

**THE CORPORATION OF THE
MUNICIPALITY OF WAWA
FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Municipality of Wawa

We have audited the consolidated statement of financial position of the Corporation of the Municipality of Wawa as at December 31, 2008 and the consolidated statement of financial activities and fund balances and cash flow year then ended. These financial statements are the responsibility of the Corporation'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 from 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 the 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 Corporation as at December 31, 2008 and the results of its financial activities and cash flow for the year then ended in accordance with accounting principles recommended for government by the Canadian Institute of Chartered Accountants and disclosed in the summary of significant accounting policies.



Chartered Accountants LLP
Licensed Public Accountants
Sault Ste. Marie, Canada
May 29, 2009, except for note 16 which is November 18, 2009

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT DECEMBER 31,

2008

2007

Financial assets:

Cash	\$ -	\$ 679,251
Investments	398,456	93,601
Taxes receivable	1,034,201	833,169
Accounts receivable	2,174,101	2,074,903
Prepaid expense	3,877	2,450
Inventory held for resale	71,766	53,907
Other	31,897	42,266
Financial assets	3,714,298	3,779,547

Financial Liabilities

Bank overdraft	34,498	-
Bank indebtedness	-	1,190,000
Accounts payable and accrued liabilities	1,331,006	895,511
Future employee benefits (note 3)	1,762,731	1,617,035
Solid waste landfill closure liability (note 4)	2,097,995	1,242,574
Deferred revenue - obligatory reserves	396,035	274,762
Long-term obligations (note 5)	5,489,459	5,121,954
Financial liabilities	11,111,724	10,341,836

Net Financial Liabilities

(7,397,426) (6,562,289)

Other assets

Inventory	20,513	28,804
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Total net liabilities

\$(7,376,913) \$(6,533,485)

Municipal position:

Amounts to be recovered:

From reserve funds on hand	\$ (138,310)	\$ (109,143)
From future revenues	(9,211,875)	(7,872,420)
	(9,350,185)	(7,981,563)

Fund balances (notes 6 and 7)

Operating fund	(104,988)	(237,335)
Capital Fund	53,038	(751,880)
Reserves	249,720	249,720
Reserve Funds	1,775,502	2,187,573
	1,973,272	1,448,078

Total Municipal position

\$(7,376,913) \$(6,533,485)

APPROVED ON BEHALF OF COUNCIL:

_____ Mayor

_____ Treasurer

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**

YEAR ENDED DECEMBER 31, 2008 (with comparative figures for the prior year)

	Actual 2008	Actual 2007
Revenues		
Residential and farm taxation	\$ 2,600,539	\$ 1,992,596
Commercial and industrial taxation	927,125	1,069,857
Taxation from other governments	194,095	200,959
User charges	1,468,007	1,301,546
Government grants	5,247,326	5,135,847
Investment income	69,378	90,528
Other	767,202	2,968,799
Total Revenues	11,273,672	12,760,132
Expenditures		
Current		
General government	1,766,279	2,020,922
Protection to persons and property	1,966,194	1,725,487
Transportation services	1,627,161	1,405,250
Environmental services	849,824	964,897
Health services	136,846	145,715
Social and family services	1,779,782	1,817,067
Social Housing	372,175	781,116
Recreation and cultural services	1,321,022	1,246,883
Planning and development	584,289	377,248
	10,403,572	10,484,585
Capital		
General government	48,698	69,711
Protection to persons and property	8,531	103,562
Transportation services	40,902	13,637
Environmental services	63,536	1,263,893
Recreation and cultural services	306,071	248,872
Planning and development	390,369	46,562
	858,107	1,746,237
Total Expenditures	11,261,679	12,230,822
Excess of Revenues over Expenditures	11,993	529,310
Increase in amounts to be recovered	513,201	386,481
Increase in fund balances	525,194	915,791
Fund balances, beginning of year	1,448,078	532,287
Fund balances, end of year	\$ 1,973,272	\$ 1,448,078

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
CONSOLIDATED STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31,

