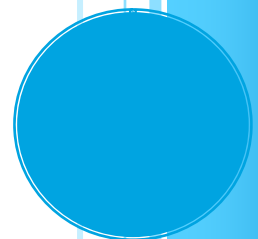


2009 CONSOLIDATED FINANCIAL STATEMENTS

For the year ending December 31, 2009



City of Guelph

December 31, 2009

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Auditors' Report

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the City of Guelph:

We have audited the consolidated statement of financial position of the Corporation of the City of Guelph as at December 31, 2009 and the consolidated statements of operations and accumulated surplus, changes in net financial assets and of cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Guelph as at December 31, 2009 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 10, 2010

City of Guelph

Consolidated statement of financial position as at December 31, 2009

	2009	2008
	\$	\$
Financial assets		
Cash	90,107,821	87,468,455
Investments (Note 5)	25,463,497	16,459,403
Taxes receivable	7,648,251	7,234,303
Accounts receivable	21,364,305	12,258,779
Other current assets	273,191	337,435
Long-term receivable	66,000	48,000
Investment in Guelph Junction Railway (Note 14)	5,584,351	5,609,047
Investment in Guelph Hydro Inc. (Note 13)	65,442,000	74,774,000
	215,949,416	204,189,422
Liabilities		
Accounts payable and accrued liabilities	29,912,173	27,612,510
Current payroll liabilities (Note 8)	5,637,422	4,986,992
Other deferred revenue	10,032,328	9,146,606
Short-term loan (Note 9)	10,000,000	-
Employee future benefits (Note 7)	23,481,712	22,109,837
Accrued interest payable	840,558	841,569
Deferred developer contribution revenue	18,558,696	20,904,967
Landfill post-closure liability (Note 16)	6,600,000	5,700,000
Net long-term liabilities (Note 10)	95,245,746	80,435,955
	200,308,636	171,738,436
Net financial assets	15,640,780	32,450,986
Non-financial assets		
Tangible capital assets (Note 20)	876,386,237	842,716,479
Inventory	2,689,010	2,765,242
Prepaid expenses	247,914	219,186
	879,323,161	845,700,907
Contingent liabilities (Note 15)		
Commitments and guarantees (Note 19)		
Accumulated surplus	894,963,941	878,151,893

The accompanying notes are an integral part of this financial statement.

City of Guelph

Consolidated statement of operations and accumulated surplus year ended December 31, 2009

	2009	2009	2008
	Budget	Actual	Actual
	(Note 21)		
	\$	\$	\$
Revenues			
Taxation and user charges			
Property taxation - own purpose	157,327,470	157,142,767	147,824,813
Property taxation - education purposes	61,046,295	61,046,295	59,295,463
Taxation from other governments	4,784,750	4,767,086	4,869,539
User charges	63,451,342	66,189,697	59,029,749
	286,609,857	289,145,845	271,019,564
Deduct: Amounts received or receivable for region or county, and school boards (Note 2)	(61,046,295)	(61,046,295)	(59,296,374)
	225,563,562	228,099,550	211,723,190
Grants			
Government of Canada	136,000	700,595	432,414
Province of Ontario	37,558,476	40,738,139	52,546,632
Municipal funding (County)	2,220,044	4,498,785	2,583,992
	39,914,520	45,937,519	55,563,038
Other			
Investment income	6,197,828	6,301,627	7,744,124
Donations	200,000	252,376	168,585
Sales of equipment, publications	4,286,000	3,208,921	4,158,359
External recoveries, disbursements, labour, equipment	5,390,915	11,684,744	8,542,096
Licences and permits	3,397,300	2,930,841	2,602,293
POA revenues	3,648,900	2,958,635	3,963,589
Other fines	3,109,706	2,067,884	2,197,606
Penalties and interest on taxes	1,209,000	1,460,152	1,095,088
Proceeds from sale of tangible capital assets	5,000	223,294	-
Developer contributions	43,855,000	20,813,298	17,289,645
Income (loss) from business enterprises	(9,287,158)	(9,287,158)	2,399,729
	62,012,491	42,614,614	50,161,114
Total revenues	327,490,573	316,651,683	317,447,342
Expenses			
General government	20,003,737	26,246,427	23,790,805
Protection to persons and property	57,470,836	57,069,004	53,200,713
Transportation services	49,808,933	49,295,384	52,638,304
Environmental services	54,581,477	54,758,316	47,941,348
Health services	19,721,809	19,281,742	19,439,660
Social and family services	43,550,000	43,296,004	39,618,040
Social housing	14,713,000	14,136,530	11,290,656
Recreation and cultural services	28,294,935	26,030,837	27,155,150
Planning and development	4,408,676	6,105,464	3,687,121
Capital project studies	1,640,000	3,377,202	725,721
Loss on sale of tangible capital assets	-	242,725	1,481,749
Total expenses	294,193,403	299,839,635	280,969,267
Excess of revenues over expenses	33,297,170	16,812,048	36,478,075
Accumulated surplus, beginning of year	878,151,893	878,151,893	841,673,818
Accumulated surplus, end of year	911,449,063	894,963,941	878,151,893

The accompanying notes are an integral part of this financial statement.

