

FINANCIAL STATEMENTS
UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
LIBRARY BOARD
for year ended
DECEMBER 31, 2009

AUDITORS' REPORT

To the Board Members, Members of Council, Inhabitants
and Ratepayers of the **CORPORATION OF THE UNITED
TOWNSHIPS OF HEAD, CLARA AND MARIA.**

We have audited the Statement of Financial Position, the Statement of Operations, the Statement of Change in Net Financial Assets, and the Statement of Cash Flows of the **CORPORATION OF THE UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA LIBRARY BOARD** as at December 31, 2009. These financial statements are the responsibility of the United Townships' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Board derives receipts from donations, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these receipts was limited to the amounts and values recorded in the accounts of the Board and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenditures and deficit.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary have we been able to satisfy ourselves concerning the completeness of revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the **CORPORATION OF THE UNITED TOWNSHIPS' LIBRARY BOARD** as at December 31, 2009 and the results of its operations, the change in its net financial assets and its cash flows for the year then ended in accordance with the Canadian generally accepted accounting principles.

Welch, L.L.P.

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario
March 4, 2010

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2009

	<u>2009</u>	<u>2008</u>
FINANCIAL ASSETS		
Cash	\$ 23,378	\$ 29,711
Accounts receivable	5,203	643
Due from own municipality	-	502
	<u>28,581</u>	<u>30,856</u>
LIABILITIES		
Accounts payable and accrued liabilities	-	500
Due to own municipality	2,335	-
Deferred revenue	1,250	-
	<u>3,585</u>	<u>500</u>
NET FINANCIAL ASSETS	24,996	30,356
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	<u>27,556</u>	<u>20,302</u>
ACCUMULATED SURPLUS (Note 3)	\$ <u>52,552</u>	\$ <u>50,658</u>

(See auditor's report and accompanying notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budget</u> <u>2009</u>	<u>Actual</u> <u>2009</u>	<u>Actual</u> <u>2008</u>
REVENUE			
Provincial and other government transfers	\$ 21,630	\$ 12,689	\$ 5,085
Fundraising, donations and fines	<u>1,421</u>	<u>2,609</u>	<u>3,547</u>
	<u>23,051</u>	<u>15,298</u>	<u>8,632</u>
EXPENSES			
Wages	-	3,373	-
Administration	8,460	5,589	2,439
Amortization of tangible capital assets	<u>-</u>	<u>4,442</u>	<u>4,061</u>
	<u>8,460</u>	<u>13,404</u>	<u>6,500</u>
EXCESS OF REVENUE OVER EXPENSES	14,591	1,894	2,132
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>30,302</u>	<u>50,658</u>	<u>48,526</u>
ACCUMULATED SURPLUS, END OF YEAR	\$ <u>44,893</u>	\$ <u>52,552</u>	\$ <u>50,658</u>

(See auditor's report and accompany notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA
LIBRARY BOARD
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budget 2009</u>	<u>Actual 2009</u>	<u>Actual 2008</u>
EXCESS OF REVENUE OVER EXPENSES	\$ <u>14,591</u>	\$ <u>1,894</u>	\$ <u>2,132</u>
Acquisition of tangible capital assets	(37,167)	(11,696)	(7,890)
Amortization of tangible capital assets	<u>-</u>	<u>4,442</u>	<u>4,061</u>
	<u>(37,167)</u>	<u>(7,254)</u>	<u>(3,829)</u>
DECREASE IN NET FINANCIAL ASSETS	(22,576)	(5,360)	(1,697)
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	<u>30,302</u>	<u>30,356</u>	<u>32,053</u>
NET FINANCIAL ASSETS AT END OF YEAR	\$ <u><u>7,726</u></u>	\$ <u><u>24,996</u></u>	\$ <u><u>30,356</u></u>

(See auditor's report and accompany notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

