

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements:

The accompanying consolidated financial statements of the **CORPORATION OF THE UNITED TOWNSHIPS OF HEAD, CLARA & MARIA LIBRARY BOARD** are the responsibility of the Board's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Board's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board's Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the Council's approval of the consolidated financial statements.

The consolidated financial statements have been audited by Welch LLP, independent external auditors appointed by the Township. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Clerk

Chair of the Board

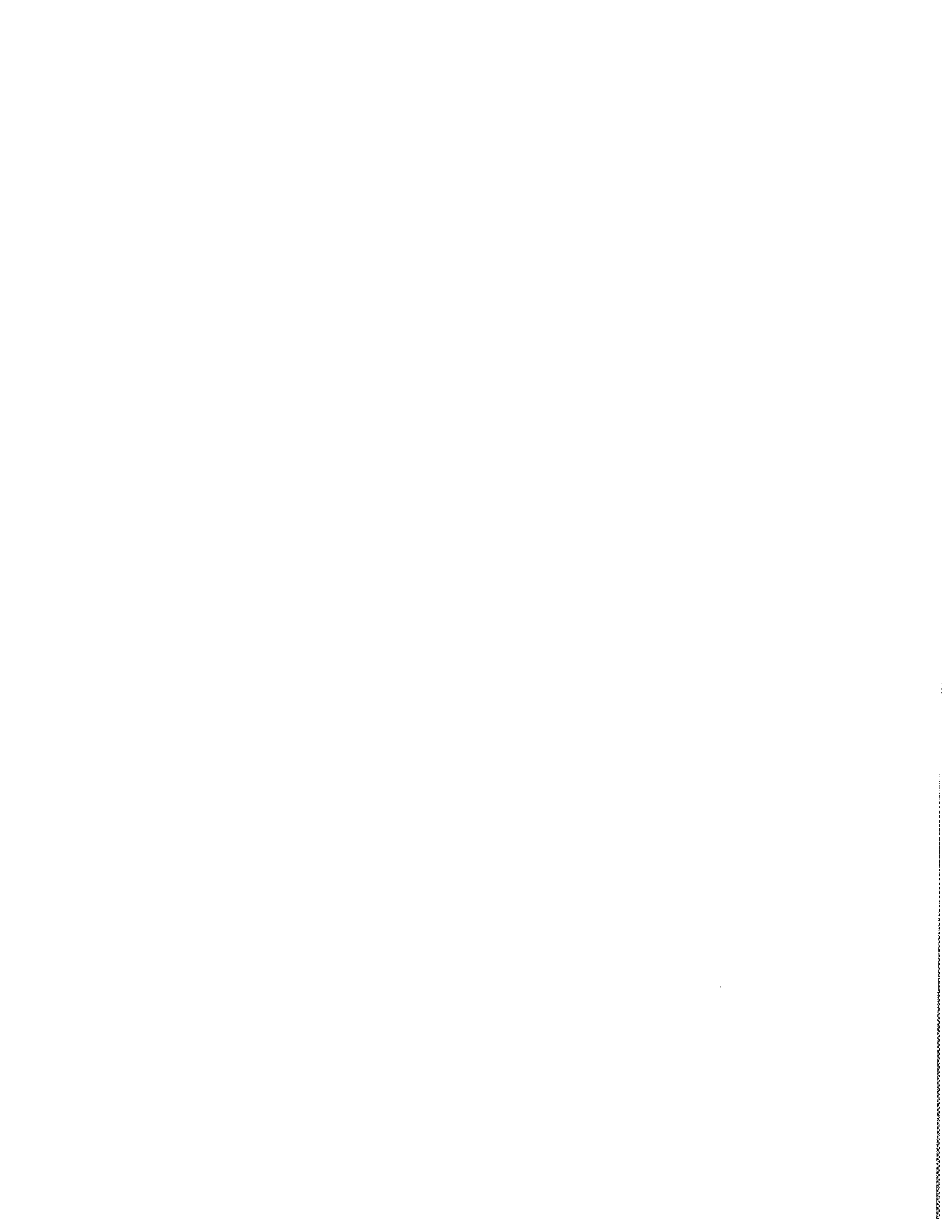


Melinda Reith



Marlene Gibson

May 10, 2013



MANAGEMENT REPORT

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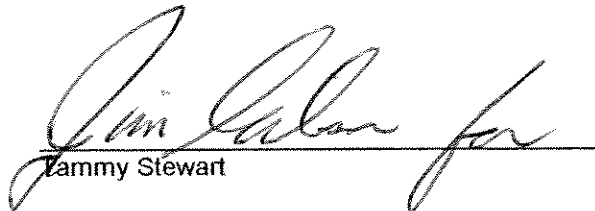
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Clerk

