

CONSOLIDATED FINANCIAL STATEMENTS
UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
f o r y e a r e n d e d
DECEMBER 31, 2006



Welch & Company LLP

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, 2006 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, 2006 and the results of its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOTANTS 
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario.
March 14, 2007.

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2006

	2006	2005
ASSETS		
Cash	604,320 \$	480,565
Taxes receivable	22,688	46,425
Accounts receivable	33,246	12,524
Prepaid expense	13,498	12,479
	673,752	551,993
LIABILITIES		
Accounts payable and accrued liabilities	218,509	83,693
Solid waste landfill closure and post-closure liability (Note 4)	107,000	89,000
Deferred revenue (Note 5)	6,750	2,709
	332,259	175,402
NET ASSETS	341,493 \$	376,591
MUNICIPAL POSITION		
Fund balances		
Current Fund (Note 6)	(730) \$	76,275
Reserves	449,223	389,316
	448,493	465,591
Amounts to be recovered from future revenues (Note 4)	(107,000)	(89,000)
	341,493 \$	376,591

(See accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget 2006		Actual 2006		Actual 2005
	<u> </u>		<u> </u>		<u> </u>
REVENUES					
Taxation and user charges					
Property taxation	152,000	\$	140,918	\$	148,066
Payment in lieu of taxes	99,000		104,948		109,774
	240,255		226,404		278,239
Grants					
Province of Ontario and other grants					
Other					
Fees, service charges and donations	9,350		16,602		21,360
Investment income	9,300		24,610		10,728
Other	4,174		7,206		12,165
	<u>514,079</u>		<u>520,688</u>		<u>580,332</u>
EXPENDITURES					
Current operations					
General government	216,487,		194,972		149,895
Protection to persons and property	87,765		77,517		72,696
Transportation services	152,533		135,805		107,403
Environmental services	76,000		85,905		86,298
Recreation and cultural services	46,309		36,877		25,264
Planning and development	12,054		7,112		334
	<u>591,148</u>		<u>538,188</u>		<u>441,890</u>
Capital operations					
General government	5,000		3,833		1,040
Protection to persons and property	15,300		12,760		
Transportation services	35,000				23,484
Environmental services	32,976				
Recreation and cultural services	2,000		1,005		1,772
	<u>90,276</u>		<u>17,598</u>		<u>26,296</u>
Total Expenditures	<u>681,424</u>		<u>555,786</u>		<u>468,186</u>
NET (EXPENDITURES) REVENUES					112,146
	(167,345)		(35,098)		
MUNICIPAL POSITION AT BEGINNING OF YEAR	<u>376,592</u>		<u>376,591</u>		<u>264,445</u>
MUNICIPAL POSITION AT END OF YEAR	<u>209,247</u>	\$	<u>341,493</u>	\$	<u>376,591</u>

(See accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006	2005
OPERATIONS		
Net <i>(expenditures) revenues</i>	(35,098) \$	112,146
Changes in the level of:		
Taxes receivable	23,737	(27,288)
Accounts receivable	(20,722)	32,404
Prepaid expense	(1,019)	(282)
Accounts payable and accrued liabilities	134,816	27,313
Solid waste landfill closure and post-closure liability	18,000	9,500
Deferred revenue	4,041	2,709
	123,755	156,502
NET INCREASE IN CASH FROM OPERATIONS AND NET CHANGE IN CASH	123,755	156,502
CASH AT BEGINNING OF YEAR	480,565	324,063
CASH AT END OF YEAR	604,320 \$	480,565

(See accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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 2007.

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.

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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 OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW

During 2006, 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 <u>Boards</u>	County of <u>Renfrew</u>
Taxation and user charges	\$ 1,015,434	\$ 502,594
Share of payments in lieu of taxes and railway corridors	66,254	<u>43,465</u>
Amounts collected and remitted	<u>\$ 1,080,688</u>	<u>\$ 546,059</u>

NOTE 3 TRUST FUNDS

Trust funds administered by the municipality amounting to NIL (2005 - NIL) have not been included in the Consolidated Balance Sheet nor have their operations been included in the Consolidated Statement of Operations.

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006.

	Stonecliffe	Bisset Creek	Deux Rivieres	Total
Liability to date	\$ 29,600	20,600	56,800 \$	107,000
Expected total expenditures	\$ 151,810	139,350	69,150 \$	360,310
Amount remaining to be recognized	\$ 122,210	118,750	12,350 \$	253,310
Remaining capacity of site in cubic metres	11,514	10,274	175	21,963
Remaining useful life of site in years	19	19	1	
Years of post-closure care	10	10	10	

The United Townships have reserved \$85,500 to finance the expected closure and post closure care liabilities.

NOTE 5 DEFERRED REVENUE

Deferred revenue consists of the following:

		2006	2005
Gas tax funding	\$	4,533 \$	2,223
Library project unspent funds	2,217		486
	\$	6,750 \$	2,709

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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 2007:

	2006	2005
United Townships	(6,786) \$	71,553
Library Board	6,056	4,722
	(730) \$	76,275

NOTE 7 COMMITMENTS

The United Townships have contracted with the Province of Ontario to provide policing services. The contract cost for 2006 was \$48,383 (2005 - \$51,372).

Recyclables Collection

The United Townships have contracted out the collection of recyclables for the period from January 1, 2007 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.

