

North Bay Public Library Board
Financial Statements
For the year ended December 31, 2010

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For the year ended December 31, 2010**

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Debt	6
Statement of Cash Flows	7
Summary of Significant Accounting Policies	8 - 10
Notes to Financial Statements	11 - 15
Schedule 1 - Detailed Schedule of Expenses	16 - 17



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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 the North Bay Public Library Board, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in net debt 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 of these financial statements in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, 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.

Auditor's 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 judgment, 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 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

The Board derives revenue from the collection of fines, fees, service charges and donations, 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 organization. We were unable to determine whether any adjustments might be necessary to revenues other than grants, excess of revenue over expenses, assets and accumulated surplus.

Qualified Opinion

In our opinion, except for the effects 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 Board as at December 31, 2010 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with the accounting principles prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

North Bay, Ontario
June 8, 2011

North Bay Public Library Board Statement of Financial Position

December 31	2010	2009
Financial Assets		
Cash	\$ 200	\$ 200
Receivable from City of North Bay	217,532	209,667
Accounts receivable	20,463	20,846
	238,195	230,713
Liabilities		
Accounts payable and accrued liabilities	144,689	142,893
Deferred revenue	8,871	8,871
Post-employment benefits (Note 1)	235,683	225,058
	389,243	376,822
Net debt	(151,048)	(146,109)
Non-Financial Assets		
Tangible capital assets (Note 2)	1,572,383	1,470,589
Prepaid expenses	24,612	25,119
Accumulated surplus (Note 3)	\$ 1,445,947	\$ 1,349,599

On behalf of the Board:

_____ Director

_____ Director

North Bay Public Library Board Statement of Operations

For the year ended December 31	2010 Budget	2010 Actual	2009 Actual
Revenues			
City of North Bay tax levy	\$ 1,844,274	\$ 1,844,274	\$ 1,791,043
City of North Bay capital contribution	-	136,054	109,420
Province of Ontario grant - operating	101,764	101,764	101,764
Fines	62,500	65,992	62,741
Facility rentals and other	27,200	39,926	53,585
Fees, service charges and donations	15,200	23,549	14,043
Province of Ontario grant - other	5,947	4,847	6,012
Interest	1,000	928	793
	<u>2,057,885</u>	<u>2,217,334</u>	<u>2,139,401</u>
Expenses (Schedule 1)			
Personnel (Note 4)	1,592,528	1,612,197	1,555,780
Administration	78,410	78,172	110,687
Library building	89,500	77,921	76,574
Purchased services	58,477	60,615	56,774
Operating	48,000	31,062	51,516
Minor capital purchases	16,000	29,927	7,740
Other	500	2,597	1,586
Amortization	-	228,495	201,861
	<u>1,883,415</u>	<u>2,120,986</u>	<u>2,062,518</u>
Annual surplus	174,470	96,348	76,883
Accumulated surplus, beginning of year	-	1,349,599	1,272,716
Accumulated surplus, end of year	<u>\$ -</u>	<u>\$ 1,445,947</u>	<u>\$ 1,349,599</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay Public Library Board Statement of Changes in Net Debt

For the year ended December 31	2010 Budget	2010 Actual	2009 Actual
Annual surplus	\$ 174,470	\$ 96,348	\$ 76,883
Acquisition of tangible capital assets	(174,470)	(331,300)	(279,696)
Amortization of tangible capital assets	-	228,495	201,861
Loss on disposal of tangible capital assets	-	1,011	-
	-	(5,446)	(952)
Acquisition of prepaid expenses	-	(24,612)	(25,119)
Use of prepaid expenses	-	25,119	51,898
	-	507	26,779
Change in net (debt) financial assets	-	(4,939)	25,827
Net debt, beginning of year	(146,109)	(146,109)	(171,936)
Net debt, end of year	\$ (146,109)	\$ (151,048)	\$ (146,109)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

North Bay Public Library Board Statement of Cash Flows

<u>For the year ended December 31</u>	<u>2010</u>	<u>2009</u>
Cash provided by (used in)		
Operating transactions		
Annual surplus	\$ 96,348	\$ 76,883
Items not involving cash		
Amortization of tangible capital assets	228,495	201,861
Loss on disposal of tangible capital assets	1,011	-
	<u>325,854</u>	<u>278,744</u>
Changes in non-cash working capital balances		
Receivable from City of North Bay	(7,865)	(35,565)
Accounts receivable	383	(16,659)
Accounts payable and accrued liabilities	1,796	33,713
Deferred revenue	-	(28,391)
Post-employment benefits	10,625	21,075
Prepaid expenses	507	26,779
	<u>331,300</u>	<u>279,696</u>
Capital transactions		
Purchase of tangible capital assets	<u>(331,300)</u>	<u>(279,696)</u>
Increase (decrease) in cash during the year	-	-
Cash, beginning of year	<u>200</u>	<u>200</u>
Cash, end of year	\$ 200	\$ 200

North Bay Public Library Board Summary of Significant Accounting Policies

December 31, 2010

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

Basis of Accounting The financial statements of the Library are prepared by management in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Standards Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Board are as follows:

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, 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 life of the tangible capital asset commencing once the asset is available for productive use as follows:

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

Revenue Recognition Revenue is recognized when it is earned with the exception of late fines which are recognized in the period they are received due to the uncertainty of collection.

