

CITY COUNCIL AGENDA



DATE June 9, 2009 at 5:00 p.m.

Please turn off or place on non-audible all cell phones, PDAs, Blackberrys and pagers during the meeting.

MEETING AS SHAREHOLDER OF THE GUELPH JUNCTION RAILWAY

1. Financial Statements

THAT the audited financial statements of Guelph Junction Railway for the period ended December 31, 2008, and the report of the auditors be received.

2. Appointment of Auditors

THAT Deloitte & Touche LLP be appointed as auditors of the Guelph Junction Railway to hold office until the next annual meeting of the shareholder of the Corporation, be approved.

ADJOURNMENT



June 9th, 2009

**Prepared By:
Guelph Junction Railway**

**Guelph Junction Railway
Company**

c/o City Hall, 59 Carden Street
Guelph, Ontario, Canada N1H 3A1
Located at: Suite 301, 98 Macdonell
Street

Tel: (519) 836-4848 Fax: (519)
837-5636

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2. Board of Directors and Corporation Officers
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 - a. Financial executive summary
 - b. Budget performance and variance report
 - c. Statement of material breach of shareholder declaration or violation of law
 - d. Audited statements as prepared by Deloitte and Touche



June 9th, 2009

Mayor Karen Farbridge
And
Members of Council

RE: Guelph Junction Railway Annual Shareholder Meeting

Fiscal year 2008 will be best remembered for both its numerous successes as well as for the dramatic impact of the economic downturn in the last quarter. I am happy to say that once again, the Guelph Junction Railway has demonstrated versatility and resilience through prudent business management.

Since 1999, the railway has been able to expand its customer base sufficiently to compensate for downturns in the business cycle such as the one we are now suffering under. In fact, 83% of the current revenue base is new to the GJR since 1999, and, without which our year end results would have been considerably worse. Our new customer base includes transfers of trans-loading shipments from outside of Wellington County, and more recently the Guelph Junction Express tourist train.

Looking ahead, we continue to see tremendous opportunities for growth. The Guelph Junction Railway will continue to align itself with the City's Strategic Plan. A focus on the agri-food business, opportunities to develop the city's *brown field* vacant lands, sustainable, low environmental impact transportation, and participation in national and provincial energy and industrial development pilot projects. While the early half of 2009 would project a flat year in terms of revenue, I am confident in the long term viability of the company.

A handwritten signature in blue ink, appearing to be "B. Boehm", with a long horizontal stroke extending to the right.

Ben Boehm, P.Eng.
President

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Board of Directors and Corporate Officers

Board of Directors

Paul Smith – Chairman
David Jennison - Vice Chairman
Mayor Karen Farbridge – Director
Karl Wettstein – Director
Christine Billings – Director
Kathleen Farley – Director
David Clarke – Director
John Carroll – Director
Stephen Host – Director

Corporate Officers

Ben Boehm, P.Eng. – President
Margaret Neubauer – Secretary Treasurer
Tom Sagaskie – General Manager

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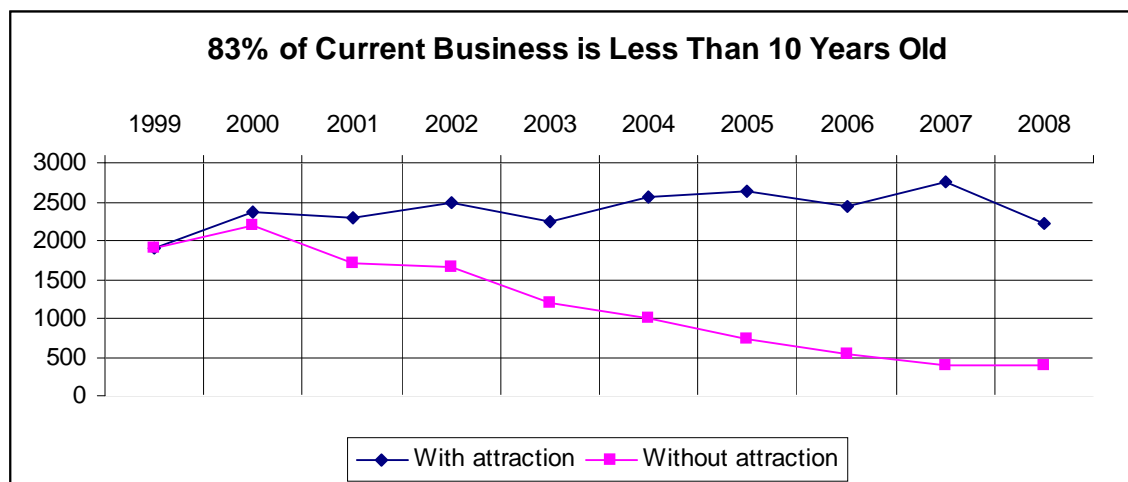
2008 Overview and Future Challenges

