

Township of Horton

Financial Report

For the year ended 31 December 2011

MACKILLCAN & ASSOCIATES

CHARTERED ACCOUNTANTS

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CHARTERED ACCOUNTANTS

252 Raglan Street S.
Renfrew, Ontario

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Horton, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of operations, changes in net financial assets (liabilities) 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 for local governments, 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 consolidated 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 judgment, 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 for 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 Township of Horton as at 31 December 2011, and the results of its operations, changes in net financial assets (liabilities) and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for local governments.



RENFREW, Ontario.
18 May 2012.

Chartered Accountants,
Licensed Public Accountants.

Township of Horton
Consolidated Statement of Financial Position
As at 31 December 2011
(with 2010 figures for comparison)

	<u>2011</u>	<u>2010</u>
Financial assets:		
Cash and cash equivalents	\$ 309,403	\$ 4,578
Taxes receivable	403,365	497,000
Accounts receivable	<u>195,516</u>	<u>888,396</u>
	<u>\$ 908,284</u>	<u>\$ 1,389,974</u>
Liabilities:		
Bank overdraft and operating loan		\$ 456,974
Accounts payable and accrued liabilities	\$ 126,013	378,141
Deferred revenue - obligatory reserve funds (Note 6)	266,632	297,337
- other	21,516	4,552
Net long term liabilities (Note 12)	505,095	549,085
Landfill closure and post closure costs (Note 7)	<u>120,000</u>	<u>120,000</u>
	<u>\$ 1,039,256</u>	<u>\$ 1,806,089</u>
Net financial assets (liabilities)	<u>\$ (130,972)</u>	<u>\$ (416,115)</u>
Non-financial assets:		
Tangible capital assets (net)	\$ 11,395,158	\$ 12,219,299
Inventories of supplies	11,093	11,115
Prepaid expenses	<u>7,082</u>	<u> </u>
	<u>\$ 11,413,333</u>	<u>\$ 12,230,414</u>
Accumulated surplus	<u>\$ 11,282,361</u>	<u>\$ 11,814,299</u>
Accumulated surplus comprised of:		
Equity in tangible capital assets (Note 14)	\$ 10,714,698	\$ 11,337,461
General		(6,927)
Reserves and reserve funds	687,663	603,765
Unfunded - landfill closure and post closure costs (Note 3)	<u>(120,000)</u>	<u>(120,000)</u>
Total accumulated surplus	<u>\$ 11,282,361</u>	<u>\$ 11,814,299</u>

(See accompanying notes)

Township of Horton
Consolidated Statement of Operations
For the year ended 31 December 2011
(with 2011 budget and 2010 actual figures for comparison)

	2011 <u>Budget</u>	2011 <u>Actual</u>	2010 <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 1,489,084	\$ 1,479,946	\$ 1,345,311
Government transfers:			
Ontario	308,344	288,444	855,502
Canada	221,979	236,321	668,273
Other municipalities	2,500		
Other	<u>395,120</u>	<u>238,913</u>	<u>328,841</u>
	<u>\$ 2,417,027</u>	<u>\$ 2,243,624</u>	<u>\$ 3,197,927</u>
Expenses:			
General government	\$ 523,875	\$ 520,385	\$ 491,591
Protection to persons and property	485,643	385,489	419,881
Transportation services	1,526,173	1,414,636	1,285,413
Environmental services	249,960	245,393	263,457
Health services	26,810	28,991	27,266
Recreation and cultural services	227,157	174,378	171,501
Planning and development	<u>27,350</u>	<u>6,290</u>	<u>20,309</u>
	<u>\$ 3,066,968</u>	<u>\$ 2,775,562</u>	<u>\$ 2,679,418</u>
Excess (shortfall) of revenue over expenses	\$ (649,941)	\$ (531,938)	\$ 518,509
Accumulated surplus at the beginning of the year	<u>11,814,299</u>	<u>11,814,299</u>	<u>11,295,790</u>
Accumulated surplus at the end of the year	<u>\$ 11,164,358</u>	<u>\$ 11,282,361</u>	<u>\$ 11,814,299</u>