Reeve

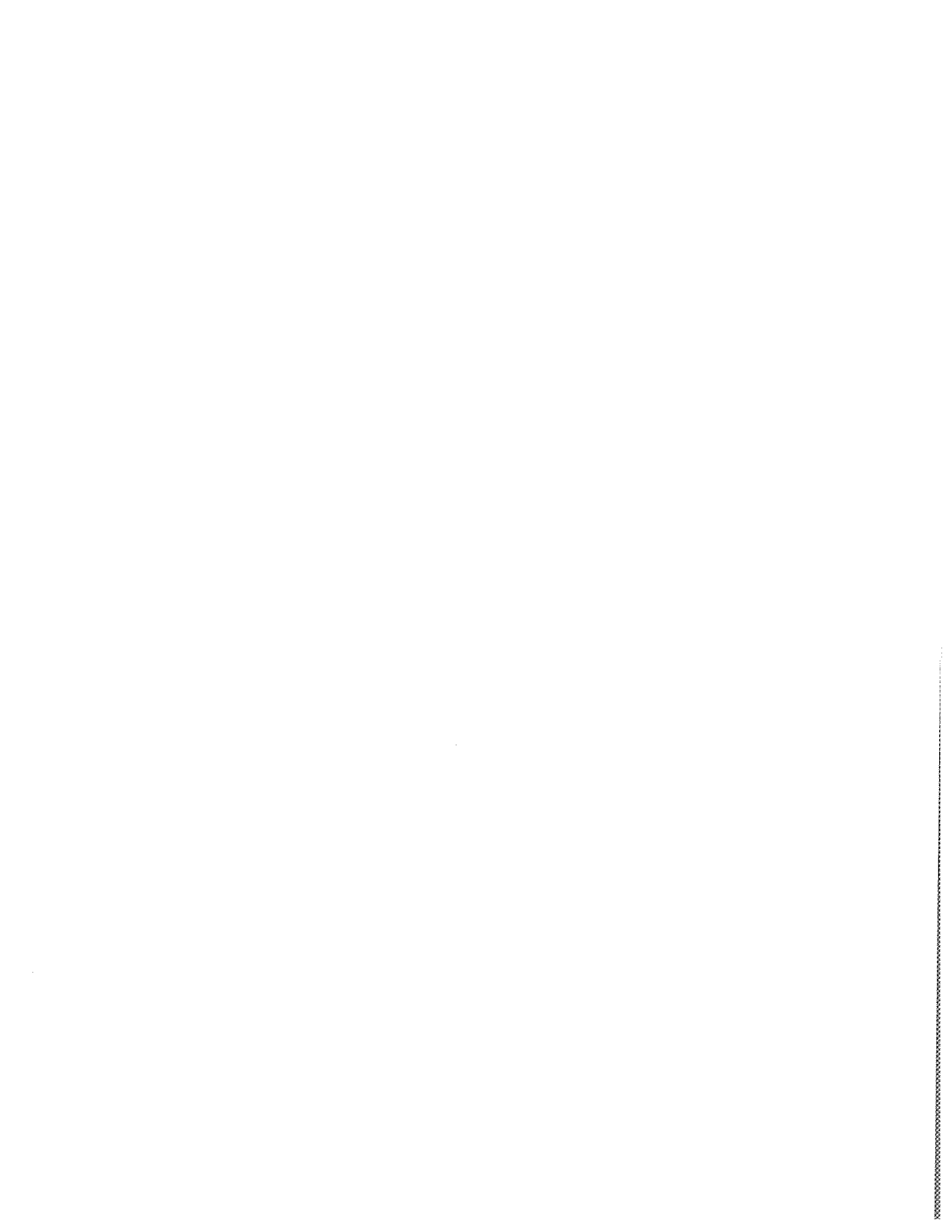


Melinda Reith



Tammy Stewart

May 10, 2012



UNITED TOWNSHIPS OF HEAD, CLARA & MARIA

15 Township Hall Road
Stonecliffe, ON
K0J 2K0

May 10, 2013

Welch LLP
270 Lake Street
P.O. Box 757
Pembroke, ON K8A 6X9

Dear Sirs:

We are providing this letter in connection with your audit of the consolidated financial statements of United Townships of Head, Clara & Maria as of December 31, 2012 and for the year then ended, for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of United Townships of Head, Clara & Maria in accordance with Canadian public sector accounting standards.

