

## MANAGEMENT REPORT

### Management's Responsibility for the Consolidated Financial Statements:

The accompanying consolidated financial statements of the **CORPORATION OF THE UNITED TOWNSHIPS OF HEAD, CLARA & MARIA** are the responsibility of the Township's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Township's Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the Council's approval of the consolidated financial statements.

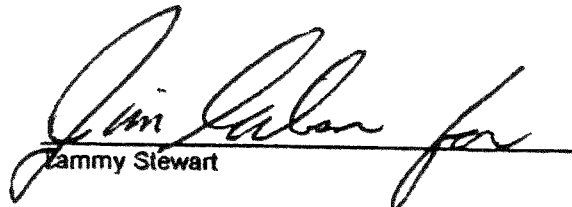
The consolidated financial statements have been audited by Welch LLP, independent external auditors appointed by the Township. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Clerk

Reeve



Melinda Reith



Tammy Stewart

May 10, 2012

**INDEPENDENT AUDITOR'S REPORT**

To the Members of Council, Inhabitants and Ratepayers of the  
**CORPORATION OF THE UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**

We have audited the accompanying consolidated financial statements of the **CORPORATION OF THE UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the **CORPORATION OF THE UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA** as at December 31, 2012, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.



CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario  
May 10, 2013

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 1,108,899	\$ 934,151
Taxes receivable	28,116	26,328
Accounts receivable	<u>27,210</u>	<u>27,262</u>
	<u>1,164,225</u>	<u>987,741</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	49,712	51,409
Provision for landfill closure and post-closure costs (Note 3)	71,000	99,000
Deferred revenue (Note 4)	<u>36,478</u>	<u>36,279</u>
	<u>157,190</u>	<u>186,688</u>
 <b>NET FINANCIAL ASSETS</b>	 <u>1,007,035</u>	 <u>801,053</u>
 <b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 1)	604,680	612,934
Prepaid expenses	<u>12,915</u>	<u>12,728</u>
	<u>617,595</u>	<u>625,662</u>
 <b>ACCUMULATED SURPLUS (Note 5)</b>	 \$ <u>1,624,630</u>	 \$ <u>1,426,715</u>

(See accompanying notes and schedule)

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**

**CONSOLIDATED STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u> <u>2012</u>	<u>Actual</u> <u>2012</u>	<u>Actual</u> <u>2011</u>
<b>REVENUE</b>			
Property taxation	\$ 462,654	\$ 463,658	\$ 424,553
Payment in lieu of taxes	123,750	173,327	150,923
Provincial and other government transfers	177,201	166,652	175,362
Gain on sale of tangible capital assets	-	6,000	-
Fees, service charges and donations	24,260	17,055	13,260
Investment income	3,550	7,991	7,118
Other	<u>5,045</u>	<u>13,751</u>	<u>8,094</u>
	<u>796,460</u>	<u>848,434</u>	<u>779,310</u>
<b>EXPENSES</b>			
General government	282,359	269,655	237,514
Protection to persons and property	67,200	60,538	58,242
Transportation services	177,950	174,373	158,369
Environmental services	138,495	88,419	112,151
Recreation and cultural services	44,510	56,734	55,434
Planning and development	<u>4,400</u>	<u>800</u>	<u>7,191</u>
	<u>714,914</u>	<u>650,519</u>	<u>628,901</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	81,546	197,915	150,409
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>1,426,715</u>	<u>1,426,715</u>	<u>1,276,306</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	\$ <u>1,508,261</u>	\$ <u>1,624,630</u>	\$ <u>1,426,715</u>

(See accompanying notes and schedule)

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget 2012</u>	<u>Actual 2012</u>	<u>Actual 2011</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ <u>81,546</u>	\$ <u>197,915</u>	\$ <u>150,409</u>
Acquisition of tangible capital assets	(53,200)	(32,503)	(13,614)
Amortization of tangible capital assets	-	36,757	36,446
Proceeds on disposal of tangible capital assets	-	10,000	-
Gain on sale of tangible capital assets	-	(6,000)	-
Changes in level of prepaid expenses	<u>-</u>	<u>(187)</u>	<u>(111)</u>
	<u>(53,200)</u>	<u>8,067</u>	<u>22,721</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	28,346	205,982	173,130
<b>NET FINANCIAL ASSETS AT BEGINNING OF YEAR</b>	<u>801,053</u>	<u>801,053</u>	<u>627,923</u>
<b>NET FINANCIAL ASSETS AT END OF YEAR</b>	\$ <u><u>829,399</u></u>	\$ <u><u>1,007,035</u></u>	\$ <u><u>801,053</u></u>

