

Financial Statements of

**NORTH BAY PUBLIC
LIBRARY BOARD**

Year ended December 31, 2011



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INDEPENDENT AUDITOR'S REPORT

To the Directors of the North Bay Public Library Board

We have audited the accompanying financial statements of North Bay Public Library Board, which comprise the statement of financial position as at December 31, 2011, the statements of operations, changes in net debt and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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 our judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

During the year ended December 31, 2010, the predecessor auditors were unable to determine the completeness of reported amounts of donation revenues and whether adjustments might have been necessary in respect of donations reported in the statement of operations for the year ended December 31, 2010. This caused the predecessor auditors to qualify their audit opinion on the statement of financial position as at December 31, 2010 and the statement of operations for the period then ended due to their inability to obtain sufficient appropriate audit evidence related to the recorded amount of donation revenues.

Our opinion on the financial statement as at and for the year ended December 31, 2011 is also modified because of the possible effect of this matter on the comparability of the current period's figures and the prior period figures.

Qualified Opinion

In our opinion, except for the possible effects of the matter on the comparative information described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of North Bay Public Library Board as at December 31, 2011, its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements of North Bay Public Library Board as at and for the year ended December 31, 2010 were audited by another auditor who expressed a qualified opinion on those financial statements on June 8, 2011 due to the matter described in the Basis for Qualified Opinion paragraph.

KPMG LLP



Chartered Accountants, Licensed Public Accountants

June 13, 2012

North Bay, Canada

NORTH BAY PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2011, with comparative information for 2010

	2011	2010
Financial assets:		
Cash	\$ 200	\$ 200
Accounts receivable (note 2)	4,651	20,463
Receivable from The Corporation of the City of North Bay (note 3)	212,844	217,532
	<u>217,695</u>	<u>238,195</u>
Financial liabilities:		
Accounts payable and accrued liabilities	222,450	\$ 263,372
Deferred revenue	14,695	8,871
Employee future benefits (note 4)	102,020	117,000
	<u>339,165</u>	<u>389,243</u>
Net debt	<u>(121,470)</u>	<u>(151,048)</u>
Non-financial assets:		
Tangible capital assets (note 5)	1,676,898	1,572,383
Prepaid expenses	25,236	24,612
	<u>1,702,134</u>	<u>1,596,995</u>
Accumulated surplus (note 6)	<u>\$ 1,580,664</u>	<u>\$ 1,445,947</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

NORTH BAY PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2011, with comparative information for 2010

	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Revenue:			
Government transfers:			
The Corporation of the City of North Bay:			
Tax levy	\$ 1,907,489	\$ 1,907,489	\$ 1,844,274
Capital contribution	-	160,465	136,054
Province of Ontario:			
Operating grant	101,764	101,764	101,764
Other grant	5,947	4,847	4,847
Fines	64,000	59,848	65,992
Fees, service charges and donations	28,700	17,829	23,549
Facility rentals and other	14,700	21,574	39,926
Interest	1,000	1,234	928
	2,123,600	2,275,050	2,217,334
Expenses (Schedule):			
Salaries and benefits	1,655,100	1,623,381	1,612,197
Library building	85,000	76,510	77,921
Administration	80,500	74,470	78,172
Purchased services	60,000	61,647	60,615
Operating	52,530	50,728	31,062
Minor capital purchases	15,500	18,830	29,927
Other	500	1,559	2,597
Amortization of tangible capital assets	174,470	233,208	228,495
	2,123,600	2,140,333	2,120,986
Annual surplus	-	134,717	96,348
Accumulated surplus, beginning of year	-	1,445,947	1,349,599
Accumulated surplus, end of year	\$ -	\$ 1,580,664	\$ 1,445,947

See accompanying notes to financial statements.

NORTH BAY PUBLIC LIBRARY BOARD

Statement of Change in Net Debt

Year ended December 31, 2011, with comparative information for 2010

	2011 Actual	2010 Actual
Annual surplus	\$ 134,717	\$ 96,348
Acquisition of tangible capital assets	(337,723)	(331,300)
Amortization of tangible capital assets	233,208	228,495
Loss on disposal of tangible capital assets	-	1,011
	30,202	(5,446)
Acquisition of prepaid expenses	(25,236)	(24,612)
Use of prepaid expenses	24,612	25,119
	(624)	507
Change in net debt	29,578	(4,939)
Net debt, beginning of year	(151,048)	(146,109)
Net debt, end of year	\$ (121,470)	\$ (151,048)

See accompanying notes to financial statements.

NORTH BAY PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2011, with comparative information for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 134,717	\$ 96,348
Items not involving cash:		
Amortization of tangible capital assets	233,208	228,495
Loss on disposal of tangible capital assets	-	1,011
	<u>367,925</u>	<u>325,854</u>
Change in non-cash assets and liabilities:		
Accounts receivable	15,812	383
Receivable from The Corporation of the City of North Bay	4,688	(7,865)
Prepaid expenses	(624)	507
Accounts payable and accrued liabilities	(40,922)	4,421
Deferred revenue	5,824	-
Employee future benefits	(14,980)	8,000
	<u>337,723</u>	<u>331,300</u>
Capital activities:		
Purchase of tangible capital assets	337,723	(331,300)
Increase in cash during the year		
	-	-
Cash, beginning of year	200	200
Cash, end of year	<u>\$ 200</u>	<u>\$ 200</u>

See accompanying notes to financial statements.

