

CONSOLIDATED FINANCIAL STATEMENTS
UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
for year ended
DECEMBER 31, 2007

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 consolidated statement of financial position of the **CORPORATION OF THE UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA** as at December 31, 2007 and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the United Townships' 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 **UNITED TOWNSHIPS'** as at December 31, 2007 and the results of its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Welch L.L.P.

**CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

Pembroke, Ontario
March 18, 2008

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 1,191,751	\$ 604,320
Taxes receivable	17,450	22,688
Accounts receivable	26,578	33,246
Prepaid expense	<u>15,618</u>	<u>13,498</u>
	<u>1,251,397</u>	<u>673,752</u>
 LIABILITIES		
Accounts payable and accrued liabilities	700,935	218,509
Solid waste landfill closure and post-closure liability (Note 4)	99,000	107,000
Deferred revenue (Note 5)	<u>3,391</u>	<u>6,750</u>
	<u>803,326</u>	<u>332,259</u>
 NET ASSETS	 \$ <u>448,071</u>	 \$ <u>341,493</u>
 MUNICIPAL POSITION		
Fund balances		
Current Fund (Note 6)	\$ 28,197	\$ (730)
Reserves	<u>518,874</u>	<u>449,223</u>
	547,071	448,493
 Amounts to be recovered from future revenues (Note 4)	 <u>(99,000)</u>	 <u>(107,000)</u>
	 \$ <u>448,071</u>	 \$ <u>341,493</u>

(See accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget 2007</u>	<u>Actual 2007</u>	<u>Actual 2006</u>
REVENUES			
Taxation and user charges			
Property taxation	\$ 173,627	\$ 210,284	\$ 140,918
Payment in lieu of taxes	130,000	112,790	104,948
Grants			
Province of Ontario and other grants	325,941	314,333	226,404
Other			
Gas tax funding and related investment income	7,416	4,215	-
Fees, service charges and donations	16,710	13,546	16,602
Investment income	20,000	34,293	24,610
Other	<u>3,640</u>	<u>7,521</u>	<u>7,206</u>
Total Revenue	<u>677,334</u>	<u>696,982</u>	<u>520,688</u>
EXPENDITURES			
Current operations			
General government	192,093	183,172	194,972
Protection to persons and property	80,514	63,766	77,517
Transportation services	107,300	128,274	135,805
Environmental services	122,190	75,363	85,905
Recreation and cultural services	47,437	36,268	36,877
Planning and development	<u>15,800</u>	<u>4,832</u>	<u>7,112</u>
	<u>565,334</u>	<u>491,675</u>	<u>538,188</u>
Capital operations			
General government	-	9,261	3,833
Protection to persons and property	5,000	4,573	12,760
Transportation services	68,000	-	-
Environmental services	69,105	84,895	-
Recreation and cultural services	<u>-</u>	<u>-</u>	<u>1,005</u>
	<u>142,105</u>	<u>98,729</u>	<u>17,598</u>
Total Expenditures	<u>707,439</u>	<u>590,404</u>	<u>555,786</u>
NET (EXPENDITURES) REVENUES	(30,105)	106,578	(35,098)
MUNICIPAL POSITION AT BEGINNING OF YEAR	<u>470,950</u>	<u>341,493</u>	<u>376,591</u>
MUNICIPAL POSITION AT END OF YEAR	\$ <u>440,845</u>	\$ <u>448,071</u>	\$ <u>341,493</u>

(See accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
OPERATIONS		
Net revenues (expenditures)	\$ 106,578	\$ (35,098)
Changes in the level of:		
Taxes receivable	5,238	23,737
Accounts receivable	6,668	(20,722)
Prepaid expense	(2,120)	(1,019)
Accounts payable and accrued liabilities	482,426	134,816
Solid waste landfill closure and post-closure liability	(8,000)	18,000
Deferred revenue	<u>(3,359)</u>	<u>4,041</u>
NET INCREASE IN CASH FROM OPERATIONS AND NET CHANGE IN CASH	587,431	123,755
CASH AT BEGINNING OF YEAR	<u>604,320</u>	<u>480,565</u>
CASH AT END OF YEAR	\$ <u><u>1,191,751</u></u>	\$ <u><u>604,320</u></u>

(See accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the current fund, capital fund and reserves and include the activities of all committees of Council and the Library Board which is under the control of Council.

Interorganizational transactions and balances have been eliminated in the preparation of these financial statements.

Fund accounting

The financial statements consist of current, capital and reserve funds. Interfund transfers are reflected in the appropriate municipal fund balance.

The schedule of current fund operation reflects the United Townships program delivery and administrative activities and interfund transfers. The current fund is to be used to offset taxation or user charges in 2008.

The schedule of capital fund operations reflects the current year's capital expenditures, related revenues and interfund transfers.

The schedule of reserves reflects interfund transfers.

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

Capital assets

Capital assets are reported as an expenditure in the year of acquisition on the statement of financial activities.

