

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

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Financial Statements
For the year ended December 31, 2010

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Independent Auditor's Report

To the Board Members of the Barrie Public Library Board

We have audited the accompanying financial statements of the Barrie Public Library Board which comprise the statement of financial position as at December 31, 2010 and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many non-profit organizations, Barrie Public Library Board derives revenue from fines, donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to fines, donations and fundraising revenues, annual surplus, financial assets and accumulated surplus.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the statement of financial position of Barrie Public Library Board as at December 31, 2010, and the results of operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Barrie, Ontario
September 22, 2011

Barrie Public Library Board Statement of Financial Position

December 31	2010	2009
Financial assets		
Cash	\$ 1,005	\$ 1,005
GST/HST receivable	97,296	30,528
Due from the Corporation of the City of Barrie (Note 1)	1,781,470	1,445,288
	1,879,771	1,476,821
Liabilities		
Accounts payable and accrued liabilities	10,938	10,938
Employee benefits plan liability (Note 2)	480,417	423,387
Deferred revenue (Note 3)	264,712	61,381
	756,067	495,706
Net financial assets	1,123,704	981,115
Non-financial assets		
Tangible capital assets (Note 4)	2,297,132	2,287,819
Prepaid expenses	68,434	39,248
	2,365,566	2,327,067
Accumulated surplus (Note 5)	\$ 3,489,270	\$ 3,308,182

On behalf of the Board:

_____ Director

_____ Director

Barrie Public Library Board Statement of Operations

For the year ended December 31	Budget 2010	2010	2009
	(Note 7)		
Revenue			
Municipal contribution (Note 1)	\$ 4,209,532	\$ 4,209,532	\$ 3,937,604
Development charges (Note 1)	268,935	126,331	149,254
Provincial grant	271,808	271,808	271,808
Miscellaneous grants	-	1,885	18,519
Contract receipt - Township of Oro-Medonte	122,700	122,700	116,858
Fines	142,000	129,158	117,794
Programs and fees	47,500	43,368	37,362
Donations	-	55,806	4,912
Fundraising revenue, Cafe and Boutique sales	-	125,544	134,854
Interest	-	6,093	5,647
	<u>5,062,475</u>	<u>5,092,225</u>	<u>4,794,612</u>
Expenses			
Amortization	548,556	548,556	546,279
Fundraising, Cafe and Boutique expenses	-	52,868	61,700
Maintenance	267,734	130,568	80,622
Materials	256,345	71,375	119,886
Other supplies	75,210	96,772	71,773
Personnel			
Benefits (Note 6)	13,738	554,220	505,717
Salaries	3,196,654	2,716,455	2,572,010
Processing, professional and other	325,292	314,313	308,265
Rent (Note 1)	394,633	426,010	300,642
	<u>5,078,162</u>	<u>4,911,137</u>	<u>4,566,894</u>
Annual surplus (deficit)	<u>(15,687)</u>	<u>181,088</u>	<u>227,718</u>
Accumulated surplus, beginning of year	<u>-</u>	<u>3,308,182</u>	<u>3,080,464</u>
Accumulated surplus (deficit), end of year	<u>\$ (15,687)</u>	<u>\$ 3,489,270</u>	<u>\$ 3,308,182</u>

Barrie Public Library Board
Statement of Change in Net Financial Assets

<u>For the year ended December 31</u>	<u>Budget 2010</u>	<u>2010</u>	<u>2009</u>
	(Note 7)		
Annual surplus (deficit)	\$ (15,687)	\$ 181,088	\$ 227,718
Acquisition of tangible capital assets	(557,869)	(557,869)	(665,647)
Amortization of tangible capital assets	548,556	548,556	546,279
	<u>(25,000)</u>	<u>171,775</u>	<u>108,350</u>
Acquisition of prepaid expenses	-	(29,186)	(17,897)
Net change in net financial assets	(25,000)	142,589	90,453
Net financial assets, beginning of year	<u>981,115</u>	<u>981,115</u>	<u>890,662</u>
Net financial assets, end of year	\$ 956,115	\$ 1,123,704	\$ 981,115

