

April 2, 2009

The Corporation of the United  
Townships of Head, Clara & Maria,  
Stonecliffe, Ontario.  
K0J 2K0

Attention: Reeve and Council  
Chief Administrative Officer - Melinda Reith

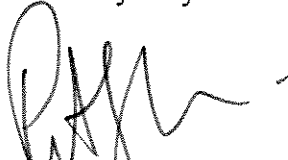
Dear Sirs:

We have completed our audit of the books and records of The Corporation of the United Townships of Head, Clara & Maria for the year ended December 31, 2008. The objective of our audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify all internal control weaknesses. Accordingly our audit would not usually identify all matters that may exist. This communication is prepared solely for the information of management and is not intended for any other purpose.

We have no internal control recommendations at this time.

We would like to thank the staff for their assistance and cooperation during the course of our audit.

Yours very truly



Peter Harrington, CA  
WELCH LLP

CONSOLIDATED FINANCIAL STATEMENTS  
UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA  
for year ended  
DECEMBER 31, 2008

**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, 2008 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, 2008 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 ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS**

Pembroke, Ontario  
April 2, 2009

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash	\$ 819,521	\$ 1,191,751
Taxes receivable	13,977	17,450
Accounts receivable	28,823	26,578
Prepaid expense	<u>14,272</u>	<u>15,618</u>
	<u>876,593</u>	<u>1,251,397</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	94,000	700,935
Solid waste landfill closure and post-closure liability (Note 4)	98,000	99,000
Deferred revenue (Note 5)	<u>166,485</u>	<u>3,391</u>
	<u>358,485</u>	<u>803,326</u>
<b>NET ASSETS</b>	<u>\$ 518,108</u>	<u>\$ 448,071</u>
<b>MUNICIPAL POSITION</b>		
<b>Fund balances</b>		
Current Fund (Note 6)	\$ (12,369)	\$ 28,197
Reserves	<u>628,477</u>	<u>518,874</u>
	616,108	547,071
Amounts to be recovered from future revenues (Note 4)	<u>(98,000)</u>	<u>(99,000)</u>
	<u>\$ 518,108</u>	<u>\$ 448,071</u>

(See accompanying notes and schedules)

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budget</u> 2008	<u>Actual</u> 2008	<u>Actual</u> 2007
<b>REVENUES</b>			
<b>Taxation and user charges</b>			
Property taxation	\$ 218,346	\$ 222,156	\$ 210,284
Payment in lieu of taxes	126,120	119,683	112,790
<b>Grants</b>			
Province of Ontario and other grants	387,461	249,773	314,333
<b>Other</b>			
County of Renfrew	-	9,710	-
Gas tax funding and related investment income	3,704	-	4,215
Fees, service charges and donations	22,835	20,951	13,546
Investment income	36,384	24,507	34,293
Other	<u>6,275</u>	<u>13,628</u>	<u>7,521</u>
<b>Total Revenue</b>	<u>801,125</u>	<u>660,408</u>	<u>696,982</u>
<b>EXPENDITURES</b>			
<b>Current operations</b>			
General government	205,898	189,842	183,172
Protection to persons and property	73,795	61,063	63,766
Transportation services	168,198	159,690	128,274
Environmental services	106,800	124,528	75,363
Recreation and cultural services	52,710	36,441	36,268
Planning and development	<u>5,700</u>	<u>4,532</u>	<u>4,832</u>
	<u>613,101</u>	<u>576,096</u>	<u>491,675</u>
<b>Capital operations</b>			
General government	6,000	8,116	9,261
Protection to persons and property	-	-	4,573
Transportation services	211,288	-	-
Environmental services	-	-	84,895
Recreation and cultural services	<u>13,048</u>	<u>6,159</u>	<u>-</u>
	<u>230,336</u>	<u>14,275</u>	<u>98,729</u>
<b>Total Expenditures</b>	<u>843,437</u>	<u>590,371</u>	<u>590,404</u>
<b>NET (EXPENDITURES) REVENUES</b>	(42,312)	70,037	106,578
<b>MUNICIPAL POSITION AT BEGINNING OF YEAR</b>	<u>448,071</u>	<u>448,071</u>	<u>341,493</u>
<b>MUNICIPAL POSITION AT END OF YEAR</b>	\$ <u>405,759</u>	\$ <u>518,108</u>	\$ <u>448,071</u>

(See accompanying notes and schedules)

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
<b>OPERATIONS</b>		
<b>Net revenues</b>	\$ 69,055	\$ 106,578
<b>Changes in the level of:</b>		
Taxes receivable	3,473	5,238
Accounts receivable	(2,245)	6,668
Prepaid expense	1,346	(2,120)
Accounts payable and accrued liabilities	(605,953)	482,426
Solid waste landfill closure and post-closure liability	(1,000)	(8,000)
Deferred revenue	<u>163,094</u>	<u>(3,359)</u>
 <b>NET (DECREASE) INCREASE IN CASH FROM OPERATIONS AND NET CHANGE IN CASH</b>	 (372,230)	 587,431
 <b>CASH AT BEGINNING OF YEAR</b>	 <u>1,191,751</u>	 <u>604,320</u>
 <b>CASH AT END OF YEAR</b>	 \$ <u><u>819,521</u></u>	 \$ <u><u>1,191,751</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, 2008**

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 2009.

