

FINANCIAL STATEMENTS
UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
For year ended
DECEMBER 31, 2014

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements:

The accompanying consolidated financial statements of **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 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.

The 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 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 Township's financial statements.

Clerk



Melinda Reith

Reeve



Jim Gibson

May 8, 2015

INDEPENDANT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the **CORPORATION OF THE UNITED TOWNSHIPS OF HEAD, CLARA & MARIA**, which comprise the consolidated statement of financial position as at December 31, 2014, 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 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 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 & MARIA** as at December 31, 2014, 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 8, 2015

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| FINANCIAL ASSETS | | |
| Cash | \$ 1,274,373 | \$ 1,007,851 |
| Taxes receivable | 36,273 | 30,658 |
| Accounts receivable | <u>20,543</u> | <u>115,984</u> |
| | <u>1,331,189</u> | <u>1,154,493</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 70,119 | 59,125 |
| Provision for landfill closure and post closure liabilities (Note 3) | 235,000 | 74,000 |
| Deferred revenue (Note 4) | <u>24,353</u> | <u>20,380</u> |
| | <u>329,472</u> | <u>153,505</u> |
| NET FINANCIAL ASSETS | <u>1,001,717</u> | <u>1,000,988</u> |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Schedule 1) | 866,388 | 857,652 |
| Prepaid expenses | <u>15,136</u> | <u>13,223</u> |
| | <u>881,524</u> | <u>870,875</u> |
| ACCUMULATED SURPLUS (Note 5) | <u>\$ 1,883,241</u> | <u>\$ 1,871,863</u> |

(See accompanying notes and schedule)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Budget <u>2014</u> | Actual <u>2014</u> | Actual <u>2013</u> |
|---|-----------------------|-----------------------|-----------------------|
| REVENUE | | | |
| Property taxation | \$ 467,019 | \$ 468,500 | \$ 454,010 |
| Payment in lieu of taxes | 148,500 | 171,840 | 164,950 |
| Province and other government transfers | 147,723 | 156,185 | 245,800 |
| Gas tax funding and related investment income | - | 3,205 | 23,740 |
| Gain on sale of tangible capital assets | - | - | 2,150 |
| Fees, service charges and donations | 12,390 | 29,188 | 17,296 |
| Investment income | 3,900 | 10,474 | 8,060 |
| Other | 10,350 | 13,791 | 13,382 |
| | <u>789,882</u> | <u>853,183</u> | <u>929,388</u> |
| EXPENSES | | | |
| General government | 305,143 | 279,872 | 247,397 |
| Protection to persons and property | 69,436 | 65,681 | 56,474 |
| Transportation services | 197,408 | 165,173 | 198,362 |
| Environmental services | 129,108 | 264,556 | 110,038 |
| Recreation and cultural services | 44,100 | 65,263 | 65,484 |
| Planning and development | 3,000 | 1,260 | 4,400 |
| | <u>748,195</u> | <u>841,805</u> | <u>682,155</u> |
| EXCESS OF REVENUE OVER EXPENSES | 41,687 | 11,378 | 247,233 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | <u>1,831,545</u> | <u>1,871,863</u> | <u>1,624,630</u> |
| ACCUMULATED SURPLUS, END OF YEAR | <u>\$ 1,873,232</u> | <u>\$ 1,883,241</u> | <u>\$ 1,871,863</u> |

(See accompanying notes and schedule)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Budget <u>2014</u> | Actual <u>2014</u> | Actual <u>2013</u> |
|--|-----------------------|-----------------------|-----------------------|
| EXCESS OF REVENUE OVER EXPENSES | \$ <u>41,687</u> | \$ <u>11,378</u> | \$ <u>247,233</u> |
| Acquisition of tangible capital assets | (61,074) | (50,643) | (289,258) |
| Amortization of tangible capital assets | - | 41,907 | 36,286 |
| Proceeds on disposal of tangible capital assets | - | - | 2,150 |
| Gain on sale of tangible capital assets | - | - | (2,150) |
| Changes in level of prepaid expenses | - | (1,913) | (308) |
| | <u>(61,074)</u> | <u>(10,649)</u> | <u>(253,280)</u> |
| (DECREASE) INCREASE IN NET FINANCIAL ASSETS | (19,387) | 729 | (6,047) |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | <u>1,000,988</u> | <u>1,000,988</u> | <u>1,007,035</u> |
| NET FINANCIAL ASSETS, END OF YEAR | \$ <u>981,601</u> | \$ <u>1,001,717</u> | \$ <u>1,000,988</u> |