(See accompanying notes and schedule)

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 197,915	\$ 150,409
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	36,757	36,446
Gain on sale of tangible capital assets	<u>(6,000)</u>	<u>-</u>
	228,672	186,855
<b>Changes in the level of:</b>		
Taxes receivable	(1,788)	(6,874)
Accounts receivable	52	20,077
Prepaid expenses	(187)	(111)
Accounts payable and accrued liabilities	(1,697)	(44,724)
Solid waste landfill closure and post-closure liability	(28,000)	9,000
Deferred revenue	<u>199</u>	<u>12,806</u>
	<u>197,251</u>	<u>177,029</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Acquisition of tangible capital assets	(32,503)	(13,614)
Proceeds from sale of tangible capital assets	<u>10,000</u>	<u>-</u>
	<u>(22,503)</u>	<u>(13,614)</u>
<b>INCREASE IN CASH</b>	174,748	163,415
<b>CASH AT BEGINNING OF YEAR</b>	<u>934,151</u>	<u>770,736</u>
<b>CASH AT END OF YEAR</b>	\$ <u>1,108,899</u>	\$ <u>934,151</u>

**(See accompanying notes and schedule)**

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**SCHEDULE 1**

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Linear Assets</u>	<u>2012</u>	<u>2011</u>
<b>COST</b>								
Balance, beginning of year	\$ 13,252	\$ 84,049	\$ 414,597	\$ 114,146	\$ 57,429	\$ 805,483	\$ 1,488,956	\$ 1,478,277
Acquisition of tangible capital assets	-	3,562	14,938	14,003	-	-	32,503	13,614
Disposal of tangible capital assets	4,000	-	-	-	-	-	(4,000)	(2,935)
	<u>9,252</u>	<u>87,611</u>	<u>429,535</u>	<u>128,149</u>	<u>57,429</u>	<u>805,483</u>	<u>1,517,459</u>	<u>1,488,956</u>
<b>ACCUMULATED AMORTIZATION</b>								
Balance, beginning of year	-	14,459	121,365	53,751	30,338	656,109	876,022	842,511
Annual amortization	-	3,552	10,274	14,293	5,065	3,573	36,757	36,446
Accumulated amortization on disposals	-	-	-	-	-	-	-	(2,935)
	<u>-</u>	<u>18,011</u>	<u>131,639</u>	<u>68,044</u>	<u>35,403</u>	<u>659,682</u>	<u>912,779</u>	<u>876,022</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 9,252</u>	<u>\$ 69,600</u>	<u>\$ 297,896</u>	<u>\$ 60,105</u>	<u>\$ 22,026</u>	<u>\$ 145,801</u>	<u>\$ 604,680</u>	<u>\$ 612,934</u>
<b>2011 NET BOOK VALUE OF TANGIBLE ASSETS</b>	<u>\$ 13,252</u>	<u>\$ 69,590</u>	<u>\$ 293,232</u>	<u>\$ 60,395</u>	<u>\$ 27,091</u>	<u>\$ 149,374</u>	<u>\$ 612,934</u>	

(See accompanying notes)

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

The United Townships of Head, Clara and Maria is an incorporated municipality in the Province of Ontario. The United Township conducts its operations as directed by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Accounting**

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred or the tangible capital assets are acquired or the obligations for the tangible capital assets has occurred.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards 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 dates of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Management makes accounting estimates when determining the useful life of its tangible assets and landfill sites. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**Landfill Closure and Post-Closure Liability**

The United Townships is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

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**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Government Transfers**

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the consolidated financial statements as revenue 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 determined.

**Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

i) **Tangible Capital Assets**

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 is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Land improvements	20-25
Buildings	20-60
Machinery and equipment	25
Vehicles	10
Linear assets	25-50

Annual amortization is charged in the year of acquisition and the year of disposal. Assets under construction are not amortized until the asset is in service.

ii) **Contribution of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

iii) Natural Resources

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

iv) Methods Used for Determining the Costs

The financial information recorded includes the actual or estimated historical cost of tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The United Townships applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. The Canada-wide Consumer Price Index was used to deflate the replacement or reproduction cost to estimate historical cost in the year of acquisition.

**Segment disclosures**

The Township is required to follow Section PS-2700 - Segment Disclosures. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the consolidated statement of operations and within the related notes for both the prior and current years sufficiently disclose information of all appropriate segments and therefore no additional disclosure is required.