2008

2007

CASH FLOWS FROM OPERATING ACTIVITIES

Excess of Revenues over Expenditures	\$ 11,993	\$ 529,310
Uses:		
Increase in taxes receivable	(201,032)	(460,487)
Increase in accounts receivable	(99,198)	(590,961)
Increase in investments	(304,855)	-
Increase in prepaid expenses	(1,427)	-
Increase in inventories	(9,568)	-
Increase in landfill recoverable	(855,421)	(242,574)
Decrease in bank indebtedness	(1,190,000)	-
Decrease in accounts payable	-	(1,838,688)
	(2,649,508)	(2,603,400)
Sources:		
Decrease in prepaid expense	-	12,606
Decrease in inventories	-	9,879
Decrease in other financial assets	10,369	981,889
Increase in bank indebtedness	-	1,190,000
Increase in future employees benefits	145,696	119,540
Increase in landfill liability	855,421	242,574
Increase in deferred revenue - obligatory reserves	121,273	99,232
Increase in accounts payable	435,495	-
	1,568,254	2,655,720
Net increase (decrease) in cash from operations	(1,081,254)	52,320
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term obligations	723,976	408,941
Repayment of long-term obligations	(356,471)	(142,000)
	367,505	266,941
Net increase (decrease) in cash position from financing activities	(713,749)	319,261
Cash position, beginning of year	679,251	359,990
CASH POSITION, END OF YEAR	\$ (34,498)	\$ 679,251

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2008

Nature of Activities The consolidated financial statements of the Corporation of the Municipality of Wawa are the representation of management, prepared in accordance with accounting policies prescribed for Ontario Municipalities by the Ministry of Municipal Affairs and in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. 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. Actual results could differ from these estimates. These estimates have been made using careful judgement.

**Basis of
Consolidation**

Consolidated entities:

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserve funds and reserves and include the activities of all committees of Council and the following boards and utilities which are under the control of Council:

Municipality of Wawa Police Services Board
Wawa Water and Sewer System
The Cemetery Board of the Municipality of Wawa
Michipicoten Public Library Board
Board of Management for the Wawa Business Improvement area

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

Non-consolidated entities

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

Algoma Health Unit
Algoma District Homes for the Aged
Algoma District Social Services Board

Accounting for School Board transactions

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

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 Statement of Financial Position".

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2008

1. Summary of Significant Accounting Policies

(a) Inventory

Inventory is stated at cost on a first-in first-out basis.

(b) Capital assets

Expenditures made on capital assets are reported as expenditures on the consolidated statement of financial activities and fund balances in the year of acquisition.

(c) Employee future benefits

The municipality accrues its obligations for employee benefit plans. The cost of post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages and expected health care costs.

(d) Landfill closure and post-closure liabilities

The municipality accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management.

Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as change in estimate, when applicable.

(e) 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.

(f) Government grants:

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

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2008

(g) Taxation and related revenue:

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by the Council, incorporating amounts to be raised for local services and amounts the Municipality is required to collect on behalf of the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Municipality determines the taxes applicable and renders supplementary tax billings. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the school boards as appropriate.

(h) Future accounting standards

For the year ending December 31, 2009 the Corporation will be required to comply with section 3150, Tangible Capital Assets of the Public Sector Accounting Board handbook, Section 3150 requires the capitalization and amortization of tangible capital assets in the financial statements. As a transitional provision, Public Sector Guideline PSG-7, Tangible Capital Assets of Local Governments, requires disclosure of information for each major class of tangible capital asset for which all relevant information can be ascertained and provided by category.

2. Operations of school boards:

During 2008, the Municipality collected and transferred property taxes in the amount of \$836,996 (2007 - \$839,267).

3. Future employee benefits

(a) Extended health care and life insurance

The Municipality provides extended health care and life insurance benefits to its employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was completed effective December 31, 2006. The next valuation will be effective December 31, 2009.

At December 31, 2008, the Municipality's accrued benefit obligation relating to post-retirement and post-employment benefits plans is \$1,082,732 (2007 - \$1,017,079).

