

DRAFT

FINANCIAL STATEMENTS
UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
For year ended
DECEMBER 31, 2017

DRAFT

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

Mayor

Melinda Reith

Bob Reid

July, 2018

INDEPENDANT AUDITOR'S REPORT

DRAFT

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, 2017, 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, 2017, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario
July, 2018

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2017

DRAFT

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash	\$ 1,021,862	\$ 1,272,993
Taxes receivable	55,030	42,252
Accounts receivable	<u>78,305</u>	<u>41,493</u>
	<u>1,155,197</u>	<u>1,356,738</u>
 LIABILITIES		
Accounts payable and accrued liabilities	125,962	63,439
Provision for landfill closure and post closure liabilities (Note 3)	450,000	561,000
Deferred revenue (Note 4)	<u>17,530</u>	<u>23,627</u>
	<u>593,492</u>	<u>648,066</u>
 NET FINANCIAL ASSETS	 <u>561,705</u>	 <u>708,672</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	1,100,137	907,054
Prepaid expenses	<u>15,353</u>	<u>15,263</u>
	<u>1,115,490</u>	<u>922,317</u>
 ACCUMULATED SURPLUS (Note 5)	 <u>\$ 1,677,195</u>	 <u>\$ 1,630,989</u>

(See accompanying notes and schedule)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

DRAFT

	Budget <u>2017</u>	Actual <u>2017</u>	Actual <u>2016</u>
REVENUE			
Property taxation	\$ 496,421	\$ 497,021	\$ 473,895
Payment in lieu of taxes	154,500	153,260	155,472
Province and other government transfers	210,584	186,272	150,879
Gas tax funding and related investment income	24,905	17,760	-
Fees, service charges and donations	93,902	73,969	41,531
Investment income	2,450	2,782	5,266
Other	<u>38,380</u>	<u>31,924</u>	<u>42,478</u>
	<u>1,021,142</u>	<u>962,988</u>	<u>869,521</u>
EXPENSES			
General government	386,088	440,640	341,914
Protection to persons and property	123,584	117,161	98,640
Transportation services	208,386	202,584	237,342
Environmental services	133,255	(7,700)	123,096
Recreation and cultural services	207,784	163,080	93,444
Planning and development	<u>1,020</u>	<u>1,017</u>	<u>-</u>
	<u>1,060,117</u>	<u>916,782</u>	<u>894,436</u>
EXCESS OF (EXPENSES OVER REVENUE)			
REVENUE OVER EXPENSES	(38,975)	46,206	(24,915)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>1,622,111</u>	<u>1,630,989</u>	<u>1,655,904</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 1,583,136</u>	<u>\$ 1,677,195</u>	<u>\$ 1,630,989</u>

(See accompanying notes and schedule)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

DRAFT

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	\$ 46,206	\$ (24,915)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	<u>49,572</u>	<u>42,255</u>
	95,778	17,340
Changes in the level of:		
Taxes receivable	(12,778)	(15,184)
Accounts receivable	(36,812)	(14,966)
Prepaid expenses	(90)	(90)
Accounts payable and accrued liabilities	62,523	2,272
Solid waste landfill closure and post-closure liability	(111,000)	10,000
Deferred revenue	<u>(6,097)</u>	<u>5,478</u>
	<u>(8,476)</u>	<u>4,850</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of tangible capital assets	<u>(242,655)</u>	<u>(74,732)</u>
DECREASE IN CASH	(251,131)	(69,882)
CASH AT BEGINNING OF YEAR	<u>1,272,993</u>	<u>1,342,875</u>
CASH AT END OF YEAR	<u>\$ 1,021,862</u>	<u>\$ 1,272,993</u>

(See accompanying notes and schedule)

