

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the **UNITED TOWNSHIPS OF HEAD, CLARA & MARIA LIBRARY BOARD** (the Board) is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within the Financial Report. Management believes that the financial statements present fairly the Board's financial position as at December 31, 2022 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The Board Members carry out its responsibilities for review of the financial statements principally through its regular meetings. The Board Members meet regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Board Members with and without the presence of management. The Board Members have approved the financial statements.

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

Clerk

Chair of the Board

Crystal Fischer

Marlene Gibson

May 18, 2023

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, 2022, and the statement 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, 2022 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, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2022 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 18, 2023

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
LIBRARY BOARD
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

DRAFT

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 36,005	\$ 29,831
Accounts receivable	474	322
Due from own municipality	<u>360</u>	<u>4,229</u>
	<u>36,839</u>	<u>34,382</u>
LIABILITIES		
Accounts payable and accrued liabilities	<u>1,833</u>	<u>-</u>
NET FINANCIAL ASSETS	35,006	34,382
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	<u>6,585</u>	<u>7,436</u>
ACCUMULATED SURPLUS (Note 2)	<u>\$ 41,591</u>	<u>\$ 41,818</u>

(See 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, 2022

DRAFT

	<u>Budget</u>	<u>2022</u>	<u>2021</u>
REVENUE			
Provincial and other government transfers	\$ 1,423	\$ 1,423	\$ 1,423
Fundraising, donations and fines	<u>3,000</u>	<u>5,031</u>	<u>12,753</u>
	<u>4,423</u>	<u>6,454</u>	<u>14,176</u>
EXPENSES			
Administration	8,444	5,830	5,737
Amortization of tangible capital assets	<u>-</u>	<u>851</u>	<u>1,402</u>
	<u>8,444</u>	<u>6,681</u>	<u>7,139</u>
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES	(4,021)	(227)	7,037
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	<u>35,346</u>	<u>41,818</u>	<u>34,781</u>
ACCUMULATED SURPLUS AT END OF YEAR	<u>\$ 31,325</u>	<u>\$ 41,591</u>	<u>\$ 41,818</u>

(See accompanying notes and schedule)

Welch LLP

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UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
LIBRARY BOARD
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u>	<u>2022</u>	<u>2021</u>
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES	\$ (4,021)	\$ (227)	\$ 7,037
Amortization of tangible capital assets	<u>-</u>	<u>851</u>	<u>1,402</u>
INCREASE IN NET FINANCIAL ASSETS	(4,021)	624	8,439
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	<u>34,382</u>	<u>34,382</u>	<u>25,943</u>
NET FINANCIAL ASSETS AT END OF YEAR	<u>\$ 30,361</u>	<u>\$ 35,006</u>	<u>\$ 34,382</u>

(See accompanying notes and schedule)

Welch LLP

An Independent Member of BKR International

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
LIBRARY BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

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	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of (expenses over revenue) revenue over expenses	\$ (227)	\$ 7,037
Non-cash items included in excess of expenses over revenue		
Amortization of tangible capital assets	<u>851</u>	<u>1,402</u>
	624	8,439
Changes in the level of:		
Accounts receivable	(152)	(152)
Due from own municipality	3,869	(883)
Accounts payable and accrued liabilities	<u>1,833</u>	<u>(408)</u>
	<u>6,174</u>	<u>6,996</u>
INCREASE IN CASH	6,174	6,996
CASH AT BEGINNING OF YEAR	<u>29,831</u>	<u>22,835</u>
CASH AT END OF YEAR	<u>\$ 36,005</u>	<u>\$ 29,831</u>

(See accompanying notes and schedule)

Welch LLP

An Independent Member of BKR International

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
LIBRARY BOARD
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
SCHEDULE 1

