

INDEPENDENT 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 accompanying financial statements of the **CORPORATION OF THE UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA LIBRARY BOARD**, which comprise the statement of financial position as at December 31, 2012, and the statements of operations, change in net financial assets 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 financial statements in accordance with Canadian public sector accounting standards, 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 judgement, 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 of our audit opinion.

DRAFT
FOR DISCUSSION PURPOSES ONLY

Basis for Qualified Opinion

In common with many non-profit organizations, the library derives revenues from fundraising and activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the library and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, financial assets and accumulated surplus.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the **CORPORATION OF THE UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA LIBRARY BOARD** as at December 31, 2012, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario
May 10, 2013

DRAFT
FOR DISCUSSION PURPOSES ONLY

Welch LLP

An Independent Member of BKR International

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
FINANCIAL ASSETS		
Cash	\$ 27,157	\$ 24,381
Accounts receivable	192	1,758
Due from own municipality	<u>3,585</u>	<u>4,519</u>
	<u>30,934</u>	<u>30,658</u>
LIABILITIES		
Accounts payable and accrued liabilities	-	602
Deferred revenue	<u>-</u>	<u>2,773</u>
	<u>-</u>	<u>3,375</u>
NET FINANCIAL ASSETS	30,934	27,283
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	<u>27,692</u>	<u>31,656</u>
ACCUMULATED SURPLUS (Note 2)	\$ <u><u>58,626</u></u>	\$ <u><u>58,939</u></u>

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

DRAFT
FOR DISCUSSION PURPOSES ONLY

Welch LLP

An Independent Member of BKR International

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget <u>2012</u>	Actual <u>2012</u>	Actual <u>2011</u>
REVENUE			
Provincial and other government transfers	\$ 5,846	\$ 7,753	\$ 4,208
Fundraising, donations and fines	<u>3,160</u>	<u>4,692</u>	<u>4,394</u>
	<u>9,006</u>	<u>12,445</u>	<u>8,602</u>
EXPENSES			
Administration	6,010	5,812	3,713
Amortization of tangible capital assets	<u>-</u>	<u>6,946</u>	<u>6,856</u>
	<u>6,010</u>	<u>12,758</u>	<u>10,569</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	2,996	(313)	(1,967)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>58,939</u>	<u>58,939</u>	<u>60,906</u>
ACCUMULATED SURPLUS, END OF YEAR	\$ <u><u>61,935</u></u>	\$ <u><u>58,626</u></u>	\$ <u><u>58,939</u></u>

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

DRAFT
FOR DISCUSSION PURPOSES ONLY

Welch LLP

An Independent Member of BKR International

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget <u>2012</u>	Actual <u>2012</u>	Actual <u>2011</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	\$ <u>2,996</u>	\$ <u>(313)</u>	\$ <u>(1,967)</u>
Acquisition of tangible capital assets	(6,000)	(2,982)	(4,048)
Amortization of tangible capital assets	<u>-</u> <u>(6,000)</u>	<u>6,946</u> <u>3,964</u>	<u>6,856</u> <u>2,808</u>
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(3,004)	3,651	841
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	<u>27,283</u>	<u>27,283</u>	<u>26,442</u>
NET FINANCIAL ASSETS AT END OF YEAR	\$ <u><u>24,279</u></u>	\$ <u><u>30,934</u></u>	\$ <u><u>27,283</u></u>

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

DRAFT
FOR DISCUSSION PURPOSES ONLY

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of (expenses over revenue) revenue over expenses	\$ (313)	\$ (1,967)
Adjustment for non-cash items included in excess of (expenses over revenue) revenue over expenses - amortization expense	<u>6,946</u>	<u>6,856</u>
	6,633	4,889
Changes in the level of:		
Accounts receivable	1,566	5,889
Due from own municipality	934	(876)
Accounts payable and accrued liabilities	(602)	178
Deferred revenue	<u>(2,773)</u>	<u>2,773</u>
	<u>5,758</u>	<u>12,853</u>
CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	<u>(2,982)</u>	<u>(4,048)</u>
INCREASE IN CASH	2,776	8,805
CASH AT BEGINNING OF YEAR	<u>24,381</u>	<u>15,576</u>
CASH AT END OF YEAR	\$ <u><u>27,157</u></u>	\$ <u><u>24,381</u></u>

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

DRAFT
FOR DISCUSSION PURPOSES ONLY

Welch LLP

An Independent Member of BKR International

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE 1

	<u>Land Improvements</u>	<u>Machinery and equipment</u>	<u>Circulation</u>	<u>2012</u>	<u>2011</u>
COST					
Balance, beginning of year	\$ 9,008	\$ 25,186	\$ 23,340	\$ 57,534	\$ 54,382
Acquisition of tangible capital assets	-	-	2,982	2,982	4,048
Disposal of tangible capital assets	-	-	-	-	(896)
	<u>9,008</u>	<u>25,186</u>	<u>26,322</u>	<u>60,516</u>	<u>57,534</u>
ACCUMULATED AMORTIZATION					
Balance, beginning of year	1,650	13,422	10,806	25,878	19,918
Amortization	360	2,020	4,566	6,946	6,856
Accumulated amortization on disposals	-	-	-	-	(896)
	<u>2,010</u>	<u>15,442</u>	<u>15,372</u>	<u>32,824</u>	<u>25,878</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS					
	\$ <u>6,998</u>	\$ <u>9,744</u>	\$ <u>10,950</u>	\$ <u>27,692</u>	\$ <u>31,656</u>
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS					
	\$ <u>7,358</u>	\$ <u>11,764</u>	\$ <u>12,534</u>	\$ <u>31,656</u>	

(See auditor's report and accompany notes)

DRAFT
FOR DISCUSSION PURPOSES ONLY

Welch LLP

An Independent Member of BKR International

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

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. Management makes accounting estimates when determining its useful life of its tangible assets. 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.

.../2

DRAFT
FOR DISCUSSION PURPOSES ONLY

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

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 and 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 ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	<u>2012</u>	<u>2011</u>
Unrestricted surplus	\$ 11,122	\$ 16,208
Internally restricted reserves	19,812	11,075
Equity in tangible capital assets	<u>27,692</u>	<u>31,656</u>
	<u>\$ 58,626</u>	<u>\$ 58,939</u>

DRAFT
FOR DISCUSSION PURPOSES ONLY

..../3

UNITED TOWNSHIPS OF HEAD, CLARA AND MARIA

LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE 3 FINANCIAL INSTRUMENTS

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

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.

**DRAFT
FOR DISCUSSION PURPOSES ONLY**