

**CORPORATION OF THE TOWN OF AYLMER**

**CONSOLIDATED FINANCIAL REPORT**

**DECEMBER 31, 2008**

AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers  
of the Corporation of the Town of Aylmer

I have audited the consolidated statement of financial position of the Corporation of the Town of Aylmer as at December 31, 2008 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2008 and the results of its operation and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

London, Canada  
March 11, 2009

*Scrimgeour & Company*  
LICENSED PUBLIC ACCOUNTANT

**CORPORATION OF THE TOWN OF AYLMER**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2008**

(with comparative balances as at December 31, 2007)

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments	\$ 4,052,336	\$ 2,386,305
Loan receivable (note 3)	2,263,500	2,263,500
Taxes receivable	473,965	381,149
Accounts receivable	739,125	1,868,381
Other current assets	101,693	80,957
Investment in Erie Thames Power Corporation (note 5)	<u>2,790,208</u>	<u>2,881,018</u>
<b>Total assets</b>	<b><u>\$ 10,420,827</u></b>	<b><u>\$ 9,861,310</u></b>
<b>LIABILITIES AND MUNICIPAL POSITION</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 817,045	\$ 826,158
Other current liabilities	238,527	532,934
Deferred revenue - obligatory reserve funds (note 8)	449,777	517,095
Employee post-retirement benefit liabilities (note 7)	1,359,422	1,220,017
Net long-term liabilities (note 9)	<u>4,834,488</u>	<u>5,185,381</u>
<b>Total liabilities</b>	<b><u>7,699,259</u></b>	<b><u>8,281,585</u></b>
<b>MUNICIPAL POSITION</b>		
<b>Amounts to be recovered (note 9)</b>		
From future revenues	<u>(6,193,910)</u>	<u>(6,405,398)</u>
	<b><u>(6,193,910)</u></b>	<b><u>(6,405,398)</u></b>
<b>Fund balances (note 10)</b>		
Current fund	(134,377)	(39,511)
Capital fund	34,910	202,778
Reserves	303,000	303,000
Reserve funds	3,658,237	2,374,338
Erie Thames Power Corporation net investment (note 3)	<u>5,053,708</u>	<u>5,144,518</u>
	<b><u>8,915,478</u></b>	<b><u>7,985,123</u></b>
<b>Total liabilities and municipal position</b>	<b><u>\$ 10,420,827</u></b>	<b><u>\$ 9,861,310</u></b>

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

**CORPORATION OF THE TOWN OF AYLMER**  
**CONSOLIDATED STATEMENT OF MUNICIPAL ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

(with comparative balances for the year ended December 31, 2007)