	<u>Land Improvements</u>	<u>Machinery and equipment</u>	<u>Circulation</u>	<u>2022</u>	<u>2021</u>
COST					
Balance, beginning of year	\$ <u>9,008</u>	\$ <u>28,472</u>	\$ <u>41,944</u>	\$ <u>79,424</u>	\$ <u>79,424</u>
ACCUMULATED AMORTIZATION					
Balance, beginning of year	5,254	24,790	41,944	71,988	70,586
Amortization	<u>360</u>	<u>491</u>	<u>-</u>	<u>851</u>	<u>1,402</u>
	<u>5,614</u>	<u>25,281</u>	<u>41,944</u>	<u>72,839</u>	<u>71,988</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ <u>3,394</u>	\$ <u>3,191</u>	\$ <u>-</u>	\$ <u>6,585</u>	\$ <u>7,436</u>
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ <u>3,754</u>	\$ <u>3,682</u>	\$ <u>-</u>	\$ <u>7,436</u>	

(See auditor's report and accompanying notes)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA

LIBRARY BOARD

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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.

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
LIBRARY BOARD

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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>2022</u>	<u>2021</u>
Unrestricted surplus	\$ 11,117	\$ 10,493
Internally restricted reserves	23,889	23,889
Equity in tangible capital assets	<u>6,585</u>	<u>7,436</u>
	<u>\$ 41,591</u>	<u>\$ 41,818</u>

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
LIBRARY BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the **UNITED TOWNSHIPS OF HEAD, CLARA & MARIA** (the Township) is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within the Financial Report. Management believes that the consolidated financial statements present fairly the Township's financial position as at December 31, 2022 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Township's Council carry out its responsibilities for review of the consolidated financial statements principally through its regular meetings. The Township's Council meet regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Township's Council with and without the presence of management. The Township's Council have approved the consolidated financial statements.

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

Clerk

Mayor

Crystal Fischer

Debbi Grills

May 18, 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA*Opinion*

We have audited the consolidated financial statements of the United Townships of Head, Clara & Maria (the Township), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Township as at December 31, 2022 and the results of its consolidated operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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 Consolidated Financial Statements* section of our report. We are independent of the Township 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 opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Township'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 Township or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Township'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 Township'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 consolidated 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 Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Township to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 18, 2023

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Cash	\$ 1,473,531	\$ 1,589,270
Taxes receivable	182,072	187,686
Accounts receivable	<u>181,472</u>	<u>43,836</u>
	<u>1,837,075</u>	<u>1,820,792</u>
LIABILITIES		
Accounts payable and accrued liabilities	148,390	261,831
Provision for landfill closure and post-closure liabilities (Note 3)	421,000	441,000
Deferred revenue (Note 4)	<u>147,925</u>	<u>41,333</u>
	<u>717,315</u>	<u>744,164</u>
NET FINANCIAL ASSETS	<u>1,119,760</u>	<u>1,076,628</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	1,174,854	1,031,142
Prepaid expenses	<u>29,423</u>	<u>20,662</u>
	<u>1,204,277</u>	<u>1,051,804</u>
ACCUMULATED SURPLUS (Note 5)	<u>\$ 2,324,037</u>	<u>\$ 2,128,432</u>

(See accompanying notes and schedule)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget <u>2022</u>	Actual <u>2022</u>	Actual <u>2021</u>
REVENUE			
Property taxation	\$ 450,430	\$ 450,152	\$ 447,177
Payment in lieu of taxes	176,320	175,016	166,148
Province and other government transfers	325,683	210,983	176,137
Gas tax funding and related investment income	-	-	16,083
Gain on sale of tangible capital assets	-	-	4,150
Fees, service charges and donations	22,080	16,490	47,514
Investment income	-	28,249	7,053
Other	40,000	98,380	43,946
	<u>1,014,513</u>	<u>979,270</u>	<u>908,208</u>
EXPENSES			
General government	354,113	349,204	298,727
Protection to persons and property	117,248	111,443	111,835
Transportation services	247,336	177,006	204,201
Environmental services	99,887	90,077	150,671
Recreation and cultural services	33,400	55,935	58,018
Planning and development	-	-	1,694
	<u>851,984</u>	<u>783,665</u>	<u>825,146</u>
EXCESS OF REVENUE OVER EXPENSES	162,529	195,605	83,062
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>2,128,432</u>	<u>2,128,432</u>	<u>2,045,370</u>
ACCUMULATED SURPLUS, END OF YEAR	\$ <u>2,290,961</u>	\$ <u>2,324,037</u>	\$ <u>2,128,432</u>

