

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, 2004 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, 2004 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.

Pembroke, Ontario.
February 23, 2005.

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash	\$ 324,063	\$ 376,609
Taxes receivable	19,137	55,247
Accounts receivable	44,928	10,131
Prepaid expense	<u>12,197</u>	<u>10,548</u>
	<u>400,325</u>	<u>452,535</u>
LIABILITIES		
Accounts payable and accrued liabilities	56,380	56,484
Solid waste landfill closure and post-closure liability (Note 4)	<u>79,500</u>	<u>62,500</u>
	<u>135,880</u>	<u>118,984</u>
NET ASSETS	\$ <u>264,445</u>	\$ <u>333,551</u>
MUNICIPAL POSITION		
Fund balances		
Current Fund (Note 5)	\$ 5,198	\$ 25,531
Reserves	<u>338,747</u>	<u>370,520</u>
	343,945	396,051
Amounts to be recovered from future revenues (Note 4)	<u>(79,500)</u>	<u>(62,500)</u>
	\$ <u>264,445</u>	\$ <u>333,551</u>

(See accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u> <u>2004</u>	<u>Actual</u> <u>2004</u>	<u>Actual</u> <u>2003</u>
REVENUES			
Taxation and user charges			
Property taxation	\$ 88,297	\$ 85,541	\$ 86,880
Payment in lieu of taxes	96,792	101,832	96,792
Grants			
Province of Ontario	240,846	224,423	235,423
Other			
Fees, service charges and donations	16,020	12,178	14,500
Investment income	50	8,111	10,523
Other	<u>2,785</u>	<u>8,214</u>	<u>9,556</u>
Total Revenue	<u>444,790</u>	<u>440,299</u>	<u>453,674</u>
EXPENDITURES			
Current operations			
General government	142,234	159,279	133,447
Protection to persons and property	77,917	65,407	63,128
Transportation services	124,300	120,382	116,664
Environmental services	62,090	72,084	69,980
Recreation and cultural services	23,001	30,711	20,717
Planning and development	<u>2,900</u>	<u>3,500</u>	<u>1,314</u>
	<u>432,442</u>	<u>451,363</u>	<u>405,250</u>
Capital operations			
General government	54,142	43,040	7,481
Protection to persons and property	5,000	-	2,338
Transportation services	-	-	14,182
Environmental services	47,510	-	-
Recreation and cultural services	<u>16,800</u>	<u>15,002</u>	<u>20,159</u>
	<u>123,452</u>	<u>58,042</u>	<u>44,160</u>
Total Expenditures	<u>555,894</u>	<u>509,405</u>	<u>449,410</u>
NET(EXPENDITURES) REVENUES	(111,104)	(69,106)	4,264
MUNICIPAL POSITION AT BEGINNING OF YEAR	<u>333,551</u>	<u>333,551</u>	<u>329,287</u>
MUNICIPAL POSITION AT END OF YEAR	\$ <u><u>222,447</u></u>	\$ <u><u>264,445</u></u>	\$ <u><u>333,551</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, 2004

	<u>2004</u>	<u>2003</u>
OPERATIONS		
Net (expenditures) revenues	\$ (69,106)	\$ 4,264
Changes in the level of:		
Taxes receivable	36,110	(16,296)
Accounts receivable	(34,797)	10,956
Prepaid expense	(1,649)	(2,708)
Accounts payable and accrued liabilities	(104)	(13,165)
Solid waste landfill closure and post-closure liability	<u>17,000</u>	<u>5,155</u>
NET DECREASE IN CASH FROM OPERATIONS AND NET CHANGE IN CASH	(52,546)	(11,794)
CASH AT BEGINNING OF YEAR	<u>376,609</u>	<u>388,403</u>
CASH AT END OF YEAR	\$ <u><u>324,063</u></u>	\$ <u><u>376,609</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, 2004

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 2005.

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."

Capital assets

Capital assets are reported as an expenditure in the year of acquisition on the statement of financial activities.

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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.

Financial instruments

The United Township's financial instruments consist of cash, taxes receivable, accounts receivable and accounts payable. It is management's opinion that the United Township's are not exposed to significant interest, currency or credit risks.

Fair market value

The fair market value of the United Township's financial instruments approximates their carrying value due to their short term nature.