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UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition

Revenues from property taxation, taxation from other governments and penalties and interest are recognized in the period in which they are levied and collection is reasonably assured. User charges are recognized as the service is provided and collection is reasonably assured. Grant revenue is recognized when the related expenditure is incurred. Investment income is recognized as it is earned. Fees, service charges, donations and other are recognized when collection is reasonably assured.

Deferred revenue

Deferred revenue consists of amounts collected with respect to services which have yet to be provided. Deferred revenue will be recognized as income in the year the related services are provided.

Use of estimates

The preparation of 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 disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

NOTE 2 NEW ACCOUNTING STANDARDS

The Township owns various tangible capital assets. Effective January 1, 2009, the Township will be required to record tangible capital assets in accordance with Section 3150 of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants. Accounting Guideline 7 of the Handbook provides transitional guidance on presenting information related to tangible capital assets until Section 3150 comes into effect. With regards to this guideline, the Township has begun compiling a listing of all tangible capital assets.

NOTE 3 OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW

During 2007, 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	\$ 1,368,770	\$ 668,187
Share of payments in lieu of taxes and railway corridors	<u>65,285</u>	<u>44,993</u>
Amounts collected	\$ <u>1,434,055</u>	\$ <u>713,180</u>

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UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE LIABILITY

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 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, 2007.

	<u>Stonecliffe</u>	<u>Bisset Creek</u>	<u>Deux Rivieres</u>	<u>Total</u>
Liability to date	\$ <u>30,811</u>	<u>40,363</u>	<u>27,826</u>	\$ <u>99,000</u>
Expected total expenditures	\$ <u>149,810</u>	<u>139,350</u>	<u>35,000</u>	\$ <u>324,160</u>
Amount remaining to be recognized	\$ <u>118,999</u>	<u>98,987</u>	<u>7,174</u>	\$ <u>225,160</u>
Remaining capacity of site in cubic metres	<u>10,929</u>	<u>9,099</u>	<u>Closed</u>	<u>20,028</u>
Remaining useful life of site in years	<u>18</u>	<u>8</u>	<u>Closed</u>	
Years of post-closure care	<u>10</u>	<u>10</u>	<u>10</u>	

The United Townships have reserved \$106,998 to finance the expected closure and post closure care liabilities.

NOTE 5 DEFERRED REVENUE

Deferred revenue consists of the following:

	<u>2007</u>	<u>2006</u>
Gas tax funding	\$ 3,391	\$ 4,533
Library project unspent funds	<u>-</u>	<u>2,217</u>
	\$ <u>3,391</u>	\$ <u>6,750</u>

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 6 CURRENT FUND BALANCES

The United Townships current fund balance consists of the following to be (recovered from taxation) or taken to be used to offset taxation or user changes in 2008:

	<u>2007</u>	<u>2006</u>
United Townships	\$ 16,172	\$ (6,786)
Library Board	<u>12,025</u>	<u>6,056</u>
	<u>\$ 28,197</u>	<u>\$ (730)</u>

NOTE 7 COMMITMENTS

Policing services

The United Townships have contracted with the Province of Ontario to provide policing services. The contract cost for 2007 was \$39,648 (2006 - \$48,383).

Recyclables Collection

The United Townships have contracted out the collection of recyclables for the period to December 31, 2008 at an annual cost of \$20,000.

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.

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED SCHEDULE OF CURRENT FUND OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u> <u>2007</u>	<u>Actual</u> <u>2007</u>	<u>Actual</u> <u>2006</u>
REVENUES			
Taxation and user charges			
Property taxation	\$ 173,627	\$ 210,284	\$ 140,918
Payments in lieu of taxes	130,000	112,790	104,948
Grants			
Province of Ontario and other grants	246,736	233,937	223,139
Other			
Fees, service charges and donations	16,710	13,546	16,602
Investment income	20,000	34,293	24,610
Other	3,640	7,521	7,206
	<u>590,713</u>	<u>612,371</u>	<u>517,423</u>
EXPENDITURES			
General government	192,093	183,172	194,972
Protection to persons and property	80,514	63,766	77,517
Transportation services	107,300	128,274	135,805
Environmental services	122,190	75,363	85,905
Recreation and cultural services	47,437	36,268	36,877
Planning and development	15,800	4,832	7,112
	<u>565,334</u>	<u>491,675</u>	<u>538,188</u>
Net revenues (expenditures)	25,379	120,696	(20,765)
TRANSFERS			
To capital fund	(76,584)	(35,218)	(14,333)
From (to) reserves	29,478	(48,551)	(59,907)
Amounts to be recovered from future revenues	-	(8,000)	18,000
CHANGE IN CURRENT FUND	(21,727)	28,927	(77,005)
CURRENT FUND BALANCE AT BEGINNING OF YEAR	<u>21,727</u>	<u>(730)</u>	<u>76,275</u>
CURRENT FUND BALANCE AT END OF YEAR	\$ <u>-</u>	\$ <u>28,197</u>	\$ <u>(730)</u>