(See accompanying notes)

Township of Horton
Consolidated Statement of Changes in Net Financial Assets (Liabilities)

For the year ended 31 December 2011
(with 2010 figures for comparison)

	<u>2011</u>	<u>2010</u>
Excess (shortfall) of revenue over expenses	\$ (531,938)	\$ 518,509
Amortization of tangible capital assets	924,376	840,878
Acquisition of tangible capital assets	(100,235)	(1,993,084)
Consumption (acquisition) of inventory	22	4,110
Consumption (acquisition) of prepaid expenses	<u>(7,082)</u>	<u> </u>
Increase (decrease) in net financial assets	\$ 285,143	\$ (629,587)
Net financial assets (liabilities) at the beginning of the year	<u>(416,115)</u>	<u>213,472</u>
Net financial assets (liabilities) at the end of the year	<u>\$ (130,972)</u>	<u>\$ (416,115)</u>

(See accompanying notes)

Township of Horton
Consolidated Statement of Cash Flows
For the year ended 31 December 2011
(with 2010 figures for comparison)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Excess (shortfall) of revenue over expenses	\$ (531,938)	\$ 518,509
Add amortization which does not involve cash	<u>924,376</u>	<u>840,878</u>
	<u>\$ 392,438</u>	<u>\$ 1,359,387</u>
Net change in non cash working capital balances related to operations:		
Decrease (increase) in taxes receivable	\$ 93,635	\$ (53,960)
Decrease (increase) in accounts receivable	692,880	(596,414)
Increase (decrease) in accounts payable and accrued liabilities	(252,128)	151,758
Increase (decrease) in deferred revenue	(13,741)	(92,592)
Decrease (increase) in inventory	22	4,110
Decrease (increase) in prepaid expenses	<u>(7,082)</u>	<u> </u>
	<u>\$ 513,586</u>	<u>\$ (587,098)</u>
Cash flows from operating activities	<u>\$ 906,024</u>	<u>\$ 772,289</u>
Cash flows from (used for) financing activities:		
Increase (decrease) in long term debt	\$ <u>(43,990)</u>	\$ <u>300,000</u>
Cash flows used for investing activities:		
Additions to tangible capital assets:		
General government		\$ (20,691)
Protection to persons and property	\$ (8,185)	(42,895)
Transportation services	(45,729)	(1,845,472)
Environmental services	(17,269)	
Recreation and cultural services	<u>(29,052)</u>	<u>(84,026)</u>
Cash flows used for investing activities	<u>\$ (100,235)</u>	<u>\$ (1,993,084)</u>
Increase (decrease) in cash and cash equivalents during the year	\$ 761,799	\$ (920,795)
Cash and cash equivalents at the beginning of the year	<u>(452,396)</u>	<u>468,399</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 309,403</u></u>	<u><u>\$ (452,396)</u></u>
Comprised of:		
Cash on hand and in bank	\$ 309,403	\$ 4,578
Bank overdraft and operating loan	<u> </u>	<u>(456,974)</u>
	<u><u>\$ 309,403</u></u>	<u><u>\$ (452,396)</u></u>

(See accompanying notes)

Township of Horton
Notes to the Financial Statements
For the year ended 31 December 2011

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Township of Horton are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the Township and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the Township and is the difference between financial assets and liabilities. This information explains the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) Reporting Entity

(i) The consolidated financial statements reflect financial assets, liabilities, operating revenues and expenditures, reserves, reserve funds, and changes in investment in tangible capital assets 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 organizational transactions and balances between these organizations are eliminated.

(ii) 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.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and 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.

(c) 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 ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the change in net financial assets for the year.