(See accompanying notes and schedule)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget <u>2022</u>	Actual <u>2022</u>	Actual <u>2021</u>
EXCESS OF REVENUE OVER EXPENSES	\$ <u>162,529</u>	\$ <u>195,605</u>	\$ <u>83,062</u>
Acquisition of tangible capital assets	(341,550)	(194,683)	(109,506)
Amortization of tangible capital assets	-	50,971	50,448
Proceeds on disposal of tangible capital assets	-	-	4,150
Gain on sale of tangible capital assets	-	-	(4,150)
Changes in level of prepaid expenses	-	(8,761)	(923)
	<u>(341,550)</u>	<u>(152,473)</u>	<u>(59,981)</u>
INCREASE IN NET FINANCIAL ASSETS	(179,021)	43,132	23,081
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,076,628</u>	<u>1,076,628</u>	<u>1,053,547</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>897,607</u>	\$ <u>1,119,760</u>	\$ <u>1,076,628</u>

(See accompanying notes and schedule)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 195,605	\$ 83,062
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	50,971	50,448
Gain on sale of tangible capital assets	<u>-</u>	<u>(4,150)</u>
	246,576	129,360
Changes in the level of:		
Taxes receivable	5,614	(8,993)
Accounts receivable	(137,636)	(6,779)
Prepaid expenses	(8,761)	(923)
Accounts payable and accrued liabilities	(113,441)	155,199
Solid waste landfill closure and post-closure liability	(20,000)	53,000
Deferred revenue	<u>106,592</u>	<u>(38,661)</u>
	<u>78,944</u>	<u>282,203</u>
CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(194,683)	(109,506)
Proceeds from sale of tangible capital assets	<u>-</u>	<u>4,150</u>
	<u>(194,683)</u>	<u>(105,356)</u>
(DECREASE) INCREASE IN CASH	(115,739)	176,847
CASH AT BEGINNING OF YEAR	<u>1,589,270</u>	<u>1,412,423</u>
CASH AT END OF YEAR	<u>\$ 1,473,531</u>	<u>\$ 1,589,270</u>

(See accompanying notes and schedule)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA

SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEAR ENDED DECEMBER 31, 2022

SCHEDULE 1

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Linear Assets</u>	<u>2022</u>	<u>2021</u>
COST								
Balance, beginning of year	\$ 9,252	\$ 257,101	\$ 827,635	\$ 221,654	\$ 82,045	\$ 890,783	\$ 2,288,470	\$ 2,209,342
Acquisition of tangible capital assets	-	63,984	117,470	13,229	-	-	194,683	109,506
Disposal of tangible capital assets	-	-	-	-	-	-	-	(30,378)
	<u>9,252</u>	<u>321,085</u>	<u>945,105</u>	<u>234,883</u>	<u>82,045</u>	<u>890,783</u>	<u>2,483,153</u>	<u>2,288,470</u>
ACCUMULATED AMORTIZATION								
Balance, beginning of year	-	78,084	280,618	167,455	28,037	703,134	1,257,328	1,237,258
Annual amortization	-	11,522	20,225	5,551	8,205	5,468	50,971	50,448
Accumulated amortization on disposals	-	-	-	-	-	-	-	(30,378)
	-	<u>89,606</u>	<u>300,843</u>	<u>173,006</u>	<u>36,242</u>	<u>708,602</u>	<u>1,308,299</u>	<u>1,257,328</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 9,252</u>	<u>\$ 231,479</u>	<u>\$ 644,262</u>	<u>\$ 61,877</u>	<u>\$ 45,803</u>	<u>\$ 182,181</u>	<u>\$ 1,174,854</u>	<u>\$ 1,031,142</u>
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 9,252</u>	<u>\$ 179,017</u>	<u>\$ 547,017</u>	<u>\$ 54,199</u>	<u>\$ 54,008</u>	<u>\$ 187,649</u>	<u>\$ 1,031,142</u>	