The significant actuarial assumptions adopted in estimating the Municipality's accrued benefit obligation are as follows:

Discount rate	5.25% per annum
Health benefits escalation	10.0% per annum
	decreasing to CPI + 2.5% after 10 years

THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

Information with respect to the Municipality's post-retirement and post-employment obligations is as follows:

	2008	2007
Accrued benefit liability	\$ 1,017,079	\$ 955,264
Expense recognized for the period	39,443	37,565
Benefits paid for the period	(27,500)	(26,200)
Interest accrued	53,710	50,450
	\$ 1,082,732	\$ 1,017,079

(b) Accumulated sick leave liability

Municipal employees are allowed six days of sick leave per year. If the days are not taken by the end of the year, they can be paid out at 50% of their value or carried forward to be used as additional sick leave in future years. At December 31, 2008 this liability is estimated at \$272,332 (2007 - \$252,211).

(c) Employee benefit obligations

	2008	2007
Estimated liability:		
Accumulated sick leave benefit plan entitlements	\$ 272,332	\$ 252,211
Vacation pay	407,667	347,745
Medical and dental plan entitlements	1,082,732	1,017,079
	\$ 1,762,731	\$ 1,617,035

A reserve fund in the amount of \$138,310 (2007 - \$109,143), has been established to fund this liability.

4. Landfill closure and post closure liability:

The Municipality owns and operates one open landfill site and it owns and monitors two closed landfill sites. The open site has a remaining capacity of 9,400 m³ (2007 - 9,400 m³) for an estimated life expectancy of 4 years, if the annual waste volume received remains the same. The present value of the expected closure and post closure costs of the open landfill site and the present value of expected monitoring and capital rehabilitation cost of the closed landfill sites have been reported as a liability on the Consolidated Statement of Financial Position. The liability was estimated using a real return rate of 3.15%. Estimated liability for closure and post closure care are \$2,097,995, (2007 - \$1,242,574) which has been recognized on the Consolidated Statement of Financial Position. The estimated length of time required for post-closure care is 100 years, with annual costs of approximately \$30,000 per year plus annual increases. A reserve fund of \$56,692 (2007 - \$56,692) has been established to fund this liability.

THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

5. Long-term obligations

Long-term obligations reported on the consolidated statement of financial position consist of the following:

	2008	2007
Debentures, payable approximately \$342,000 annually including interest ranging from 5.75% to 6.50%, due 2010	\$ 2,785,000	\$ 2,937,000
OSIFA loan, payable monthly with interest only at prime minus 1%, repayable upon completion of certain capital projects	1,776,013	1,776,013
Obligation - Algoma District Homes for the Aged	204,470	408,941
Ontario Infrastructure Program Corporation (OSIFA) advances, interest monthly at a prime floating rate, repayable upon completion of specific project	723,976	-
	\$ 5,489,459	\$ 5,121,954

The principal payments due on long term debt over the next two years is approximately as follows:

2009	-	162,000
2010	-	2,623,000

The long-term obligations have been approved by by-laws and the annual principal and interest payments required to service these obligations are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

6. Fund balances at the end of the year:

The fund balances at the end of the year are comprised of the following:

	2008	2007
For general reduction of taxation or user charges	\$ (127,923)	\$ (250,697)
To be applied to operations of local boards	22,935	13,362
	(104,988)	(237,335)
Funds available (needed) for the acquisition of capital assets	53,038	(751,880)
	\$ (51,950)	\$ (989,215)

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2008

7. Reserves and reserve funds:

The total reserves and reserve funds are made up of the following:

Reserve set aside by Council for working capital	\$ 249,720	\$ 249,720
Reserve funds set aside for specific purposes by Council		
For acquisition of capital assets	\$ 209,087	\$ 283,306
For sick leave	32,709	32,508
For water and sewer	67,649	67,649
For other purposes	1,466,057	1,804,110
	\$ 1,775,502	\$ 2,187,573

8. Contributions to unconsolidated joint boards:

The following contributions were made by the Municipality to these unconsolidated boards:

	2008	2007
Algoma Health Unit	\$ 84,620	\$ 84,808
Algoma District Services Administration Board	2,050,706	2,089,489
Algoma District Homes for the Aged	83,163	83,163
	\$ 2,218,489	\$ 2,257,460