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

YEAR ENDED DECEMBER 31, 2017

SCHEDULE 1

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Linear Assets	2017	2016
COST:								
Balance, beginning of year	\$ 9,252	\$ 146,235	\$ 683,599	\$ 200,501	\$ 57,142	\$ 856,373	\$ 1,953,102	\$ 1,878,370
Acquisition of tangible capital assets	-	45,638	134,199	28,408	-	34,410	242,655	74,732
	<u>9,252</u>	<u>191,873</u>	<u>817,798</u>	<u>228,909</u>	<u>57,142</u>	<u>890,783</u>	<u>2,195,757</u>	<u>1,953,102</u>
ACCUMULATED AMORTIZATION:								
Balance, beginning of year	-	35,714	191,141	112,990	30,093	676,110	1,046,048	1,003,793
Annual amortization	-	7,366	17,360	13,982	5,714	5,150	49,572	42,255
	<u>-</u>	<u>43,080</u>	<u>208,501</u>	<u>126,972</u>	<u>35,807</u>	<u>681,260</u>	<u>1,095,620</u>	<u>1,046,048</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 9,252</u>	<u>\$ 148,793</u>	<u>\$ 609,297</u>	<u>\$ 101,937</u>	<u>\$ 21,335</u>	<u>\$ 209,523</u>	<u>\$ 1,100,137</u>	<u>\$ 907,054</u>
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 9,252</u>	<u>\$ 110,521</u>	<u>\$ 492,458</u>	<u>\$ 87,511</u>	<u>\$ 27,049</u>	<u>\$ 180,263</u>	<u>\$ 907,054</u>	

DRAFT

(See accompanying notes)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

DRAFT

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, 2017

DRAFT

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.

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

DRAFT

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

DRAFT

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 2017, 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	\$ 1,351,736	\$ 696,646
Share of payments in lieu of taxes	<u>7,610</u>	<u>66,638</u>
Amount requisitioned	<u>\$ 1,359,346</u>	<u>\$ 763,284</u>

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' expected long term borrowing rate of 3.14%. The following summarizes the estimated closure and post closure costs and remaining capacity of the United Townships landfill sites at December 31, 2017:

	<u>Stonecliffe</u>	<u>Bisset Creek</u>	<u>Deux Rivieres</u>	<u>Total</u>
Liability to date	\$ <u>254,000</u>	\$ <u>75,000</u>	\$ <u>121,000</u>	\$ <u>450,000</u>
Expected total expenditures	\$ <u>638,000</u>	\$ <u>1,865,000</u>	\$ <u>121,000</u>	\$ <u>2,624,000</u>
Amount remaining to be recognized	\$ <u>384,000</u>	\$ <u>1,790,000</u>	\$ <u>-</u>	\$ <u>2,174,000</u>
Remaining capacity of site in cubic metres	<u>8,175</u>	<u>44,228</u>	<u>Closed</u>	<u>52,403</u>
Remaining useful life of sites years	<u>18</u>	<u>55</u>	<u>Closed</u>	

The United Townships have reserved \$243,260 to finance the expected closure and post closure care liabilities.

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

DRAFT

NOTE 4 DEFERRED REVENUE

Deferred revenue consists of the following:

	<u>2017</u>	<u>2016</u>
Gas tax funding	\$ 7,341	\$ 17,830
Seniors Community Grant funding	10,189	-
Recreation	-	3,135
Library	-	2,662
	<u>\$ 17,530</u>	<u>\$ 23,627</u>

NOTE 5 ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	\$ 197,647	\$ 97,034
Internally restricted reserves	829,411	1,187,901
Provision for landfill closure and post-closure costs	(450,000)	(561,000)
Equity in tangible capital assets	<u>1,100,137</u>	<u>907,054</u>
	<u>\$ 1,677,195</u>	<u>\$ 1,630,989</u>

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>2017</u>	<u>2016</u>
Salary and wages	\$ 387,001	\$ 345,322
Contracted services	238,511	235,787
Material and supplies	352,698	261,072
Provision for solid landfill closure and post-closure cost	(111,000)	10,000
Amortization of tangible capital assets	<u>49,572</u>	<u>42,255</u>
	<u>\$ 916,782</u>	<u>\$ 894,436</u>

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

DRAFT

NOTE 7 COMMITMENTS

Policing Services

The United Townships have contracted with the Province of Ontario for policing services. The contract cost for 2017 was \$91,482 (2016 - \$74,552).

Municipal Fire Management Services

The United Townships have contracted with the Province of Ontario for fire management services. The contract cost for 2017 was \$8,611 (2016 - \$8,077).

NOTE 8 FINANCIAL INSTRUMENTS

The United Township's financial instruments consist of cash, taxes receivable, accounts receivable, accounts payable and accrued liabilities.

Risk

It is management's opinion that the United Townships 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 CONTAMINATED SITES LIABILITY

The United Townships has adopted PS3260 Liability for Contaminated Sites. The United Townships did not identify any financial liabilities in 2017 (2016 - \$NIL) as a result of this standard.

NOTE 10 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.