Deferred Revenue Deferred revenue represents funds which have been applied for and collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

North Bay Public Library Board Summary of Significant Accounting Policies

December 31, 2010

Post-Employment Benefits

The Library's contributions due during the period to its multi employer defined benefit plan are expensed as incurred. The Library accrues its obligations under employee benefit plans as the employees render the services necessary to earn employee future benefits. The Library has adopted the following valuation methods and assumptions:

Accrued benefit obligations are computed using the Projected Benefit Method Pro Rated on Service, as defined in PSAB 3250 & PSAB 3255. The objective under this method is to expense each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement. Under this method an equal portion of total estimated future benefit is attributed to each year of service.

The non-pension post retirement and post employment benefits are funded on a pay-as-you-go basis. The Library funds on a cash basis as benefits are paid. No assets have been formally segregated and restricted to provide the non-pension retirement and post employment benefits.

Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life ('EARSL') (expected remaining payment period in respect of the retiring allowance) of members expected to receive benefits under the plan, with amortization commencing in the period following the determination of the gain or loss. Obligations are attributed to the period beginning on the member's date of hire and ending on the expected date of termination, death or retirement, depending on the benefit value. The Library's fiscal year-end is December 31 and the measurement date of the Library's obligation is such.

North Bay Public Library Board Summary of Significant Accounting Policies

December 31, 2010

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

In particular, amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Post-employment benefits are reported based on amounts expected to be incurred and reflect assumptions based on management's best information and judgment at the time of valuation.

North Bay Public Library Board Notes to Financial Statements

December 31, 2010

1. Post-Employment Benefits

Post-employment benefits are comprised of the following balances:

	2010	2009
a) Sick leave plan	\$ 65,000	\$ 68,000
b) Vacation credits	118,683	116,058
c) Supplementary health benefits	52,000	41,000
	\$ 235,683	\$ 225,058

- a) Prior to August 31, 1987 the Board 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 Board'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.
- b) Commencing January 1, 2004 the Board began to measure the liability for vacation entitlement on an accrual basis.
- c) Commencing January 1, 2004 the Board began to measure the liability for the employee supplementary health benefits plan on an accrual basis. This plan provides extended health plan coverage to age 65 for all qualifying retirees.

The liability for the employee supplementary health benefits plan noted above was determined by an actuarial valuation performed in early 2010 and includes the following assumptions.

- i) Expected average remaining service life - 12-14 years
- ii) Interest/Discount rate - 4.50%
- iii) Medical costs - 8% in 2010 and grading down over the next nine years to 4.5%

Details of the post-employment benefit liability are as follows:

	2010	2009
Balance, beginning of year	\$ 225,058	\$ 203,983
Expenses (net of payments)	10,625	21,075
Balance, end of year	\$ 235,683	\$ 225,058

North Bay Public Library Board Notes to Financial Statements

December 31, 2010

2. Tangible Capital Assets

	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	<u>62,776</u>	<u>1,063,087</u>	<u>318,373</u>	<u>4,320,318</u>	<u>5,764,554</u>
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	-	<u>267,516</u>	<u>188,927</u>	<u>3,735,728</u>	<u>4,192,171</u>
Net carrying amount, end of year	<u>\$ 62,776</u>	<u>\$ 795,571</u>	<u>\$ 129,446</u>	<u>\$ 584,590</u>	<u>\$ 1,572,383</u>
	2009				
	Land	Building	Equipment	Books, CD's Videos	Total
Cost, beginning of year	\$ 62,776	\$ 945,952	\$ 172,992	\$ 4,308,203	\$ 5,489,923
Additions	-	68,574	47,017	164,105	279,696
Disposals	-	-	-	(79,242)	(79,242)
Cost, end of year	<u>62,776</u>	<u>1,014,526</u>	<u>220,009</u>	<u>4,393,066</u>	<u>5,690,377</u>
Accumulated amortization, beginning of year	-	239,453	122,035	3,735,681	4,097,169
Amortization	-	13,598	23,404	164,859	201,861
Disposals	-	-	-	(79,242)	(79,242)
Accumulated amortization, end of year	-	<u>253,051</u>	<u>145,439</u>	<u>3,821,298</u>	<u>4,219,788</u>
Net carrying amount, end of year	<u>\$ 62,776</u>	<u>\$ 761,475</u>	<u>\$ 74,570</u>	<u>\$ 571,768</u>	<u>\$ 1,470,589</u>

