

Township of Horton

Financial Report

For the year ended 31 December 2008

MACKILLICAN & ASSOCIATES
CHARTERED ACCOUNTANTS

252 Raglan Street S.
Renfrew, Ontario

AUDITORS' REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Horton.

We have audited the consolidated statement of financial position of the Corporation of the Township of Horton as at 31 December 2008, and the consolidated statements of financial activities and cash flows and the schedules of current fund operations, reserves and capital fund operations for the year then ended. These financial statements are the responsibility of the Township's 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 Corporation of the Township of Horton as at 31 December 2008, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

MacKillican & Associates

RENFREW, Ontario.

25 March 2009.

Chartered Accountants,

Licensed Public Accountants.

Township of Horton

Consolidated Statement of Financial Position

As at 31 December 2008

(with 2007 figures for comparison)

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current:		
Cash	\$ 581,922	\$ 499,082
Taxes receivable	474,468	357,077
Accounts receivable	<u>133,754</u>	<u>64,700</u>
	<u>\$ 1,190,144</u>	<u>\$ 920,859</u>
 <u>LIABILITIES AND MUNICIPAL POSITION</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 157,046	\$ 121,980
Deferred revenue - obligatory reserve funds (Note 4)	188,324	120,687
- other	254,156	
Solid waste landfill closure costs (Note 5)	<u>120,000</u>	<u>120,000</u>
	<u>\$ 719,526</u>	<u>\$ 362,667</u>
Municipal position:		
Fund balances:		
Current fund	\$ 32,270	\$ 42,079
Capital fund	(146,237)	
Reserves	<u>704,585</u>	<u>636,113</u>
Fund balances	\$ 590,618	\$ 678,192
Amounts to be recovered: (Note 1 (k))		
Solid waste landfill closure costs	<u>(120,000)</u>	<u>(120,000)</u>
Municipal position	<u>\$ 470,618</u>	<u>\$ 558,192</u>
	<u>\$ 1,190,144</u>	<u>\$ 920,859</u>

(See accompanying notes)

MACKILLICAN & ASSOCIATES

CHARTERED ACCOUNTANTS

Township of Horton

Consolidated Statement of Financial Activities

For the year ended 31 December 2008
(with 2008 budget and 2007 actual figures for comparison)

	Budget <u>2008</u>	Actual <u>2008</u>	Actual <u>2007</u>
Revenue:			
Net municipal taxation	\$ 1,298,656	\$ 1,282,908	\$ 1,169,134
Transfer payments:			
Ontario	650,880	444,368	386,919
Canada		2,103	11,120
Other municipalities	70,519	14,519	84,000
Other	<u>297,813</u>	<u>282,050</u>	<u>234,007</u>
	<u>\$ 2,317,868</u>	<u>\$ 2,025,948</u>	<u>\$ 1,885,180</u>
Expenditure:			
Current:			
General government	\$ 461,010	\$ 453,093	\$ 414,581
Protection to persons and property	325,139	309,269	315,795
Transportation services	559,450	582,205	550,814
Environmental services	312,981	261,789	234,095
Social and health services	11,200	11,210	10,000
Recreation and cultural services	77,685	85,994	68,422
Planning and development	<u>21,352</u>	<u>21,568</u>	<u>15,397</u>
Total current expenditure	<u>\$ 1,768,817</u>	<u>\$ 1,725,128</u>	<u>\$ 1,609,104</u>
Capital:			
General government		\$ 85,748	
Protection to persons and property	\$ 81,300	69,052	\$ 6,086
Transportation services	363,830	83,702	46,073
Environmental services	81,000	62,204	39,472
Recreation and cultural services	<u>10,000</u>	<u>87,688</u>	<u>56,093</u>
Total capital expenditure	<u>\$ 536,130</u>	<u>\$ 388,394</u>	<u>\$ 147,724</u>
Total expenditure	<u>\$ 2,304,947</u>	<u>\$ 2,113,522</u>	<u>\$ 1,756,828</u>
Change in fund balances during the year	<u>\$ 12,921</u>	<u>\$ (87,574)</u>	<u>\$ 128,352</u>

(See accompanying notes)

Township of Horton

Schedule of Current Fund Operations

For the year ended 31 December 2008
(with 2008 budget and 2007 actual figures for comparison)

