

Township of Horton

Financial Report

For the year ended 31 December 2012

MACKILLICAN & 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 2012, 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 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 2012, 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.
14 March 2013.

**Chartered Accountants,
Licensed Public Accountants.**

Township of Horton
Consolidated Statement of Financial Position
As at 31 December 2012
(with 2011 figures for comparison)

	<u>2012</u>	<u>2011</u>
Financial assets:		
Cash and cash equivalents	\$ 82,822	\$ 309,403
Taxes receivable	426,042	403,365
Accounts receivable	<u>287,941</u>	<u>195,516</u>
	<u>\$ 796,805</u>	<u>\$ 908,284</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 96,200	\$ 126,013
Deferred revenue - obligatory reserve funds (Note 6)	110,563	266,632
- other	12,651	21,516
Net long term liabilities (Note 12)	452,057	505,095
Landfill closure and post closure costs (Note 7)	<u>120,000</u>	<u>120,000</u>
	<u>\$ 791,471</u>	<u>\$ 1,039,256</u>
Net financial assets (liabilities)	<u>\$ 5,334</u>	<u>\$ (130,972)</u>
Non-financial assets:		
Tangible capital assets (net)	\$ 11,141,130	\$ 11,395,158
Inventories of supplies	43,353	11,093
Prepaid expenses	<u>6,117</u>	<u>7,082</u>
	<u>\$ 11,190,600</u>	<u>\$ 11,413,333</u>
Accumulated surplus	<u>\$ 11,195,934</u>	<u>\$ 11,282,361</u>
Accumulated surplus comprised of:		
Equity in tangible capital assets (Note 14)	\$ 10,532,802	\$ 10,714,698
Reserves and reserve funds	783,132	687,663
Unfunded - landfill closure and post closure costs (Note 3)	<u>(120,000)</u>	<u>(120,000)</u>
Total accumulated surplus	<u>\$ 11,195,934</u>	<u>\$ 11,282,361</u>

(See accompanying notes)

Township of Horton
Consolidated Statement of Operations
For the year ended 31 December 2012
(with 2012 budget and 2011 actual figures for comparison)

	<u>2012</u> <u>Budget</u>	<u>2012</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 1,637,093	\$ 1,631,332	\$ 1,479,946
Government transfers:			
Ontario	416,188	460,556	288,444
Canada	235,427	235,386	236,321
Other	<u>519,053</u>	<u>484,316</u>	<u>238,913</u>
	<u>\$ 2,807,761</u>	<u>\$ 2,811,590</u>	<u>\$ 2,243,624</u>
Expenses:			
General government	\$ 569,501	\$ 546,263	\$ 520,385
Protection to persons and property	517,386	453,353	385,489
Transportation services	1,535,644	1,396,155	1,414,636
Environmental services	239,138	255,093	245,393
Health services	27,410	30,418	28,991
Recreation and cultural services	228,675	209,629	174,378
Planning and development	<u>21,800</u>	<u>7,106</u>	<u>6,290</u>
	<u>\$ 3,139,554</u>	<u>\$ 2,898,017</u>	<u>\$ 2,775,562</u>
Shortfall of revenue over expenses	\$ (331,793)	\$ (86,427)	\$ (531,938)
Accumulated surplus at the beginning of the year	<u>11,282,361</u>	<u>11,282,361</u>	<u>11,814,299</u>
Accumulated surplus at the end of the year	<u>\$ 10,950,568</u>	<u>\$ 11,195,934</u>	<u>\$ 11,282,361</u>

(See accompanying notes)

Township of Horton
Consolidated Statement of Changes in Net Financial Assets (Liabilities)
For the year ended 31 December 2012
(with 2011 figures for comparison)