Township of Horton

Notes to the Financial Statements

For the year ended 31 December 2011

(d) Tangible Capital Assets

- (i) Tangible capital assets (TCAs) are recorded at cost, which include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Where the cost was not readily determinable, the assets were valued at their current fair market value and then discounted back to their in-service date using the Consumer Price Index (CPI). Land for road segments is valued at \$ 1.00 per segment. All other land is valued at cost. Where cost was not readily determinable, the land was given a value of \$ 1.00 per segment. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	20 - 25 years
Buildings	25 - 50 years
Machinery and equipment	5 - 40 years
Vehicles	7 - 25 years
Linear assets	10 - 50 years

Amortization is calculated commencing the first month of the year following acquisition using the above rates. In the year of disposal, a full year of amortization will be charged against the asset. Capital work in progress is not amortized until it is put into service.

The Township has a capitalization threshold of \$ 5,000, so that individual TCAs of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

(ii) Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Similarly, transfers of assets to third parties are recorded as an expenditure equal to the net book value of the assets as of the date of transfer.

(iii) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

(iv) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(e) Investment Income

Investment income earned on current funds (other than obligatory reserve funds) is 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.

(f) 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 are the result of a direct financial return.

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.

Township of Horton
Notes to the Financial Statements
For the year ended 31 December 2011

(g) **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.

(h) **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.

(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 expenses during the year. Actual results could differ from these estimates.

2. FINANCIAL INSTRUMENTS

Financial instruments include cash and cash equivalents, taxes receivable, accounts receivable, bank overdraft and operating loan, accounts payable and accrued liabilities and net long term 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 and cash equivalents, taxes receivable, accounts receivable, bank overdraft and operating loan and accounts payable and accrued liabilities, approximates their 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.

3. AMOUNTS TO BE RECOVERED

Amounts to be recovered represent the requirement of the Township to raise funds in subsequent periods to finance unfunded liabilities, comprised of the landfill closure and post closure liabilities.

4. TRUST FUND

Trust fund administered by the Township, totaling \$ 3,500 (2010 - \$ 3,500) is presented in a separate financial statement of trust fund financial position and operations. As such, balances held in trust by the Township for the benefit of others have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations.

Township of Horton
Notes to the Financial Statements
For the year ended 31 December 2011

5. 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	\$ 1,055,165	\$ 1,147,467
Payments in lieu		<u>706</u>
	<u>\$ 1,055,165</u>	<u>\$ 1,148,173</u>

6. 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>2011</u>	<u>2010</u>
Gas tax revenue	\$ 10,668	\$ 133,759
Lot development charges	<u>255,964</u>	<u>163,578</u>
	<u>\$ 266,632</u>	<u>\$ 297,337</u>

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

	<u>2011</u>	<u>2010</u>
Balance at the beginning of the year	\$ 297,337	\$ 302,985
Gas tax revenue received	85,982	86,250
Development charges and lot fees	90,538	63,503
Interest earned	<u>1,848</u>	<u>849</u>
	\$ 475,705	\$ 453,587
Used for acquisition of tangible capital assets	<u>209,073</u>	<u>156,250</u>
Balance at the end of the year	<u>\$ 266,632</u>	<u>\$ 297,337</u>

Township of Horton
Notes to the Financial Statements
For the year ended 31 December 2011

7. 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 ten 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.

8. 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 2011. The Municipality is contingently liable for long term liabilities with respect to tile drainage loans of \$ 226,836 (2010 - \$ 251,822).

9. BUDGET FIGURES

The operating budget approved by the Township of Horton for 2011 is reflected on the Consolidated Statement of Operations. The budget established for capital investment in tangible capital assets is on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Township does not budget activity within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures have been reclassified for the purpose of these financial statements to comply with PSAB reporting requirements.

10. TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets provides information on the tangible capital assets of the Township by major asset class and by function, as well as for accumulated amortization of the assets controlled. The reader should be aware of the following information relating to tangible capital assets:

(i) Contributed Tangible Capital Assets

The Township records all tangible capital assets contributed by an external party at fair value on the earlier of the date received or of the transfer of risk and responsibility. Typical examples are roadways, water and sewer lines installed by a developer as part of a subdivision agreement. There were no such transfers in 2011.