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, 2006

	Budget 2006	\$ Actual 2006	\$ Actual 2005
REVENUES			
Taxation and user charges			
Property taxation	152,000	140,918	148,066
Payments in lieu of taxes	99,000	104,948	109,774
Grants			
Province of Ontario and other grants	221,001	223,139	278,239
Other			
Fees, service charges and donations	9,350	16,602	21,360
Investment income	9,300	24,610	10,728
Other	4,174	7,206	12,165
	<u>494,825</u>	<u>517,423</u>	<u>580,332</u>
EXPENDITURES			
General government	216,487	194,972	149,895
Protection to persons and property	87,765	77,517	72,696
Transportation services	152,533	135,805	107,403
Environmental services	76,000	85,905	86,298
Recreation and cultural services	46,309	36,877	25,264
Planning and development	12,054	7,112	334
	<u>591,148</u>	<u>538,188</u>	<u>441,890</u>
Net (expenditures) revenues	(96,323)	(20,765)	138,442
TRANSFERS			
To capital fund	(71,022)	(14,333)	(26,296)
From (to) reserves	91,069	(59,907)	(50,569)
Amounts to be recovered from future revenues		18,000	9,500
CHANGE IN CURRENT FUND	(76,276)	(77,005)	71,077
CURRENT FUND BALANCE AT BEGINNING OF YEAR	<u>76,276</u>	<u>76,275</u>	<u>5,198</u>
CURRENT FUND BALANCE AT END OF YEAR	<u>\$</u>	<u>(730)</u>	<u>\$ 76,275</u>

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED SCHEDULE OF RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget 2006	Actual 2006	Actual 2005
REVENUES			
EXPENDITURES			
NET REVENUE			
TRANSFERS			
(To) from current fund	(91,069)	59,907	50,569
CHANGE IN RESERVES		59,907	50,569
	(91,069)		
RESERVES AT BEGINNING OF YEAR	389,316	389,316	338,747
RESERVES AT END OF YEAR	298,247	\$ 449,223	\$ 389,316

ANALYZED AS FOLLOWS:

Reserves set aside for specific purposes by council:

	2006		2005
Contingencies	S 59,788	\$	50,788
Working capital	75,467		75,467
Recreation purposes	3,080		3,080
Disposal site	87,412		87,412
Disposal site - vehicle	5,000		
Bear wise program	20,976		
Emergency vehicle	10,000		5,000
Physician recruitment	3,000		3,000
Solid waste landfill closure and postclosure	85,500		79,500
Office technology	4,500		7,500
Roads - capital projects	8,000		3,000
Gravel crushing	3,000		
Roads - Truck	5,000		
Emergency management	9,500		7,500
Fire suppression equipment	7,500		5,000
Equipment replacement	10,500		8,000
Library	17,000		
Transition			54,069
Garage	34,000		
	449,223	\$	389,316

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED SCHEDULE OF CAPITAL FUND OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget 2006		Actual 2006		Actual 2005
REVENUES					
Province of Ontario and other grants	19,254	\$	3,265	\$	
EXPENDITURES					
General government	5,000		3,833		1,040
Protection to persons and property	15,300		12,760		-
Transportation services	35,000				23,484
Environmental services	32,976				-
Recreation and cultural services	2,000		1,005		1,772
	90,276		17,598		26,296
Net expenditures	71,022		14,333		26,296
TRANSFERS					
From current fund	71,022		14,333		26,296
CHANGE IN CAPITAL FUND					
CAPITAL FUND AT BEGINNING OF YEAR					
CAPITAL FUND AT END OF YEAR		\$			

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED SCHEDULE OF CURRENT FUND EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget 2006		Actual 2006		Actual 2005
GENERAL GOVERNMENT					
Salaries, wages and benefits	118,687	\$	113,298	\$	97,712
Administration and supplies	95,300		77,136		44,780
Financial expenses	2,500		4,538		7,403
	<u>216,487</u>		<u>194,972</u>		<u>149,895</u>
PROTECTION TO PERSONS AND PROPERTY					
Salaries, wages and benefits	4,775		12,298		9,234
Administration and supplies	30,990		16,837		12,090
Policing	52,000		48,382		51,372
	<u>87,765</u>		<u>77,517</u>		<u>72,696</u>
TRANSPORTATION SERVICES					
Salaries, wages and benefits	40,000		44,498		36,935
Winter control	48,030		42,847		34,705
Road maintenance	64,503		48,460		35,763
	<u>152,533</u>		<u>135,805</u>		<u>107,403</u>
ENVIRONMENTAL SERVICES					
Salaries, wages and benefits	25,000		20,626		17,722
Administration and supplies	25,000		21,206		30,944
Solid waste landfill closure and post-closure costs			18,000		9,500
Disposal site study and related costs	26,000		26,073		28,132
	<u>76,000</u>		<u>85,905</u>		<u>86,298</u>
RECREATION AND CULTURAL					
Recreation	26,000		18,318		17,323
Library	20,309		18,559		7,941
	<u>46,309</u>		<u>36,877</u>		<u>25,264</u>
PLANNING AND DEVELOPMENT					
Economic development	9,144		7,000		
Physician recruitment	2,910		112		334
	<u>12,054</u>		<u>7,112</u>		<u>334</u>
	<u>591,148</u>	\$	<u>541,688</u>	\$	<u>441,890</u>