	Budget <u>2008</u>	Actual <u>2008</u>	Actual <u>2007</u>
Revenue:			
Net municipal taxation	\$ 1,298,656	\$ 1,282,908	\$ 1,169,134
Transfer payments:			
Ontario	354,750	352,239	376,919
Canada		1,928	1,120
Other municipalities	14,519	14,519	
Other	<u>297,813</u>	<u>265,893</u>	<u>229,057</u>
	<u>\$ 1,965,738</u>	<u>\$ 1,917,487</u>	<u>\$ 1,776,230</u>
Expenditure:			
General government	\$ 461,010	\$ 453,093	\$ 414,581
Protection to persons and property	325,139	309,269	315,795
Transportation services	559,450	582,205	550,814
Environmental services	312,981	261,789	234,095
Social and health services	11,200	11,210	10,000
Recreation and cultural services	77,685	85,994	68,422
Planning and development	<u>21,352</u>	<u>21,568</u>	<u>15,397</u>
	<u>\$ 1,768,817</u>	<u>\$ 1,725,128</u>	<u>\$ 1,609,104</u>
Net surplus for the year	<u>\$ 196,921</u>	<u>\$ 192,359</u>	<u>\$ 167,126</u>
Financing and transfers:			
Transfer to capital	\$ (168,000)	\$ (49,068)	\$ (62,338)
Transfer to reserves	<u>(71,000)</u>	<u>(153,100)</u>	<u>(61,466)</u>
Net financing and transfers	<u>\$ (239,000)</u>	<u>\$ (202,168)</u>	<u>\$ (123,804)</u>
Change in current fund balance during the year	\$ (42,079)	\$ (9,809)	\$ 43,322
Current fund balance at the beginning of the year	<u>42,079</u>	<u>42,079</u>	<u>(1,243)</u>
Current fund balance at the end of the year	<u>\$ -</u>	<u>\$ 32,270</u>	<u>\$ 42,079</u>

(See accompanying notes)

MACKILLICAN & ASSOCIATES

CHARTERED ACCOUNTANTS

Township of Horton

Schedule of Reserves

For the year ended 31 December 2008
(with 2008 budget and 2007 actual figures for comparison)

	Budget 2008	Actual 2008	Actual 2007
Net transfers from (to) other funds:			
Transfer from current fund	\$ 71,000	\$ 153,100	\$ 61,466
Transfer from (to) capital fund	<u>(16,000)</u>	<u>(84,628)</u>	<u>23,564</u>
Change in reserves during the year	\$ 55,000	\$ 68,472	\$ 85,030
Reserves at the beginning of the year	<u>636,113</u>	<u>636,113</u>	<u>551,083</u>
Reserves at the end of the year	<u>\$ 691,113</u>	<u>\$ 704,585</u>	<u>\$ 636,113</u>
Analyzed as follows:			
Reserves set aside for specific purposes:			
Working funds	\$ 306,001	\$ 306,001	\$ 306,001
Fire equipment replacement	78,000	50,250	74,000
Landfill site	15,237	82,337	92,237
Transportation	146,347	143,397	71,347
Septage	54,528	25,000	54,528
Future equipment	77,000	77,000	33,500
Recreation	5,000	11,600	
Election expenses	<u>9,000</u>	<u>9,000</u>	<u>4,500</u>
Total reserves	<u>\$ 691,113</u>	<u>\$ 704,585</u>	<u>\$ 636,113</u>

(See accompanying notes)

Township of Horton

Schedule of Capital Fund Operations

For the year ended 31 December 2008

(with 2008 budget and 2007 actual figures for comparison)

	<u>Budget</u> <u>2008</u>	<u>Actual</u> <u>2008</u>	<u>Actual</u> <u>2007</u>
Revenue:			
Grants - Ontario	\$ 296,130	\$ 92,129	
- Canada		175	\$ 10,000
- Other municipalities	56,000		84,000
Donations		16,157	6,250
Other			8,700
	<u>\$ 352,130</u>	<u>\$ 108,461</u>	<u>\$ 108,950</u>
Expenditure:			
General government		\$ 85,748	
Protection to persons and property	\$ 81,300	69,052	\$ 6,086
Transportation services	363,830	83,702	46,073
Environmental services	81,000	62,204	39,472
Recreation and cultural services	10,000	87,688	56,093
	<u>\$ 536,130</u>	<u>\$ 388,394</u>	<u>\$ 147,724</u>
Net deficit for the year	<u>\$ (184,000)</u>	<u>\$ (279,933)</u>	<u>\$ (38,774)</u>
Financing and transfers:			
Transfer from current fund	\$ 168,000	\$ 49,068	\$ 62,338
Transfer from (to) reserves	16,000	84,628	(23,564)
	<u>\$ 184,000</u>	<u>\$ 133,696</u>	<u>\$ 38,774</u>
Change in capital fund balance during the year	\$ -	\$ (146,237)	\$ -
Capital fund balance at the beginning of the year	-	-	-
Capital fund balance at the end of the year	<u>\$ -</u>	<u>\$ (146,237)</u>	<u>\$ -</u>