(See accompanying notes and schedule)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$ 11,378 | \$ 247,233 |
| Non-cash items included in excess of revenue over expenses: | | |
| Amortization of tangible capital assets | 41,907 | 36,286 |
| Gain on sale of tangible capital assets | - | (2,150) |
| | <u>53,285</u> | <u>281,369</u> |
| Changes in the level of: | | |
| Taxes receivable | (5,615) | (2,542) |
| Accounts receivable | 95,441 | (88,774) |
| Prepaid expenses | (1,913) | (308) |
| Accounts payable and accrued liabilities | 10,994 | 9,413 |
| Sold waste landfill closure and post-closure liability | 161,000 | 3,000 |
| Deferred revenue | <u>3,973</u> | <u>(16,098)</u> |
| | <u>317,165</u> | <u>186,060</u> |
| CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES | | |
| Acquisition of tangible capital assets | (50,643) | (289,258) |
| Proceeds from sale of tangible capital assets | - | 2,150 |
| | <u>(50,643)</u> | <u>(287,108)</u> |
| INCREASE (DECREASE) IN CASH | 266,522 | (101,048) |
| CASH AT BEGINNING OF YEAR | <u>1,007,851</u> | <u>1,108,899</u> |
| CASH AT END OF YEAR | <u>\$ 1,274,373</u> | <u>\$ 1,007,851</u> |

(See accompanying notes and schedule)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEAR ENDED DECEMBER 31, 2014

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>2014</u> | <u>2013</u> |
|---|-----------------|--------------------------|-------------------|--------------------------------|------------------|----------------------|-------------------|-------------------|
| COST: | | | | | | | | |
| Balance, beginning of year | \$ 9,252 | \$ 92,628 | \$ 674,441 | \$ 140,720 | \$ 57,142 | \$ 805,483 | \$ 1,779,666 | \$ 1,517,459 |
| Acquisition of tangible capital assets | - | 6,920 | 9,158 | 11,097 | - | 23,468 | 50,643 | 289,258 |
| Disposal of tangible capital assets | - | - | - | - | - | - | - | (27,051) |
| | <u>9,252</u> | <u>99,548</u> | <u>683,599</u> | <u>151,817</u> | <u>57,142</u> | <u>828,951</u> | <u>1,830,309</u> | <u>1,779,666</u> |
| ACCUMULATED AMORTIZATION: | | | | | | | | |
| Balance, beginning of year | - | 21,828 | 143,069 | 80,911 | 12,951 | 663,255 | 922,014 | 912,779 |
| Annual amortization | - | 4,007 | 16,036 | 12,297 | 5,714 | 3,853 | 41,907 | 36,286 |
| Accumulated amortization on disposals | - | - | - | - | - | - | - | (27,051) |
| | - | <u>25,835</u> | <u>159,105</u> | <u>93,208</u> | <u>18,665</u> | <u>667,108</u> | <u>963,921</u> | <u>922,014</u> |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | <u>\$ 9,252</u> | <u>\$ 73,713</u> | <u>\$ 524,494</u> | <u>\$ 58,609</u> | <u>\$ 38,477</u> | <u>\$ 161,843</u> | <u>\$ 866,388</u> | <u>\$ 857,652</u> |
| 2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | <u>\$ 9,252</u> | <u>\$ 70,800</u> | <u>\$ 531,372</u> | <u>\$ 59,809</u> | <u>\$ 44,191</u> | <u>\$ 142,228</u> | <u>\$ 857,652</u> | |

(See accompanying notes)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

The United Townships of Head, Clara & Maria is an incorporated municipality in the Province of Ontario. The United Township conducts its operations as described 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 of Head, Clara & Maria are the representations of management, prepared in accordance with Canadian public sector accounting standards 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:

Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Township and are, therefore, accountable to the Township Council for the administration of their financial affairs and resources. Included with the municipality are the following:

United Townships of Head, Clara and Maria Library Board

Basis of Accounting

The 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, services performed or the tangible capital assets are acquired.