**NOTE 2 OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW**

During 2012, property taxes and payments in lieu of taxes were collected by the United Townships on behalf of the County of Renfrew and the School Boards. The amounts collected and remitted, which are not reflected in the consolidated financial statements, are as follows:

	School Boards	County of Renfrew
Taxation and user charges	\$ 1,311,925	\$ 621,588
Share of payments in lieu of taxes and railway corridors	<u>65,226</u>	<u>80,288</u>
Amounts collected	\$ <u>1,377,151</u>	\$ <u>701,876</u>

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 3 PROVISION FOR LANDFILL CLOSURE AND POST CLOSURE COSTS**

The United Townships operate three landfill sites and as a result is liable for the closure and post closure costs associated with each site. These consolidated financial statements recognize a liability for closure and post closure care as each landfill site's capacity is used. Specifically, usage is measured as cumulative capacity used versus total estimated capacity available. Furthermore, as costs are expected to be incurred in the future, expected closure and post-closure costs have been discounted using the United Townships average long term borrowing rate of 5%. The following summarizes the estimated closure and post-closure costs and remaining capacity of the United Townships landfill sites at December 31, 2012.

	<u>Stonecliffe</u>	<u>Bisset Creek</u>	<u>Deux Rivieres</u>	<u>Total</u>
Liability to date	\$ <u>32,647</u>	<u>13,165</u>	<u>25,188</u>	\$ <u>71,000</u>
Expected total expenditures	\$ <u>131,810</u>	<u>119,350</u>	<u>32,500</u>	\$ <u>283,660</u>
Amount remaining to be recognized	\$ <u>99,163</u>	<u>106,185</u>	<u>7,312</u>	\$ <u>212,660</u>
Remaining capacity of site in cubic metres	<u>9,550</u>	<u>8,670</u>	<u>Closed</u>	<u>18,220</u>
Remaining useful life of site in years	<u>17</u>	<u>29</u>	<u>Closed</u>	
Years of post-closure care	<u>10</u>	<u>10</u>	<u>10</u>	

The United Townships have reserved \$247,260 to finance the expected closure and post closure care liabilities.

**NOTE 4 DEFERRED REVENUE**

Deferred revenue consists of the following:

	<u>2012</u>	<u>2011</u>
Gas tax funding	\$ 16,647	\$ 9,570
Ministry of Transportation funding	18,312	20,930
Recreation donations	1,519	3,006
Library donations	<u>-</u>	<u>2,773</u>
	\$ <u>36,478</u>	\$ <u>36,279</u>

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 5 ACCUMULATED SURPLUS**

Accumulated surplus consists of the following:

	<u>2012</u>	<u>2011</u>
Unrestricted surplus	\$ 114,396	\$ 63,615
Internally restricted reserves	976,554	849,166
Provision for landfill closure and post-closure costs	(71,000)	(99,000)
Equity in tangible capital assets	<u>604,680</u>	<u>612,934</u>
	<u>\$ 1,624,630</u>	<u>\$ 1,426,715</u>

**NOTE 6 EXPENSES BY OBJECT**

The consolidated statement of operations reports expenses for the United Townships by functions. The following is a summary of expenses by object.

	<u>2012</u>	<u>2011</u>
Salary and wages	\$ 251,432	\$ 237,470
Contracted services	175,869	153,423
Material and supplies	213,196	184,400
Provision for solid landfill closure and post-closure	(28,000)	9,000
Taxation adjustments and vacancy rebates	465	971
Transfers to local boards and agencies	800	7,191
Amortization of tangible capital assets	<u>36,757</u>	<u>36,446</u>
	<u>\$ 650,519</u>	<u>\$ 628,901</u>

**NOTE 7 COMMITMENTS**

**Policing services**

The United Townships have contracted with the Province of Ontario to provide policing services. The contract cost for 2012 was \$39,766 (2011 - \$39,687).

**Municipal Fire Management Services**

The United Townships have contracted with the Province of Ontario to provide fire management services. The contract cost for 2012 was \$5,460 (2011 - \$5,460).

**Recyclables Collection**

The United Townships have contracted out the collection of recyclables for the period to December 31, 2012 at an annual cost of \$24,400 (2011 - \$23,690).

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 8 FINANCIAL INSTRUMENTS**

The United Township's financial instruments consist of cash, accounts receivable, taxes receivable, and accounts payable and accrued liabilities.

**Risk**

It is management's opinion that the United Township's are not exposed to significant interest, currency or credit risks arising from its financial instruments.

**Fair market value**

The fair value of the United Township's financial instruments approximates their carrying value due to their short term nature.

**NOTE 9 BUDGET FIGURES**

Budget established for capital projects are based on project-oriented basis, the cost of which may be carried out over one or more years. Although they may not be directly comparable with current year actual amounts, they have been reflected on the Consolidated Statement of Change in Net Financial Assets. Budget figures are unaudited.