	<u>2012</u>	<u>2011</u>
Shortfall of revenue over expenses	\$ (86,427)	\$ (531,938)
Amortization of tangible capital assets	940,799	924,376
Acquisition of tangible capital assets	(709,956)	(100,235)
Loss on disposal of tangible capital assets	177	
Proceeds on sale of tangible capital assets	5,739	
Tangible capital asset transferred to inventory	17,269	
Consumption (acquisition) of inventory	(32,260)	22
Consumption (acquisition) of prepaid expenses	<u>965</u>	<u>(7,082)</u>
Increase in net financial assets	\$ 136,306	\$ 285,143
Net financial assets (liabilities) at the beginning of the year	<u>(130,972)</u>	<u>(416,115)</u>
Net financial assets (liabilities) at the end of the year	<u>\$ 5,334</u>	<u>\$ (130,972)</u>

(See accompanying notes)

Township of Horton
Consolidated Statement of Cash Flows
For the year ended 31 December 2012
(with 2011 figures for comparison)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Shortfall of revenue over expenses	\$ (86,427)	\$ (531,938)
Add amortization which does not involve cash	940,799	924,376
Loss on disposal of tangible capital assets	<u>177</u>	<u> </u>
	<u>\$ 854,549</u>	<u>\$ 392,438</u>
Net change in non cash working capital balances related to operations:		
Decrease (increase) in taxes receivable	\$ (22,677)	\$ 93,635
Decrease (increase) in accounts receivable	(92,425)	692,880
Increase (decrease) in accounts payable and accrued liabilities	(29,813)	(252,128)
Increase (decrease) in deferred revenue	(164,934)	(13,741)
Decrease (increase) in inventory	(32,260)	22
Decrease (increase) in prepaid expenses	<u>965</u>	<u>(7,082)</u>
	<u>\$ (341,144)</u>	<u>\$ 513,586</u>
Cash flows from operating activities	<u>\$ 513,405</u>	<u>\$ 906,024</u>
Cash flows used for financing activities:		
Decrease in long term debt	<u>\$ (53,038)</u>	<u>\$ (43,990)</u>
Cash flows used for investing activities:		
Additions to tangible capital assets:		
General government	\$ (6,117)	
Protection to persons and property		\$ (8,185)
Transportation services	(667,189)	(45,729)
Environmental services	(12,098)	(17,269)
Recreation and cultural services	(24,552)	(29,052)
Proceeds on sale of tangible capital assets	5,739	
Tangible capital asset transferred to inventory	<u>17,269</u>	<u> </u>
Cash flows used for investing activities	<u>\$ (686,948)</u>	<u>\$ (100,235)</u>
Increase (decrease) in cash and cash equivalents during the year	\$ (226,581)	\$ 761,799
Cash and cash equivalents at the beginning of the year	<u>309,403</u>	<u>(452,396)</u>
Cash and cash equivalents at the end of the year	<u>\$ 82,822</u>	<u>\$ 309,403</u>

(See accompanying notes)

Township of Horton
Notes to the Financial Statements
For the year ended 31 December 2012

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 standards 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 recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

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 2012

(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 2012

(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 public sector accounting standards 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, 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 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 liabilities, 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 (2011 - \$ 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 2012

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	\$ 1,092,889	\$ 1,192,587
Payments in lieu	<u> </u>	<u> 731</u>
	<u>\$ 1,092,889</u>	<u>\$ 1,193,318</u>

6. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting standards 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>2012</u>	<u>2011</u>
Gas tax revenue	\$ 18,397	\$ 10,668
Lot development charges	<u> 92,166</u>	<u> 255,964</u>
	<u>\$ 110,563</u>	<u>\$ 266,632</u>

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

	<u>2012</u>	<u>2011</u>
Balance at the beginning of the year	\$ 266,632	\$ 297,337
Gas tax revenue received	85,982	85,982
Development charges and lot fees	56,196	90,538
Interest earned	<u> 2,595</u>	<u> 1,848</u>
	\$ 411,405	\$ 475,705
Used for acquisition of tangible capital assets	<u> 300,842</u>	<u> 209,073</u>
Balance at the end of the year	<u>\$ 110,563</u>	<u>\$ 266,632</u>

Township of Horton
Notes to the Financial Statements
For the year ended 31 December 2012

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 2012. The Municipality is contingently liable for long term liabilities with respect to tile drainage loans of \$ 232,152 (2011 - \$ 226,836).

