

**DRAFT****INDEPENDENT AUDITOR'S REPORT**

To the members of

**UNITED TOWNSHIPS OF HEAD, CLARA & MARIA LIBRARY BOARD***Qualified Opinion*

We have audited the financial statements of the United Townships of Head, Clara & Maria Library Board (the Board), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Board derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Board. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

CHARTERED PROFESSIONAL ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

Pembroke, Ontario  
May 21, 2020

**UNITED TOWNSHIPS OF HEAD, CLARA & MARIA**  
**LIBRARY BOARD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

DRAFT

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 20,829	\$ 21,332
Accounts receivable	217	1,837
Due from own municipality	<u>4,220</u>	<u>1,334</u>
	<u>25,266</u>	<u>24,503</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>-</u>	<u>255</u>
	<u>-</u>	<u>255</u>
 <b>NET FINANCIAL ASSETS</b>	 25,266	 24,248
 <b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 1)	<u>11,544</u>	<u>15,317</u>
 <b>ACCUMULATED SURPLUS (Note 2)</b>	 <u>\$ 36,810</u>	 <u>\$ 39,565</u>

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

Welch LLP

An Independent Member of BKR International

**UNITED TOWNSHIPS OF HEAD, CLARA & MARIA**  
**LIBRARY BOARD**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

DRAFT

	Actual	Actual <u>2018</u>
<b>REVENUE</b>		
Provincial and other government transfers	\$ 1,423	\$ 1,423
Fundraising, donations and fines	<u>8,870</u>	<u>7,858</u>
	<u>10,293</u>	<u>9,281</u>
 <b>EXPENSES</b>		
Administration	9,275	15,100
Amortization of tangible capital assets	<u>3,773</u>	<u>4,374</u>
	<u>13,048</u>	<u>19,474</u>
 <b>EXCESS OF EXPENSES OVER REVENUE</b>	(2,755)	(10,193)
 <b>ACCUMULATED SURPLUS AT BEGINNING OF YEAR</b>	<u>39,565</u>	<u>49,758</u>
 <b>ACCUMULATED SURPLUS AT END OF YEAR</b>	<u>\$ 36,810</u>	<u>\$ 39,565</u>

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

**Welch** LLP

An Independent Member of BKR International

**UNITED TOWNSHIPS OF HEAD, CLARA & MARIA  
LIBRARY BOARD  
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Actual	Actual <u>2018</u>
<b>EXCESS OF EXPENSES OVER REVENUE</b>	\$ (2,755)	\$ (10,193)
Amortization of tangible capital assets	<u>3,773</u>	<u>4,374</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	1,018	(5,819)
<b>NET FINANCIAL ASSETS AT BEGINNING OF YEAR</b>	<u>24,248</u>	<u>30,067</u>
<b>NET FINANCIAL ASSETS AT END OF YEAR</b>	<u>\$ 25,266</u>	<u>\$ 24,248</u>

**(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, 2019

DRAFT

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of expenses over revenues	\$ (2,755)	\$ (10,193)
Non-cash items included in excess of expenses over revenue		
Amortization of tangible capital assets	<u>3,773</u>	<u>4,374</u>
	1,018	(5,819)
Changes in the level of:		
Accounts receivable	1,620	(1,031)
Due from own municipality	(2,886)	1,597
Accounts payable and accrued liabilities	<u>(255)</u>	<u>182</u>
	<u>(503)</u>	<u>(5,071)</u>
<b>DECREASE IN CASH</b>	(503)	(5,071)
<b>CASH AT BEGINNING OF YEAR</b>	<u>21,332</u>	<u>26,403</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 20,829</u>	<u>\$ 21,332</u>

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

Welch LLP

An Independent Member of BKR International

**DRAFT**

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA  
LIBRARY BOARD  
SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
SCHEDULE 1

	Land Improvements	Machinery and equipment	Circulation	2019	2018
<b>COST</b>					
Balance, beginning of year	\$ 9,008	\$ 28,472	\$ 41,944	\$ 79,424	\$ 79,424
<b>ACCUMULATED AMORTIZATION</b>					
Balance, beginning of year	4,174	22,327	37,606	64,107	59,733
Amortization	360	1,153	2,260	3,773	4,374
	4,534	23,480	39,866	67,880	64,107
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	\$ 4,474	\$ 4,992	\$ 2,078	\$ 11,544	\$ 15,317
<b>2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	\$ 4,834	\$ 6,145	\$ 4,338	\$ 15,317	

(See auditor's report and accompanying notes)

**UNITED TOWNSHIPS OF HEAD, CLARA & MARIA**  
**LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

**DRAFT**

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 Professional 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.

(See auditor's report and schedule)

Welch LLP

An Independent Member of BKR International



**UNITED TOWNSHIPS OF HEAD, CLARA & MARIA  
LIBRARY BOARD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

DRAFT

**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 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>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 1,377	\$ 359
Internally restricted reserves	23,889	23,889
Equity in tangible capital assets	11,544	15,317
	\$ 36,810	\$ 39,565

(See auditor's report and schedule)

**Welch** LLP

An Independent Member of BKR International

**UNITED TOWNSHIPS OF HEAD, CLARA & MARIA**  
**LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

**DRAFT**

**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.

**NOTE 4 BUDGET**

The Board did not prepare an approved budget for the year.

**NOTE 5 SUBSEQUENT EVENT**

In mid-March of 2020, subsequent to the Board's year-end, the Province of Ontario declared a state of emergency in response to public health concerns originating from the spread of the coronavirus. Due to these concerns, the Board was required to close the library to the public. At the date of issuing these financial statements, the Board has not re-opened the library to the public. The financial impact of the spread of the coronavirus on the Board is not yet known.

(See auditor's report and schedule)

**Welch** LLP

An Independent Member of BKR International