Use of estimates

The preparation of 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining the estimated useful life of its tangible capital assets and landfill sites, and its allowance for doubtful accounts. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from these estimates.

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Landfill closure and post-closure liabilities

The United Townships are 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.

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 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 consolidated 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 |
| Linear Assets | 25-50 |
| Machinery and equipment | 25 |
| Vehicles | 10 |

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

ii) **Contributions of Tangible Capital Assets**

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

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

iii) Natural Resources

Natural resources that have not been purchased are not recognized as assets in the 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 of Head, Clara & Maria 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 United Township was required to adopt 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. Furthermore, due to the size of the organization disclosure may contravene privacy laws.

NOTE 2 OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW

During 2014, property taxes and payments in lieu of taxes were collected by the United Townships of Head, Clara & Maria 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 | \$ 1,320,236 | \$ 633,961 |
| Share of payments in lieu of taxes and railway corridors | <u>65,393</u> | <u>78,395</u> |
| Amount requisitioned | <u>\$ 1,385,629</u> | <u>\$ 712,356</u> |

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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 used to date. 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, 2014:

| | <u>Stonecliffe</u> | <u>Bisset Creek</u> | <u>Deux Rivieres</u> | <u>Total</u> |
|--|--------------------|-------------------------|--------------------------|-------------------|
| Liability to date | \$ <u>90,000</u> | \$ <u>84,000</u> | \$ <u>61,000</u> | \$ <u>235,000</u> |
| Expected total expenditures | \$ <u>268,000</u> | \$ <u>247,600</u> | \$ <u>67,400</u> | \$ <u>583,000</u> |
| Amount remaining to be recognized | \$ <u>178,000</u> | \$ <u>163,600</u> | \$ <u>6,400</u> | \$ <u>348,000</u> |
| Remaining capacity of site in cubic metres | <u>8,970</u> | <u>7,755</u> | <u>Closed</u> | <u>16,725</u> |
| Remaining useful life of sites years | <u>31</u> | <u>19</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>2014</u> | <u>2013</u> |
|------------------------------------|------------------|------------------|
| Gas tax funding | \$ 3,812 | \$ - |
| Ministry of Transportation funding | 18,312 | 18,312 |
| Recreation donations | <u>2,229</u> | <u>2,068</u> |
| | \$ <u>24,353</u> | \$ <u>20,380</u> |

NOTE 5 ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|---------------------|
| Unrestricted surplus | \$ 183,159 | \$ 94,190 |
| Internally restricted reserves | 1,068,694 | 994,021 |
| Provision for landfill closure and post-closure costs | (235,000) | (74,000) |
| Equity in tangible capital assets | <u>866,388</u> | <u>857,652</u> |
| | \$ <u>1,883,241</u> | \$ <u>1,871,863</u> |

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE 6 EXPENSES BY OBJECT

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

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| Salary and wages | \$ 287,418 | \$ 271,211 |
| Contracted services | 148,195 | 162,062 |
| Material and supplies | 202,025 | 205,196 |
| Provision for solid landfill closure and post-closure cost | 161,000 | 3,000 |
| Transfers to local boards and agencies | 1,260 | 4,400 |
| Amortization of tangible capital assets | <u>41,907</u> | <u>36,286</u> |
| | <u>\$ 841,805</u> | <u>\$ 682,155</u> |

NOTE 7 COMMITMENTS

Policing Services

The United Townships have contracted with the Province of Ontario for policing services. The contract cost for 2014 was \$43,271 (2013 - \$35,820).

Municipal Fire Management Services

The United Townships have contracted with the Province of Ontario for fire management services. The contract cost for 2014 was \$6,942 (2013 - \$6,341).

Recyclables Collection

The United Townships have contracted out the collection of recyclables for the period to December 31, 2014 at an annual cost of \$24,693 (2013 - \$24,693).

NOTE 8 FINANCIAL INSTRUMENTS

The United Township's financial instruments consist of cash, accounts receivable, 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. Furthermore, the budget makes no provision for amortization expense and solid landfill closure and post closure care. Budget figures are unaudited.