City of Guelph

Consolidated statement of changes in net financial assets year ended December 31, 2009

	2009	2008
	\$	\$
Excess of revenue over expenses	16,812,048	36,478,075
Amortization of tangible capital assets	35,342,401	34,517,937
Acquisition of tangible capital assets	(69,254,884)	(75,518,440)
Loss on sale of tangible capital assets	242,725	1,481,749
Change in inventories of supplies	76,232	(570,979)
Change in prepaid expenses	(28,728)	(100,632)
Decrease in net financial assets	(16,810,206)	(3,712,290)
Net financial assets, beginning of year	32,450,986	36,163,276
Net financial assets, end of year	15,640,780	32,450,986

The accompanying notes are an integral part of this financial statement.

City of Guelph

Consolidated statement of cash flows year ended December 31, 2009

	2009	2008
	\$	\$
Operating transactions		
Excess of revenues over expenses	16,812,048	36,478,075
Less items not affecting cash		
Amortization of tangible capital assets	35,342,401	34,517,937
Loss on sale of tangible capital assets	242,725	1,481,749
Changes in		
Taxes receivable	(413,948)	(386,454)
Accounts receivable	(9,105,526)	1,496,441
Other current assets	64,244	149,753
Long term receivable	(18,000)	(39,000)
Inventories of supplies	76,232	(570,979)
Prepaid expenses	(28,728)	(100,632)
Accounts payable and accrued liabilities	2,299,663	1,886,527
Other deferred revenue	885,722	(3,921,456)
Employee future benefits	1,371,875	1,231,508
Current payroll liabilities	650,430	809,998
Accrued interest payable	(1,011)	48,714
Deferred revenue	(2,346,271)	1,231,508
Landfill post-closure liability	900,000	(1,600,000)
Cash provided by operating transactions	46,731,856	72,713,689
Capital transactions		
Acquisition of tangible capital assets	(69,254,884)	(75,518,440)
Investing transaction		
Increase in investments	333,812	19,717,983
Financing transactions		
Debt issued for City purposes	24,870,000	10,000,000
Short-term debt issued for City purposes	10,000,000	-
Debenture principal repayments	(10,041,418)	(9,712,014)
Net increase in cash from financing transactions	24,828,582	287,986
Net change in cash	2,639,365	17,201,218
Cash, beginning of year	87,468,455	70,267,237
Cash, end of year	90,107,821	87,468,455

The accompanying notes are an integral part of this financial statement.

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

1. Significant accounting policies

The consolidated financial statements of the City of Guelph (the "City") have been prepared by management in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (the "CICA"). Significant accounting policies adopted by the City are as follows:

Basis of consolidation

Consolidated entities

The consolidated financial statements reflect the financial assets, liabilities, operating revenues and expenses and changes in investment in tangible capital assets of the reporting entity. The reporting entity is comprised of those City funds and government functions or entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City, except for the City's government businesses which are accounted for on the modified equity basis of accounting.

The organizations included in the consolidated financial statements are as follows:

Guelph Public Library Board
Guelph Police Services Board
Guelph Civic Museum
Downtown Guelph Business Association
The Elliott

All interfund assets and liabilities, and sources of financing and expenditures are eliminated.

The Elliott's fiscal year ends March 31, which does not coincide with the City's fiscal year end. The Elliott has been consolidated using the fiscal year ending March 31 of the City's fiscal year.

Proportionately consolidated entities

The City reports only its share of assets, liabilities and results of operations of any government partnerships in which it participates. The City participates in the Wellington-Dufferin-Guelph Public Health Unit to the extent of 46% (2008 - 46%) based on population, as stated in agreement with the other participants. The City also participates in the operations of Social Services and Social Housing, which are services provided by the County of Wellington. The City's share of these operations are 73% and 75% (2008 - 73% and 75%) respectively.

Non-consolidated entities

The following local boards and utilities are not consolidated:

School Boards
Guelph General Hospital
Guelph Cemetery Commission
Guelph Non-Profit Housing

Government businesses

The investments in Guelph Hydro Inc. and Guelph Junction Railway are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the city, and inter-organizational transactions and balances are not eliminated.

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

1. Significant accounting policies (continued)

Basis of consolidation (continued)

Accounting for school board transactions

The taxation and other revenues with respect to the operations of the school boards are reflected in the consolidated statement of financial activities but with no effect on the Accumulated Surplus balances since the total is shown as a deduction.

In addition, the expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements except to the extent that any over levies are reported on the consolidated balance sheet as "other current liabilities".

Trust funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

Basis of accounting

Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting. 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.

Cash and cash equivalents

Cash equivalents include short-term investments with maturities of twelve months or less.