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."

**Tangible capital assets**

The historical cost and accumulated amortization of tangible capital assets are not reported. Tangible capital assets are reported as an expenditure in the year of acquisition on the statement of financial activities. Effective January 1, 2009 this will change with implementation of Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook (See Note 2 - New Accounting Standards).

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**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**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 United Townships owns various tangible capital assets. Effective January 1, 2009, the United Townships 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 United Townships has begun the process of compiling a listing of all tangible capital assets.

**NOTE 3 OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW**

During 2008, 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	\$ 1,317,876	\$ 655,796
Share of payments in lieu of taxes and railway corridors	<u>65,285</u>	<u>60,732</u>
Amounts collected	\$ <u>1,383,161</u>	\$ <u>716,528</u>

.../3



**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**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, 2008.

	<u>Stonecliffe</u>	<u>Bisset Creek</u>	<u>Deux Rivieres</u>	<u>Total</u>
Liability to date	\$ <u>34,131</u>	<u>36,717</u>	<u>27,152</u>	\$ <u>98,000</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>115,679</u>	<u>102,633</u>	<u>7,848</u>	\$ <u>226,160</u>
Remaining capacity of site in cubic metres	<u>10,680</u>	<u>9,943</u>	<u>Closed</u>	<u>20,623</u>
Remaining useful life of site in years	<u>17</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 \$130,000 to finance the expected closure and post closure care liabilities.

**NOTE 5 DEFERRED REVENUE**

Deferred revenue consists of the following:

	<u>2008</u>	<u>2007</u>
Gas tax funding	\$ 7,197	\$ 3,391
Ministry of Transportation funding	<u>159,288</u>	<u>-</u>
	\$ <u>166,485</u>	\$ <u>3,391</u>

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**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 charges in 2009:

	<u>2008</u>	<u>2007</u>
United Townships	\$ (20,299)	\$ 16,172
Library Board	<u>7,930</u>	<u>12,025</u>
	<u>\$ (12,369)</u>	<u>\$ 28,197</u>

**NOTE 7 COMMITMENTS**

**Policing services**

The United Townships have contracted with the Province of Ontario to provide policing services. The contract cost for 2008 was \$39,441 (2007 - \$39,648).

**Municipal Fire Management Services**

The United Townships have contracted with the Province of Ontario to provide fire management services. The contract cost for 2008 was \$5,460 (2007 - \$NIL).

**Recyclables Collection**

The United Townships have contracted out the collection of recyclables for the period to December 31, 2011 at an annual cost of \$23,000.

**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, 2008**

	<u>Budget</u> 2008	<u>Actual</u> 2008	<u>Actual</u> 2007
<b>REVENUES</b>			
<b>Taxation and user charges</b>			
Property taxation	\$ 218,346	\$ 222,156	\$ 210,284
Payments in lieu of taxes	126,120	119,683	112,790
<b>Grants</b>			
Province of Ontario and other grants	228,173	238,633	233,937
<b>Other</b>			
County of Renfrew	-	9,710	-
Fees, service charges and donations	22,835	20,951	13,546
Investment income	36,384	24,507	34,293
Other	6,275	13,628	7,521
	<u>638,133</u>	<u>649,268</u>	<u>612,371</u>
<b>EXPENDITURES</b>			
General government	205,898	189,842	183,172
Protection to persons and property	73,795	61,063	63,766
Transportation services	168,198	159,690	128,274
Environmental services	106,800	124,528	75,363
Recreation and cultural services	52,710	36,441	36,268
Planning and development	5,700	4,532	4,832
	<u>613,101</u>	<u>576,096</u>	<u>491,675</u>
Net revenues (expenditures)	25,032	73,172	120,696
<b>TRANSFERS</b>			
To capital fund	(70,308)	(14,275)	(35,218)
From (to) reserves	17,080	(98,463)	(48,551)
Amounts to be recovered from future revenues	-	(1,000)	(8,000)
	<u>(28,196)</u>	<u>(40,566)</u>	<u>28,927</u>
<b>CHANGE IN CURRENT FUND</b>	<b>(28,196)</b>	<b>(40,566)</b>	<b>28,927</b>
<b>CURRENT FUND BALANCE AT BEGINNING OF YEAR</b>	<u>28,196</u>	<u>28,197</u>	<u>(730)</u>
<b>CURRENT FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ (12,369)</u>	<u>\$ 28,197</u>

