

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, the Consolidated Statement of Operations, the consolidated Statement of Change in Net Financial Assets and the Consolidated Statement of Cash Flows of the **CORPORATION OF THE UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA** as at December 31, 2009. 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, 2009 and the results of its operations, the change in its net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Welch LLP.

**CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

Pembroke, Ontario
March 4, 2010

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
FINANCIAL ASSETS		
Cash	\$ 672,846	\$ 819,521
Taxes receivable	27,370	13,977
Accounts receivable	<u>85,909</u>	<u>28,823</u>
	<u>786,125</u>	<u>862,321</u>
LIABILITIES		
Accounts payable and accrued liabilities	80,613	94,000
Provision for landfill closure and post-closure costs (Note 4)	74,000	98,000
Deferred revenue (Note 5)	<u>46,408</u>	<u>166,485</u>
	<u>201,021</u>	<u>358,485</u>
NET FINANCIAL ASSETS	<u>585,104</u>	<u>503,836</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	424,999	241,530
Prepaid expenses	<u>20,236</u>	<u>14,272</u>
	<u>445,235</u>	<u>255,802</u>
ACCUMULATED SURPLUS (Note 6)	\$ <u>1,030,339</u>	\$ <u>759,638</u>

(See accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budget</u> <u>2009</u>	<u>Actual</u> <u>2009</u>	<u>Actual</u> <u>2008</u>
REVENUE			
Property taxation	\$ 226,884	\$ 267,612	\$ 222,156
Payment in lieu of taxes	140,042	163,772	119,683
Provincial and other government transfers	434,822	382,452	249,773
County of Renfrew	-	-	9,710
Fees, service charges and donations	6,946	10,066	20,951
Investment income	15,000	2,277	24,507
Other	<u>4,565</u>	<u>5,997</u>	<u>13,628</u>
	<u>868,259</u>	<u>832,176</u>	<u>660,408</u>
EXPENSES			
General government	221,835	233,596	192,643
Protection to persons and property	78,543	67,526	61,063
Transportation services	156,474	140,369	132,825
Environmental services	146,000	71,472	128,058
Recreation and cultural services	48,610	43,905	37,328
Planning and development	<u>6,000</u>	<u>4,607</u>	<u>4,532</u>
	<u>657,462</u>	<u>561,475</u>	<u>556,449</u>
EXCESS OF REVENUE OVER EXPENSES	210,797	270,701	103,959
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>576,385</u>	<u>759,638</u>	<u>655,679</u>
ACCUMULATED SURPLUS, END OF YEAR	\$ <u>787,182</u>	\$ <u>1,030,339</u>	\$ <u>759,638</u>

(See accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budget 2009</u>	<u>Actual 2009</u>	<u>Actual 2008</u>
EXCESS OF REVENUE OVER EXPENSES	\$ <u>210,797</u>	\$ <u>270,701</u>	\$ <u>103,959</u>
Acquisition of tangible capital assets	(271,488)	(207,214)	(53,518)
Amortization of tangible capital assets	-	23,745	19,596
Changes in level of prepaid expenses	<u>-</u>	<u>(5,964)</u>	<u>1,346</u>
	<u>(271,488)</u>	<u>(189,433)</u>	<u>(32,576)</u>
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(60,691)	81,268	71,383
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	<u>562,113</u>	<u>503,836</u>	<u>432,453</u>
NET FINANCIAL ASSETS AT END OF YEAR	\$ <u><u>501,422</u></u>	\$ <u><u>585,104</u></u>	\$ <u><u>503,836</u></u>

(See accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 270,701	\$ 103,959
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	<u>23,745</u>	<u>19,596</u>
	294,446	123,555
Changes in the level of:		
Taxes receivable	(13,393)	3,473
Accounts receivable	(57,086)	(2,245)
Prepaid expenses	(5,964)	1,346
Accounts payable and accrued liabilities	(13,387)	(606,935)
Solid waste landfill closure and post-closure liability	(24,000)	(1,000)
Deferred revenue	<u>(120,077)</u>	<u>163,094</u>
	<u>60,539</u>	<u>(318,712)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of tangible capital assets	<u>(207,214)</u>	<u>(53,518)</u>
DECREASE IN CASH	(146,675)	(372,230)
CASH AT BEGINNING OF YEAR	<u>819,521</u>	<u>1,191,751</u>
CASH AT END OF YEAR	\$ <u><u>672,846</u></u>	\$ <u><u>819,521</u></u>