Reserves and reserve funds

Certain amounts, as approved by City Council, are set aside in reserves and reserves funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

Deferred revenue

Deferred revenues represent user charges and fees and development charges which have been collected but for which the related services or expenditures have yet to be performed. These amounts will be recognized in the fiscal year the services or expenditures are performed.

Use of estimates

Since the 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 approximation. These have been made using careful judgments. Actual results could differ from those estimates.

Government transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing that the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Investment income

Investment income earned on available funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on development charge reserve funds is added to the fund balance and forms part of the deferred revenue balance.

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

1. Significant accounting policies (continued)

Tangible capital assets

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

Land improvements	- 10 to 50 years
Pipes	- 60 to 80 years
Bridges	- 60 to 80 years
Roads (structure)	- 50 years
Roads (pavement surface)	- 20 to 30 years
Pumping stations	- 10 to 60 years
Supply facilities	- 10 to 60 years
Treatment plants	- 10 to 60 years
Buildings	- 10 to 75 years
Equipment	- 3 to 15 years
Vehicles	- 3 to 15 years
Leasehold improvements	- over life of lease

For assets with shorter lives (i.e. vehicles, laptop and desktop computers), one half of the amortization is charged in the year of acquisition and in the year of disposal. For all other assets, amortization begins in the first month of the year following their readiness for use. Assets under construction are not amortized until the asset is available for use.

The City has various capitalization thresholds, so that individual tangible capital assets of lesser value are expensed, unless the assets have significant value collectively (pooled assets). Examples of pools are desktop and laptop computers, police cars, traffic signals, streetlights, and annual road resurfacing.

- (ii) Land purchased for service delivery purposes is recorded as a tangible capital asset at the lower of cost or market value. Any land cost premium incurred related to expropriation will be included as part of the asset to be constructed and amortized over its' useful life.
- (iii) Contribution of tangible capital assets: Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.
- (iv) 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.

Changes in accounting policy

Definition of the changes

Effective January 1, 2009, the City of Guelph adopted the CICA Public Sector Accounting Handbook Sections relating to Financial Statement Presentation and PS 3150 Tangible Capital Assets. These new standards establish new reporting principles and standards for the disclosure of information in government financial statements and provide the basis for recording and amortizing tangible capital assets.

Beginning in 2009, tangible capital assets are recorded at cost on the consolidated statement of financial position. The cost, less any residual value, is amortized over the estimated useful lives of the asset. The annual amortization is expensed on the consolidated statement of operations and surplus. Tangible capital assets were previously written off as capital expenditures upon acquisition.

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

1. Significant accounting policies (continued)

Changes in accounting policy (continued)

Methods used for determining the historical cost of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the City's tangible assets. Historical costs and acquisition dates were not available for all assets as at January 1, 2008. Therefore, estimates were required in certain cases.

Where historical costs were not available, a consistent method of estimating the replacement or reproduction cost of the tangible capital assets was applied by asset and asset class, including appraisals. Where acquisition dates were not available, these dates were estimated based on available information, which included the acquisition dates of contiguous assets, the date the surrounding areas were established, or other relevant information.

After defining replacement or reproduction cost, appropriate indices were used to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition

Impact of the changes

These changes have been applied retroactively and prior year comparative figures have been restated as follows:

	\$
Municipal position as at January 1, 2008	
Operating fund balance	84,293,465
Capital fund balance	4,073,501
Reserves balance	67,741,298
Reserve funds balance	6,499,119
Amounts to recovered	(122,370,607)
Municipal position, as previously reported	40,236,776
Net book value of tangible capital assets recorded	794,015,342
Change in non-financial assets previously reported as expense	7,421,700
Accumulated surplus as at January 1, 2008, as restated	841,673,818
Net expenditures, year end December 31, 2008	
Net expenditures, as previously reported	(3,740,857)
Assets capitalized, but previously expensed	75,518,440
Amortization expense not previously recorded	(34,517,937)
Loss on disposal of tangible capital assets	(1,481,749)
Change in non-financial assets previously reported as expense	700,178
Excess of revenue over expenses, year ended December 31, 2008, as restated	36,478,075

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

2. Operations of school boards

The taxation, other revenues, expenses and levies of the school boards are comprised of the following:

	2009	2008
	\$	\$
Taxation	61,044,472	59,295,463
Payment in lieu	1,823	911
	61,046,295	59,296,374
Requisitions	61,046,295	59,296,374
Overlevy (underlevy) for the year	-	-

3. Contributions to other entities

	2009	2008
	\$	\$
Grand River Conservation Authority	1,267,304	1,189,187
Joint Social Services Committee	41,714,635	38,216,203
Wellington Terrace	166,000	152,167
MacDonald Stewart Art Centre	145,200	140,300
Municipal Property Assessment Corporation	1,434,759	1,385,159
	44,727,898	41,083,016

4. Trust funds

Trust funds administered by the municipality are not included in the consolidated statement of financial position nor are their operations included in the consolidated statement of financial activities.