(See accompanying notes)

Township of Horton

Consolidated Statement of Cash Flows

For the year ended 31 December 2008
(with 2007 figures for comparison)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Net surplus (deficit) for the year	\$ <u>(87,574)</u>	\$ <u>128,352</u>
Net change in non cash working capital balances related to operations:		
- increase in taxes receivable	\$ (117,391)	\$ (43,780)
- decrease (increase) in accounts receivable	(69,054)	59,426
- increase (decrease) in accounts payable and accrued liabilities	35,066	(84,363)
- increase in deferred revenue	<u>321,793</u>	<u>30,060</u>
	\$ <u>170,414</u>	\$ <u>(38,657)</u>
Cash flows from operating activities	\$ <u>82,840</u>	\$ <u>89,695</u>
Net increase in cash during the year	\$ 82,840	\$ 89,695
Cash at the beginning of the year	<u>499,082</u>	<u>409,387</u>
Cash at the end of the year	<u>\$ 581,922</u>	<u>\$ 499,082</u>

(See accompanying notes)

Township of Horton
Notes to the Financial Statements
For the year ended 31 December 2008

I. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of Horton are the representation of management prepared 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. Significant aspects of the accounting policies adopted by the Township are as follows:

(a) Reporting Entity

- (i) The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the revenue fund, capital fund and reserve funds of the Township. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Township and which are owned or controlled by the Township. Interdepartmental and interorganizational transactions and balances between these organizations are eliminated.
- (ii) Funds within the consolidated financial statements consist of current, capital and reserve funds. Transfers between the funds are recorded as adjustments to the appropriate municipal fund balance.
- (iii) Accounting for County and School Board Transactions
The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the county and school boards are not reflected in the municipal fund balances of these financial statements.
- (iv) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of interest charges on long term liabilities which are charged against operations in the period in which they are paid.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

(b) Capital Assets

The historical cost and accumulated amortization of capital assets are not reported for municipal purposes. Capital assets are reported as expenditures on the "Consolidated Statement of Financial Activities" in the year of acquisition.

(c) Government Transfers

Government transfers are recognized in the financial statements in the period in which the 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 made.

(d) Investment Income

Investment income earned on surplus current funds, capital funds, reserves and reserve funds (other than obligatory reserve funds) are reported as revenue in the period earned. Investment income earned on externally restricted funds is added to the fund balance and forms part of the respective deferred revenue balance.

(e) Reserves and Reserve Funds

Certain amounts, as approved by the Township Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

Township of Horton

Notes to the Financial Statements

For the year ended 31 December 2008

(f) Deferred Revenue

Certain amounts are received pursuant to regulations or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(g) Deferred Revenue - Obligatory Reserve Funds

The Township receives restricted contributions under the authority of provincial and federal legislation and township by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal period they are expended.

(h) Financial Instruments

Financial instruments include cash, taxes receivable, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The carrying amounts reported on the statement of financial position for cash, taxes receivable, accounts receivable and accounts payable and accrued liabilities approximate fair values due to the immediate and short term maturities of these financial instruments.

The fair value of long term debt, including the current portion, is based on rates currently available to the Municipality with similar terms and maturities and approximates its carrying amounts as disclosed on the statement of financial position.

(i) 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from these estimates.

(j) Landfill Closure and Post Closure Liabilities

The Municipality accrues landfill closure and post closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management.

Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

(k) Amounts to be Recovered

Amounts to be recovered as reported on the consolidated statement of financial position are comprised of the landfill closure and post closure liabilities.

Township of Horton

Notes to the Financial Statements

For the year ended 31 December 2008

2. OPERATIONS OF SCHOOL BOARDS AND COUNTY OF RENFREW

Requisitions were made by the School Boards and County of Renfrew requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	<u>School Boards</u>	<u>County</u>
Property taxes	\$ 980,677	\$ 1,065,550
Payments in lieu	<u> </u>	<u> 713</u>
	<u>\$ 980,677</u>	<u>\$ 1,066,263</u>

3. TRUST FUNDS

Trust funds administered by the Municipality for the year amounting to \$ 3,500 are presented in a separate financial statement of trust fund balances and operations. As such were held in trust by the Municipality for the benefit of others, they are not presented as part of the Municipality's financial position or financial activities.

4. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place because federal, provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Township are summarized below:

(a) The balance of deferred revenue - obligatory reserve funds on the "Consolidated Statement of Financial Position" at the end of the year is comprised of the following externally restricted reserve funds:

	<u>2008</u>	<u>2007</u>
Gas tax revenue	\$ 100,099	\$ 58,393
Lot development charges and lot fees	<u>88,225</u>	<u>62,294</u>
	<u>\$ 188,324</u>	<u>\$ 120,687</u>

(b) Transactions during the year in the deferred revenue - obligatory reserve funds are as follows:

	<u>2008</u>	<u>2007</u>
Balance at the beginning of the year	\$ 120,687	\$ 90,627
Add: Interest	2,352	2,394
Development charges and lot fees	39,390	33,000
Gas tax revenue	<u>41,705</u>	<u>33,366</u>
	<u>\$ 204,134</u>	<u>\$ 159,387</u>
Less: Transfer to capital fund		\$ 8,700
Transfer to current fund	<u>15,810</u>	<u>30,000</u>
	<u>\$ 15,810</u>	<u>\$ 38,700</u>
Balance at the end of the year	<u>\$ 188,324</u>	<u>\$ 120,687</u>

Township of Horton

Notes to the Financial Statements

For the year ended 31 December 2008

5. LANDFILL CLOSURE AND POST CLOSURE LIABILITY

The Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

6. CONTINGENT LIABILITIES

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. The Township is not aware of any claims or possible claims as at 31 December 2008.

7. BUDGET FIGURES

Township of Horton Council reviews its operating and capital budgets annually. The approved operating budget for 2008 is reflected on the Schedule of Current Fund Operations and is included in the budget figures presented in the Consolidated Statement of Financial Activities .

Budgets established for the Capital Fund and Reserves and Reserve Funds are set on a project-oriented basis, the costs of which may be carried out over one or more fiscal years. The budget reflected in the Consolidated Statement of Financial Activities is an annual budget only as required by the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

8. TANGIBLE CAPITAL ASSETS

Commencing with the fiscal year beginning 1 January 2009, the Municipality will be adopting the Canadian Institute of Chartered Accountants' Public Sector Accounting Handbook Section PS 3150, "Tangible Capital Assets". This section establishes standards on how to account for and report tangible capital assets in government financial statements. Tangible capital assets include such items as roads, bridges, lands and buildings, vehicles and equipment and water and wastewater systems.

During the year, the Township continued to work towards compliance with these new recommendations.

As of 31 December 2008, the Municipality does not have relevant information to disclose cost, accumulated amortization and net book values for any specific tangible capital asset category. Tangible capital assets are reported as an expenditure on the "Consolidated Statement of Financial Activities" in the year of acquisition.

MACKILLICAN & ASSOCIATES
CHARTERED ACCOUNTANTS

252 Raglan Street S.
Renfrew, Ontario

AUDITORS' REPORT

To the Members of Council,
Inhabitants and Ratepayers of the
Corporation of the Township of Horton.

We have audited the statement of financial position of the McLaren Cemetery trust fund as at 31 December 2008 and the statement of continuity of the trust fund for the year then ended. These financial statements are the responsibility of the Township's 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 financial statements present fairly, in all material respects, the financial position of the McLaren Cemetery trust fund as at 31 December 2008, and the continuity of the trust fund for the year then ended in accordance with the Canadian generally accepted accounting principles.

MacKillican & Associates

RENFREW, Ontario.

25 March 2009.

Chartered Accountants,

Licensed Public Accountants.

Township of Horton

McLaren Cemetery Trust Fund

Statement of Continuity

For the year ended 31 December 2008
(with 2007 figures for comparison)

	<u>2008</u>	<u>2007</u>
Fund balance at the beginning of the year	\$ <u>3,500</u>	\$ <u>3,500</u>
Revenue:		
Interest earned - bank	\$ <u>83</u>	\$ <u>29</u>
Expenditure:		
Administration charges and maintenance	\$ <u>83</u>	\$ <u>29</u>
Fund balance at the end of the year	\$ <u><u>3,500</u></u>	\$ <u><u>3,500</u></u>

Township of Horton

McLaren Cemetery Trust Fund

Statement of Financial Position

As at 31 December 2008
(with 2007 figures for comparison)

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Investments	\$ <u>3,500</u>	\$ <u>3,500</u>
<u>FUND BALANCE</u>		
Fund balance	\$ <u><u>3,500</u></u>	\$ <u><u>3,500</u></u>

(See accompanying notes)

Township of Horton

McLaren Cemetery Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2008

1. ACCOUNTING POLICIES

Basis of Accounting

Capital receipts and income are reported on the cash basis of accounting.

Expenditures are reported on the accrual basis of accounting which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

2. CEMETERY TRUST

The Municipality has assumed the responsibility of maintaining the McLaren Cemetery.