North Bay Public Library Board Notes to Financial Statements

December 31, 2010

3. Accumulated Surplus

	2010	2009
Invested in tangible capital assets	\$ 1,572,383	\$ 1,470,589
Internally restricted reserve fund	69,980	69,051
Capital reserve fund	13,432	14,125
Current fund	25,835	20,892
Amounts to be funded from future revenues (Note 1)	(235,683)	(225,058)
Accumulated surplus, end of year	\$ 1,445,947	\$ 1,349,599

4. Pension Agreements

The Corporation of the City of North Bay makes contributions on behalf of the Board to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan which covers substantially all of the Library's employees. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 409,746 active and retired members and approximately 931 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2010. The results of this valuation disclosed total actuarial liabilities of \$60,035 million in respect of benefits accrued for service with actuarial assets at that date of \$55,568 million indicating an actuarial deficit of \$4,467 million. Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Board does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2010 was \$69,181 (2009 - \$71,665) for current service.

North Bay Public Library Board Notes to Financial Statements

December 31, 2010

5. Related Party Transactions / Economic Dependence

The expenditures noted in Schedule 1 for Purchased Services are paid to the Corporation of the City of North Bay. These expenditures are measured at exchange amounts.

Substantially all of the Board's revenue is received from the City of North Bay. The continuation of the Board is dependent on this funding.

6. Budget Figures

The budgeted figures as 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 separate budget reviews for its Operating and Capital Budgets each year. The approved budget for 2010 is reflected on the statement of operations and schedule of operating fund expenses.

Budgets established for the Capital Fund are set on a project-oriented basis, the costs of which may be carried out over one or more fiscal years and may not be comparable with the current year's actual amounts. Funding for these capital projects is determined annually and made by transfers from reserve funds and by the application of applicable grants or other funds.

The Budget By-law adopted by Council on July 6, 2010 was not prepared on a basis consistent with that used to report actual results (Canadian Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council on July 6, 2010 with adjustments as follows:

	<u>2010</u>
Budget by-law surplus for the year	\$ -
Add:	
Capital expenditures	<u>174,470</u>
Budget surplus per statement of operations	<u>\$ 174,470</u>

North Bay Public Library Board Notes to Financial Statements

December 31, 2010

7. Segmented Reporting

The Canadian Institute of Chartered Accountants Public Sector Accounting Handbook Section PS 2700, 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

For the year ended December 31	2010 Budget	2010 Actual	2009 Actual
Personnel			
Salaries	\$ 1,270,813	\$ 1,269,054	\$ 1,200,568
Overtime	29,000	33,686	41,584
Benefits (Note 4)	287,715	304,457	308,628
Vested sick leave payouts	5,000	5,000	5,000
Total Personnel Expenses	1,592,528	1,612,197	1,555,780
Operating			
Book repairs and processing	\$ 20,000	\$ 18,578	\$ 19,016
Electronic materials	28,000	12,484	32,500
Total Operating Expenses	48,000	31,062	51,516
Library Building			
Building maintenance costs	\$ 19,000	\$ 19,226	\$ 18,752
Utility costs	59,500	47,318	47,483
Insurance costs	11,000	11,377	10,339
Total Library Building Expenses	89,500	77,921	76,574
Administration			
Office supplies	\$ 11,000	\$ 12,047	\$ 10,523
Telephone	7,160	6,992	7,087
Office equipment maintenance	1,300	1,296	1,396
Postage/courier	6,300	6,339	5,985
Membership fees	1,600	1,009	1,009
Promotion costs	5,000	2,521	3,428
Professional development	6,000	4,751	8,098
Audit/Treasurer fees	5,150	7,485	4,900
Collection agency fees	1,000	790	842
Photocopy costs	8,000	8,539	8,543
Systems maintenance contract	20,300	20,188	19,181
Other contracts and miscellaneous costs	2,000	3,037	29,695
Labour negotiations	-	-	10,000
Employee parking	3,600	3,178	-
Total Administration Expenses	78,410	78,172	110,687

North Bay Public Library Board
Schedule 1 - Detailed Schedule of Expenses (continued)

For the year ended December 31	2010 Budget	2010 Actual	2009 Actual
Purchased Services (Note 5)			
Financial services	\$ 9,842	\$ 9,841	\$ 9,555
Human resource services	1,195	1,195	1,160
Legal services	598	598	581
Internet services	5,971	5,972	5,798
IT services	33,465	35,603	32,490
Telephone services	7,406	7,406	7,190
Total Purchased Services Expenses	58,477	60,615	56,774
Minor Capital Purchases and Other			
Furniture and equipment	\$ 16,000	\$ 29,927	\$ 7,740
Programming	500	2,597	1,586
Amortization	-	228,495	201,861
Total Other Expenses	16,500	261,019	211,187
	\$ 1,883,415	\$ 2,120,986	\$ 2,062,518