	<u>Budget</u> <u>2 0 0 8</u>	<u>Actual</u> <u>2 0 0 8</u>	<u>Actual</u> <u>2 0 0 7</u>
<b>REVENUES</b>			
Property taxation	\$ 4,305,681	\$ 4,251,051	\$ 4,144,410
User charges	3,129,991	2,818,107	2,100,486
Government grants	3,318,695	3,963,047	3,013,149
Investment income	260,000	424,736	303,864
Penalty and interest on taxes	42,047	62,696	63,756
Investment increase (decrease) from Erie Thames Power Corporation (note 5)		(90,810)	275,538
Other revenue	<u>407,500</u>	<u>411,111</u>	<u>624,376</u>
<b>Total revenues</b>	<b><u>11,463,914</u></b>	<b><u>11,839,938</u></b>	<b><u>10,525,579</u></b>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	1,055,354	986,471	998,152
Protection to persons and property	2,500,117	2,478,199	2,467,060
Transportation services	739,074	697,852	650,656
Environmental services	2,139,715	1,907,549	1,886,492
Health services	123,884	179,725	111,875
Recreation and cultural development	1,729,578	1,687,061	997,052
Planning and development	<u>140,792</u>	<u>164,414</u>	<u>154,712</u>
	<u>8,428,514</u>	<u>8,101,271</u>	<u>7,265,999</u>
<b>Capital</b>			
General government	111,236	52,225	17,891
Protection to persons and property	75,040	92,260	157,062
Transportation services	1,538,354	994,672	568,583
Environmental services	1,847,256	955,752	938,753
Health		46,920	
Recreation and cultural service	117,500	78,430	58,294
Planning and development	<u>129,350</u>	<u>97,755</u>	<u>623,632</u>
	<u>3,818,736</u>	<u>2,318,014</u>	<u>2,364,215</u>
<b>Total expenditures</b>	<b><u>12,247,250</u></b>	<b><u>10,419,285</u></b>	<b><u>9,630,214</u></b>
<b>Net revenue</b>	<b>(783,336)</b>	<b>1,420,653</b>	<b>895,365</b>
(Increase) decrease in post retirement benefits		(139,405)	(129,802)
(Decrease) increase in net long term liabilities	<u>(350,893)</u>	<u>(350,893)</u>	<u>1,789,988</u>
Increase (decrease) in amounts to be recovered	<u>(350,893)</u>	<u>(490,298)</u>	<u>1,660,186</u>
<b>Change in Fund Balances</b>	<b><u>\$ (1,134,229)</u></b>	<b><u>\$ 930,355</u></b>	<b><u>\$ 2,555,551</u></b>

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

**CORPORATION OF THE TOWN OF AYLMER**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

(with comparative balances for the year ended December 31, 2007)

	<u>2008</u>	<u>2007</u>
<b>OPERATIONS</b>		
Net revenues	\$ <u>1,420,653</u>	\$ <u>895,365</u>
<b>Uses:</b>		
Increase in other current assets	(20,736)	(4,243)
Increase in taxes receivable	(92,816)	
Decrease in accounts payable and accrued liabilities	(9,115)	(294,541)
Decrease in other current liabilities	(294,407)	
Decrease in obligatory reserve funds	<u>(67,318)</u>	<u>                    </u>
	<u>(484,392)</u>	<u>(298,784)</u>
<b>Sources:</b>		
Decrease in taxes receivable		134,615
Decrease in accounts receivable	1,129,258	465,908
Increase in employee post-retirement benefit liabilities	(139,405)	129,802
Increase in deferred revenue - obligatory reserve funds		<u>210,769</u>
	<u>989,853</u>	<u>941,094</u>
<b>Net changes in cash from operations</b>	<u><b>1,926,114</b></u>	<u><b>1,537,675</b></u>
<b>INVESTING</b>		
Net change in investment in Erie Thames Power Corporation	90,810	(218,838)
<b>FINANCING</b>		
Net change in net long term liabilities	<u>(350,893)</u>	<u>1,530,384</u>
<b>Net change in cash and cash equivalents</b>	<b>1,666,031</b>	<b>2,849,221</b>
<b>Opening cash and cash equivalents</b>	<u><b>2,386,305</b></u>	<u><b>(462,916)</b></u>
<b>Closing cash and cash equivalents</b>	<u><b>\$ 4,052,336</b></u>	<u><b>\$ 2,386,305</b></u>

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

**CORPORATION OF THE TOWN OF AYLMER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

The Corporation of the Town of Aylmer is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. Significant Accounting Policies

The consolidated financial statements of the Corporation of the Town of Aylmer are prepared by management in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town are as follows:

(a)(i) Basis of Consolidation

These consolidated statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. The reporting entity includes the activities of all local boards, joint local boards, municipal enterprises and committees of Council including the following:

- Aylmer Business Improvement Area
- Aylmer Police Services
- East Elgin Community Complex
- East Elgin Medical Facility (Town's portion only)
- Erie Thames Power Corporation (modified equity method)

All interfund assets and liabilities and revenues and expenditures have been eliminated

(ii) Non-consolidated Entities

The following are local boards, joint local boards, municipal enterprises and utilities which are not consolidated:

- Elgin Area Primary Water Board (note 12)
- Aylmer Area Water System (note 12)

(iii) Fund Accounting

Funds within the consolidated financial statements consist of current, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate municipal fund balance.