(ii) Tangible Capital Assets Recognized at Nominal Value

Certain assets have been assigned a nominal value of one dollar, because of the difficulty of determining a tenable valuation. The most significant such assets are the Township's road allowances. The 2011 road network had segments, each of which has been assigned a value of one dollar for the road allowance itself.

Township of Horton
Notes to the Financial Statements
For the year ended 31 December 2011

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

12. NET LONG TERM LIABILITIES	<u>2011</u>	<u>2010</u>
(a) Total long term liabilities incurred by the Municipality and outstanding at the end of the year amount to	\$ 731,931	\$ 800,907
Of the long term liabilities shown above, responsibility for repayment has been assumed by benefitting landowners for tile drainage loans in the amount of	<u>226,836</u>	<u>251,822</u>
Net long term liabilities at the end of the year	<u>\$ 505,095</u>	<u>\$ 549,085</u>

(b) Principal and interest payments required on the net long term liabilities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 7,829	\$ 7,829
2013	44,423	13,527	57,950
2014	45,668	12,272	57,940
2015	46,959	10,982	57,941
2016	48,286	9,655	57,941
2017 to 2021	262,684	27,035	289,719
2022 onward	<u>57,075</u>	<u>866</u>	<u>57,941</u>
	<u>\$ 505,095</u>	<u>\$ 82,166</u>	<u>\$ 587,261</u>

13. CHARGES FOR NET LONG TERM LIABILITIES

(a) Total charges for the year for net long term liabilities are as follows:

	<u>2011</u>	<u>2010</u>
Principal	\$ 43,990	\$ -
Interest	<u>8,476</u>	<u>3,294</u>
	<u>\$ 52,466</u>	<u>\$ 3,294</u>

These payments are within the annual debt repayment limit as prescribed by the Ministry of Municipal Affairs and Housing under Ontario Regulation 403/02.

(b) The interest charges shown in (a) above are reported on the Consolidated Statement of Operations under the appropriate functional expenditure heading.

Township of Horton
Notes to the Financial Statements
For the year ended 31 December 2011

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2011</u>	<u>2010</u>
Tangible capital assets - net	\$ 11,395,158	\$ 12,219,299
Net long term liabilities (Note 12)	(505,095)	(549,085)
Amounts to be funded in future years	<u>(175,365)</u>	<u>(332,753)</u>
Equity in tangible capital assets	\$ <u>10,714,698</u>	\$ <u>11,337,461</u>

15. EXPENDITURES BY OBJECT

The Consolidated Statement of Operations presents the consolidated expenditures by function.
The following listing classifies the expenditures by object:

	<u>2011</u>	<u>2010</u>
Salaries, wages and employee benefits	\$ 828,855	\$ 675,908
Interest on long term debt	8,476	3,294
Operating materials and supplies	601,632	695,998
Contracted services	383,887	435,172
Rents and financial expense	576	958
External transfers	27,760	27,210
Amortization	<u>924,376</u>	<u>840,878</u>
Total expenditures by object	\$ <u>2,775,562</u>	\$ <u>2,679,418</u>

Township of Horton
Schedule of General Operations
For the year ended 31 December 2011
(with 2011 budget and 2010 actual figures for comparison)

