

## 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, 2011, 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, 2011, 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  
April 20, 2012

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 934,151	\$ 770,736
Taxes receivable	26,328	19,454
Accounts receivable	<u>27,262</u>	<u>47,339</u>
	<u>987,741</u>	<u>837,529</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	51,409	96,133
Provision for landfill closure and post-closure costs (Note 3)	99,000	90,000
Deferred revenue (Note 4)	<u>36,279</u>	<u>23,473</u>
	<u>186,688</u>	<u>209,606</u>
 <b>NET FINANCIAL ASSETS</b>	 <u>801,053</u>	 <u>627,923</u>
 <b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 1)	612,934	635,766
Prepaid expenses	<u>12,728</u>	<u>12,617</u>
	<u>625,662</u>	<u>648,383</u>
 <b>ACCUMULATED SURPLUS (Note 5)</b>	 \$ <u>1,426,715</u>	 \$ <u>1,276,306</u>

(See accompanying notes and schedule)

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

**CONSOLIDATED STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budget</u> <u>2011</u>	<u>Actual</u> <u>2011</u>	<u>Actual</u> <u>2010</u>
<b>REVENUE</b>			
Property taxation	\$ 424,543	\$ 424,553	\$ 342,612
Payment in lieu of taxes	129,206	150,923	143,691
Provincial and other government transfers	192,413	175,362	357,910
Gain on sale of tangible capital assets	-	-	2,550
Fees, service charges and donations	16,978	13,260	9,871
Investment income	2,825	7,118	3,738
Other	<u>4,331</u>	<u>8,094</u>	<u>6,397</u>
	<u>770,296</u>	<u>779,310</u>	<u>866,769</u>
<b>EXPENSES</b>			
General government	259,550	237,514	222,339
Protection to persons and property	67,800	58,242	63,178
Transportation services	176,400	158,369	151,828
Environmental services	130,745	112,151	114,233
Recreation and cultural services	49,935	55,434	59,267
Planning and development	<u>6,700</u>	<u>7,191</u>	<u>9,957</u>
	<u>691,130</u>	<u>628,901</u>	<u>620,802</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	79,166	150,409	245,967
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>1,426,715</u>	<u>1,276,306</u>	<u>1,030,339</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	\$ <u>1,505,881</u>	\$ <u>1,426,715</u>	\$ <u>1,276,306</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, 2011**

	<u>Budget 2011</u>	<u>Actual 2011</u>	<u>Actual 2010</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ <u>79,166</u>	\$ <u>150,409</u>	\$ <u>245,967</u>
Acquisition of tangible capital assets	(49,393)	(13,614)	(243,932)
Amortization of tangible capital assets	-	36,446	33,165
Proceeds on disposal of tangible capital assets	-	-	2,550
Gain on sale of tangible capital assets	-	-	(2,550)
Changes in level of prepaid expenses	<u>-</u>	<u>(111)</u>	<u>7,619</u>
	<u>(49,393)</u>	<u>22,721</u>	<u>(203,148)</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>29,773</b>	<b>173,130</b>	<b>42,819</b>
<b>NET FINANCIAL ASSETS AT BEGINNING OF YEAR</b>	<u>627,923</u>	<u>627,923</u>	<u>585,104</u>
<b>NET FINANCIAL ASSETS AT END OF YEAR</b>	\$ <u><u>657,696</u></u>	\$ <u><u>801,053</u></u>	\$ <u><u>627,923</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, 2011**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 150,409	\$ 245,967
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	36,446	33,165
Gain on sale of tangible capital assets	-	<u>(2,550)</u>
	<u>186,855</u>	<u>276,582</u>
<b>Changes in the level of:</b>		
Taxes receivable	(6,874)	7,916
Accounts receivable	20,077	38,570
Prepaid expenses	(111)	7,619
Accounts payable and accrued liabilities	(44,724)	15,520
Solid waste landfill closure and post-closure liability	9,000	16,000
Deferred revenue	<u>12,806</u>	<u>(22,935)</u>
	<u>177,029</u>	<u>339,272</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Acquisition of tangible capital assets	(13,614)	(243,932)
Proceeds from sale of tangible capital assets	-	2,550
	<u>(13,614)</u>	<u>(241,382)</u>
<b>INCREASE IN CASH</b>	163,415	97,890
<b>CASH AT BEGINNING OF YEAR</b>	<u>770,736</u>	<u>672,846</u>
<b>CASH AT END OF YEAR</b>	\$ <u>934,151</u>	\$ <u>770,736</u>

(See accompanying notes and schedule)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 1