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED SCHEDULE OF CAPITAL FUND OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget <u>2007</u>	Actual <u>2007</u>	Actual <u>2006</u>
REVENUES			
Province of Ontario and other grants	\$ <u>79,205</u>	\$ <u>80,396</u>	\$ <u>3,265</u>
EXPENDITURES			
General government	-	9,261	3,833
Protection to persons and property	5,000	4,573	12,760
Transportation services	68,000	-	-
Environmental services	69,105	84,895	-
Recreation and cultural services	<u>-</u>	<u>-</u>	<u>1,005</u>
	<u>142,105</u>	<u>98,729</u>	<u>17,598</u>
Net expenditures	62,900	18,333	14,333
TRANSFERS			
From current fund	76,584	35,218	14,333
To reserve fund	<u>(13,684)</u>	<u>(16,885)</u>	<u>-</u>
CHANGE IN CAPITAL FUND	-	-	-
CAPITAL FUND AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
CAPITAL FUND AT END OF YEAR	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

CONSOLIDATED SCHEDULE OF RESERVES

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget <u>2007</u>	Actual <u>2007</u>	Actual <u>2006</u>
REVENUES			
Gas tax funding and related investment income	\$ 7,416	\$ 4,215	\$ -
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
NET REVENUE	7,416	4,215	-
TRANSFERS			
(To) from current fund	(29,478)	48,551	59,907
From capital fund	<u>13,684</u>	<u>16,885</u>	<u>-</u>
CHANGE IN RESERVES	(8,378)	69,651	59,907
RESERVES AT BEGINNING OF YEAR	<u>449,223</u>	<u>449,223</u>	<u>389,316</u>
RESERVES AT END OF YEAR	\$ <u>440,845</u>	\$ <u>518,874</u>	\$ <u>449,223</u>

ANALYZED AS FOLLOWS:

Reserves set aside for specific purposes by council:

	<u>2007</u>	<u>2006</u>
Contingencies	\$ 64,789	\$ 59,788
Working capital	75,467	75,467
Recreation purposes	3,080	3,080
Disposal site	87,412	87,412
Disposal site - vehicle	12,500	5,000
Bear wise program	-	20,976
Emergency vehicle	-	10,000
Physician recruitment	8,000	3,000
Solid waste landfill closure and postclosure	106,998	85,500
Office technology	4,500	4,500
Roads - capital projects	8,000	8,000
Gravel crushing	8,000	3,000
Roads - Truck	17,500	5,000
Emergency management	9,500	9,500
Fire suppression equipment	10,500	7,500
Equipment replacement	10,500	10,500
Library	20,028	17,000
Succession planning	5,000	-
Garage	34,000	34,000
Facility management	10,000	-
Office equipment	2,000	-
Deux Rivieres Site Closure	21,100	-
	\$ <u>518,874</u>	\$ <u>449,223</u>

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED SCHEDULE OF CURRENT FUND EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget <u>2007</u>	Actual <u>2007</u>	Actual <u>2006</u>
GENERAL GOVERNMENT			
Salaries, wages and benefits	\$ 110,780	\$ 122,036	\$ 113,298
Administration and supplies	78,813	59,861	77,136
Financial expenses	<u>2,500</u>	<u>1,275</u>	<u>4,538</u>
	<u>192,093</u>	<u>183,172</u>	<u>194,972</u>
PROTECTION TO PERSONS AND PROPERTY			
Salaries, wages and benefits	12,200	10,515	12,298
Administration and supplies	16,995	13,603	16,837
Policing	<u>51,319</u>	<u>39,648</u>	<u>48,382</u>
	<u>80,514</u>	<u>63,766</u>	<u>77,517</u>
TRANSPORTATION SERVICES			
Salaries, wages and benefits	38,000	40,972	44,498
Winter control	36,500	51,791	42,847
Road maintenance	<u>32,800</u>	<u>35,511</u>	<u>48,460</u>
	<u>107,300</u>	<u>128,274</u>	<u>135,805</u>
ENVIRONMENTAL SERVICES			
Salaries, wages and benefits	26,000	25,070	20,626
Administration and supplies	51,500	50,971	21,206
Solid waste landfill closure and post-closure costs	-	(8,000)	18,000
Disposal site study and related costs	<u>44,690</u>	<u>7,322</u>	<u>26,073</u>
	<u>122,190</u>	<u>75,363</u>	<u>85,905</u>
RECREATION AND CULTURAL			
Recreation	25,450	20,886	18,318
Library	<u>21,987</u>	<u>15,382</u>	<u>18,559</u>
	<u>47,437</u>	<u>36,268</u>	<u>36,877</u>
PLANNING AND DEVELOPMENT			
Economic development	4,800	4,532	7,000
Physician recruitment	<u>11,000</u>	<u>300</u>	<u>112</u>
	<u>15,800</u>	<u>4,832</u>	<u>7,112</u>
	\$ <u>565,334</u>	\$ <u>491,675</u>	\$ <u>538,188</u>