	2011 <u>Budget</u>	2011 <u>Actual</u>	2010 <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 1,489,084	\$ 1,479,946	\$ 1,345,311
Government transfers:			
Ontario	308,344	288,444	855,502
Canada	221,979	236,321	668,273
Other municipalities	2,500		
Other	<u>395,120</u>	<u>238,913</u>	<u>328,841</u>
	<u>\$ 2,417,027</u>	<u>\$ 2,243,624</u>	<u>\$ 3,197,927</u>
Expenses:			
General government	\$ 523,875	\$ 520,385	\$ 491,591
Protection to persons and property	485,643	385,489	419,881
Transportation services	1,526,173	1,414,636	1,285,413
Environmental services	249,960	245,393	263,457
Health services	26,810	28,991	27,266
Recreation and cultural services	227,157	174,378	171,501
Planning and development	<u>27,350</u>	<u>6,290</u>	<u>20,309</u>
	<u>\$ 3,066,968</u>	<u>\$ 2,775,562</u>	<u>\$ 2,679,418</u>
Excess (shortfall) of revenue over expenses	<u>\$ (649,941)</u>	<u>\$ (531,938)</u>	<u>\$ 518,509</u>
Transfers:			
Transfer from (to) reserves	\$ (14,659)	\$ (83,898)	\$ 120,670
Transfer from (to) equity in tangible capital assets	<u>671,527</u>	<u>622,763</u>	<u>(660,965)</u>
Net transfers	<u>\$ 656,868</u>	<u>\$ 538,865</u>	<u>\$ (540,295)</u>
Change in general surplus (deficit) for the year	\$ 6,927	\$ 6,927	\$ (21,786)
General surplus (deficit) at the beginning of the year	<u>(6,927)</u>	<u>(6,927)</u>	<u>14,859</u>
General surplus (deficit) at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,927)</u>

(See accompanying notes)

Township of Horton
Schedule of Tangible Capital Assets
For the year ended 31 December 2011
(with 2010 figures for comparison)

Segmented by asset class:	Balance at 31 December <u>2010</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2011</u>
<u>Cost</u>				
Land	\$ 119,509		\$ -	\$ 119,509
Buildings	1,783,708			1,783,708
Machinery and equipment	424,952	\$ 34,119		459,071
Vehicles	1,139,902			1,139,902
Linear assets	20,216,235	43,617		20,259,852
Capital work in progress		<u>22,499</u>		<u>22,499</u>
Total	<u>\$ 23,684,306</u>	<u>\$ 100,235</u>	<u>\$ -</u>	<u>\$ 23,784,541</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2010</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2011</u>
Land		\$ 268	\$ -	\$ 268
Buildings	\$ 216,307	46,556		262,863
Machinery and equipment	245,863	33,128		278,991
Vehicles	584,868	77,224		662,092
Linear assets	<u>10,417,969</u>	<u>767,200</u>		<u>11,185,169</u>
Total	<u>\$ 11,465,007</u>	<u>\$ 924,376</u>	<u>\$ -</u>	<u>\$ 12,389,383</u>

<u>Net book value</u>	Balance at 31 December <u>2010</u>	Balance at 31 December <u>2011</u>
Land	\$ 119,509	\$ 119,241
Buildings	1,567,401	1,520,845
Machinery and equipment	179,089	180,080
Vehicles	555,034	477,810
Linear assets	9,798,266	9,074,683
Capital work in progress		<u>22,499</u>
Total	<u>\$ 12,219,299</u>	<u>\$ 11,395,158</u>

(See accompanying notes)

Township of Horton
Schedule of Tangible Capital Assets
For the year ended 31 December 2011
(with 2010 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2010</u>	<u>Additions</u>	Disposals, write-offs and <u>adjustments</u>	Balance at 31 December <u>2011</u>
General government	\$ 353,894		\$ -	\$ 353,894
Protection to persons and property	799,782	\$ 8,185		807,967
Transportation services	21,149,483	45,729		21,195,212
Environmental services	178,188	17,269		195,457
Parks and recreation	<u>1,202,959</u>	<u>29,052</u>		<u>1,232,011</u>
Total	<u>\$ 23,684,306</u>	<u>\$ 100,235</u>	<u>\$ -</u>	<u>\$ 23,784,541</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2010</u>	<u>Amortization</u>	Disposals, write-offs and <u>adjustments</u>	Balance at 31 December <u>2011</u>
General government	\$ 77,989	\$ 10,834	\$ -	\$ 88,823
Protection to persons and property	327,055	36,760		363,815
Transportation services	10,963,342	838,752		11,802,094
Environmental services	96,621	2,952		2,952
Parks and recreation	<u>96,621</u>	<u>35,078</u>		<u>131,699</u>
Total	<u>\$ 11,465,007</u>	<u>\$ 924,376</u>	<u>\$ -</u>	<u>\$ 12,389,383</u>