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 OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW

During 2004, 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	\$ 994,663	\$ 484,187
Share of payments in lieu of taxes and railway corridors	<u>43,607</u>	<u>50,217</u>
Amounts collected and remitted	\$ <u>1,038,270</u>	\$ <u>534,404</u>

NOTE 3 TRUST FUNDS

Trust funds administered by the municipality amounting to \$5,469 (2003 - \$5,198) have not been included in the Consolidated Balance Sheet nor have their operations been included in the Consolidated Statement of Operations.

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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, 2004.

	<u>Stonecliffe</u>	<u>Bisset Creek</u>	<u>Deux Rivieres</u>	<u>Total</u>
Liability to date	\$ <u>19,208</u>	\$ <u>8,133</u>	\$ <u>52,159</u>	\$ <u>79,500</u>
Expected total expenditures	<u>124,650</u>	<u>139,350</u>	<u>89,150</u>	<u>353,150</u>
Amount remaining to be recognized	<u>105,442</u>	<u>131,217</u>	<u>36,991</u>	<u>273,650</u>
Remaining capacity of site in cubic metres	<u>12,884</u>	<u>12,185</u>	<u>1,740</u>	<u>26,809</u>
Remaining useful life of site in years	<u>22</u>	<u>32</u>	<u>4</u>	
Years of post-closure care	<u>10</u>	<u>10</u>	<u>10</u>	

The United Townships have reserved \$64,000 to finance the expected closure and post closure care liabilities.

NOTE 5 CURRENT FUND BALANCES

The United Townships current fund balance consists of the following to be used to offset taxation or user charges in 2004:

	<u>2003</u>	<u>2004</u>
United Townships	\$ 1,134	\$ 21,483
Library Board	<u>4,064</u>	<u>4,048</u>
	\$ <u>5,198</u>	\$ <u>25,531</u>

NOTE 6 COMMITMENTS

Policing Services

The United Townships have contracted with the Province of Ontario to provide policing services. The contract cost for 2004 was \$46,918 (2003 - \$45,751).

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED SCHEDULE OF CURRENT FUND OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budget</u> <u>2004</u>	<u>Actual</u> <u>2004</u>	<u>Actual</u> <u>2003</u>
REVENUES			
Taxation and user charges			
Property taxation	\$ 88,297	\$ 85,541	\$ 86,880
Payments in lieu of taxes	96,792	101,832	96,792
Grants			
Province of Ontario	236,846	220,423	220,423
Other			
Fees, service charges and donations	16,020	12,178	14,500
Investment income	50	8,111	10,523
Other	<u>2,785</u>	<u>8,214</u>	<u>9,556</u>
	<u>440,790</u>	<u>436,299</u>	<u>438,674</u>
EXPENDITURES			
General government	142,234	159,279	133,447
Protection to persons and property	77,917	65,407	63,128
Transportation services	124,300	120,382	116,664
Environmental services	62,090	72,084	69,980
Recreation and cultural services	23,001	30,711	20,717
Planning and development	<u>2,900</u>	<u>3,500</u>	<u>1,314</u>
	<u>432,442</u>	<u>451,363</u>	<u>405,250</u>
Net revenues (expenditures)	8,348	(15,064)	33,424
TRANSFERS			
To capital fund	(119,452)	(54,042)	(29,160)
From (to) reserves	85,573	31,773	(18,500)
Amounts to be recovered from future revenues	<u>-</u>	<u>17,000</u>	<u>5,155</u>
CHANGE IN CURRENT FUND	(25,531)	(20,333)	(9,081)
CURRENT FUND BALANCE AT BEGINNING OF YEAR	<u>25,531</u>	<u>25,531</u>	<u>34,612</u>
CURRENT FUND BALANCE AT END OF YEAR	\$ <u>-</u>	\$ <u>5,198</u>	\$ <u>25,531</u>