5. Investments

Investments are recorded at cost. The cost and market values are as follows:

	2009	2008
	\$	\$
Cost	25,463,497	16,459,403
Market value	24,017,749	17,109,055

In January of 2009, a restructuring plan was implemented to convert frozen short-term asset-backed commercial paper to long-term notes of various classes with terms matching the maturity of the underlying assets. As a result of the exchange, the City recorded the new carrying value (increase of \$64,197) but recognized the highly speculative nature of any ultimate payment of principal at maturity by booking a 25% provision for impairment of \$578,155. This impairment was applied to the cost of the investments.

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

6. Pension agreement

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer plan, on behalf of the 1,555 (2008 - 1,499) members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2009 was \$7,242,067.34 (2008 - \$6,272,789) for current service and this is included on the consolidated statement of operations and accumulated surplus. As at December 31, 2009, the City has no obligation under the past service provisions of the OMERS agreement.

7. Employee future benefits and other liabilities

	2009	2008
	\$	\$
Summary of employee future benefits and other liabilities		
Future payments required for:		
WSIB	2,913,691	2,645,216
Retiree benefits	11,613,762	10,995,361
Sick leave	8,954,259	8,469,260
Total	23,481,712	22,109,837

a) Liability for Workplace Safety & Insurance ("WSIB")

The City is a Schedule II employer under the Workplace Safety and Insurance Act. As a Schedule II employer, the City assumes the liability for any award made under the Act.

Using extrapolation, the 2009 liability has been estimated at \$2,913,691 (2008 - \$2,645,216). The calculations were based on a discount rate of 7% (2008 - 5.0%) and an inflation rate for benefits of 2% (2008 - 2%). An actuarial valuation update of the future liability for WSIB benefits was conducted as at December 31, 2009. A reserve in the amount of \$1,498,327 (2008 - \$1,441,322) has been provided for this liability.

b) Retirement benefits

The City provides dental and health care benefits between the time an employee retires under the Ontario Municipal Employees Retirement System (OMERS), or retires at a normal retirement age, up to the age of 65.

A liability of \$11,613,762 (2008 - \$10,995,361) has been reported on the consolidated statement of financial position for the liability accruing to existing employees for health care, dental and life benefits and for retired employees for health, dental and life benefits coverage. The amounts reported are based on an extrapolation of an actuarial valuation update conducted as at December 31, 2009. The calculations were based on a discount rate of 7% (2008 - 5%) and inflation rates for benefit premiums of 4% to 7.667% (2008 - 4.0% to 7.667%).

c) Sick leave

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the Municipality's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to \$8,954,259 (2008 - \$8,469,260) at the end of the year. The amounts reported are based on an actuarial valuation conducted as at December 31, 2008 using a discount rate of 5% (2008 - 5%) and assuming an inflation rate of 2% (2008 - 2%).

A reserve fund has been provided to fund the cost of future retirement and sick leave benefits provided by the City. The balance at the end of the year was \$13,489,000 (2008 - \$12,217,605).

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

8. Vacation pay liability

The vacation year is from July 1 to June 30. Vacations are earned in the calendar year before July 1st and become due and may be taken anytime during the following twelve months.

9. Short-term loan

The short-term loan is a credit facility with the bank, bearing interest at prime minus 0.5%, and is payable on demand.

10. Net long-term liabilities

a)	2009	2008
	\$	\$
Total long-term liabilities incurred by the municipality including those incurred on behalf of municipal enterprises and outstanding at the end of the year amount to	98,590,746	85,285,955
Less: debenture debt recoverable from school boards and unconsolidated entities	3,345,000	4,850,000
Net long-term liabilities at the end of the year	95,245,746	80,435,955

b) Of the net long-term liabilities reported in 8 (a), \$48,360,985 in principal payments are payable from 2010 to 2014, \$46,884,761 from 2015 and beyond. These principal payments are summarized as follows:

	2010-2014	2015 onwards
	\$	\$
From general municipal revenues	35,919,506	30,766,664
From developer revenues	11,827,479	14,100,819
From consolidated municipal enterprises	614,000	2,017,278
	48,360,985	46,884,761

All net long-term liabilities on the consolidated balance sheet are payable in Canadian dollars.

c) The long-term liabilities in (a) issued in the name of the municipality and approved by Council have received approval of the Ontario Municipal Board prior to January 1, 1993. Those issues approved by Council after December 31, 1992 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.