We acknowledge that we are responsible for the fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards and for the design and implementation of internal controls to prevent and detect fraud and error.

We acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the consolidated financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the consolidated financial statements would influence the decision of a reasonable person relying on the consolidated financial statements.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 2, 2009, for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards; in particular, the consolidated financial statements are fairly presented in accordance therewith.

2. The significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Information Provided

1. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - (b) Additional information that you have requested from us for the purpose of the audit; and
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have assessed this risk as low.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - (a) Management;
 - (b) Employees who have significant roles in internal control; or
 - (c) Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
7. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Financial Instruments

We confirm that the entity has identified all its financial assets and liabilities and has classified them correctly in accordance with their characteristics.

Taxes and Accounts Receivable

1. Taxes and accounts receivable represent valid claims relating to transactions made before the end of the fiscal year and do not include any amount relating to goods shipped on consignment. Adequate provision has been made for losses which may be sustained in the collection of receivables.

Capital Assets

1. All charges to capital asset accounts during the year represent actual additions to and no expenditures of a capital nature were charged to the operations of the organization during the year.
2. All capital assets sold or dismantled have been properly accounted for in the books of the organization.
3. Appropriate rates have been used to amortize the assets over their estimated useful lives and the provisions were calculated on a basis consistent with that of the previous year.
4. The organization has good title to the properties represented by the balance carried on the capital asset accounts, and there are no liens, mortgages or other charges against any of the capital assets shown on the books of the organization.
5. Where the value of any capital assets has been impaired, this fact has been disclosed to you.

Liabilities and Commitments

1. At the year end, with the exception of relatively immaterial obligations for which invoices had not been received or which otherwise could not readily be determined or estimated, all known liabilities of the organization are included and fairly stated on the statement of financial position.
2. At the year-end there were no contingent liabilities (e.g., discounted receivables or drafts, guarantees, pending or unsettled suits, matters in dispute), except as disclosed in the notes to the consolidated financial statements.
3. The organization has complied with all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
4. At the year-end, the organization had no unusual commitments or contractual obligations of any sort that were not in the ordinary course of business or that might have an adverse effect upon the organization.
5. All claims outstanding against the organization or possible claims have been disclosed to you and, where appropriate, reflected in the consolidated financial statements or notes thereto.

6. We understand that any illegal or possibly illegal act could damage the organization or its reputation or give rise to a claim or claims against the organization. We are not aware of any violations or possible violations of law or regulations the effects of which should be considered for disclosure in the consolidated financial statements or as the basis for recording a contingent loss.

Statement of Operations

1. All of the revenues of the organization for the year has been recorded in the books of account and disclosed in the consolidated financial statements.
2. The statement of operations contains no extraordinary or non-recurring items of material amount except as shown thereon.

Restrictions

1. All restrictions on the use of the organization's funds or assets, as well as all requirements or conditions imposed by third parties, have been brought to your attention and are appropriately disclosed in the consolidated financial statements. The organization complied with all restrictions, requirements or conditions which, in the event of non-compliance could have a significant effect on the consolidated financial statements.
2. All assets subject to a lien, pledged or assigned as security or guarantee for liabilities were brought to your attention and are appropriately disclosed in the consolidated financial statements.

Council Minutes

The minute books of the organization contain an accurate record of all of the business transacted at meetings and committees of Council up to the date of this letter.

Controlled and Related Entities

1. All subsidiaries and controlled not-for-profit organizations have been accurately reflected in the consolidated financial statements.
2. All enterprises and not for profit organizations where the organization has joint control, exerts significant influence or has an economic interest have been appropriately reflected in the consolidated financial statements.

Related Party Transactions

1. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards
2. There have been no exchanges of goods or services with any related parties for which appropriate accounting recognition and financial statement disclosure has not been given.

