

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements:

The accompanying 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 financial statements. The preparation of the 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 financial statements. These systems are monitored and evaluated by management.

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

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

Clerk

Chair of the Board

Melinda Reith

Marlene Gibson

May 8, 2015

DRAFT
FOR DISCUSSION PURPOSES ONLY

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the **CORPORATION OF THE UNITED TOWNSHIPS OF HEAD, CLARA & MARIA LIBRARY BOARD**, which comprise the statement of financial position as at December 31, 2014, 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.

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.

DRAFT
FOR DISCUSSION PURPOSES ONLY

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 & MARIA LIBRARY BOARD** as at December 31, 2014, and the results of its operations, change in net financial assets and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario
May 8, 2015

DRAFT
FOR DISCUSSION PURPOSES ONLY

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
LIBRARY BOARD
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 24,577	\$ 25,556
Accounts receivable	266	279
Due from own municipality	<u>4,384</u>	<u>3,912</u>
	<u>29,227</u>	<u>29,747</u>
 LIABILITIES		
Accounts payable and accrued liabilities	<u>500</u>	<u>144</u>
 NET FINANCIAL ASSETS	 28,727	 29,603
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	<u>21,799</u>	<u>24,598</u>
 ACCUMULATED SURPLUS (Note 2)	 <u>\$ 50,526</u>	 <u>\$ 54,201</u>

DRAFT
FOR DISCUSSION PURPOSES ONLY

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

**UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
LIBRARY BOARD
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget <u>2014</u>	Actual <u>2014</u>	Actual <u>2013</u>
REVENUE			
Provincial and other government transfers	\$ 1,423	\$ 1,423	\$ 2,466
Fundraising, donations and fines	<u>3,190</u>	<u>5,777</u>	<u>5,525</u>
	<u>4,613</u>	<u>7,200</u>	<u>7,991</u>
EXPENSES			
Administration	5,500	4,995	6,541
Amortization of tangible capital assets	<u>-</u>	<u>5,880</u>	<u>5,875</u>
	<u>5,500</u>	<u>10,875</u>	<u>12,416</u>
EXCESS OF EXPENSES OVER REVENUE	(887)	(3,675)	(4,425)
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	<u>50,141</u>	<u>54,201</u>	<u>58,626</u>
ACCUMULATED SURPLUS AT END OF YEAR	<u>\$ 49,254</u>	<u>\$ 50,526</u>	<u>\$ 54,201</u>

**DRAFT
FOR DISCUSSION PURPOSES ONLY**

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

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA

LIBRARY BOARD

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget <u>2014</u>	Actual <u>2014</u>	Actual <u>2013</u>
EXCESS OF EXPENSES OVER REVENUES	\$ <u>(887)</u>	\$ <u>(3,675)</u>	\$ <u>(4,425)</u>
Acquisition of tangible capital assets	(4,500)	(3,081)	(2,781)
Amortization of tangible capital assets	<u>-</u>	<u>5,880</u>	<u>5,875</u>
	<u>(4,500)</u>	<u>2,799</u>	<u>3,094</u>
DECREASE IN NET FINANCIAL ASSETS	(5,387)	(876)	(1,331)
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	<u>25,543</u>	<u>29,603</u>	<u>30,934</u>
NET FINANCIAL ASSETS AT END OF YEAR	\$ <u>20,156</u>	\$ <u>28,727</u>	\$ <u>29,603</u>

DRAFT
FOR DISCUSSION PURPOSES ONLY

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

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
LIBRARY BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of expenses over revenues	\$ (3,675)	\$ (4,425)
Adjustment for non-cash items included in excess of (expenses over revenues) revenue over expenses - amortization expense	<u>5,880</u>	<u>5,875</u>
	2,205	1,450
Changes in the level of:		
Accounts receivable	13	(87)
Due from own municipality	(472)	(327)
Accounts payable and accrued liabilities	<u>356</u>	<u>144</u>
	<u>2,102</u>	<u>1,180</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of tangible capital assets	<u>(3,081)</u>	<u>(2,781)</u>
DECREASE IN CASH	(979)	(1,601)
CASH AT BEGINNING OF YEAR	<u>25,556</u>	<u>27,157</u>
CASH AT END OF YEAR	<u>\$ 24,577</u>	<u>\$ 25,556</u>

DRAFT
FOR DISCUSSION PURPOSES ONLY

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

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
LIBRARY BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE 1

	Land Improvements	Machinery and equipment	Circulation	2014	2013
COST					
Balance, beginning of year	\$ 9,008	\$ 25,186	\$ 29,103	\$ 63,297	\$ 60,516
Disposal of tangible capital assets	-	-	3,081	3,081	2,781
	<u>9,008</u>	<u>25,186</u>	<u>32,184</u>	<u>66,378</u>	<u>63,297</u>
ACCUMULATED AMORTIZATION					
Balance, beginning of year	2,370	16,865	19,464	38,699	32,824
Amortization	360	1,123	4,397	5,880	5,875
	<u>2,730</u>	<u>17,988</u>	<u>23,861</u>	<u>44,579</u>	<u>38,699</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 6,278</u>	<u>\$ 7,198</u>	<u>\$ 8,323</u>	<u>\$ 21,799</u>	<u>\$ 24,598</u>
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 6,638</u>	<u>\$ 8,321</u>	<u>\$ 9,639</u>	<u>\$ 24,598</u>	

DRAFT
FOR DISCUSSION PURPOSES ONLY

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

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
LIBRARY BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for local governments as recommended 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.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes estimates when it estimates the useful life of its tangible capital 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.

DRAFT
FOR DISCUSSION PURPOSES ONLY

.../2

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
LIBRARY BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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 expenses over revenues, provides the consolidated 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>2014</u>	<u>2013</u>
Unrestricted surplus	\$ 4,511	\$ 4,060
Internally restricted reserves	24,216	25,543
Equity in tangible capital assets	21,799	24,598
	\$ 50,526	\$ 54,201

DRAFT
FOR DISCUSSION PURPOSES ONLY

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA

LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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 Board's financial instruments approximates their carrying value due to their short term nature.

DRAFT
FOR DISCUSSION PURPOSES ONLY