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

10. Net long-term liabilities (continued)

The details of net long-term debt outstanding are:

Bylaw	Project description	Term	Maturity date	Interest rates	December 31, 2009 Principal outstanding	December 31, 2008 Principal outstanding
					\$	\$
17535	Int-Eramosa at Stevenson	5	15-Sep-09	2.75% to 4.40%	-	8,161
17535	Int. Yorkshire at Norfolk	5	15-Sep-09	2.75% to 4.40%	-	214,755
17535	Pavement Deficit	5	15-Sep-09	2.75% to 4.40%	-	53,689
17535	Transfer Station	5	15-Sep-09	2.75% to 4.40%	-	594,870
17535	Landfill Closure	5	15-Sep-09	2.75% to 4.40%	-	547,624
17535	Purchase CPR Assets	5	15-Sep-09	2.75% to 4.40%	-	85,902
16393	West End Community Centre	10	5-Sep-10	6.15% to 6.375%	380,000	738,000
16393	Land Acquisition	10	5-Sep-10	6.15% to 6.375%	236,000	459,000
16393	WWTP Expansion Stage 1	10	5-Sep-10	6.15% to 6.375%	259,000	503,000
18000	Various Roads Projects	5	20-Apr-11	4.25% to 4.45%	1,771,613	2,622,268
18000	Centennial Pool Reconstruction	5	20-Apr-11	4.25% to 4.45%	105,000	155,417
18000	Bus Storage Area Expansion	5	20-Apr-11	4.25% to 4.45%	196,560	290,940
18000	Transfer Station/Public Dropoff Facility	5	20-Apr-11	4.25% to 4.45%	102,175	151,235
18000	Fire Station (East End)	5	20-Apr-11	4.25% to 4.45%	313,152	463,515
18000	Pride Upgrade	5	20-Apr-11	4.25% to 4.45%	31,500	46,625
16732	On behalf of the Elliot	10	15-Nov-11	3.10% to 5.95%	14,890,000	15,730,000
16751	Woolwich: Speedvale to Woodlawn	10	10-Dec-11	2.80% to 6.00%	126,018	183,912
16751	West End Community Centre	10	10-Dec-11	2.80% to 6.00%	407,490	594,695
16751	Hanlon West Business Park	10	10-Dec-11	2.80% to 6.00%	1,631,661	2,381,267
16751	WWTP Expansion Stage 1	10	10-Dec-11	2.80% to 6.00%	729,832	1,065,126
17536	On behalf of the Elliot	10	15-Sep-14	2.75% to 5.20%	1,381,000	1,621,000
18622	Social Services Building Renovation	10	25-Sep-18	3.25% to 4.70%	2,487,000	2,717,900
18622	Police HQ Renovations	10	25-Sep-18	3.25% to 4.70%	1,155,000	1,262,000
18622	Various Roads Projects	10	25-Sep-18	3.25% to 4.70%	4,884,000	5,338,100
18622	Bus Storage Area Expansion	10	25-Sep-18	3.25% to 4.70%	167,000	182,000
18622	Roof Organic Waste Facility	10	25-Sep-18	3.25% to 4.70%	457,000	500,000
18105	New City Hall	25	28-Aug-31	5.237%	18,261,571	18,695,895
18105	New POA	25	28-Aug-31	5.237%	5,150,699	5,273,201
18898	Roads	10	25-Nov-19	.095 % to 4.60%	760,881	-
18898	Protection Services Fire	10	25-Nov-19	.095 % to 4.60%	2,499,700	-
18898	Protection Services Ambulance	10	25-Nov-19	.095 % to 4.60%	166,300	-
18898	Corporate Buildings - Civic Admin	10	25-Nov-19	.095 % to 4.60%	2,300,000	-
18898	Library	10	25-Nov-19	.095 % to 4.60%	850,000	-
18898	Waste Mgmt.	10	25-Nov-19	.095 % to 4.60%	216,000	-
18898	Protection Services Fire	10	25-Nov-19	.095 % to 4.60%	950,000	-
18898	Protection Services Police	10	25-Nov-19	.095 % to 4.60%	3,050,000	-
18898	Roads	10	25-Nov-19	.095 % to 4.60%	1,866,600	-
18898	Water	10	25-Nov-19	.095 % to 4.60%	6,362,700	-
18898	Poll. Control	10	25-Nov-19	.095 % to 4.60%	5,847,819	-
	RBC Top Up Loan - Sleeman Centre	Demand		RBP - 0.5%	-	1,217,200
	Mortgage RBC - Sleeman Centre	10	1-May-17	4.957%	5,494,928	6,091,818
	Private Mortgages HCBP	10	28-Jun-11	7.50%	832,820	1,339,072
	Mortgage CIBC - Sleeman Centre	18.8	1-Sep-25	6.38%	6,293,451	6,519,197
	Elliot Bankers Acceptance	10	25-Jun-15	4.87%	2,631,277	2,788,571
Net long-term liabilities at the end of the year					95,245,746	80,435,955
14882	Separate School Board	15	14-Jul-10	6.75% to 8.875%	600,000	1,150,000
15316	Public School Board	15	1-Nov-11	3.375% to 6.95%	800,000	1,175,000
15648	Public School Board	15	18-Dec-12	4.50% to 6.20%	1,294,000	1,680,000
15648	Separate School Board	15	18-Dec-12	4.50% to 6.20%	651,000	845,000
Recoverable from School Boards					3,345,000	4,850,000
Total debenture debt incurred					98,590,746	85,285,955

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

11. Charges for net long-term liabilities

Total charges for the year for net long-term liabilities are as follows:

	2009	2008
	\$	\$
Principal payments	10,041,418	9,712,014
Interest	5,014,080	4,544,735
	15,055,498	14,256,749

12. Accumulated surplus - reserves and reserve funds

The total balance of accumulated surplus, reserves and reserve funds, are comprised of the following:

	2009	2008
	\$	\$
Reserves set aside for specific purpose by Council:		
for employee future benefits	13,489,000	12,217,605
for Workers' Compensation	1,498,327	1,441,322
for Employee Benefit Stabilization	3,040,179	2,514,274
for Tax Rate Stabilization	1,355,485	2,595,660
for Land Ambulance	161,019	614,740
for Water Rate Stabilization	1,214,187	-
for Waste Water Rate Stabilization	1,542,034	1,144,861
for Building Services	1,312,574	1,116,797
for Human Resources & Other Contingencies	3,258,622	3,116,022
for Social Services	1,802,715	-
Reserves set aside by Downtown Guelph Business Association		
for contingency	107,088	87,772
Reserves set aside by Wellington-Dufferin-Guelph Public Health		
for capital financing purposes	447,962	421,383
for sick leave	30,708	29,195
for vacation pay	514,826	201,387
Total reserves	29,774,726	25,501,018
Reserve funds set aside for specific purpose by Council:		
for equipment replacement	3,199,480	6,952,406
for capital financing purposes	53,014,016	51,861,242
for industrial development	2,279,508	(6,198,668)
for working capital	1,482,569	1,592,067
Total reserve funds	59,975,573	54,207,047
Total for reserves & reserve funds	89,750,299	79,708,065
Invested in tangible capital assets	876,386,237	842,716,479
Inventory & prepaids	2,936,924	2,984,428
Operating Fund		
Investment in Guelph Hydro	65,442,000	74,774,000
Investment in Guelph Junction Railway	5,584,351	5,609,047
The Elliott	(1,676,886)	330,887
Wellington Dufferin Guelph Health Unit	(25,512)	(787,774)
Capital Fund		
Capital Funding	(6,560,299)	(5,286,964)
Future Capital Outlay	(84,883,039)	(71,748,446)
Amounts to be Recovered	(16,271,000)	(17,351,000)
Unfunded liabilities		
Employee benefits and post employment liabilities(includes current payroll liability)	(29,119,134)	(27,096,829)
Solid waste landfill closure and post-closure liabilities	(6,600,000)	(5,700,000)
Total	805,213,642	798,443,828
Accumulated surplus	894,963,941	878,151,893

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

13. Investment in Guelph Hydro Inc.

The City of Guelph owns 100% of Guelph Hydro Inc (the "Company"), which in turn owns 100% of Guelph Hydro Electric Systems Inc., Ecotricity Guelph Inc. As business enterprises of the City of Guelph, they are accounted for on a Modified Equity basis in these financial statements. The Corporations are the electricity distribution utilities for the City's residents. The following table provides condensed supplementary financial information for the Company for the year ended December 31:

	2009 (000's)	2008 (000's)
	\$	\$
Financial position		
Current assets	36,532	35,986
Capital assets	93,623	91,684
Regulatory assets	-	2,307
Future income taxes	9,646	8,664
Total assets	139,801	138,641
Current liabilities	51,123	20,803
Customer deposits	3,671	3,382
Long-term liabilities	19,565	39,682
Total liabilities	74,359	63,867
Net assets	65,442	74,774
Results of operations		
Revenues	123,541	138,772
Cost of sales	96,819	111,898
Operating expenses	20,808	20,843
Impairment of fixed assets	2,984	-
Income tax	3,488	1,643
Total expenses	124,099	134,384
Net income (loss)	(558)	4,388
Retained earnings, beginning of year	26,143	23,255
Adjustment due to change in accounting policy	(6,469)	-
Dividends	(2,250)	(1,500)
Retained earnings, end of year	16,866	26,143

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

14. Investment in Guelph Junction Railway

The City of Guelph owns 100% of Guelph Junction Railway. As a business enterprise of the City of Guelph, it is accounted for on a Modified Equity basis in these financial statements. The following table provides condensed supplementary financial information for the Railway for the year ended December 31:

	2009 (000's)	2008 (000's)
	\$	\$
Financial position		
Current assets	623	567
Capital assets	6,385	6,442
Total assets	7,008	7,009
Current liabilities	366	298
Long-term liabilities	1,058	1,102
Total liabilities	1,424	1,400
Net assets	5,584	5,609
Results of operations		
Revenues	1,097	1,319
Operating expenses	1,122	1,342
Excess of expenses over revenue	(25)	(23)

15. Contingencies

- Urbancon Buildings Group Corp. served a Statement of Claim against the City pursuant to the Construction Lien Act seeking damages in excess of \$12,000,000 and punitive and other damages totaling over \$7,000,000. The City has a Counterclaim claiming damages in the amount of \$5,000,000. A related claim of \$5,000,000 was also made by the City against the surety of the performance bond posted by Urbancon.
- The County of Wellington served a Statement of Claim for \$4,000,000 against the City alleging a breach of contract with respect to payments owing for Wellington Terrace. The City has a counterclaim with respect to this matter and has filed a notice of Intent to Defend.
- In April of 2010 charges were laid against the City under the Occupational Health and Safety Act relating to a 2009 incident. The maximum fine that could be imposed under this matter is \$500,000.
- From time to time, the City may be involved in other claims in the normal course of business. Management assesses such claims and where considered likely to be material exposure and, where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of likely outcome. The City does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of loss cannot be reasonably estimated. Any settlements or awards under such claims are provided when reasonably determinable.