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**CONSOLIDATED SCHEDULE OF CAPITAL FUND OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budget 2008</u>	<u>Actual 2008</u>	<u>Actual 2007</u>
<b>REVENUES</b>			
Province of Ontario and other grants	\$ <u>159,288</u>	\$ <u>11,140</u>	\$ <u>80,396</u>
<b>EXPENDITURES</b>			
General government	6,000	8,116	9,261
Protection to persons and property	-	-	4,573
Transportation services	211,288	-	-
Environmental services	-	-	84,895
Recreation and cultural services	<u>13,048</u>	<u>6,159</u>	<u>-</u>
	<u>230,336</u>	<u>14,275</u>	<u>98,729</u>
Net expenditures	(71,048)	(3,135)	18,333
<b>TRANSFERS</b>			
From current fund	70,308	14,275	35,218
From (to) reserve fund	<u>740</u>	<u>(11,140)</u>	<u>(16,885)</u>
<b>CHANGE IN CAPITAL FUND</b>	-	-	-
<b>CAPITAL FUND AT BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CAPITAL FUND AT END OF YEAR</b>	\$ <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, 2008**

	<u>Budget</u> <u>2008</u>	<u>Actual</u> <u>2008</u>	<u>Actual</u> <u>2007</u>
<b>REVENUES</b>			
Gas tax funding and related investment income	\$ 3,704	\$ -	\$ 4,215
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET REVENUE</b>	3,704	-	4,215
<b>TRANSFERS</b>			
(To) from current fund	(17,080)	98,463	48,551
(To) from capital fund	<u>(740)</u>	<u>11,140</u>	<u>16,885</u>
<b>CHANGE IN RESERVES</b>	(14,116)	109,603	69,651
<b>RESERVES AT BEGINNING OF YEAR</b>	<u>518,874</u>	<u>518,874</u>	<u>449,223</u>
<b>RESERVES AT END OF YEAR</b>	\$ <u>504,758</u>	\$ <u>628,477</u>	\$ <u>518,874</u>

**ANALYZED AS FOLLOWS:**

**Reserves set aside for specific purposes by council:**

	<u>2008</u>	<u>2007</u>
	\$ 64,789	\$ 64,789
Contingencies	100,000	75,467
Working capital	3,330	3,080
Recreation purposes	87,412	87,412
Disposal site	20,300	12,500
Disposal site - vehicle	500	-
Emergency vehicle	8,000	8,000
Physician recruitment	130,000	106,998
Solid waste landfill closure and postclosure-	6,750	4,500
Office technology	6,870	8,000
Roads - capital projects	10,000	8,000
Gravel crushing	27,500	17,500
Roads - Truck	9,500	9,500
Emergency management	10,500	10,500
Fire suppression equipment	10,500	10,500
Equipment replacement	22,426	20,028
Library	9,500	5,000
Succession planning	52,000	34,000
Garage	12,500	10,000
Facility management	15,000	2,000
Office equipment	21,100	21,100
Deux Rivieres Site Closure	\$ <u>628,477</u>	\$ <u>518,874</u>

**UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA**  
**CONSOLIDATED SCHEDULE OF CURRENT FUND EXPENDITURES BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budget <u>2008</u>	Actual <u>2008</u>	Actual <u>2007</u>
<b>GENERAL GOVERNMENT</b>			
Salaries, wages and benefits	\$ 119,751	\$ 118,937	\$ 122,036
Administration and supplies	84,072	69,419	59,861
Financial expenses	<u>2,075</u>	<u>1,486</u>	<u>1,275</u>
	<u>205,898</u>	<u>189,842</u>	<u>183,172</u>
<b>PROTECTION TO PERSONS AND PROPERTY</b>			
Salaries, wages and benefits	8,600	7,187	10,515
Administration and supplies	17,195	14,435	13,603
Policing	<u>48,000</u>	<u>39,441</u>	<u>39,648</u>
	<u>73,795</u>	<u>61,063</u>	<u>63,766</u>
<b>TRANSPORTATION SERVICES</b>			
Salaries, wages and benefits	54,000	40,423	40,972
Winter control	53,487	59,139	51,791
Road maintenance	<u>60,711</u>	<u>60,128</u>	<u>35,511</u>
	<u>168,198</u>	<u>159,690</u>	<u>128,274</u>
<b>ENVIRONMENTAL SERVICES</b>			
Salaries, wages and benefits	4,000	24,362	25,070
Administration and supplies	63,800	53,578	50,971
Solid waste landfill closure and post-closure costs	-	(1,000)	(8,000)
Engineering costs	<u>22,000</u>	<u>47,588</u>	<u>7,322</u>
	<u>106,800</u>	<u>124,528</u>	<u>75,363</u>
<b>RECREATION AND CULTURAL</b>			
Recreation	42,250	23,817	20,886
Library	<u>19,660</u>	<u>12,624</u>	<u>15,382</u>
	<u>52,710</u>	<u>36,441</u>	<u>36,268</u>
<b>PLANNING AND DEVELOPMENT</b>			
Economic development	5,200	4,532	4,532
Physician recruitment	<u>500</u>	<u>-</u>	<u>300</u>
	<u>5,700</u>	<u>4,532</u>	<u>4,832</u>
	<u>\$ 613,101</u>	<u>\$ 576,096</u>	<u>\$ 491,675</u>