(See accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2009

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>2009</u>	<u>2008</u>
COST								
Balance, beginning of year	\$ 12,234	\$ 40,482	\$ 202,536	\$ 61,618	\$ 53,472	\$ 683,210	\$ 1,053,552	\$ 1,000,034
Acquisition of tangible capital assets	-	-	50,500	34,441	-	122,273	207,214	53,518
	<u>12,234</u>	<u>40,482</u>	<u>253,036</u>	<u>96,059</u>	<u>53,472</u>	<u>805,483</u>	<u>1,260,766</u>	<u>1,053,552</u>
ACCUMULATED AMORTIZATION								
Balance, beginning of year	-	6,956	97,446	20,062	40,906	646,652	812,022	792,426
Annual amortization	-	1,694	5,235	9,378	5,127	2,311	23,745	19,596
	-	<u>8,650</u>	<u>102,681</u>	<u>29,440</u>	<u>46,033</u>	<u>648,963</u>	<u>835,767</u>	<u>812,022</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ <u>12,234</u>	\$ <u>31,832</u>	\$ <u>150,355</u>	\$ <u>66,619</u>	\$ <u>7,439</u>	\$ <u>156,520</u>	\$ <u>424,999</u>	\$ <u>241,530</u>
2008 NET BOOK VALUE OF TANGIBLE ASSETS (restated)	\$ <u>12,234</u>	\$ <u>33,526</u>	\$ <u>105,090</u>	\$ <u>41,556</u>	\$ <u>12,566</u>	\$ <u>36,558</u>	\$ <u>241,530</u>	

(See accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 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 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 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 revenue and expenses during the reporting periods. Where measurement uncertainty exists, the 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, 2009

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 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, 2009

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 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 ADOPTION OF NEW ACCOUNTING STANDARDS

On January 1, 2009 in accordance with the accounting standards in Section 1200 of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA) applicable to Local Governments, the Board adopted new accounting standards for presenting financial statements based on the net financial debt concept. Under this concept, the Board now presents the following four financial statements: the Statement of Financial Position, the Statement of Operations, the Statement of Change in Net Financial Assets and the Statement of Cash Flows.

Furthermore, the Board adopted the accounting standards found in Section 3150 "Tangible Capital Assets" of the Public Sector Accounting Handbook of the CICA. These standards require the amortization of tangible capital assets and the gain or loss on their disposal be reported in the Statement of Operations. Furthermore, they require the cost of acquisition and the proceeds from disposal to be excluded from the Statement of Operations. The impact of the accounting changes, applied retroactively, are as follows:

As at December 31, 2008

Accumulated surplus:	
Current fund balances	\$ (12,369)
Reserves	628,477
Assets to be recovered from future revenues	<u>(98,000)</u>
Accumulated surplus, as previously reported	518,108
Net book value of tangible capital assets recorded	<u>241,530</u>
Accumulated surplus, as restated	<u>\$ 759,638</u>
Annual surplus:	
Net revenue, as previous reported	\$ 70,037
Assets capitalized but previously expensed	53,518
Amortization expense not previously recorded	<u>(19,596)</u>
Annual surplus, as restated	<u>\$ 103,959</u>

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UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW

During 2009, 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	\$ 1,305,233	\$ 631,668
Share of payments in lieu of taxes and railway corridors	<u>46,340</u>	<u>66,427</u>
Amounts collected	\$ <u>1,351,573</u>	\$ <u>698,095</u>

NOTE 4 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 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, 2009.

	<u>Stonecliffe</u>	<u>Bisset Creek</u>	<u>Deux Rivieres</u>	<u>Total</u>
Liability to date	\$ <u>24,242</u>	<u>24,379</u>	<u>25,379</u>	\$ <u>74,000</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>105,568</u>	<u>94,971</u>	<u>7,121</u>	\$ <u>207,660</u>
Remaining capacity of site in cubic metres	<u>16,580</u>	<u>10,923</u>	<u>Closed</u>	<u>27,503</u>
Remaining useful life of site in years	<u>12</u>	<u>11</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.

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 DEFERRED REVENUE

Deferred revenue consists of the following:

	<u>2009</u>	<u>2008</u>
Gas tax funding	\$ 14,228	\$ 7,197
Ministry of Transportation funding	20,930	159,288
Infrastructure stimulus fund	10,000	-
Library donations	1,250	-
	<u>\$ 46,408</u>	<u>\$ 166,485</u>

NOTE 6 ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	<u>2009</u>	<u>2008</u>
Unrestricted surplus (deficit)	\$ 16,483	\$ (12,369)
Internally restricted reserves	662,857	628,477
Provision for landfill closure and post-closure costs	(74,000)	(98,000)
Equity in tangible capital assets	424,999	241,530
	<u>\$ 1,030,339</u>	<u>\$ 759,638</u>

NOTE 7 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>2009</u>	<u>2008</u>
Salary and wages	\$ 229,414	\$ 200,080
Contracted services	113,388	110,080
Material and supplies	168,044	221,996
Taxation adjustments and vacancy rebates	22,277	165
Transfers to local boards and agencies	4,607	4,532
Amortization of tangible capital assets	23,745	19,596
	<u>\$ 561,475</u>	<u>\$ 556,449</u>

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UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 COMMITMENTS

Policing services

The United Townships have contracted with the Province of Ontario to provide policing services. The contract cost for 2009 was \$48,289 (2008 - \$39,441).

Municipal Fire Management Services

The United Townships have contracted with the Province of Ontario to provide fire management services. The contract cost for 2009 was \$5,460 (2008 - \$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 \$23,000.

NOTE 9 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.