<u>Net book value</u>	Balance at 31 December <u>2010</u>	Balance at 31 December <u>2011</u>
General government	\$ 275,905	\$ 265,071
Protection to persons and property	472,727	444,152
Transportation services	10,186,141	9,393,118
Environmental services	178,188	192,505
Parks and recreation	<u>1,106,338</u>	<u>1,100,312</u>
Total	<u>\$ 12,219,299</u>	<u>\$ 11,395,158</u>

(See accompanying notes)

Township of Horton
Schedule of Reserves and Reserve Funds
For the year ended 31 December 2011
(with 2010 figures for comparison)

	<u>2011</u>	<u>2010</u>
Contributions:		
From operations	\$ 173,269	\$ 149,500
Transfers:		
To operations	<u>89,371</u>	<u>270,170</u>
Change in reserves and reserve funds balance	\$ 83,898	\$ (120,670)
Reserves and reserve funds at the beginning of the year	<u>603,765</u>	<u>724,435</u>
Reserves and reserve funds at the end of the year	<u>\$ 687,663</u>	<u>\$ 603,765</u>
Reserves:		
Working funds	\$ 316,384	\$ 306,001
Fire equipment replacement	76,879	74,879
Landfill site	70,237	70,237
Transportation	155,711	82,711
Future equipment	59,309	56,308
Recreation	1,500	1,500
Election expense	6,829	3,329
Protection	<u>814</u>	<u>8,800</u>
Total reserves	<u>\$ 687,663</u>	<u>\$ 603,765</u>

(See accompanying notes)

MACKILLICAN & ASSOCIATES
CHARTERED ACCOUNTANTS

252 Raglan Street S.
Renfrew, Ontario

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the McLaren Cemetery trust fund of the Corporation of the Township of Horton, which comprise the statement of financial position as at 31 December 2011, and the statement of operations 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 financial statements in accordance with Canadian Public Sector Accounting Standards for local governments, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the McLaren Cemetery trust fund of the Corporation of the Township of Horton as at 31 December 2011, and the results of its operations for the year then ended in accordance with Canadian Public Sector Accounting Standards for local governments.



RENFREW, Ontario.
18 May 2012.

Chartered Accountants,
Licensed Public Accountants.

Township of Horton
McLaren Cemetery Trust Fund
Statement of Financial Position
As at 31 December 2011
 (with 2010 figures for comparison)

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Investments	\$ <u>3,500</u>	\$ <u>3,500</u>
<u>FUND BALANCE</u>		
Fund balance	\$ <u>3,500</u>	\$ <u>3,500</u>

Township of Horton
McLaren Cemetery Trust Fund
Statement of Operations
For the year ended 31 December 2011
 (with 2010 figures for comparison)

	<u>2011</u>	<u>2010</u>
Balance at the beginning of the year	\$ <u>3,500</u>	\$ <u>3,673</u>
Revenue:		
Interest earned - bank	\$ <u>195</u>	\$ <u>2</u>
Expenses:		
Administration charges and maintenance	\$ <u>195</u>	\$ <u>175</u>
Balance at the end of the year	\$ <u>3,500</u>	\$ <u>3,500</u>

(See accompanying notes)

Township of Horton

McLaren Cemetery Trust Fund

Notes to the Financial Statements

For the year ended 31 December 2011

1. ACCOUNTING POLICIES

The financial statements of the McLaren Cemetery trust fund are the representation of management prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgments.

Basis of Accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. 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.

2. CEMETERY TRUST

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

Township of Horton

Financial Information Return

For the year ended 31 December 2011