2008 Overview

2008 was a year of challenges for the Guelph Junction Railway in the first half of the year. Record oil prices drove fuel and material costs to new highs leading the way for the start of the current recession. As a result industrial output and proportional rail traffic fell throughout the second half of the year. None the less the Guelph Junction Railway by carefully matching expenditures and revenues was able to provide an acceptable level of receivable and competitively priced rail transportation service. The service was provided while meting all the requirements of the Shareholder Declaration and Transport Canada Safety Requirements.

Future Challenges

The Guelph Junction Railway will need to be ever diligent in pursuing additional revenue generating opportunities. This is necessary not only to maximize shareholder value and company profitability but to address the dynamic cycle of business today. This cycle of reorganizations, mergers and changes in products emphasizes that the use of rail for future transportation is not guaranteed. Failure to continue to seek out new opportunities will ultimately lead to a cycle of reduced demand for rail service. This in itself leads to an unprofitable operation with a questionable future.



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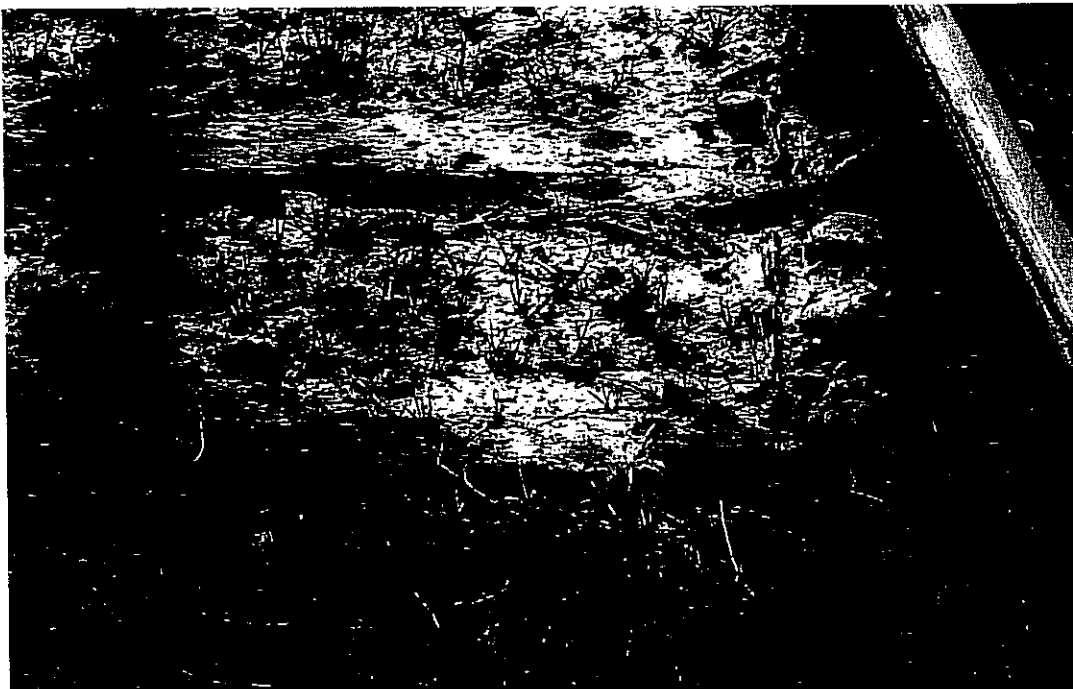
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Guelph Junction Railway Activities which support City Strategic Objectives

- 1.4 Sustainable transportation approach... *connectivity to all parts of North America*
- 1.6 Balanced tax assessment ratio... *new business development in all industrial/inner city zones*
- 3.1 Sustainable local employment opportunities... *our customers employ 2100*
- 3.6 City as tourist destination... *supporting Guelph Junction Express tourist train excursions*
- 5.4 Partnerships to achieve strategic goals... *city owned railway, opportunities to grow through acquisitions and partnerships with other short-line railways and customers.*
- 6.2 Less greenhouse gas emissions... *railway as primary industrial transportation method*
- 6.0 Leader in conservation and resource protection... *Railway does not use pesticides for weed control within the City and is participating in leading edge environmentally friendly alternative studies.*