The Municipality is contingently liable for its share of any accumulated deficits of the above boards as well as long term liabilities issued by other Municipalities for these boards. The municipality's share of the accumulated net assets (deficiency) of these joint boards is as follows:

	%	2008	2007
Algoma Health Unit	3.0%	\$ 1,239	\$ (10,739)
Algoma District Services Administration Board	15.4%	126,256	367,393
Algoma District Homes for the Aged	15.2%	128,010	66,654
		\$ 255,505	\$ 423,308

9. Trust Funds

Trust funds administered by the Municipality amounting to \$94,094 (2007 - \$89,666) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2008

10. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of members of 45 (2007 - 41) 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. Amounts contributed to OMERS during 2008 was \$206,084, (2007 - \$280,000).

11. Budget figures

The classification basis used for budgets differs from the functional basis used in the financial statements. As such, these budgets are not directly comparable with the current year financial statement amounts and budgets have therefore not been reflected on the consolidated statement of financial activities and fund balances.

12. Public Sector Salary Disclosure Act:

In 2008, employees paid an annual salary of \$100,000 or more as defined by the Public Sector Salary Disclosure Act, 2006 were as follows:

Mr. Chris Wray	-	\$137,407
Mr. Michael Knorz	-	\$106,753

13. Expenditures by object:

	2008	2007
Total expenditures by object are as follows:		
Salaries and benefits	\$ 4,327,194	\$ 3,924,165
Materials, supplies and services	2,437,492	2,651,910
Long-term debt charges	451,111	341,679
Rents and financial expenditures	969,286	1,309,371
External transfers	2,218,489	2,257,460
Capital expenditures	858,107	1,746,237
	\$11,261,679	\$12,230,822

14. Tangible capital assets

In 2006, the Public Sector Accounting Board issued amendments to PS3150, Tangible Capital Assets which required all entities to account for the historical cost and to amortize the cost over the estimated useful life of the assets identified. The transitional provisions require the Municipality to adopt the recommendations effective January 1, 2009. Public Sector Accounting Guideline PSG-7, requires certain disclosures starting in fiscal 2007 and continuing until the recommendations are adopted to the extent that the Municipality has such information.

As at December 31, 2008 work had commenced on identifying, inventorying and developing policies for tangible capital assets. Capital tangible assets identified by the Municipality are: Land, and Land Improvements, Buildings, Infrastructure, Machinery, Equipment and Fixtures, Vehicles and Capital Works In Progress. Limited information was available for costs attributable to the assets identified and no amortization information was available.

THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

15. Segmented Information

The Municipality of Wawa is a diversified municipal government institution that provides a wide range of services to more than 3,200 citizens. Services include water, roads, fire, police, waste management, recreation programs, economic development, land use planning and health and social services. For management reporting purposes the Government'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 have been separately disclosed in the segmented information, along with the services they provide, and are as follows:

General Government

General Government consists of Office of the Mayor, Council expenses, Administrative Services (including CAO, Clerks, Elections, Communications, Legal and Information Technology Services). Areas within the General Government respond to the needs of external and internal clients by providing high quality, supportive and responsive services. This area supports the operating departments in implementing priorities of Council and provides strategic leadership on issues, relating to governance, strategic planning and service delivery.

Protection Services

This section consists of Fire, Police, Animal Control, Building Services, and Emergency measures. Police Services ensure the safety of the lives and property of citizens; preserve peace and order; prevent crimes from occurring; detect offenders and enforce the law. Fire Services is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection and extinguishment of fires. The Building Services processes permit applications and ensures compliance with the Ontario Building Code and with By-Laws enacted by Council.

Transportation Services

This area is responsible for management of Roadways including traffic and winter control. Transportation department is responsible for the operation of a small aircraft airport and fueling depot in Wawa.

Environmental Services

In addition to the management of Waterworks and Sanitary Systems, this area is responsible for Waste Disposal and Recycling facilities and programs. This section is responsible for providing clean, potable water meeting all regulatory requirements and responsible for repairing breaks and leaks in the water and sewer system.

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2008

Health and Social Services

This section consists of Ambulance Services, Social Services including Housing Services, Childcare, Assistance to aged persons, Cemetery Services as well as the City's contribution to the Health Unit.

