR	\$ <u>40,502</u>	\$ <u>43,819</u>

**THE CORPORATION OF THE TOWNSHIP OF PUSLINCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the The Corporation of the Township of Puslinch are the representation of management prepared in accordance with Canadian generally accepted accounting principles. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

(a) BASIS OF CONSOLIDATION

- (i) These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures for the revenue fund, reserve funds and reserves and include the activities of all committees of Council and the boards and municipal enterprises, which are under the control of Council:

- (a) The Barber's Beach Street Lighting Area
- (b) The Cambridge Fire Protection Area

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

- (ii) 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 the municipal fund balances of these financial statements.

(b) BASIS OF ACCOUNTING

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest on long term liabilities which are recorded in the periods in which they are paid. The principal and interest charges are not accrued for the periods from the dates of the latest instalment payments to the end of the financial year.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(c) INVESTMENTS

The investments held by the municipality are recorded at fair market value.

(d) DEFERRED REVENUE

The revenue is reported on the Consolidated Statement of Operations in the year in which it is used for the specified purpose.

(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. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

**THE CORPORATION OF THE TOWNSHIP OF PUSLINCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (i) **Tangible capital assets**
Tangible capital assets are recorded at cost which includes all amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital asset is amortized on a straight-line basis over their estimated useful life as follows:

Buildings	40 years
Vehicles	7 to 15 years
Furniture and equipment	5 to 20 years
Transportation	
Roads	10 to 50 years
Bridges and structures	20 to 50 years

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 received and also are recorded as revenue.
- (iii) **Leases**
Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

2. LONG TERM DEBT

The balance of long term debt on the Consolidated Statement of Financial Position is made up of the following:

	2010	2009
County of Wellington debenture, due July 2018, repayable in variable annual instalments (\$86,000 in 2010), at variable interest rates from 3.85% to 5.00%	\$ <u>831,000</u>	\$ <u>917,000</u>

Future minimum payments on long term obligations are as follows:

2011	\$ 89,000
2012	93,000
2013	97,000
2014	101,000
2015	106,000
Thereafter	<u>345,000</u>
	<u>\$ 831,000</u>

The annual principal and interest payments required to service the long term debt of the municipality are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

**THE CORPORATION OF THE TOWNSHIP OF PUSLINCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

3. BUDGET AMOUNTS

Under Canadian generally accepted accounting principles, budget amounts are to be reported on the consolidated statement of operations and the consolidated statement of change in net financial assets for comparative purposes. The 2010 budget amounts for the Corporation of the Township of Puslinch approved by Council have been restated to conform to the basis of preparation of these statements. The capital expenditures approved by Council in the 2010 budget have been presented as the budgeted amounts for the acquisition of tangible capital assets and the prior year amortization expense has been presented as the budgeted amounts for amortization expense for each department. The budget information, however, has not been audited.

4. OPERATIONS OF THE SCHOOL BOARDS AND THE COUNTY OF WELLINGTON

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Wellington:

	2010	2009
School boards	\$ 5,470,307	\$ 5,170,538
County of Wellington	<u>10,476,086</u>	<u>9,621,716</u>
	<u>\$ 15,946,393</u>	<u>\$ 14,792,254</u>

5. TANGIBLE CAPITAL ASSETS

	Net 2010	Net 2009
General		
Land	\$ 1,174,976	\$ 1,174,976
Buildings	959,298	739,194
Vehicles	1,305,514	1,016,429
Furniture and equipment	241,587	368,878
Infrastructure		
Roads	13,803,383	14,424,727
Bridges and infrastructure	4,237,373	4,369,820
Assets under construction	<u>1,897,359</u>	<u>877,973</u>
	<u>\$ 23,619,490</u>	<u>\$ 22,971,997</u>

6. COMPARATIVE FIGURES

Figures presented for comparative purposes have been restated to conform to the current year presentation.

7. SEGMENTED INFORMATION

The Corporation of the Township of Puslinch is a diversified municipal government institution that provides a wide range of services to its citizens. For management reporting purposes, the municipality's operations and activities are organized and 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.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

**THE CORPORATION OF THE TOWNSHIP OF PUSLINCH
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

7. SEGMENTED INFORMATION (continued)

Protection Services

The mandate of the Protection Services department is to ensure the safety of the lives and property of citizens. The Fire Department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. It is also responsible for pre-hospital emergency paramedic care and the transport of sick and injured; handling hazardous materials incidents; for the mitigation of calamitous incidents and for the evacuation of people when in charge at an incident.

Transportation Services

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, and streetlighting.

Recreation and Cultural Services

The Recreation and Cultural Services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services and the maintenance of parks and open space.

Planning and Development

The Planning and Development department provides a diverse bundle of services, including managing environmental concerns and heritage matters. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of zoning by-laws and the processing of building permit applications.