SCHEDULE 1

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 1,894	\$ 2,132
Adjustment for non-cash items included in excess of revenue over expenses - amortization expense	<u>4,442</u>	<u>4,061</u>
	6,336	6,193
Changes in the level of:		
Accounts receivable	(4,560)	9
Due from own municipality	502	(502)
Accounts payable and accrued liabilities	(500)	29
Due to own municipality	2,335	(2,089)
Deferred revenue	<u>1,250</u>	<u>-</u>
	<u>5,363</u>	<u>3,640</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of tangible capital assets	<u>(11,696)</u>	<u>(7,890)</u>
DECREASE IN CASH	(6,333)	(4,250)
CASH AT BEGINNING OF YEAR	<u>29,711</u>	<u>33,961</u>
CASH AT END OF YEAR	\$ <u>23,378</u>	\$ <u>29,711</u>

(See auditor's report and accompany notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Land Improvements</u>	<u>Machinery and equipment</u>	<u>Circulation</u>	<u>2009</u>	<u>2008</u>
COST					
Balance, beginning of year	\$ 9,008	\$ 13,466	\$ 7,258	\$ 29,732	\$ 21,842
Acquisition of tangible capital assets	<u>-</u>	<u>8,659</u>	<u>3,037</u>	<u>11,696</u>	<u>7,890</u>
	<u>9,008</u>	<u>22,125</u>	<u>10,295</u>	<u>41,428</u>	<u>29,732</u>
ACCUMULATED AMORTIZATION					
Balance, beginning of year	570	6,926	1,934	9,430	5,369
Amortization	<u>360</u>	<u>2,350</u>	<u>1,732</u>	<u>4,442</u>	<u>4,061</u>
	<u>930</u>	<u>9,276</u>	<u>3,666</u>	<u>13,872</u>	<u>9,430</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ <u>8,078</u>	\$ <u>12,849</u>	\$ <u>6,629</u>	\$ <u>27,556</u>	\$ <u>20,302</u>
2008 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (RESTATED)	\$ <u>8,438</u>	\$ <u>6,540</u>	\$ <u>5,324</u>	\$ <u>20,302</u>	

(See auditor's report and accompany notes and schedules)

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

The Library Board is a board of the United Township of Head, Clara and Maria organized to direct the provision of library services to residents of the United Townships.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Board are as follows:

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or 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 or the obligations for the tangible capital assets has occurred.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

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 the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which 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 determined.

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UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 normal 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.

i) **Tangible Capital Assets**

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Land improvements	25
Machinery and equipment	5-20
Circulation	5

Annual amortization is charged in the year of acquisition of the year of disposal.

ii) **Contribution of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

NOTE 2 ADOPTION OF NEW ACCOUNTING STANDARDS

On January 1, 2009 in accordance with the accounting standards in Section 1200 of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA) applicable to Local Governments, the Board adopted new accounting standards for presenting financial statements based on the net financial debt concept. Under this concept, the Board now presents the following four financial statements: the Statement of Financial Position, the Statement of Operations, the Statement of Changes in Net Financial Assets and the Statement of Cash Flows.

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2 ADOPTION OF NEW ACCOUNTING STANDARDS (cont'd)

Furthermore, the Board adopted the accounting standards found in Section 3150 "Tangible Capital Assets" of the Public Sector Accounting Handbook of the CICA. These standards require the amortization of tangible capital assets and the gain or loss on their disposal be reported in the Statement of Operations. Furthermore, they require the cost of acquisition and the proceeds from disposal to be excluded from the Statement of Operations. The impact of the accounting changes, applied retroactively, are as follows:

As at December 31, 2008

Accumulated surplus:

Current fund balance	\$ 7,930
Reserve	<u>22,426</u>
Accumulated surplus, at previously reported	30,356
Net book value of tangible capital assets recorded	<u>20,302</u>

Accumulated surplus, as restated \$ 50,658

Annual surplus:

Net expenditure, as previously reported	\$ (1,697)
Assets capitalized but previously expensed	7,890
Amortization expense not previously recorded	<u>(4,061)</u>

Annual surplus, as restated \$ 2,132

NOTE 3 ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	<u>2009</u>	<u>2008</u>
Unrestricted surplus	\$ 8,968	\$ 7,930
Internally restricted reserves	16,028	22,426
Equity in tangible capital assets	<u>27,556</u>	<u>20,302</u>
	\$ <u>52,552</u>	\$ <u>50,658</u>

NOTE 4 FINANCIAL INSTRUMENTS

The Board's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and amounts due to own municipality.

Risk

It is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from its financial instruments.

Fair market value

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