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Linear Assets	2011	2010
<b>COST</b>								
Balance, beginning of year	\$ 13,252	\$ 78,503	\$ 414,597	\$ 109,013	\$ 57,429	\$ 805,483	\$ 1,478,277	\$ 1,260,766
Acquisition of tangible capital assets	-	5,546	-	8,068	-	-	13,614	243,932
Disposal of tangible capital assets	-	-	-	(2,935)	-	-	(2,935)	(26,421)
	<u>13,252</u>	<u>84,049</u>	<u>414,597</u>	<u>114,146</u>	<u>57,429</u>	<u>805,483</u>	<u>1,488,956</u>	<u>1,478,277</u>
<b>ACCUMULATED AMORTIZATION</b>								
Balance, beginning of year	-	11,105	111,215	43,060	24,595	652,536	842,511	835,767
Annual amortization	-	3,354	10,150	13,626	5,743	3,573	36,446	33,165
Accumulated amortization on disposals	-	-	-	(2,935)	-	-	(2,935)	(26,421)
	<u>-</u>	<u>14,459</u>	<u>121,365</u>	<u>53,751</u>	<u>30,338</u>	<u>656,109</u>	<u>876,022</u>	<u>842,511</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL 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>	\$ <u>635,766</u>
<b>2010 NET BOOK VALUE OF TANGIBLE ASSETS</b>	\$ <u>13,252</u>	\$ <u>67,398</u>	\$ <u>303,382</u>	\$ <u>65,953</u>	\$ <u>32,834</u>	\$ <u>152,947</u>	\$ <u>635,766</u>	

(See accompanying notes)

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. 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, 2011**

**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, 2011**

**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.

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

During 2011, 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:

	<u>School Boards</u>	<u>County of Renfrew</u>
Taxation and user charges	\$ 1,306,178	\$ 620,393
Share of payments in lieu of taxes and railway corridors	<u>65,230</u>	<u>57,059</u>
Amounts collected	\$ <u>1,371,408</u>	\$ <u>677,452</u>

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**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**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, 2011.

	<u>Stonecliffe</u>	<u>Bisset Creek</u>	<u>Deux Rivieres</u>	<u>Total</u>
Liability to date	\$ <u>41,235</u>	<u>32,154</u>	<u>25,611</u>	\$ <u>99,000</u>
Expected total expenditures	\$ <u>129,810</u>	<u>119,350</u>	<u>32,500</u>	\$ <u>281,660</u>
Amount remaining to be recognized	\$ <u>88,575</u>	<u>87,196</u>	<u>6,889</u>	\$ <u>182,660</u>
Remaining capacity of site in cubic metres	<u>9,500</u>	<u>8,525</u>	<u>Closed</u>	<u>18,025</u>
Remaining useful life of site in years	<u>16</u>	<u>12</u>	<u>Closed</u>	
Years of post-closure care	<u>10</u>	<u>10</u>	<u>10</u>	

The United Townships have reserved \$196,828 to finance the expected closure and post closure care liabilities.

**NOTE 4 DEFERRED REVENUE**

Deferred revenue consists of the following:

	<u>2011</u>	<u>2010</u>
Gas tax funding	\$ 9,570	\$ 2,543
Ministry of Transportation funding	20,930	20,930
Recreation donations	3,006	
Library donations	<u>2,773</u>	<u>-</u>
	\$ <u>36,279</u>	\$ <u>23,473</u>

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 5 ACCUMULATED SURPLUS**

Accumulated surplus consists of the following:

	<u>2011</u>	<u>2010</u>
Unrestricted surplus	\$ 63,615	\$ 113,256
Internally restricted reserves	849,166	617,284
Provision for landfill closure and post-closure costs	(99,000)	(90,000)
Equity in tangible capital assets	<u>612,934</u>	<u>635,766</u>
	<u>\$ 1,426,715</u>	<u>\$ 1,276,306</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>2011</u>	<u>2010</u>
Salary and wages	\$ 237,470	\$ 228,517
Contracted services	153,423	160,171
Material and supplies	184,400	172,678
Provision for solid landfill closure and post-closure	9,000	16,000
Taxation adjustments and vacancy rebates	971	314
Transfers to local boards and agencies	7,191	9,957
Amortization of tangible capital assets	<u>36,446</u>	<u>33,165</u>
	<u>\$ 628,901</u>	<u>\$ 620,802</u>

**NOTE 7 COMMITMENTS**

**Policing services**

The United Townships have contracted with the Province of Ontario to provide policing services. The contract cost for 2011 was \$39,687 (2010 - \$41,388).

**Municipal Fire Management Services**

The United Townships have contracted with the Province of Ontario to provide fire management services. The contract cost for 2011 was \$5,460 (2010 - \$5,460).

**Recyclables Collection**

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

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**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.