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED SCHEDULE OF CAPITAL FUND OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budget <u>2004</u>	Actual <u>2004</u>	Actual <u>2003</u>
REVENUES			
Province of Ontario	\$ <u>4,000</u>	\$ <u>4,000</u>	\$ <u>15,000</u>
EXPENDITURES			
General government	54,142	43,040	7,481
Protection to persons and property	5,000	-	2,338
Transportation services	-	-	14,182
Environmental services	47,510	-	-
Recreation and cultural services	<u>16,800</u>	<u>15,002</u>	<u>20,159</u>
	<u>123,452</u>	<u>58,042</u>	<u>44,160</u>
Net expenditures	119,452	54,042	29,160
TRANSFERS			
From current fund	<u>119,452</u>	<u>54,042</u>	<u>29,160</u>
CHANGE IN CAPITAL FUND	-	-	-
CAPITAL FUND AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
CAPITAL FUND AT END OF YEAR	\$ <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, 2004

	Budget <u>2004</u>	Actual <u>2004</u>	Actual <u>2003</u>
REVENUES\$	-	\$ -	\$ -
EXPENDITURES	-	-	-
NET REVENUE	-	-	-
TRANSFERS			
(To) from current fund	<u>(85,573)</u>	<u>(31,773)</u>	<u>18,500</u>
CHANGE IN RESERVES	(85,573)	(31,773)	18,500
RESERVES AT BEGINNING OF YEAR	<u>370,520</u>	<u>370,520</u>	<u>352,020</u>
RESERVES AT END OF YEAR	\$ <u><u>284,947</u></u>	\$ <u><u>338,747</u></u>	\$ <u><u>370,520</u></u>

ANALYZED AS FOLLOWS:

Reserves set aside for specific purposes by council:

	<u>2004</u>	<u>2003</u>
Contingencies	\$ 50,788	\$ 50,788
Working capital	75,467	108,240
Recreation purposes	3,080	8,080
Disposal site	112,412	122,412
Emergency vehicle	5,000	5,000
Physician recruitment	3,000	3,000
Solid waste landfill closure and postclosure	64,000	59,000
Office technology	4,500	3,500
Roads - capital projects	3,000	3,000
Emergency management	7,500	7,500
Fire suppression equipment	5,000	-
Equipment replacement	5,000	-
	\$ <u><u>338,747</u></u>	\$ <u><u>370,520</u></u>

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
CONSOLIDATED SCHEDULE OF CURRENT FUND EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budget <u>2004</u>	Actual <u>2004</u>	Actual <u>2003</u>
GENERAL GOVERNMENT			
Salaries, wages and benefits	\$ 92,314	\$ 98,368	\$ 84,058
Administration and supplies	47,200	54,792	46,727
Financial expenses	<u>2,720</u>	<u>6,119</u>	<u>2,662</u>
	<u>142,234</u>	<u>159,279</u>	<u>133,447</u>
PROTECTION TO PERSONS AND PROPERTY			
Salaries, wages and benefits	3,682	3,746	3,663
Administration and supplies	21,958	14,743	13,714
Policing	<u>52,277</u>	<u>46,918</u>	<u>45,751</u>
	<u>77,917</u>	<u>65,407</u>	<u>63,128</u>
TRANSPORTATION SERVICES			
Salaries, wages and benefits	37,700	35,010	30,770
Winter control	38,500	41,175	36,459
Road maintenance	<u>48,100</u>	<u>44,197</u>	<u>49,435</u>
	<u>124,300</u>	<u>120,382</u>	<u>116,664</u>
ENVIRONMENTAL SERVICES			
Salaries, wages and benefits	17,500	15,069	15,954
Administration and supplies	40,090	24,864	22,784
Solid waste landfill closure and post-closure costs	-	17,000	5,155
Disposal site study	<u>4,500</u>	<u>15,151</u>	<u>26,087</u>
	<u>62,090</u>	<u>72,084</u>	<u>69,980</u>
RECREATION AND CULTURAL			
Recreation	16,100	26,032	15,616
Library	<u>6,901</u>	<u>4,679</u>	<u>5,101</u>
	<u>23,001</u>	<u>30,711</u>	<u>20,717</u>
PLANNING AND DEVELOPMENT			
Economic development	2,500	3,500	1,000
Physician recruitment	<u>400</u>	<u>-</u>	<u>314</u>
	<u>2,900</u>	<u>3,500</u>	<u>1,314</u>
	\$ <u><u>432,442</u></u>	\$ <u><u>451,363</u></u>	\$ <u><u>405,250</u></u>