Recreation and Cultural Services

This section provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and other programs and provides management of arenas and leisure facilities. This section also contributes to the information needs of the Municipality's citizens through the provision of the library and cultural services and by preserving local history and managing archived data.

Planning and Development Services

The goal of this section is to offer coordinated development services in order to maximize economic development opportunities. The Planning and Development ensures that the Municipality of Wawa is planned and developed in accordance with the Ontario Planning Act, Provincial policies and good planning principles so that City is an enjoyable and beautiful community to live, work and play. This section also provides leadership in matters relating to landscape restoration, ecosystem health, biological integrity, energy conservation, air and lake water quality.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, certain government grants and other revenue are apportioned to Current Fund services based on a percentage of operations.

This disclosure is a new reporting requirement. The Municipality of Wawa will be treating this disclosure prospectively; therefore comparative information is not reported. Accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as discussed in the summary of significant accounting policies.

THE CORPORATION OF THE MUNICIPALITY OF WAWA
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

15. SEGMENTED INFORMATION (CONT'D)

	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Recreation and Cultural Services	Planning and Development	Total
Revenues								
Taxation (net)	\$ 595,481	\$ 669,917	\$ 558,264	\$ 297,741	\$ 744,352	\$ 521,046	\$ 334,958	\$ 3,721,759
Government grants	839,572	944,519	787,099	419,786	1,049,465	734,625	472,260	5,247,326
User Charges	27,689	66,650	46,092	1,057,407	62,130	158,592	49,447	1,468,007
Other	133,853	150,584	125,487	66,926	167,316	117,121	75,293	836,580
	1,596,595	1,831,670	1,516,942	1,841,860	2,023,263	1,531,384	931,958	11,273,672
Expenditures								
Salaries, wages and benefits	978,440	1,463,743	881,492	148,010	6,468	809,029	185,708	4,472,890
Materials and Contracts	836,538	510,983	786,571	765,350	2,282,335	818,064	788,950	6,788,791
	1,814,978	1,974,726	1,668,063	913,360	2,288,803	1,627,093	974,658	11,261,681
Net appropriations between reserve and reserve funds								
	331,425	-	-	(844,628)	-	-	-	(513,203)
Change in fund balances								
	\$ (549,808)	\$ (143,056)	\$ (151,121)	\$ 1,773,128	\$ (265,540)	\$ (95,709)	\$ (42,700)	\$ 525,194

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2008

16. SUBSEQUENT EVENT

On July 29, 2009 the municipality passed a special resolution SPO9013 whereby the municipality accepts the proposal for contract policing with the Ontario Provincial Police and its intention to negotiate a contract for services. In the event that the parties reach an agreement on contracted police services with the Ontario Provincial Police, the municipality's collective agreement(s) with its own municipal police force and the Association may result in disbandment of the Wawa Police. Agreement(s) between the Municipality and the Association contain clauses addressing severance, termination requirements and potential additional pension contributions. At present there are numerous variables that make quantification and assessment of the disbandment undeterminable. The Municipality will record the costs associated with any severance, termination and/or pension contributions in the year of disbandment.

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
CONSOLIDATED ANALYSIS OF OPERATIONS**