**THE CORPORATION OF THE TOWNSHIP OF PUSLINCH
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2010**

EXPENSES	General Government	Protection Services	Transportation Services	Recreation and Cultural Services	Planning and Development	2010	2009
Salaries and benefits	\$ 446,427	\$ 519,615	\$ 448,172	\$ 100,622	\$ 7,133	\$ 1,521,969	\$ 1,620,339
Materials	189,245	0	563,772	125,681	8,276	886,974	910,139
Contracted services	193,891	322,713	102,164	32,902	0	651,670	737,758
Rents and financial expenses	38,252	0	0	7,109	0	45,361	48,621
Interest on long term debt	0	0	40,502	0	0	40,502	43,819
Amortization	20,076	198,522	2,027,309	32,819	0	2,278,726	2,471,392
Other	<u>10,774</u>	<u>129,242</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>140,016</u>	<u>116,846</u>
	<u>\$ 898,665</u>	<u>\$ 1,170,092</u>	<u>\$ 3,181,919</u>	<u>\$ 299,133</u>	<u>\$ 15,409</u>	<u>\$ 5,565,218</u>	<u>\$ 5,948,914</u>

see accompanying notes

**THE CORPORATION OF THE TOWNSHIP OF PUSLINCH
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Land	Buildings	Vehicles	Furniture and equipment	Roads	Bridges and infrastructure	Assets under construction	2010	2009
COST									
Balance, beginning of year	\$ 1,174,976	\$ 1,722,307	\$ 2,526,192	\$ 922,897	\$ 39,009,816	\$ 5,909,942	\$ 877,973	\$ 52,144,103	\$ 50,011,854
Additions during the year	0	268,670	453,391	11,019	1,392,407	5,030	1,019,386	3,149,903	2,159,940
Disposals during the year	0	0	162,897	0	1,360,014	0	0	1,522,911	27,691
Balance, end of year	<u>1,174,976</u>	<u>1,990,977</u>	<u>2,816,686</u>	<u>933,916</u>	<u>39,042,209</u>	<u>5,914,972</u>	<u>1,897,359</u>	<u>53,771,095</u>	<u>52,144,103</u>
ACCUMULATED AMORTIZATION									
Balance, beginning of year	0	983,113	1,509,763	554,019	24,585,089	1,540,122	0	29,172,106	26,728,407
Amortization	0	48,566	158,591	138,310	1,795,782	137,477	0	2,278,726	2,471,101
Accumulated amortization on disposals	0	0	157,182	0	1,142,045	0	0	1,299,227	27,402
Balance, end of year	<u>0</u>	<u>1,031,679</u>	<u>1,511,172</u>	<u>692,329</u>	<u>25,238,826</u>	<u>1,677,599</u>	<u>0</u>	<u>30,151,605</u>	<u>29,172,106</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS									
	<u>\$ 1,174,976</u>	<u>\$ 959,298</u>	<u>\$ 1,305,514</u>	<u>\$ 241,587</u>	<u>\$ 13,803,383</u>	<u>\$ 4,237,373</u>	<u>\$ 1,897,359</u>	<u>\$ 23,619,490</u>	<u>\$ 22,971,997</u>

see accompanying notes

**THE CORPORATION OF THE TOWNSHIP OF PUSLINCH
SCHEDULE OF DEFERRED REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Opening	Contributions Received	Investment Income	Revenue Recognized	2010 Ending	2009 Ending
Obligatory Reserve Funds						
Development charges	\$ 527,414	\$ 411,105	\$ 2,424	\$ (488,363)	\$ 452,580	\$ 527,414
Federal gas tax funding	<u>286,833</u>	<u>205,185</u>	<u>1,225</u>	<u>0</u>	<u>493,243</u>	<u>286,833</u>
	<u>\$ 814,247</u>	<u>\$ 616,290</u>	<u>\$ 3,649</u>	<u>\$ (488,363)</u>	<u>\$ 945,823</u>	<u>\$ 814,247</u>

**THE CORPORATION OF THE TOWNSHIP OF PUSLINCH
SCHEDULE OF ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010	2009
SURPLUSES (DEFICITS)		
Invested in tangible capital assets	\$ 22,788,490	\$ 22,054,997
Barber's Beach streetlighting area	2,321	382
Cambridge fire area	5,243	1,089
General revenue fund	<u>50,595</u>	<u>(47,085)</u>
	<u>22,846,649</u>	<u>22,009,383</u>
RESERVES		
Working Capital Reserves		
Working Capital reserve	134,660	134,660
General Government reserve	<u>110,431</u>	<u>110,431</u>
	<u>245,091</u>	<u>245,091</u>
Capital Reserves		
Protective inspection reserve	106,600	100,600
Fire department reserve	28,782	28,782
Transportation reserve	493,270	493,270
Recreation reserve	<u>7,000</u>	<u>7,000</u>
	<u>635,652</u>	<u>629,652</u>
	<u>880,743</u>	<u>874,743</u>
RESERVE FUNDS		
General government capital reserve fund	<u>0</u>	<u>36,637</u>
	<u>\$ 23,727,392</u>	<u>\$ 22,920,763</u>