Recognition, Measurement and Disclosure

1. Significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the consolidated financial statements are reasonable and appropriate in the circumstances.
2. The organization has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the consolidated financial statements.
3. The nature of all material measurement uncertainties has been appropriately disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.

Going Concern

We confirm that we have assessed the entity's ability to continue as a going concern, taking into account all information which is at least twelve months from the year-end date, and we conclude that the entity is able to continue as a going concern for the foreseeable future.

General

1. We are unaware of any frauds or possible frauds having been committed by the organization, its employees or any of its directors and officers and we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
2. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's consolidated financial statements.
3. We acknowledge that we are responsible for the implementation and operation of internal controls that are designed to prevent and detect fraud and error.
4. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
5. In the course of your audit of our consolidated financial statements for the year ended December 31, 2012, you have recommended certain journal entries and adjustments to our books and records as attached to this letter. We hereby acknowledge that we understand, agree with and approve of the attached journal entries which have been considered necessary to present fairly the financial position and operating results of our the organization.

Events Subsequent to the Year-end

1. No facts have been discovered which necessitate material adjustment to the year-end figures.

Yours very truly,

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA

Per 

Melinda Reith - Clerk

Per 

Tammy Stewart - Reeve

United Townships of Head, Clara & Maria

Period ending: December 31, 2012
 Summary of unadjusted errors
 Rev. 2012-1

Preliminary overall materiality is \$nil; Final overall materiality is \$nil.
 All misstatements over \$nil are to be recorded on this summary. Misstatements below this threshold are considered trivial.
 The tax rate used in this schedule is nil%.

| Description of Possible Misstatement | WP Ref. | INCOME STATEMENT Overstated or (Understated) | | | | BALANCE SHEET Overstated or (Understated) | | | |
|--|---------|---|--------------------------------|--|--------|--|----------------|-----------------|-------------|
| | | Identified Mis-statement | Likely Aggregate Mis-statement | Likely Aggregate Mis-statement After Tax | Assets | Liabilities | Closing Equity | F/S Disclosures | Corr-ected? |
| Total | | | | | | | | | |
| Effect of Unadjusted Errors From Prior Years | | | | | | | | | |
| Aggregate Likely Misstatements | | | | | | | | | |
| Further Possible Misstatements | | | | | | | | | |
| Maximum Possible Misstatements | | | | | | | | | |
| Corrected Misstatements | | | | | | | | | |
| Uncorrected Misstatements | | | | | | | | | |
| Materiality | | | | | | | | | |
| Margin Remaining For Further Possible Misstatements | | | | | | | | | |

| | | |
|-------------|-------------|-------------|
| Prepared by | Reviewed by | Reviewed by |
| | | |

Document is up to date

United Townships of Head, Clara & Maria

Year End: December 31, 2012

Adjusting journal entries

Date: 01/01/2012 To 31/12/2012

| Number | Date | Name | Account No | R A | Debit | Credit | Recurre |
|---|------------|-------------------------------|------------|-----|-----------|-----------|---------|
| 1 | 31/12/2012 | Bank of Nova Scotia | 1003 | | | 9.21 | |
| 1 | 31/12/2012 | Bank Service Charges | 5200 | | 9.21 | | |
| To expense bank immaterial amount | | | | | | | |
| 4 | 31/12/2012 | Miscellaneous Receivables | 1030 | | 4,770.40 | | |
| 4 | 31/12/2012 | Recycling Grants | 4152 | | | 4,770.40 | |
| To accrue Stewardship Ontario funding | | | | | | | |
| 5 | 31/12/2012 | A/P - Other | 2025 | | | 12,500.00 | |
| 5 | 31/12/2012 | Audit Fees | 5145 | | 12,500.00 | | |
| To accrue the audit fee | | | | | | | |
| 7 | 31/12/2012 | A/P - Other | 2025 | | | 3,414.00 | |
| 7 | 31/12/2012 | Policing Costs | 5915 | | 3,414.00 | | |
| To accure policing costs for December 2012 | | | | | | | |
| 8 | 31/12/2012 | Tax Sale Recovered Costs | 4240 | | 8,556.78 | | |
| 8 | 31/12/2012 | HST | 5139 | | | 139.75 | |
| 8 | 31/12/2012 | Tax Sale | 5220 | | | 8,417.03 | |
| To re-allocate posting of amounts received and paid re: Fridge Tax Sale | | | | | | | |
| 9 | 31/12/2012 | Tax Sale Recovered Costs | 4240 | | 1,950.00 | | |
| 9 | 31/12/2012 | Tax Sale | 5220 | | | 1,950.00 | |
| To re-allocate amounts recovered from Houghton and Roberts | | | | | | | |
| 10 | 31/12/2012 | Miscellaneous Receivables | 1030 | | 277.01 | | |
| 10 | 31/12/2012 | Tax Sale | 5220 | | | 277.01 | |
| To re-allocate costs related to MacEwan Tax Sale | | | | | | | |
| 11 | 31/12/2012 | Deferred Revenue - Obligatory | 2031 | | 130.00 | | |
| 11 | 31/12/2012 | Donations | 4183 | | | 130.00 | |
| To adjust Canada Day deferred revenue to actual at December 31, 2012 | | | | | | | |
| 12 | 31/12/2012 | Roads Grant | 4162 | | | 2,617.29 | |
| 12 | 31/12/2012 | Donations | 4183 | | | 1,687.35 | |