(iv) Accounting for County and School Board Transactions

The taxation, other revenues, expenditure, assets and liabilities with respect to the operations of the school boards, and the County of Elgin are not reflected in the municipal fund balances of these financial statements.

**CORPORATION OF THE TOWN OF AYLMER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

1. Significant Accounting Policies continued

(v) Trust Funds

Trust funds and their related operations administered by the Town are not consolidated, but are reported separately on the "Trust Funds Statements of Continuity and Financial Position".

(vi) Accrual Accounting

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(vii) Capital Assets

Expenditures made on capital assets are reported as capital expenditures on the statement of financial activities in the period incurred.

(viii) Reserves and Reserve Funds

Certain amounts, as approved by Council, are set aside in reserves and reserve 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.

(ix) Government Transfers

Government 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.

(x) Deferred Revenue

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

(xi) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures during the period. Actual results could differ from these estimates.

**CORPORATION OF THE TOWN OF AYLMER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

2. Tax Revenues

Property tax billings are prepared by the Town based on an assessment roll prepared by the Ontario Property Assessment Corporation. All assessed property values in the Town were reviewed and new values established based on a common valuation date which was used by the the Town in computing the 2008 property tax bills. Property tax revenue and tax receivables are subject to appeals which may not have been heard yet. Any supplementary billing adjustments made necessary by the determination of such appeals will be recognized in the fiscal year they are determined and the effect shared with the County of Elgin and the appropriate school boards.

3. Loan Receivable

The loan arose on September 1, 2000 as a result of the restructuring of the Aylmer Public Utilities Commission under Bill 35. The loan is receivable from Erie Thames Power Corporation with no specific terms of repayment, bearing interest at a rate of 7.25% commencing January 1, 2003. In 2008, \$164,877 was charges and received on this loan. The loan is convertible to Class B shares of Erie Thames Power Corporation.

4. Operations of School Boards and the County of Elgin

Further too note 1 (a), the Town's share of taxation revenues of the school boards and County of Elgin are comprised of the following:

	<u>School Boards</u>	<u>County</u>
Taxation and user charges	\$ <u>1,647,489</u>	\$ <u>2,582,632</u>
Requisitions	\$ <u>1,647,489</u>	\$ <u>2,582,632</u>



**CORPORATION OF THE TOWN OF AYLMER**  
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5. Investment in Erie Thames Power Corporation

The Town of Aylmer owns 21.1% (2007 - 21.1%) of Erie Thames Power Corporation. As a business enterprise of the Town of Aylmer it is accounted for on a Modified Equity basis in these financial statements. The Corporation is the electricity distribution utility for the Town's residents. The following table provides condensed supplementary financial information for the Corporation for the year ended December 31:

	<u>2008</u>	<u>2007</u>
Financial Position		
Total Net Assets	\$ <u>13,233,612</u>	\$ <u>13,184,558</u>
Results of Operations		
Total Revenue	\$ 49,293,572	\$ 48,999,292
Total Operating expenditures	<u>48,649,549</u>	<u>47,692,443</u>
Total net income	<u>\$ 644,023</u>	<u>\$ 1,306,849</u>

Erie Thames Power Corporation declared a dividend of \$ 536,775 in 2008 (2007 - \$536,775) of which the Town of Aylmer received \$113,175 (21.2%) (2007 - \$113,175). The 2007 financial statements for the Town of Aylmer were released prior to this dividend and therefore the 2008 investment decrease reflects the adjustment for the 2007 dividend.

6. Pension Agreements

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

The amount contributed to OMERS for the Town and Police Services Board employees for 2008 was \$ 190,830 (2007 - \$ 174,080) for current service and is included as an expenditure on the "Consolidated Statement of Municipal Activities".