Barrie Public Library Board Statement of Cash Flows

For the year ended December 31	2010	2009
Operating transactions		
Annual surplus	\$ 181,088	\$ 227,718
Items not involving cash:		
Amortization	548,556	546,279
Changes in non-cash operating balances:		
GST/HST receivable	(66,768)	(4,806)
Prepaid expenses and inventories of supplies	(29,186)	(17,897)
Accounts payable and accrued liabilities	-	6,438
Employee Benefits Plan liability	57,030	29,507
Deferred revenue	203,331	54,298
	894,051	841,537
Capital transactions		
Acquisition of tangible capital assets	(557,869)	(665,647)
Investing transactions		
Increase in amount due from the Corporation of the City Barrie	(336,182)	(175,889)
Net change in cash and cash equivalents	-	1
Cash, beginning of year	1,005	1,004
Cash, end of year	\$ 1,005	\$ 1,005

Barrie Public Library Board Summary of Significant Accounting Policies

December 31, 2010

**Management's
Responsibility for the
Financial Statements**

The financial statements of the Barrie Public Library Board ("Board") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards. The Board is a registered charity and as such, is exempt from income tax under the Canadian Income Tax Act, and may issue income tax receipts to donors. It's primary role is to provide library services to the general public.

**Accrual Basis of
Accounting**

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenditures are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimate used in the preparation of these financial statements is the estimated employee benefits payable. Actual results could differ from management's best estimates as additional information becomes available in the future.

Deferred Revenue

Funds received for specific purposes which are externally restricted by agreement and are not available for general Board purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.

Barrie Public Library Board Summary of Significant Accounting Policies

December 31, 2010

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 in the year following that in which the asset is available for productive use as follows:

Collections	7 years
Computer Equipment	3 to 5 years
Furniture and Fixtures	5 to 10 years

Revenue Recognition

Revenues are recognized as follows:

- a) Municipal contributions are recognized in the period to which the related expenditures are incurred.
- b) Development charges are recognized over the period of service or when required expenditures occur if applicable.
- c) Grant revenue is recognized in the period to which the related expenditures are incurred.
- d) Revenue from the Contract receipt - Township of Oro-Medonte is recognized on a quarterly basis when due.
- e) Fine revenue is recognized when collected.
- f) Fees for programs and services are recognized over the period of service or when the related expenditures occur.
- g) Donations and fundraising revenue are recognized when collected.
- h) Interest income is recognized as it is earned.

Pension Plan

The Board is an employer member of the Ontario Municipal Employee Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of assets and administration of the benefits. The Board has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Board records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Barrie Public Library Board Summary of Significant Accounting Policies

December 31, 2010

Employee Benefits

The Board provides future benefits to specified employee groups. These benefits include, lieu time, sick days and vacation entitlements. The Board has adopted the following policies with respect to accounting for these employee benefits:

- a) The costs of self insured sick days are determined using the projected benefit method prorated on services based on management's best estimates of salary escalation, retirement ages of employees, accumulated sick days at retirement, and long term inflation rates and discount rates.
- b) Vacation and lieu time entitlements are determined using the accumulated benefit method through accruing entitlements as they are earned.

Barrie Public Library Board Notes to Financial Statements

December 31, 2010

1. Due from The Corporation of the City of Barrie

The Corporation of the City of Barrie controls the Barrie Public Library Board due to the fact that the Council for the City of Barrie approves the Board's budget and has representation on the Board of Directors. The following table summarizes the transactions with the Corporation of the City of Barrie for the year:

	<u>2010</u>	<u>2009</u>
Revenue		
Municipal operating grant	<u>\$ 4,209,532</u>	<u>\$ 3,937,604</u>
Development charges	<u>\$ 126,331</u>	<u>\$ 149,254</u>
Expenditures		
Rent	<u>\$ 426,010</u>	<u>\$ 300,642</u>

At the end of the year, the amount due from the Corporation of the City of Barrie is as follows:

	<u>2010</u>	<u>2009</u>
Due from the Corporation of the City of Barrie	<u>\$ 1,781,470</u>	<u>\$ 1,445,288</u>

Of the balance at year-end, \$1,781,470 (2009 - \$1,376,738) is held in reserve and bears interest as disclosed in Note 5. The remaining balance of \$NIL (2009 - \$68,550) is non-interest bearing.

The balance is unsecured, with no fixed terms of repayment and has arisen from the transactions listed above less expenditures paid on behalf of the Barrie Public Library Board. The transactions are measured at the exchange amount.

**Barrie Public Library Board
Notes to Financial Statements**

December 31, 2010

2. Employee Benefits Plan Liability

	2010	2009
Vacation payable	\$ 121,515	\$ 101,693
Sick leave payable	358,902	321,694
	\$ 480,417	\$ 423,387

Employees earn 126 hours of sick leave per year and are allowed to accumulate any unused sick leave time up to a maximum of 1,820 hours. After 10 years of continuous employment a permanent full-time employee who resigns or retires shall receive a payment of cash equivalent to one-half of the unused portion of their accumulated sick leave credits, at the rate of pay immediately preceding such resignation/termination.