United Townships of Head, Clara & Maria

Year End: December 31, 2012

Adjusting journal entries

Date: 01/01/2012 To 31/12/2012

| Number | Date | Name | Account No | R A | Debit | CreditRecurr |
|---|------------|-------------------------------|------------|-----|-----------|--------------|
| 12 | 31/12/2012 | Parks & Boat Ramps | 5575 | | 1,687.35 | |
| 12 | 31/12/2012 | Grading | 5622 | | 2,617.29 | |
| To recognize expenses purchased with deferred revenue for the year. | | | | | | |
| 13 | 31/12/2012 | A/P - Other | 2025 | | | 5,579.45 |
| 13 | 31/12/2012 | HST | 5139 | | 410.66 | |
| 13 | 31/12/2012 | 911 agreement | 5392 | | 1,988.90 | |
| 13 | 31/12/2012 | C B O Mileage | 5520 | | 21.20 | |
| 13 | 31/12/2012 | Disposal Site Monitoring | 5765 | | 3,044.69 | |
| 13 | 31/12/2012 | Recycling | 5795 | | 114.00 | |
| To record trade accounts payable at December 31, 2012 | | | | | | |
| 14 | 31/12/2012 | Miscellaneous Receivables | 1030 | | 660.23 | |
| 14 | 31/12/2012 | Investment Income | 4200 | | | 660.23 |
| To accrued interest for the month of December 2012 | | | | | | |
| 15 | 31/12/2012 | Miscellaneous Receivables | 1030 | | 55.47 | |
| 15 | 31/12/2012 | EI Employer Expense | 5117 | | | 55.47 |
| To accrue EI credit for 2012 | | | | | | |
| 16 | 31/12/2012 | Miscellaneous Receivables | 1030 | | 16,612.21 | |
| 16 | 31/12/2012 | HST | 5139 | | | 16,612.21 |
| To record HST rebate receivable at December 31, 2012 | | | | | | |
| 17 | 31/12/2012 | Current Year Taxes Receivable | 1008 | | 308.54 | |
| 17 | 31/12/2012 | Penalty & Interest on Taxes | 4210 | | | 308.54 |
| To adjust taxes receivable to actual at december 31, 2012 | | | | | | |
| 20 | 31/12/2012 | A/P - Other | 2025 | | | 897.36 |
| 20 | 31/12/2012 | Office Supplies | 5125 | | 212.54 | |
| 20 | 31/12/2012 | HST | 5139 | | 83.76 | |
| 20 | 31/12/2012 | Internet | 5150 | | 9.99 | |
| 20 | 31/12/2012 | Telephone | 5160 | | 119.55 | |
| 20 | 31/12/2012 | Building Inspector Expenses | 5515 | | 57.05 | |
| 20 | 31/12/2012 | Utilities | 5580 | | 234.80 | |
| 20 | 31/12/2012 | Utilities | 5580 | | 45.05 | |
| 20 | 31/12/2012 | Roads Garage | 5665 | | 93.92 | |
| 20 | 31/12/2012 | Roads Garage | 5665 | | 40.70 | |