The Township was previously a member of the Ontario Municipal Insurance Exchange ("OMEX"), a licensed group for liability insurance coverage, established on 1 October 1996, representing a pooling of the public liability insurance risks of its municipal members. All members are subject to assessment for their share of the losses, if any, experienced for the years in which they were members. The Township has been assessed a retroactive claim loss for the 2003 year. The Township is currently involved in a legal claim regarding the claim loss with the amount undeterminable at the present time, therefore, no amount has been recorded in the financial statements.

9. BUDGET FIGURES

The operating budget approved by the Township of Horton for 2012 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 2012.

Township of Horton
Notes to the Financial Statements
For the year ended 31 December 2012

(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 2012 road network had segments, each of which has been assigned a value of one dollar for the road allowance itself.

11. COMPARATIVE FIGURES

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

12. NET LONG TERM LIABILITIES

	<u>2012</u>	<u>2011</u>
(a) Total long term liabilities incurred by the Municipality and outstanding at the end of the year amount to	\$ 684,209	\$ 731,931
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>232,152</u>	<u>226,836</u>
Net long term liabilities at the end of the year	<u>\$ 452,057</u>	<u>\$ 505,095</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>
2013	\$ 28,273	\$ 4,899	\$ 33,172
2014	50,229	9,059	59,288
2015	50,229	7,961	58,190
2016	50,229	6,882	57,111
2017	50,229	5,797	56,026
2018 to 2022	<u>222,868</u>	<u>12,346</u>	<u>235,214</u>
	<u>\$ 452,057</u>	<u>\$ 46,944</u>	<u>\$ 499,001</u>

13. CHARGES FOR NET LONG TERM LIABILITIES

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

	<u>2012</u>	<u>2011</u>
Principal	\$ 53,038	43,990
Interest	<u>7,458</u>	<u>8,476</u>
	<u>\$ 60,496</u>	<u>\$ 52,466</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 2012

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
Tangible capital assets - net	\$ 11,141,130	\$ 11,395,158
Net long term liabilities (Note 12)	(452,057)	(505,095)
Amounts to be funded in future years	<u>(156,271)</u>	<u>(175,365)</u>
Equity in tangible capital assets	<u>\$ 10,532,802</u>	<u>\$ 10,714,698</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>2012</u>	<u>2011</u>
Salaries, wages and employee benefits	\$ 854,291	\$ 828,855
Interest on long term debt	7,458	8,476
Operating materials and supplies	592,910	601,632
Contracted services	473,801	383,887
Rents and financial expense	538	576
External transfers	28,220	27,760
Amortization	<u>940,799</u>	<u>924,376</u>
Total expenditures by object	<u>\$ 2,898,017</u>	<u>\$ 2,775,562</u>

16. MUNICIPALITIES BENEFIT COMMITTEE

The Township of Horton is a member of the Municipalities Benefit Committee (MBC) which is an employee group benefits plan arranged through Manulife to share in the financial risk of extended health and dental benefits. In the event that a deficit position is incurred, the Township must repay their pro-rata share of the deficit through a lump sum deposit or an increase in future annual premiums collected through the monthly billed rates. In the case of a surplus position, upon full funding of the claims fluctuation reserve (CFR), the surplus is transferred into a deposit account held by Manulife on the MBC's behalf. The surplus funds in the deposit account are to be used to fund premium requirements, enhancements to the benefit plan or fund future deficits. If the Township of Horton leaves the MBC, the Township forfeits its right to any surplus.