The Board has established reserves to mitigate the future impact of the sick leave obligation as detailed on the schedule of reserves in note 5. The balance of the sick leave reserve is \$114,483 (2009 - \$109,483).

The Board has never had an actuarial study performed on their employee benefits. The Board has valued the sick leave benefit payable using the projected benefit method prorated on services. The significant assumptions used in this valuation were that the yearly rate of compensation increase approximates 3.25%, and the expected future long-term inflation rate will approximate the Canadian inflation rate in the year of hire for each employee.

3. Deferred Revenue

	2010 Opening balance	Contributions received	Revenue recognized	2010 Ending balance	2009 Ending balance
Materials	\$ 7,083	\$ 71,250	\$ (7,083)	\$ 71,250	\$ 7,083
Capital campaign	54,298	139,164	-	193,462	54,298
	\$ 61,381	\$ 210,414	\$ (7,083)	\$ 264,712	\$ 61,381

Materials

Deferred revenue relates to contributions from members of the community for the purchase of specific library materials

Capital Campaign

Deferred revenue relates to contributions from members of the community for the future construction of an additional library facility.

**Barrie Public Library Board
Notes to Financial Statements**

December 31, 2010

4. Tangible Capital Assets

	Collections	Computer Equipment	Furniture and Fixtures	2010 Total
Cost, beginning of year	\$ 4,378,344	\$ 457,181	\$ 567,728	\$ 5,403,253
Additions	509,659	13,542	34,668	557,869
Disposals				
Cost, end of year	<u>4,888,003</u>	<u>470,723</u>	<u>602,396</u>	<u>5,961,122</u>
Accumulated amortization, beginning of year	2,370,783	341,543	403,108	3,115,434
Amortization	487,762	30,742	30,052	548,556
Accumulated amortization, end of year	<u>2,858,545</u>	<u>372,285</u>	<u>433,160</u>	<u>3,663,990</u>
Net carrying amount, end of year	<u>\$ 2,029,458</u>	<u>\$ 98,438</u>	<u>\$ 169,236</u>	<u>\$ 2,297,132</u>

	Collections	Computer Equipment	Furniture and Fixtures	2009 Total
Cost, beginning of year	\$ 3,792,997	\$ 407,357	\$ 537,252	\$ 4,737,606
Additions	585,347	49,824	30,476	665,647
Cost, end of year	<u>4,378,344</u>	<u>457,181</u>	<u>567,728</u>	<u>5,403,253</u>
Accumulated amortization, beginning of year	1,894,528	297,472	377,155	2,569,155
Amortization	476,255	44,071	25,953	546,279
Accumulated amortization, end of year	<u>2,370,783</u>	<u>341,543</u>	<u>403,108</u>	<u>3,115,434</u>
Net carrying amount, end of year	<u>\$ 2,007,561</u>	<u>\$ 115,638</u>	<u>\$ 164,620</u>	<u>\$ 2,287,819</u>

Barrie Public Library Board Notes to Financial Statements

December 31, 2010

5. Accumulated Surplus

The Board segregates its accumulated surplus in the following categories:

	<u>2010</u>	<u>2009</u>
Investment in tangible capital assets	\$ 2,297,132	\$ 2,287,819
Current Funds	(752,645)	(356,375)
Reserve Funds		
Vested sick leave benefits	114,483	109,483
Future capital expenditures	1,235,224	970,570
Future collection acquisitions	595,076	296,685
	<u>\$ 3,489,270</u>	<u>\$ 3,308,182</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by resolution of the Board for specific purposes.

The Corporation of the City of Barrie calculates interest on the reserve funds based on a variable interest rate. This interest is credited to the reserves on a monthly basis. The rate for 2010 was 0.53% (2009 - 0.35% to 1.52%) during the year.

6. Pension Agreement

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 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. Contributions made by the Board to OMERS for 2010 were \$153,567 (2009 - \$146,090).

**Barrie Public Library Board
Notes to Financial Statements**

December 31, 2010

7. Budget

The Budget adopted by Board for 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 the Board for 2010 with adjustments as follows:

	<u>2010</u>
Budget for the year, as approved	\$ (25,000)
Add:	
Capital expenditures	557,869
Less:	
Amortization	<u>(548,556)</u>
Budget surplus per statement of operations	<u>\$ (15,687)</u>