United Townships of Head, Clara & Maria

Year End: December 31, 2012

Adjusting journal entries

Date: 01/01/2012 To 31/12/2012

| Number | Date | Name | Account No | R A | Debit | Credit | Recurr |
|---|------------|-------------------------------------|------------|-----|-----------|-----------|--------|
| To record additionl payables per review of January bank debit memos | | | | | | | |
| 24 | 31/12/2012 | Land Improvements | 1210 | | 3,561.60 | | |
| 24 | 31/12/2012 | Buildings | 1220 | | 14,938.37 | | |
| 24 | 31/12/2012 | Machinery & Equipment | 1230 | | 11,020.56 | | |
| 24 | 31/12/2012 | Property Maintenance | 5185 | | | 7,530.24 | |
| 24 | 31/12/2012 | Tools | 5648 | | | 7,967.76 | |
| 24 | 31/12/2012 | Garage Upgrades | 5666 | | | 7,408.13 | |
| 24 | 31/12/2012 | Environment Expenses | 5760 | | | 3,561.60 | |
| 24 | 31/12/2012 | Environment Capital | 5791 | | | 3,052.80 | |
| To record tanngivel capital asset additions in year | | | | | | | |
| 25 | 31/12/2012 | Land | 1200 | | | 4,000.00 | |
| 25 | 31/12/2012 | Miscellaneous Revenue | 4215 | | 4,000.00 | | |
| To record disposal of tangible capital asset | | | | | | | |
| 26 | 31/12/2012 | Acc Amortization - Land Improvement | 1215 | | | 3,191.35 | |
| 26 | 31/12/2012 | Acc. Amort - Building | 1225 | | | 10,273.78 | |
| 26 | 31/12/2012 | Acc. Amort - Machinery & Equipment | 1235 | | | 7,707.74 | |
| 26 | 31/12/2012 | Acc. Amort - Vehicles | 1245 | | | 5,066.62 | |
| 26 | 31/12/2012 | Acc. Amort - Linear Assets | 1255 | | | 3,572.83 | |
| 26 | 31/12/2012 | Amort Exp - General Government | 5800 | | 3,027.25 | | |
| 26 | 31/12/2012 | Amort Exp - General Government | 5800 | | 2,050.66 | | |
| 26 | 31/12/2012 | Amort Exp - General Government | 5800 | | 2,287.00 | | |
| 26 | 31/12/2012 | Amort Exp - Roads | 5805 | | 3,926.48 | | |
| 26 | 31/12/2012 | Amort Exp - Roads | 5805 | | 4,865.48 | | |
| 26 | 31/12/2012 | Amort Exp - Roads | 5805 | | 3,572.83 | | |
| 26 | 31/12/2012 | Amort Expenses - Environment | 5810 | | 1,526.02 | | |
| 26 | 31/12/2012 | Amort Expenses - Environment | 5810 | | 2,028.80 | | |
| 26 | 31/12/2012 | Amort Exepense Recreation | 5815 | | 6,090.39 | | |
| 26 | 31/12/2012 | Amort Exepense Recreation | 5815 | | 437.41 | | |
| To record amortization expense for the year | | | | | | | |
| 27 | 31/12/2012 | Land Improvements | 1210 | | 5,087.62 | | |
| 27 | 31/12/2012 | Acc Amortization - Land Improvement | 1215 | | | 5,087.62 | |
| 27 | 31/12/2012 | Buildings | 1220 | | 18,684.21 | | |
| 27 | 31/12/2012 | Acc. Amort - Building | 1225 | | | 18,684.21 | |
| To correct previous year entries - posted to capital cost account not accum amortization account in error | | | | | | | |
| 28 | 31/12/2012 | Landfill Closure Liability | 2035 | | 28,000.00 | | |
| 28 | 31/12/2012 | Amounts to be Recovered | 3310 | | | 28,000.00 | |

United Townships of Head, Clara & Maria

Year End: December 31, 2012

Adjusting journal entries

Date: 01/01/2012 To 31/12/2012

| Number | Date | Name | Account No | R A | Debit | Credit | Recurre |
|--------|------|--|------------|-----|------------|------------------|---------|
| | | To record change in post closure care liability | | | | | |
| | | | | | 175,129.98 | 175,129.98 | |
| | | | | | | | |
| | | Net Income (Loss) | | | | 66,577.76 | |