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

15. Contingencies (continued)

- e) An action claiming \$500 million in restitutionary payments, plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against Toronto Hydro Electric Commission as the representative of the defendant class consisting of all municipal electric utilities in Ontario, which have charged late payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The action has not yet been certified as a class action and no examination of discoveries have been held, as the parties were awaiting the outcome of a similar proceeding brought against Enbridge Gas Distribution Inc. (formerly Consumer Gas).

On April 22, 2004, the Supreme Court of Canada released a decision in the Consumer Gas case rejecting all of the defenses which have been raised by Enbridge, although the Court did not permit the Plaintiff class to recover damages for any period prior to the issuance of the Statements of Claim in 1994 challenging the validity of late payment penalties. The Supreme Court remitted the matter back to the Ontario Superior Court of Justice for determination of the damages. At the end of 2008, a mediation process resulted in the settlement of damages payable by Enbridge and that settlement was approved by the Ontario Superior Court. After the release by the Supreme Court of Canada of its 2004 decision in the Consumer Gas case, the plaintiffs in the LDC late payment penalties class action indicated their intention to proceed with their litigation against the LDCs. To date, no formal steps have been taken to move the action forward.

At this time it is not possible to quantify the effect of this matter, if any, on the financial statements of the City.

16. Landfill post-closure liability

The City owns one landfill site. This landfill site was closed in 2003. The liability for post-closure costs has been reported on the consolidated statement of financial position. The liability was calculated based upon the present value of estimated post-closure costs discounted to December 31, 2009 at a factor of 5.15% (2008 - 5.54%) per annum. Post-closure care is estimated to be required for 35 years from the date of site closure.

The estimated expenditures for post-closure care as at December 31, 2009 is \$6,600,000 (2008 - \$5,700,000). The full amount of these expenditures has been recognized as a liability in the financial statements. There are no reserve funds established for this liability as at December 31, 2009.

17. Expenditures by object

The following is a summary of the current expenditures reported on the Statement of Operations by the object of expenditures:

	2009	2008
	\$	\$
Salaries, wages and employee benefits	139,424,267	124,906,248
Long-term debt charges (interest)	5,014,080	4,544,735
Materials	26,160,667	29,359,763
Contracted services	31,405,361	33,070,014
Rents and financial expenses	15,412,884	11,074,283
Amortization	35,342,401	34,517,937
Capital project studies	3,377,202	725,721
External transfers	43,702,773	42,770,566
	299,839,635	280,969,267

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

18. Government partnerships

- (i) The City's share of the results of the Wellington-Dufferin-Guelph Public Health's financial activities for the year and its financial position at December 31 year end are as follows:

	2009	2008
	\$	\$
Assets	1,682,792	1,198,541
Liabilities	1,241,522	783,846
Net financial assets	441,270	414,695
Tangible capital assets	69,403	121,489
Prepaid expenses	6,692	6,693
Balance	76,095	128,182
Accumulated surplus	517,365	542,876
Revenues	6,467,290	6,131,862
Expenditures	6,492,801	6,072,107
Excess of revenue over expenses (expenses over revenue)	(25,511)	59,755
Transfer to reserves	-	663
Accumulated surplus, beginning of year	542,876	482,458
Accumulated surplus, end of year	517,365	542,876

- (ii) The City's share of the operations of Social Services is as follows:

	2009	2008
	\$	\$
Revenues	18,478,472	16,258,335
Expenditures	30,317,036	27,089,920
Net expenditures	11,838,564	10,831,585

- (iii) The City's share of the operations of Social Housing is as follows:

	2009	2008
	\$	\$
Revenues	2,225,267	2,224,108
Expenditures	13,622,866	13,350,393
Net expenditures	11,397,599	11,126,285

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

19. Commitments and guarantees

The City has guaranteed \$900,000 non-revolving facility for Guelph Community Sports which is supported by Council resolution authorizing provision of such guarantee in favour of Guelph Community Sports. The City believes that this guarantee will not have any significant unfavorable impact on its financial position and consequently no provision has been made in the consolidated financial statements.