**CORPORATION OF THE TOWN OF AYLMER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

7. Employee Post-Retirement Benefit Liability

Employee post-retirement benefits represents the Town's share of the cost to provide employees with extended benefits on retirement. This liability will require funding in future periods. The accrued benefit obligation and the net periodic benefit cost were determined by an actuarial valuation completed in January 2006 in accordance with the financial reporting guideline of PSAB 3250 established by the Public Sector Accounting Board of the CICA. This actuarial valuation was not updated in 2008 due to the unresolved labour negotiations with the Police Services employees which comprises over 90% of the total liability.

	<u>2008</u>	<u>2007</u>
Post employment benefits to age 65 - Town	\$ 45,527	\$ 39,660
- Police Services	268,636	247,741
Post employment benefits post age 65 - Police Services	<u>1,045,259</u>	<u>932,616</u>
<b>Total post-retirement benefit liability</b>	<b><u>\$ 1,359,422</u></b>	<b><u>\$ 1,220,017</u></b>

Significant assumptions are as follows:

General inflation	2.25%
Discount rate	5.25%
Rate of compensation increase	3.00%
Dental cost increase	4.25%
Life insurance cost increase	3.25%
Healthcare and travel cost increase	4.25% - 8.25%

**CORPORATION OF THE TOWN OF AYLMER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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8. Deferred Revenue - Obligatory Reserve Funds

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Town are summarized as follows:

	<u>2008</u>	<u>2007</u>
Parkland	\$ 4,451	\$ 12,203
Building Code	1,335	24,832
Gas tax	178,413	237,880
Development charges	<u>265,578</u>	<u>242,180</u>
	<u>\$ 449,777</u>	<u>\$ 517,095</u>

9. Net Long-Term Liabilities

	<u>2008</u>	<u>2007</u>
(a) The balance of long-term liabilities reported on the "Consolidated Statement of Financial Position is made up of the following:		
Total long-term liabilities incurred by the municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	<u>\$ 4,834,488</u>	<u>\$ 5,185,381</u>

(b) Of the net term liabilities reported in (a) of this note, \$ 2,221,231 in principal payments are payable from 2009 to 2012 and are recoverable from benefiting landowners.

Of the net term liabilities reported in (a) of this note, \$ 2,221,231 in principal payments are payable from 2009 to 2012 and \$ 2,465,891 thereafter and are recoverable from general tax revenues.

(c) Approval of the Ontario Municipal Board has been obtained for those pending issues of long term liabilities and commitments to be financed by revenues beyond the term of Council and approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The principal and interest payments required to service these pending issues and commitments are within the debt repayment limit prescribed by the Ministry of Municipal Affairs.

**CORPORATION OF THE TOWN OF AYLMER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

10. Municipal Fund Balances at the End of the Year

The fund balances on the "Consolidated Statement of Financial Position" at the end of the year are comprised of the following:

	<u>2008</u>	<u>2007</u>
<b>Current Fund</b>		
Town	\$ 163,236	\$ 134,534
Sewer operations	(332,180)	(198,272)
Water operations	20,756	22,105
Business Improvement Area	<u>13,811</u>	<u>2,122</u>
<b>Total Current Fund</b>	<b><u>\$ (134,377)</u></b>	<b><u>\$ (39,511)</u></b>
<b>Capital Fund</b>	<b><u>\$ 34,910</u></b>	<b><u>\$ 202,778</u></b>
<b>Erie Thames Power Corporation net investment</b>	<b><u>\$ 5,053,708</u></b>	<b><u>\$ 5,144,518</u></b>
<b>Reserves set aside for specific purpose</b>		
- for working capital	<u>\$ 303,000</u>	<u>\$ 303,000</u>
<b>Total Reserves</b>	<b><u>\$ 303,000</u></b>	<b><u>\$ 303,000</u></b>
<b>Reserve funds set aside for specific purpose</b>		
- acquisition of capital assets	\$ 635,615	\$ 52,220
- replacement of sanitary and storm sewers	738,579	415,136
- replacement of water systems	947,246	625,138
- replacement of sidewalks	28,258	10,657
- industrial development	378,555	511,874
- maintenance of Municipal building	98,579	11,006
- health services	6,795	26,893
- parks development	1,227	3,000
- parking development	98,869	96,900
- police services	10,628	616
- arena development	106,976	102,718
- contingencies	<u>606,910</u>	<u>518,180</u>
<b>Total Reserve Funds</b>	<b><u>\$ 3,658,237</u></b>	<b><u>\$ 2,374,338</u></b>