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2011

The North Bay Public Library Board (the "Library") is a Board of The Corporation of the City of North Bay which is incorporated under the Ontario Public Library Act. The Library makes available a wide variety of reading, electronic and audio-visual materials to the citizens of North Bay and its surrounding area.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements of the Library are prepared by management in accordance with Canadian public sector accounting standards. Significant policies adopted by the Library are as follows:

(b) Basis of accounting:

The Library follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Deferred revenue:

Deferred revenue represents funds which have been received but for which the related services have yet to be performed. These amounts will be recognized as revenues in the year the appropriate expenses are incurred.

(d) Government transfers:

Government transfers received relate to operating and capital expenditures. Transfers are recognized in the financial statements as revenues 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 made.

(e) Tangible capital 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 ordinary course of operations.

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2011

1. Significant accounting policies (continued):

(e) Tangible capital assets: (continued)

Tangible capital assets are recorded at cost. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation and installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated useful life of the tangible capital asset commencing once the asset is available for use as follows:

	Useful life (years)
Building	100 years
Building betterments	remaining service life of building
Equipment	4 to 15 years
Books, CDs, Videos	2 to 10 years

(f) Employee future benefits:

The Library sponsors a defined benefit supplementary health plan for certain employees and retirees funded on a pay-as-you-go basis and a defined benefit pension plan. The Library has adopted the following policies:

- i) The cost of the accrued benefit obligation for the post-employment supplementary health plan is actuarially determined using the projected benefit method pro-rated on service and management's estimate of retirement age and health costs.
- ii) Actuarial gains (losses) on the accrued benefit obligation arise from the difference between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of active employees is 13 years.
- iii) The Library is an employer member of the Ontario Municipal Employees Retirement Fund ("the Plan") which is a multi-employer, defined benefit pension plan. The Library has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2011

1. Significant accounting policies (continued):

(g) 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 year. Significant estimates include assumptions used in estimating useful lives for tangible capital assets, and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

2. Related party transactions and economic dependence:

Substantially all of the Library's revenue is received from The Corporation of the City of North Bay (the "City"). The continuation of the Library is dependent on this funding.

The expenditures noted in Schedule 1 for Purchased Services are paid to the City. These expenditures are measured at their exchange amounts which is the amount of consideration agreed to by the related parties.

The amounts due from the City are non-interest bearing, unsecured and have no fixed terms of repayment.

3. Accounts receivable:

	2011	2010
Government of Canada (sales taxes)	\$ 2,731	\$ 3,584
Other	1,920	16,879
	<u>\$ 4,651</u>	<u>\$ 20,463</u>

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2011

4. Employee future benefits:

Employee future benefits are comprised of the following balances:

	2011	2010
Sick leave plan	\$ 49,151	\$ 65,000
Supplementary health care benefits	52,869	52,000
	\$ 102,020	117,000

Prior to August 31, 1987 the Library provided its employees with a sick leave plan whereby employees could accumulate sick leave credits and be entitled to a cash payment when they left the Library's employment. With the introduction of a long-term disability plan on August 31, 1987 this sick leave plan was discontinued and as such no sick leave credits have accumulated since. The outstanding accrued liability is to cover sick leave credits accumulated prior to August 31, 1987.

The Library measures its accrued benefit obligations for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the plan for funding purposes was December 2011 and the next required valuation will be as of December 2014.

The reconciliation of the funded status of the defined benefit health care and sick leave plans and the amounts recorded in the financial statements is as follows:

	2011	2010
Components of pension expense:		
Current service cost	\$ 19,577	\$ 10,000
Interest cost	9,157	11,000
Amortization of actuarial loss	16,000	15,000
	\$ 44,734	\$ 36,000

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2011

4. Employee future benefits: (continued)

	2011	2010
Reconciliation of accrued benefit obligation to accrued benefit liability:		
Accrued benefit obligation and plan deficit	\$ 218,020	\$ 249,000
Unamortized net actuarial loss	(116,000)	(132,000)
	-	-
Accrued benefit liability	\$ 102,020	\$ 117,000

The significant actuarial assumptions adopted in measuring the Library's accrued benefit obligation are as follows:

	2011	2010
Discount rate	4.5%	4.5%
Initial health care cost trend rate	7.5%	8.0%
Health care cost trend rate declines to	4.5%	4.5%
Year ultimate rate reached	2019	2019

Multi-employer Pension Plans:

Substantially all of the employees of the Library are members of the Ontario Municipal Employees Retirement Fund (the "Plan"), which is a multi-employer defined benefit plan. Employer contributions made to the Plan during the year by the Library amounted to \$75,962 (2010 - \$69,181).