(See accompanying notes)

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

The United Townships of Head, Clara & Maria is an incorporated municipality in the Province of Ontario. The United Township conducts its operations as described by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the United Townships of Head, Clara & Maria are the representations of management, prepared in accordance with Canadian public sector accounting standards 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 United Townships are as follows:

Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Township and are, therefore, accountable to the Township Council for the administration of their financial affairs and resources. Included with the Township are the following:

United Townships of Head, Clara and Maria Library Board

Basis of Accounting

The consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining the estimated useful life of its tangible capital assets and landfill sites, and its allowance for doubtful accounts. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from these estimates.

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Landfill Closure and Post-closure Liabilities

The United Townships are required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

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 consolidated 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.

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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 revenues over expenses, 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	20-25
Buildings	20-60
Linear Assets	25-50
Machinery and equipment	25
Vehicles	10

Annual amortization is charged in the year of acquisition and not in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) **Contributions of Tangible Capital Assets**

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

iii) **Natural Resources**

Natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

iv) **Methods Used for Determining the Costs**

The financial information recorded includes the actual or estimated historical cost of tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The United Townships of Head, Clara & Maria applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. The Canada-wide Consumer Price Index was used to deflate the replacement or reproduction cost to estimate historical cost in the year of acquisition.

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)**Segment Disclosures**

The United Township was required to adopt Section PS 2700 - Segment Disclosures. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the consolidated statement of operations and within the related notes for both the prior and current years sufficiently disclose information of all appropriate segments and therefore no additional disclosure is required. Furthermore, due to the size of the organization disclosure may contravene privacy laws.

NOTE 2 OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW

During 2022, property taxes and payments in lieu of taxes were collected by the United Townships of Head, Clara & Maria on behalf of the County of Renfrew and the School Boards. The amounts collected and remitted, which are not reflected in the consolidated financial statements, are as follows:

	<u>School Boards</u>	<u>County of Renfrew</u>
Taxation and user charges	\$ 1,124,633	\$ 825,019
Share of payments in lieu of taxes	<u>10,849</u>	<u>127,059</u>
Amount requisitioned	<u>\$ 1,135,482</u>	<u>\$ 952,078</u>

NOTE 3 PROVISION FOR LANDFILL CLOSURE AND POST-CLOSURE COSTS

The United Townships operate three landfill sites and as a result is liable for the closure and post-closure costs associated with each site. These consolidated financial statements recognize a liability for closure and post-closure care as each landfill site's capacity used to date. Specifically, usage is measured as cumulative capacity used versus total estimated capacity available. Furthermore, as costs are expected to be incurred in the future, expected closure and post-closure costs have been discounted using the United Townships' expected long-term borrowing rate of 2.57%. The following summarizes the estimated closure and post-closure costs and remaining capacity of the United Townships landfill sites at December 31, 2022:

	<u>Stonecliffe</u>	<u>Bisset Creek</u>	<u>Deux Rivieres</u>	<u>Total</u>
Liability to date	\$ <u>392,000</u>	\$ <u>17,000</u>	\$ <u>12,000</u>	\$ <u>421,000</u>
Expected total expenditures	\$ <u>742,000</u>	\$ <u>2,370,000</u>	\$ <u>12,000</u>	\$ <u>3,124,000</u>
Amount remaining to be recognized	\$ <u>350,000</u>	\$ <u>2,353,000</u>	\$ <u>-</u>	\$ <u>2,703,000</u>
Remaining capacity of site in cubic metres	<u>6,399</u>	<u>43,081</u>	<u>Closed</u>	<u>49,480</u>
Remaining useful life of sites years	<u>18</u>	<u>65</u>	<u>Closed</u>	

The United Townships have reserved \$243,260 to finance the expected closure and post-closure care liabilities.

