

Financial Statements of

**NORTH BAY PUBLIC
LIBRARY BOARD**

Year ended December 31, 2012



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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, 2012, 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Bay Public Library Board as at December 31, 2012, 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.

Chartered Accountants, Licensed Public Accountants

September 11, 2013
North Bay, Canada

NORTH BAY PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2012, with comparative information for 2011

	2012	2011
Financial assets:		
Cash	\$ 200	\$ 200
Accounts receivable (note 3)	111,097	4,651
Receivable from The Corporation of the City of North Bay (note 2)	97,640	212,844
	<u>208,937</u>	<u>217,695</u>
Financial liabilities:		
Accounts payable and accrued liabilities	249,643	222,450
Deferred revenue	7,418	14,695
Employee future benefits (note 4)	96,922	102,020
	<u>353,983</u>	<u>339,165</u>
Net debt	(145,046)	(121,470)
Non-financial assets:		
Tangible capital assets (note 5)	1,796,377	1,676,898
Prepaid expenses	41,943	25,236
	<u>1,838,320</u>	<u>1,702,134</u>
Accumulated surplus (note 6)	<u>\$ 1,693,274</u>	<u>\$ 1,580,664</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, 2012, with comparative information for 2011

	2012 Budget (Unaudited)	2012 Actual	2011 Actual
Revenue:			
Government transfers:			
The Corporation of the City of North Bay:			
Tax levy	\$ 1,977,969	\$ 1,977,969	\$ 1,907,489
Capital contribution	-	201,186	160,465
Province of Ontario:			
Operating grant	106,611	106,611	106,611
Fines	64,000	52,206	59,848
Fees, service charges and donations	17,400	17,639	17,829
Facility rentals and other	25,800	27,093	21,574
Interest	1,200	1,260	1,234
	<u>2,192,980</u>	<u>2,383,964</u>	<u>2,275,050</u>
Expenses (Schedule):			
Salaries and benefits	1,719,180	1,748,799	1,623,381
Library building	84,000	80,829	76,510
Administration	81,000	57,546	74,470
Purchased services	61,800	69,095	61,647
Operating	231,000	70,741	50,728
Minor capital purchases	15,500	5,295	18,830
Other	500	2,936	1,559
Amortization of tangible capital assets	-	236,113	233,208
	<u>2,192,980</u>	<u>2,271,354</u>	<u>2,140,333</u>
Annual surplus	-	112,610	134,717
Accumulated surplus, beginning of year	-	1,580,664	1,445,947
Accumulated surplus, end of year	<u>\$ -</u>	<u>\$ 1,693,274</u>	<u>\$ 1,580,664</u>

See accompanying notes to financial statements.

NORTH BAY PUBLIC LIBRARY BOARD

Statement of Change in Net Debt

Year ended December 31, 2012, with comparative information for 2011

	2012 Actual	2011 Actual
Annual surplus	\$ 112,610	\$ 134,717
Acquisition of tangible capital assets	(355,592)	(337,723)
Amortization of tangible capital assets	236,113	233,208
	(6,869)	30,202
Acquisition of prepaid expenses	(41,943)	(25,236)
Use of prepaid expenses	25,236	24,612
	(16,707)	(624)
Change in financial assets (net debt)	(23,576)	29,578
Net debt, beginning of year	(121,470)	(151,048)
Net debt, end of year	\$ (145,046)	\$ (121,470)

See accompanying notes to financial statements.

NORTH BAY PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2012, with comparative information for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 112,610	\$ 134,717
Items not involving cash:		
Amortization of tangible capital assets	236,113	233,208
	348,723	367,925
Change in non-cash assets and liabilities:		
Accounts receivable	(106,446)	15,812
Receivable from The Corporation of the City of North Bay	115,204	4,688
Prepaid expenses	(16,707)	(624)
Accounts payable and accrued liabilities	27,193	(40,922)
Deferred revenue	(7,277)	5,824
Employee future benefits	(5,098)	(14,980)
	355,592	337,723
Capital activities:		
Purchase of tangible capital assets	(355,592)	(337,723)
Increase in cash during the year	-	-
Cash position, beginning of year	200	200
Cash position, end of year	\$ 200	\$ 200

See accompanying notes to financial statements.

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2012

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, 2012

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 12 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, 2012

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:

	2012	2011
Government of Canada (sales taxes)	\$ 2,476	\$ 2,731
Other	108,621	1,920
	<hr/> \$ 111,097	<hr/> \$ 4,651

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2012

4. Employee future benefits:

	2012	2011
Sick leave plan	\$ 44,079	\$ 49,151
Supplementary health care benefits	52,843	52,869
Total employee future benefits payable	\$ 96,922	\$ 102,020

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.