Environmentally Friendly Test Weed Control Site



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GUELPH JUNCTION RAILWAY 2008 YEAR END FINANCIAL REPORT

Prepared by the Guelph Junction Railway

Guelph Junction Railway Company
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Financial Executive Summary

		2007		2008		Business Plan Projections
Revenue	\$	1,553,572	\$	1,319,196	\$	1,454,200
Expenses	\$	1,479,529	\$	1,258,980	\$	1,445,700
Profit (Loss)	\$	77,043	\$	60,216	\$	8,500
Add Shareholder Investment	*	\$ 245,933	\$	-	\$	-
Excess of Revenue over Expenses	\$	319,976	\$	60,216	\$	8,500

* one time investment related to road widening/RR signal relocations

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Budget Performance and Variance Report

Revenue	Actual	Budget	Business Plan Projection	Actual/ Variance
Freight Movement	\$1,118,367	\$1,527,624	\$1,324,200	
Non Freight/Recoverable	\$200,829	\$135,000	\$130,000	
Total	\$1,319,196	\$1,662,624	\$1,454,200	-21%
Expenses (less interest, taxes, depreciation)				
Freight Movement	\$773,950	\$1,076,174	\$941,300	
Infrastructure Maintenance	\$163,164	\$261,600	\$235,700	
Administration/Office/Audit, etc	\$154,822	\$168,787	\$170,000	
Third Party Recoverable	\$65,598	\$0	\$0	
Subtotal	\$1,157,534	\$1,506,561	\$1,347,000	
Net Earnings	\$161,662	\$156,063	\$107,200	
Interest/Taxes & Depreciation	\$101,446	\$96,398	\$98,700	
Total	\$1,258,980	\$1,602,959		-21%
Profit (Loss)	\$60,216	\$59,665	\$8,500	

Statement of material breach of the Shareholders Declaration on violation of law

In accordance with Section 6.2 of the Shareholder Declaration the Board of Directors of the Guelph Junction Railway advises Council that no material breach of the requirements of the Shareholder Declaration or violation of law has occurred.

Consolidated financial statements of

Guelph Junction Railway Company

December 31, 2008

Guelph Junction Railway Company

December 31, 2008

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Auditors' Report

To the Shareholder of
Guelph Junction Railway Company

We have audited the consolidated balance sheet of Guelph Junction Railway Company as at December 31, 2008 and the consolidated statements of revenue, expense and surplus and of cash flows for the year then ended. These financial statements are the responsibility of the company'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 Company as at December 31, 2008 and the results of its operations 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

April 17, 2009

City of Guelph

Guelph Junction Railway Company

Consolidated statement of revenue, expense and surplus
year ended December 31, 2008

	2008	2007
	\$	\$
Revenue		
Freight movement	1,118,367	1,335,798
Non-freight movement	200,829	220,203
Other - City of Guelph	-	243,504
	1,319,196	1,799,505
Expense		
Audit	11,056	10,500
Depreciation	94,282	89,300
Freight movement and track maintenance	990,896	1,186,046
Administration and office	145,691	186,776
Other	17,055	6,907
	1,258,980	1,479,529
Excess of revenue over expense	60,216	319,976
Surplus, beginning of year	5,862,929	5,542,953
Surplus, end of year	5,923,145	5,862,929

City of Guelph

Guelph Junction Railway Company

Consolidated balance sheet
as at December 31, 2008

	2008	2007
	\$	\$
Assets		
Current assets		
Cash	298,519	311,030
Accounts receivable	233,355	282,235
Prepaid expenses	350	350
Inventory	35,618	41,619
Due from City of Guelph	105,299	43,229
	673,141	678,463
Capital assets (Note 4)	6,441,527	6,422,405
	7,114,668	7,100,868
Liabilities, share capital and surplus		
Current liabilities		
Accounts payable and accrued liabilities	89,638	90,142
Deferred capital contributions (Note 4)	1,101,884	1,147,796
	1,191,522	1,237,938
Share capital	1	1
Surplus	5,923,145	5,862,929
	5,923,146	5,862,930
	7,114,668	7,100,868

City of Guelph

Guelph Junction Railway Company

Consolidated statement of cash flows
year ended December 31, 2008

	2008	2007
	\$	\$
Operating activities		
Cash from operations		
Excess of revenue over expense	60,216	319,976
Items not affecting cash		
Depreciation	94,282	89,300
Changes in non-cash operating working capital components		
Accounts receivable	48,880	124,689
Accounts payable and accrued liabilities	(504)	(2,643)
Inventory	6,001	(41,619)
	208,875	489,703
Investing activity		
Purchase of capital assets	(159,316)	(245,933)
Financing activity		
Due from City of Guelph	(62,070)	(58,543)
Change in cash	(12,511)	185,227
Cash, beginning of year	311,030	125,803
Cash, end of year	298,519	311,030

City of Guelph

Guelph Junction Railway Company

Notes to the consolidated financial statements
December 31, 2008

1. Description of business

Guelph Junction Railway Company (the "Company") was incorporated under the laws of Canada in 1844. The Company is wholly owned by The City of Guelph and is exempt from income taxes.