**CORPORATION OF THE TOWN OF AYLMER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

11. Charges for Net Long Term Liabilities

Interest and principal charges for the year for net long-term liabilities which are reported on the "Consolidated Statement of Municipal Activities" are as follows:

	<u>2008</u>	<u>2007</u>
Principal payments	\$ 350,893	\$ 555,246
Interest (included in current operations)	<u>237,852</u>	<u>249,411</u>
	<u>\$ 588,745</u>	<u>\$ 804,657</u>

12. Contractual Obligations

a) Elgin Area Primary Water Supply System

In accordance with a service agreement entered into by the Town with the Ministry of the Environment, the Elgin Area Primary Water Supply System is operated by an outside party. The Town is obligated to meet its share of the operating costs and deficits, and repay its share of the long-term liabilities related to these projects. The Town's share (5.2%) is based on its water consumption relative to that of other participating municipalities.

The charges relating to operating costs and debt servicing are recovered through the water rates levied by the Town of Aylmer.

Information received from the City of London as at December 31, 2008 indicates the Town of Aylmer share is as follows:

	<u>Net Fund Position</u>	<u>2008 Debt Charges</u>	<u>Outstanding Long-term Liabilities</u>
Primary Water Supply System	\$ <u>346,677</u>	\$ <u>23,371</u>	\$ <u>362,748</u>

The net fund position and long-term liabilities indicated above are not reflected in the accompanying consolidated financial statements.

**CORPORATION OF THE TOWN OF AYLMER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

12. Contractual Obligations continued

b) Aylmer Area Secondary Water System

In accordance with a service agreement entered into by the Town with the Ministry of the Environment, the Aylmer Area Secondary Water System is operated by an outside party. The Town is obligated to meet its share of the operating costs and deficits related to these projects. The Town's share (96%) is based on its water consumption relative to that of other participating municipalities.

The charges relating to operating costs are recovered through the water rates levied by the Town of Aylmer.

Information received from the Township of Malahide as at December 31, 2008 indicates the Town of Aylmer share is as follows:

	<u>Net Fund Position</u>
Secondary Water Supply System	\$ <u>668,821</u>

The net fund position indicated above is not reflected in the accompanying consolidated financial statements.

13. Budget Figures

The Town's Council completes separate budget reviews for its operating and capital budgets each year. The approved operating budget for 2008 is reflected on the "Consolidated Statement of Financial Activities". For capital spending, budgets are set for individual projects and funding for these activities is determined annually and made by transfers from reserves funds and by the application of applicable grants or other funds, including municipal funding available to apply to capital projects.

14. Public Sector salary disclosure

There were two employees of the Police Services Board paid a salary, as defined in the Public Sector Disclosure Act, 1996 of \$100,000 or more.

**CORPORATION OF THE TOWN OF AYLMER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

15. Public Sector Accounting Board

Municipalities are required to capitalize their property, plant and equipment effective January 1, 2009 by the Public Sector Accounting Board. The Town of Aylmer has adopted a Capital Asset Policy and the Town has virtually completed their asset inventory. Historical costs for certain assets are completed.

16. Comparative balances

Certain prior year's balances have been reclassified to conform with the current year's financial statement presentation. The comparative balances were audited by the Town's former auditor.