Information about the Library's defined supplementary health benefit care and sick leave plan is as follows:

	2012	2011
Sick leave benefits:		
Accrued benefit, beginning of year	\$ 49,151	\$ 65,000
Amortization of unamortized actuarial gains/losses and other	13,621	10,600
Service cost for the year	18,683	17,500
Interest expense for the year	9,329	5,325
Benefits paid during the year	(46,705)	(49,274)
Accrued benefit liability and projected obligation, end of year	\$ 44,079	\$ 49,151

Supplementary health benefits:		
Accrued benefit, beginning of year	\$ 52,869	\$ 52,000
Amortization of unamortized actuarial gains/losses and other	4,921	5,399
Service cost for the year	2,217	2,077
Interest expense for the year	3,939	3,833
Benefit paid during the year	(11,103)	(10,440)
	-	-
Accrued benefit liability and projected obligation, end of year	\$ 52,843	\$ 52,869

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2012

4. Employee future benefits: (continued)

A comprehensive actuarial valuation was completed as at December 31, 2011 by an actuarial firm. The next valuation date will be for 2014, as at December 31. The main actuarial assumptions employed for the valuations are as follows:

- i) The discount rate was assumed at 4.25% per annum for Accrued Benefit Obligation ("ABO") (2011 - 4.25%) and 4.25% per annum for the 2012 expense (2011 - 4.25%).
- ii) Future general salary and wage levels were assumed to increase 3% per annum.
- iii) Health costs were assumed at 6.3333% per annum from 2011 through 2013, reducing by 0.3333% annually to 4% in 2020 (2011 hospital - 6.3333%, 2011 prescription drugs - 6.3333%, 2011 other medical and travel costs - 6.3333%).
- iv) Dental costs were assumed to increase at 4% per annum.
- v) The expected average remaining service life is 12 years for non-pension post retirement benefits and 11 years for post employment benefits.

5. Tangible capital assets:

	2012					
	Land	Building	Equipment	Books, CD's Videos	Construction in progress	Total
Cost, beginning of year	\$ 62,776	\$1,201,921	\$ 359,061	\$4,352,722	\$ -	\$5,976,480
Additions	-	129,800	20,215	154,409	51,168	355,592
Disposals	-	-	-	(173,310)	-	(173,310)
Cost, end of year	62,776	1,331,721	379,276	4,333,821	51,168	6,158,762
Accumulated amortization, beginning of year	-	284,505	241,169	3,773,908	-	4,299,582
Amortization	-	19,393	53,554	163,166	-	236,113
Disposals	-	-	-	(173,310)	-	(173,310)
Accumulated amortization, end of year	-	303,898	294,723	3,763,764	-	4,362,385
Net carrying amount, end of year	\$ 62,776	\$1,027,823	\$ 84,553	\$ 570,057	\$ 51,168	\$1,796,377

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2012

5. Tangible capital assets (continued):

	2011					
	Land	Building	Equipment	Books, CD's Videos	Construction in progress	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

6. Accumulated surplus:

	2012	2011
Invested in tangible capital assets	\$ 1,796,377	\$ 1,676,898
Internally restricted reserve fund	72,474	71,214
Amounts to be funded from future revenues (note 4)	(96,922)	(102,020)
Capital reserve fund	11,500	10,652
Current fund	(90,155)	(76,080)
Accumulated surplus, end of year	\$ 1,693,274	\$ 1,580,664

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 2012 is reflected on the statement of operations and detailed schedule of expenses.

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2012

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, 2012, with comparative information for 2011

	2012 Budget (Unaudited)	2012 Actual	2011 Actual
Salaries and benefits:			
Salaries	\$ 1,352,680	\$ 1,400,557	\$ 1,272,265
Overtime	35,000	19,065	46,410
Benefits	326,500	324,177	299,706
Vested sick leave payouts	5,000	5,000	5,000
	<u>1,719,180</u>	<u>1,748,799</u>	<u>1,623,381</u>
Operating:			
Book repairs and processing	200,000	23,325	15,978
Electronic materials	31,000	47,416	34,750
	<u>231,000</u>	<u>70,741</u>	<u>50,728</u>
Library building:			
Building maintenance costs	19,000	19,041	18,235
Utility costs	52,500	50,618	47,220
Insurance costs	12,500	11,170	11,055
	<u>84,000</u>	<u>80,829</u>	<u>76,510</u>
Administration:			
Office supplies	11,500	10,880	8,754
Telephone	7,300	7,097	7,532
Office equipment maintenance	1,300	-	-
Postage/courier	6,300	5,122	5,246
Membership fees	1,600	1,376	1,001
Promotion costs	5,000	2,937	2,811
Professional development	6,000	3,804	5,804
Audit/Treasurer fees	6,000	5,738	5,957
Collection agency fees	1,100	1,114	779
Photocopy costs	8,500	8,522	8,337
Systems maintenance contract	21,000	6,943	21,000
Other contracts and miscellaneous costs	5,400	409	3,318
Employee parking	-	3,604	3,931
	<u>81,000</u>	<u>57,546</u>	<u>74,470</u>
Purchased services:			
Purchased services	61,800	69,095	61,647
Minor capital purchases and other:			
Furniture and equipment	15,500	5,295	18,830
Programming	500	2,936	1,559
Amortization of tangible capital assets	-	236,113	233,208
	<u>16,000</u>	<u>244,344</u>	<u>253,597</u>
	<u>\$ 2,192,980</u>	<u>\$ 2,271,354</u>	<u>\$ 2,140,333</u>