Township of Horton
Schedule of General Operations
For the year ended 31 December 2012
(with 2012 budget and 2011 actual figures for comparison)

	<u>2012</u> <u>Budget</u>	<u>2012</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
Revenue:			
Net municipal taxation	\$ 1,637,093	\$ 1,631,332	\$ 1,479,946
Government transfers:			
Ontario	416,188	460,556	288,444
Canada	235,427	235,386	236,321
Other	<u>519,053</u>	<u>484,316</u>	<u>238,913</u>
	<u>\$ 2,807,761</u>	<u>\$ 2,811,590</u>	<u>\$ 2,243,624</u>
Expenses:			
General government	\$ 569,501	\$ 546,263	\$ 520,385
Protection to persons and property	517,386	453,353	385,489
Transportation services	1,535,644	1,396,155	1,414,636
Environmental services	239,138	255,093	245,393
Health services	27,410	30,418	28,991
Recreation and cultural services	228,675	209,629	174,378
Planning and development	<u>21,800</u>	<u>7,106</u>	<u>6,290</u>
	<u>\$ 3,139,554</u>	<u>\$ 2,898,017</u>	<u>\$ 2,775,562</u>
Shortfall of revenue over expenses	<u>\$ (331,793)</u>	<u>\$ (86,427)</u>	<u>\$ (531,938)</u>
Transfers:			
Transfer from (to) reserves	\$ 60,242	\$ (95,469)	\$ (83,898)
Transfer from equity in tangible capital assets	<u>271,551</u>	<u>181,896</u>	<u>622,763</u>
Net transfers	<u>\$ 331,793</u>	<u>\$ 86,427</u>	<u>\$ 538,865</u>
Change in general surplus for the year	\$ -	\$ -	\$ 6,927
General surplus (deficit) at the beginning of the year	<u>-</u>	<u>-</u>	<u>(6,927)</u>
General surplus at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

Township of Horton
Schedule of Reserves and Reserve Funds
For the year ended 31 December 2012
(with 2011 figures for comparison)

	<u>2012</u>	<u>2011</u>
Contributions:		
From operations	\$ 246,924	\$ 173,269
Transfers:		
To operations	<u>151,455</u>	<u>89,371</u>
Change in reserves and reserve funds balance	\$ 95,469	\$ 83,898
Reserves and reserve funds at the beginning of the year	<u>687,663</u>	<u>603,765</u>
Reserves and reserve funds at the end of the year	<u>\$ 783,132</u>	<u>\$ 687,663</u>
Reserves:		
Working funds	\$ 351,272	\$ 316,384
Fire equipment replacement	105,828	76,879
Landfill site	75,922	70,237
Transportation	179,940	155,711
Planning	2,482	
Future equipment	53,272	59,309
Recreation	3,273	1,500
Election expense	10,329	6,829
Protection	<u>814</u>	<u>814</u>
Total reserves	<u>\$ 783,132</u>	<u>\$ 687,663</u>

(See accompanying notes)

Township of Horton
Schedule of Tangible Capital Assets
For the year ended 31 December 2012
(with 2011 figures for comparison)

Segmented by asset class:	Balance at 31 December <u>2011</u>	<u>Additions</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2012</u>
<u>Cost</u>				
Land	\$ 119,509			\$ 119,509
Buildings	1,783,708			1,783,708
Machinery and equipment	459,071	\$ 30,669		489,740
Vehicles	1,139,902		\$ (14,796)	1,125,106
Linear assets	20,259,852	667,189	2,112	20,929,153
Capital work in progress	<u>22,499</u>	<u>12,098</u>	<u>(19,381)</u>	<u>15,216</u>
Total	<u>\$ 23,784,541</u>	<u>\$ 709,956</u>	<u>\$ (32,065)</u>	<u>\$ 24,462,432</u>