Wellington-Dufferin-Guelph Public Health has leased premises under a variety of leases of which the longest expires on April 30, 2031. The minimum lease payments over the next five years are as follows:

	\$
2010	491,700
2011	495,950
2012	289,190
2013	115,250
2014	115,250
	<hr/> 1,507,340 <hr/>

Other contractual obligations include:

Hospice Wellington

The City has committed grants to Hospice Wellington through 2012 with an outstanding amount of \$600,000 (2008 - \$800,000) payable annually in instalments of \$200,000. This grant is to assist with capital renovation costs incurred to open their new location.

Guelph General Hospital

The City has committed grants to Guelph General Hospital through 2012 with an outstanding amount of \$600,000 (2008 - \$800,000) payable annually in instalments of \$200,000. This grant is to assist with the capital purchase of a new MRI machine.

MacDonald Stewart Arts Centre

The City has committed grants to MacDonald Stewart Arts Centre through 2010 with an outstanding amount of \$20,000 (2008 - \$40,000) payable annually in instalments of \$20,000. This grant is to assist with capital upgrades required to their HVAC system.

ARC Industries

The City has committed grants to ARC Industries through 2010 with an outstanding amount of \$40,000 (2008 - \$80,000) payable annually in instalments of \$40,000. This grant is to assist with costs incurred to renovate their gymnasium.

Kindle Communities

In 2009 \$72,000 that was originally allocated to the Hospice was given to Kindle Communities Organization for relief of costs associated with the redevelopment of the Shelldale Centre. The funds went to support the related development charges and building permit fees for the Shelldale Building project.

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

20. Tangible capital assets

For fiscal years beginning on or after January 1, 2009, the City is required to report the historical cost and accumulated amortization of tangible capital assets in its consolidated financial statements in accordance with the Public Sector Accounting Handbook (Section PS 3150 – Tangible Capital Assets).

As at December 31, 2009, the City has obtained a listing of its tangible capital assets as follows:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	29,250,326	-	29,250,326	29,141,918
Land improvements	8,704,846	3,432,793	5,272,053	1,907,610
Buildings	174,378,980	50,428,718	123,950,262	88,097,005
Machinery and equipment	90,483,207	58,091,595	32,391,612	35,356,071
Vehicles	57,279,146	25,610,636	31,668,510	24,640,504
Sanitary sewers	239,777,578	109,784,949	129,992,629	133,474,021
Storm water	162,283,030	35,835,334	126,447,696	124,077,485
Transportation	292,872,417	169,395,766	123,476,651	120,820,429
Waterworks	180,582,441	71,679,934	108,902,507	108,751,169
Assets under construction	165,033,991	-	165,033,991	176,450,267
	1,400,645,962	524,259,725	876,386,237	842,716,479

21. Budget figures

Budgets are established to set tax rates or to finance projects which may be carried out over one or more years. Budget figures have been translated to reflect changes in Public Sector Accounting Board standards on the Consolidated Statement of Operations by adjusting for amortization and some consolidated entities. Budget figures have not been audited.

22. Segmented information

The City of Guelph is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, ambulance, transit and water. For management reporting purposes, the City's operations and activities are organized and reported by activity and reserves. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Although City services are provided by internally defined departments, the City has chosen to remain consistent with the Ontario Financial Information Return (FIR) and the nine functional areas that it prescribes. This will allow comparability between our Schedule of Segment Disclosure and several schedules on the FIR that already require full segment disclosure of operating expenditures and limited disclosure of current operating revenues.

City of Guelph

Notes to the consolidated financial statements

December 31, 2009

22. Segmented information (continued)

The services that have been separately disclosed in the segmented information are defined by the compositional requirements of the FIR, and some examples of these along with the services they provide are as follows (Schedule 1):

General Government

Governance (election management, Council, Council support, Office of the Mayor)

Corporate management (CAO, taxation, accounting, budgeting communication, legal, corporate properties and real estate)

General program support costs including Human Resources and Information Technology, postage and telephone are allocated back to functional segments on the basis of percentage of total expenditures by category.

Protection services

Police, Fire, 911 service, POA Act, building and structural inspection, bylaw enforcement, animal control, and conservation authority

Transportation services

Roadways – including asphalt resurfacing and crack sealing, line painting, sweeping, traffic operations and maintenance of roadside areas, culverts and bridges.

Winter control, street lighting, parking and public transit

Environmental services

Sanitary sewer, storm sewers, waterworks, solid waste collection, disposal and recycling

Health services

Public health services, grants to public hospitals, provision of ambulance service

Social and family services

General assistance and childcare as payments to the Consolidated Municipal Service Managers, contributions to homes for the aged, social housing and youth shelters.

Recreation and cultural services

Parks, recreational facilities, recreational programs, libraries, museums, River Run Centre, Farmers Market and other cultural services.

Planning and development services

Planning and zoning, Committee of Adjustment, Visitor Centre and economic development for commercial and industrial.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu are apportioned to current fund services based on the fund segment's net surplus, and general program support costs are apportioned based on a percentage of total expenditure by segment.

23. Comparative figures

Certain comparative figures have been reclassified in order to present them in a form comparable to those for 2008.