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2011

5. Tangible capital assets:

2011					
	Land	Building	Equipment	Books, CD's Videos	Total
Cost, beginning of year	\$ 62,776	\$ 1,063,087	\$ 318,373	\$ 4,320,318	\$ 5,764,554
Additions	-	138,834	40,688	158,201	337,723
Disposals	-	-	-	(125,797)	(125,797)
Cost, end of year	62,776	1,201,921	359,061	4,352,722	5,976,480
Accumulated amortization, beginning of year	-	267,516	188,927	3,735,728	4,192,171
Amortization	-	16,989	52,242	163,977	233,208
Disposals	-	-	-	(125,797)	(125,797)
Accumulated amortization, end of year	-	284,505	241,169	3,773,908	4,299,582
Net carrying amount, end of year	\$ 62,776	\$ 917,416	\$ 117,892	\$ 578,814	\$ 1,676,898
2010					
	Land	Building	Equipment	Books, CD's Videos	Total
Cost, beginning of year	\$ 62,776	\$ 1,014,526	\$ 220,009	\$ 4,393,066	\$ 5,690,377
Additions	-	48,561	98,364	184,375	331,300
Disposals	-	-	-	(257,123)	(257,123)
Cost, end of year	62,776	1,063,087	318,373	4,320,318	5,764,554
Accumulated amortization, beginning of year	-	253,051	145,439	3,821,298	4,219,788
Amortization	-	14,465	43,488	170,542	228,495
Disposals	-	-	-	(256,112)	(256,112)
Accumulated amortization, end of year	-	267,516	188,927	3,735,728	4,192,171
Net carrying amount, end of year	\$ 62,776	\$ 795,571	\$ 129,446	\$ 584,590	\$ 1,572,383

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2011

6. Accumulated surplus:

	2011	2010
Invested in tangible capital assets	\$ 1,676,898	\$ 1,572,383
Internally restricted reserve fund	71,214	69,980
Amounts to be funded from future revenues (note 4)	(102,020)	(117,000)
Capital reserve fund	10,652	13,432
Current fund	(76,080)	(92,848)
Accumulated surplus, end of year	\$ 1,580,664	\$ 1,445,947

7. Budget figures:

The unaudited budgeted figures presented for comparative purposes are those approved by the Board of Directors. They have been reclassified to conform with these financial statements.

The Board completes a separate budget review for its Operating and Capital Budgets each year. The approved budget for 2011 is reflected on the statement of operations and detailed schedule of expenses.

8. Segment reporting:

The Canadian Institute of Chartered Accountants Public Sector Accounting Handbook Section PS2700 - *Segment Disclosures* establishes standards on defining and disclosing segments in a government's financial statements. Government organizations that apply these standards are encouraged to provide the disclosures established by this section when their operations are diverse enough to warrant such disclosures. The Board has only one identifiable segment, considered to be public access to information and related services as presented in these financial statements.

NORTH BAY PUBLIC LIBRARY BOARD

Schedule 1 - Detailed Schedule of Expenses

Year ended December 31, 2011, with comparative information for 2010

	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Personnel:			
Salaries	\$ 1,300,400	\$ 1,272,265	\$ 1,269,054
Overtime	30,000	46,410	33,686
Benefits	319,700	299,706	304,457
Vested sick leave payouts	5,000	5,000	5,000
	<u>1,655,100</u>	<u>1,623,381</u>	<u>1,612,197</u>
Operating:			
Book repairs and processing	24,530	15,978	18,578
Electronic materials	28,000	34,750	12,484
	<u>52,530</u>	<u>50,728</u>	<u>31,062</u>
Library building:			
Building maintenance costs	19,000	18,235	19,226
Utility costs	54,500	47,220	47,318
Insurance costs	11,500	11,055	11,377
	<u>85,000</u>	<u>76,510</u>	<u>77,921</u>
Administration:			
Office supplies	11,500	8,754	12,047
Telephone	7,300	7,532	6,992
Office equipment maintenance	1,300	-	1,296
Postage/courier	6,300	5,246	6,339
Membership fees	1,600	1,001	1,009
Promotion costs	5,000	2,811	2,521
Professional development	6,000	5,804	4,751
Audit/Treasurer fees	5,700	5,957	7,485
Collection agency fees	900	779	790
Photocopy costs	8,500	8,337	8,539
Systems maintenance contract	21,000	21,000	20,188
Other contracts and miscellaneous costs	5,400	3,318	3,037
Employee parking	-	3,931	3,178
	<u>80,500</u>	<u>74,470</u>	<u>78,172</u>
Purchased services:			
Purchased services	60,000	61,647	60,615
Minor capital purchases and other:			
Furniture and equipment	15,500	18,830	29,927
Programming	500	1,559	2,597
Amortization	174,470	233,208	228,495
	<u>190,470</u>	<u>253,597</u>	<u>261,019</u>
	<u>\$ 2,123,600</u>	<u>\$ 2,140,333</u>	<u>\$ 2,120,986</u>