Accumulated <u>amortization</u>	Balance at 31 December <u>2011</u>	<u>Amortization</u>	Disposals, write-offs and adjustments	Balance at 31 December <u>2012</u>
Land	\$ 268	\$ 268		\$ 536
Buildings	262,863	46,556		309,419
Machinery and equipment	278,991	33,844		312,835
Vehicles	662,092	77,226	\$ (8,880)	730,438
Linear assets	<u>11,185,169</u>	<u>782,905</u>		<u>11,968,074</u>
Total	<u>\$ 12,389,383</u>	<u>\$ 940,799</u>	<u>\$ (8,880)</u>	<u>\$ 13,321,302</u>

<u>Net book value</u>	Balance at 31 December <u>2011</u>	Balance at 31 December <u>2012</u>
Land	\$ 119,241	\$ 118,973
Buildings	1,520,845	1,474,289
Machinery and equipment	180,080	176,905
Vehicles	477,810	394,668
Linear assets	9,074,683	8,961,079
Capital work in progress	<u>22,499</u>	<u>15,216</u>
Total	<u>\$ 11,395,158</u>	<u>\$ 11,141,130</u>

(See accompanying notes)

Township of Horton
Schedule of Tangible Capital Assets
For the year ended 31 December 2012
(with 2011 figures for comparison)

Segmented by function: <u>Cost</u>	Balance at 31 December <u>2011</u>	<u>Additions</u>	Disposals, write-offs and <u>adjustments</u>	Balance at 31 December <u>2012</u>
General government	\$ 353,894	\$ 6,117		\$ 360,011
Protection to persons and property	807,967			807,967
Transportation services	21,195,212	667,189	\$ (14,796)	21,847,605
Environmental services	195,457	12,098	(17,269)	190,286
Parks and recreation	<u>1,232,011</u>	<u>24,552</u>		<u>1,256,563</u>
Total	<u>\$ 23,784,541</u>	<u>\$ 709,956</u>	<u>\$ (32,065)</u>	<u>\$ 24,462,432</u>

<u>Accumulated amortization</u>	Balance at 31 December <u>2011</u>	<u>Amortization</u>	Disposals, write-offs and <u>adjustments</u>	Balance at 31 December <u>2012</u>
General government	\$ 88,823	\$ 11,310		\$ 100,133
Protection to persons and property	363,815	36,464		400,279
Transportation services	11,802,094	854,456	\$ (8,880)	12,647,670
Environmental services	2,952	2,952		5,904
Parks and recreation	<u>131,699</u>	<u>35,617</u>		<u>167,316</u>
Total	<u>\$ 12,389,383</u>	<u>\$ 940,799</u>	<u>\$ (8,880)</u>	<u>\$ 13,321,302</u>

<u>Net book value</u>	Balance at 31 December <u>2011</u>	Balance at 31 December <u>2012</u>
General government	\$ 265,071	\$ 259,878
Protection to persons and property	444,152	407,688
Transportation services	9,393,118	9,199,935
Environmental services	192,505	184,382
Parks and recreation	<u>1,100,312</u>	<u>1,089,247</u>
Total	<u>\$ 11,395,158</u>	<u>\$ 11,141,130</u>

(See accompanying notes)

MACKILICAN & 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 2012, 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 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 2012, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards for local governments.



RENFREW, Ontario.
14 March 2013.

Chartered Accountants,
Licensed Public Accountants.

Township of Horton
McLaren Cemetery Trust Fund
Statement of Financial Position
As at 31 December 2012
 (with 2011 figures for comparison)

	<u>2012</u>	<u>2011</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 2012
 (with 2011 figures for comparison)

	<u>2012</u>	<u>2011</u>
Balance at the beginning of the year	\$ <u>3,500</u>	\$ <u>3,500</u>
Revenue:		
Interest earned - bank	\$ <u>40</u>	\$ <u>195</u>
Expenses:		
Administration charges and maintenance	\$ <u>40</u>	\$ <u>195</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 2012

1. ACCOUNTING POLICIES

The financial statements of the McLaren Cemetery trust fund are the representation of management prepared in accordance with generally accepted accounting standards 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.