Year ended December 31, 2008, with comparative figures for 2007

	Operating Fund	Capital Fund	Reserve	Reserve Funds	Total 2008	Total 2007
Revenues:						
Residential and farm taxation	\$ 2,600,539	\$ -	\$ -	\$ -	\$ 2,600,539	\$ 1,992,596
Commercial and industrial taxation	927,125	-	-	-	927,125	1,069,857
Taxation from other governments	194,095	-	-	-	194,095	200,959
User charges	1,468,007	-	-	-	1,468,007	1,301,546
Government grants	4,882,584	364,742	-	-	5,247,326	5,135,847
Investment income	33,082	-	-	36,296	69,378	90,528
Other	761,912	5,290	-	-	767,202	2,968,799
	10,867,344	370,032	-	36,296	11,273,672	12,760,132
Expenditures:						
General government	1,766,279	48,698	-	-	1,814,977	2,090,633
Protection to persons and property	1,966,194	8,531	-	-	1,974,725	1,829,049
Transportation services	1,627,161	40,902	-	-	1,668,063	1,418,887
Environmental services	849,824	63,536	-	-	913,360	2,228,790
Health services	136,846	-	-	-	136,846	145,715
Social and family services	1,779,782	-	-	-	1,779,782	1,817,067
Social housing	372,175	-	-	-	372,175	781,116
Leisure services and tourism	1,321,022	306,071	-	-	1,627,093	1,495,755
Planning and development	584,289	390,369	-	-	974,658	423,810
	10,403,572	858,107	-	-	11,261,679	12,230,822
Net revenue (expenditure)	463,772	(488,075)	-	36,296	11,993	529,310
Financing and transfers:						
Proceeds from long-term obligations	-	723,976	-	-	723,976	408,941
Repayment of long-term obligations	(152,000)	(204,471)	-	-	(356,471)	(142,000)
Increase (decrease) in future employee benefits	145,696	-	-	-	145,696	119,540
Increase in landfill liability	855,421	-	-	-	855,421	242,574
(Increase) in landfill recoverable	(855,421)	-	-	-	(855,421)	(242,574)
Transfers from reserve funds/ general fund	(325,121)	773,488	-	(448,367)	-	-
Net financing and transfers	(331,425)	1,292,993	-	(448,367)	513,201	386,481
Increase (decrease) in fund balances	132,347	804,918	-	(412,071)	525,194	915,791
Fund balances, beginning of year	(237,335)	(751,880)	249,720	2,187,573	1,448,078	532,287
Fund balances, end of year	\$ (104,988)	\$ 53,038	\$ 249,720	\$ 1,775,502	\$ 1,973,272	\$ 1,448,078

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AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
the Corporation of the Municipality of Wawa

We have audited the statement of financial position of the trust funds of the Corporation of the Municipality of Wawa as at December 31, 2008 and the statement of continuity of the Trust Funds for the year then ended. These financial statements are the responsibility of the Municipality'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 from 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Funds as at December 31, 2008 and the statement of continuity of trust funds for the year then ended in accordance with accounting principles disclosed in the summary of significant accounting policies.



Chartered Accountants LLP
Licensed Public Accountants
Sault Ste. Marie, Canada
May 29, 2009

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
TRUST FUNDS
STATEMENT OF FINANCIAL POSITION**

AS AT DECEMBER 31, 2008, (with comparative figures for the prior year)

	Perpetual Care	Ontario Home Renewal Plan	2008 Actual	2007 Actual
Financial assets:				
Cash	\$ 73,429	\$ 4,828	\$ 78,257	\$ 78,257
Accounts receivable	11,312	4,525	15,837	11,409
Net financial assets being fund balance, end of year	\$ 84,741	\$ 9,353	\$ 94,094	\$ 89,666

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
STATEMENT OF CONTINUITY OF TRUST FUNDS**

YEAR ENDED DECEMBER 31, 2008, (with comparative figures for the prior year)

	Perpetual Care	Ontario Home Renewal Plan	2008 Actual	2007 Actual
Balance, beginning of year	\$ 80,313	\$ 9,353	\$ 89,666	\$ 82,317
Revenue				
Contributions from revenue fund	578	-	578	4,623
Interest earned and other	3,850	-	3,850	2,726
	4,428	-	4,428	7,349
Balance, end of year	\$ 84,741	\$ 9,353	\$ 94,094	\$ 89,666

The accompanying notes are an integral part of these financial statements.

**THE CORPORATION OF THE MUNICIPALITY OF WAWA
TRUST FUNDS
NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2008

1. Significant accounting policy

The financial statements of the Corporation of the Municipality of Wawa trust funds are the representation of management prepared in accordance with accounting principles generally accepted in Canada for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

2. Ontario Home Renewal Program:

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for Municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans were limited to \$7,500 of which the maximum forgivable portion was \$4,000.

The Ontario Home Renewal Program discontinued in July 1993. Municipalities are required to remit the balance of the trust accounts as they are collected. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balance of the repayable loan and the unearned forgivable loan immediately becomes due and payable by the homeowner.

The remaining outstanding loan is presently in default.