2. Changes in accounting policies

Inventories

The Company adopted the recommendations of CICA Handbook Section 3031 on inventories which provides guidance on the determination of cost of inventories and its subsequent recognition as an expense, and includes additional disclosure requirements. The new Section also requires the Company to account for the reversal of write-downs previously recognized when there is a subsequent increase in the value of inventories. This accounting policy, which was adopted as of January 1, 2008, was applied retroactively. There was no impact on the financial statements as a result of adopting the change in accounting policy.

Future accounting changes

Capital Disclosures

In December 2006, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1535, Capital Disclosures. This Section will be applicable to financial statements relating to fiscal years beginning on or after August 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. Section 1535 requires the disclosure of information about externally imposed capital requirements. The Company does not expect that the adoption of this new Section will have a material impact on its consolidated financial statements.

City of Guelph

Guelph Junction Railway Company

Notes to the consolidated financial statements

December 31, 2008

3. Basis of accounting

As new financial instruments standards will be included in the proposed set of GAAP standards for private enterprises presently under development by the Canadian Institute of Chartered Accountants ("CICA"), CICA has decided that private enterprises will not be required to apply the following Sections of the CICA Handbook: 1530, 3855, 3862, 3863 and 3865 which would otherwise have applied to the financial statements of the Company for the year ended December 31, 2008. The Company has elected to use this exemption and applies the requirements of Section 3860 and of Accounting Guideline 13 (AcG-13) of the CICA Handbook.

The consolidated financial statements of the Guelph Junction Railway Company are the representation of management prepared in accordance with Canadian generally accepted accounting policies.

Basis of presentation

The financial statements of the Guelph Junction Railway Company for the year ended December 31, 2008 have been prepared on a consolidated basis. The consolidated financial statements include the accounts of the Guelph Junction Railway Operations Fund and Capital Fund.

Inventory

Inventory is valued at the lower of cost and net realizable value on a first-in, first-out basis.

Capital assets

Capital asset additions and major renewals are recorded at cost.

City of Guelph

Guelph Junction Railway Company

Notes to the consolidated financial statements

December 31, 2008

3. Basis of accounting (continued)

Depreciation is calculated using the declining-balance method at rates calculated to depreciate the cost of the assets over their estimated lives. The depreciation rates are as follows:

Tracks	4%
Structures	4%
Other	4%

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or the services have been provided and when collection is reasonably assured.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates used within these financial statements include allowance for doubtful accounts, useful lives of capital assets, and accrued liabilities. Actual results could differ from those estimates.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

City of Guelph

Guelph Junction Railway Company

Notes to the consolidated financial statements

December 31, 2008

4. Capital assets

			2008	2007
	Cost	Accumulated depreciation	Net book value	Net book value
	\$	\$	\$	\$
Land	2,997,210	-	2,997,210	2,997,210
Tracks	3,704,492	816,580	2,887,912	2,845,606
Structures	481,327	119,637	361,690	376,761
Other	305,083	110,368	194,715	202,828
	7,488,112	1,046,585	6,441,527	6,422,405

During the year capital assets were acquired at an aggregate cost of \$159,316 (2007 - \$889,025) of which \$Nil (2007 - \$ 643,092) were provided to the Company by a third party. The contributions provided by the third party are being deferred over the useful life of the capital assets acquired, which reduced the depreciation expense by \$45,912 (2007 - \$34,895).

City of Guelph

Guelph Junction Railway Company

Notes to the consolidated financial statements

December 31, 2008

5. Financial instruments

Credit risk

Credit risk is the risk that counterparties will fail to act as contracted. The Company is exposed to credit risk through its trade accounts receivable. The Company provides credit to its customers in the normal course of its operations. There is no particular concentration of risk to the distribution of customers and the procedures for the management of credit risks.

Fair value

At year-end, the carrying amounts reported in the balance sheet for cash, accounts receivable, accounts payable and accrued liabilities, and due from the City of Guelph approximate fair value, due to the short-term nature of the balances.

6. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.