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 4 DEFERRED REVENUE

Deferred revenue consists of the following:

	<u>2022</u>	<u>2021</u>
Gas tax funding	\$ 21,838	\$ 13,673
Ontario Community Infrastructure Fund	126,087	-
Covid 19 funding	-	27,660
	<u>\$ 147,925</u>	<u>\$ 41,333</u>

NOTE 5 ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	<u>2022</u>	<u>2021</u>
Unrestricted surplus	\$ 196,622	\$ 184,729
Internally restricted reserves	1,373,561	1,353,561
Provision for landfill closure and post-closure costs	(421,000)	(441,000)
Equity in tangible capital assets	<u>1,174,854</u>	<u>1,031,142</u>
	<u>\$ 2,324,037</u>	<u>\$ 2,128,432</u>

NOTE 6 EXPENSES BY OBJECT

The consolidated statement of operations reports expenses for the United Townships by function. The following is a summary of expenses by object.

	<u>2022</u>	<u>2021</u>
Salary and wages	\$ 352,796	\$ 336,674
Contracted services	195,081	180,533
Material and supplies	204,817	204,491
Provision for solid landfill closure and post-closure cost	(20,000)	53,000
Amortization of tangible capital assets	<u>50,971</u>	<u>50,448</u>
	<u>\$ 783,665</u>	<u>\$ 825,146</u>

UNITED TOWNSHIPS OF HEAD, CLARA & MARIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE 7 COMMITMENTS

Policing Services

The United Townships have contracted with the Province of Ontario for policing services. The contract cost for 2022 was \$85,935 (2021 - \$85,657).

Municipal Fire Management Services

The United Townships have contracted with the Province of Ontario for fire management services. The contract cost for 2022 was \$9,145 (2021 - \$9,145).

NOTE 8 FINANCIAL INSTRUMENTS

The United Township's financial instruments consist of cash, taxes receivable, accounts receivable, accounts payable and accrued liabilities.

Risk

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

Fair Market Value

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

NOTE 9 CONTAMINATED SITES LIABILITY

The United Townships has adopted PS3260 Liability for Contaminated Sites. The United Townships did not identify any financial liabilities in 2022 (2021 - \$NIL) as a result of this standard.

NOTE 10 BUDGET FIGURES

Budget established for capital projects are based on project-oriented basis, the cost of which may be carried out over one or more years. Although they may not be directly comparable with current year actual amounts, they have been reflected on the Consolidated Statement of Change in Net Financial Assets. Furthermore, the budget makes no provision for amortization expense and solid landfill closure and post-closure care.

May 18, 2023

United Townships of Head, Clara & Maria
15 Township Hall Road
Stonecliffe, ON
K0J 2K0

PRIVATE AND CONFIDENTIAL

Dear Members of Council:

Re: Audit of the December 31, 2022 Financial Statements

During the course of our audit of the financial statements for the year ended December 31, 2022, we identified some matters which may be of interest to management.

The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. In addition, an audit cannot be expected to disclose defalcations and other irregularities and it is not designed to express an opinion as to whether the systems of internal control established by management have been properly designed or have been operating effectively.

As a result of our observations, we have outlined matters below along with some suggestions for your consideration. Our letter identifies two categories of reportable matters:

- Significant deficiencies in internal controls
- Other deficiencies in internal controls and reportable matters

Please note that under Canadian generally accepted auditing standards we must report significant deficiencies to those charged with governance.

This letter is not exhaustive, and deals with the more important matters that came to our attention during the audit. Minor matters were discussed verbally with your staff. There are no significant deficiencies to report at this time.

We would like to express our appreciation for the co-operation and assistance which we received during the course of our audit from your employees.

We shall be pleased to discuss with you further any matters mentioned in this report at your convenience.

Welch LLP – Chartered Accountants
P.O. Box 757 - 270 Lake Street, Pembroke, Ontario K8A 6X9
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This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Yours very truly,

A handwritten signature in black ink, appearing to read 'P. Harrington', with a large loop at the start and a long horizontal stroke at the end.

Peter Harrington, CPA, CA
Welch LLP