

Financial statements of

Barrie Public Library Board

December 31, 2012

Barrie Public Library Board

December 31, 2012

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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, 2012, 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 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 similar 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 Barrie Public Library Board and we were not able to determine whether any adjustments might be necessary to fines, donations and fundraising revenues, and the annual surplus for the years ended December 31, 2012 and 2011, financial assets and accumulated surplus as at December 31, 2012, December 31, 2011 and January 1, 2011.

Qualified Opinion

In our opinion, except for the possible effects of the matter described on the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Barrie Public Library Board as at December 31, 2012 and the result of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements of the prior period, which are included for comparative purposes, were audited by a predecessor auditor who issued a qualified opinion dated May 24, 2012.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
October 1, 2013

Barrie Public Library Board

Statement of operations year ended December 31, 2012

	Budget 2012 (Note 8)	2012	2011
	\$	\$	\$
Revenue			
Municipal contribution (Note 3)	6,049,259	5,955,100	5,388,540
Development charges (Note 3)	224,893	254,597	250,859
Provincial funding	271,808	271,808	271,808
Miscellaneous funding	-	1,327	11,354
Contract receipt - Township of Oro-Medonte	135,277	135,277	128,835
Fines	150,000	119,581	119,565
Programs and fees	53,500	40,525	36,686
Donations	-	206,127	342,407
Fundraising revenue, cafe and boutique sales	-	120,855	128,104
Interest	-	17,169	19,884
	6,884,737	7,122,366	6,698,042
Expenses			
Amortization	687,100	687,100	560,091
Fundraising, cafe and boutique expenses	5,000	41,383	53,989
Maintenance	220,100	233,094	114,805
Materials	-	45,432	90,779
Other supplies	131,702	139,747	137,033
Personnel	4,379,900	4,162,148	3,417,777
Processing, professional and other	540,548	351,105	330,799
Rent (Note 3)	667,380	661,920	440,408
Contribution to municipality (Note 3)	-	-	573,940
	6,631,730	6,321,929	5,719,621
Annual surplus	253,007	800,437	978,421
Accumulated surplus, beginning of year	4,389,982	4,389,982	3,411,561
Accumulated surplus, end of year	4,642,989	5,190,419	4,389,982

The accompanying notes to the financial statements are an integral part of these financial statements.

Barrie Public Library Board

Statement of change in net financial assets

year ended December 31, 2012

	Budget 2012 (Note 8)	2012	2011 Restated (Note 2)
	\$	\$	\$
Annual surplus	253,007	800,437	978,421
Acquisition of tangible capital assets	(1,075,124)	(1,776,309)	(1,678,121)
Transfer (acquisition) of tangible capital assets under construction	-	484,756	(484,756)
Amortization of tangible capital assets	687,100	687,100	560,091
(Increase) decrease in prepaid expenses	(135,017)	195,984	(624,365)
Net change in net financial assets	(135,017)	179,405	(582,378)
Net financial assets, beginning of year	463,617	463,617	1,045,995
Net financial assets, end of year	328,600	643,022	463,617

The accompanying notes to the financial statements are an integral part of these financial statements.

Barrie Public Library Board

Statement of financial position as at December 31, 2012

	2012	2011 Restated (Note 2)
	\$	\$
Financial assets		
Cash	1,075	935
HST receivable	437,706	207,612
Due from The Corporation of the City of Barrie (Note 3)	1,061,019	976,997
	1,499,800	1,185,544
Liabilities		
Accounts payable and accrued liabilities	242,614	143,206
Employee future benefits liability (Note 4)	557,232	521,789
Deferred revenue	56,932	56,932
	856,778	721,927
Net financial assets	643,022	463,617
Non-financial assets		
Tangible capital assets (Note 5)	4,504,371	3,415,162
Tangible capital assets not in service (Note 5)	-	484,756
Prepaid expenses	43,026	26,447
	4,547,397	3,926,365
Accumulated surplus (Note 6)	5,190,419	4,389,982

On behalf of the Board

_____ Director

_____ Director

The accompanying notes to the financial statements are an integral part of these financial statements.

Barrie Public Library Board

Statement of cash flows year ended December 31, 2012

	2012	2011 Restated (Note 2)
	\$	\$
Operating activities		
Annual surplus	800,437	978,421
Item not involving cash		
Amortization	687,100	560,091
	1,487,537	1,538,512
Change in non-cash operating balances		
HST receivable	(230,094)	(110,316)
Prepaid expenses	(16,579)	41,987
Accounts payable and accrued liabilities	99,408	10,753
Employee future benefits liability	35,443	85,178
Deferred revenue	-	(207,780)
Amount due from The Corporation of the City of Barrie	(84,022)	804,473
	1,291,693	2,162,807
Capital activities		
Acquisition of tangible capital assets (net of transfers)	(1,291,553)	(1,678,121)
Acquisition of tangible capital assets under construction	-	(484,756)
	(1,291,553)	(2,162,877)
Net change in cash	140	(70)
Cash, beginning of year	935	1,005
Cash, end of year	1,075	935

The accompanying notes to the financial statements are an integral part of these financial statements.

Barrie Public Library Board

Notes to the financial statements

December 31, 2012

1. Summary of significant accounting policies

Management's responsibility for the financial statements

The financial statements of the Barrie Public Library Board ("the 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. Its primary role is to provide library services to the general public.

Accrual basis of accounting

Revenues and expenses 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; expenses 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 estimates used in the preparation of these financial statements are the employee future benefits payable, the estimated useful life of capital assets and valuation of tangible capital assets. 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.

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

Tangible capital assets not yet in service are recorded at cost. When put in service the tangible capital assets will be transferred to capital assets and amortized based on classification.

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,

Barrie Public Library Board

Notes to the financial statements

December 31, 2012

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

- (e) Fine revenue is recognized when collected,
- (f) Fees for programs and services are recognized over the period of service or when the related expenses occur,
- (g) Donations and fundraising revenue are recognized when collected, and
- (h) Interest income is recognized as it is earned.

Pension plan

The Board is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, are 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 employer contributions paid or payable in the year.

Government transfers

Transfer payments, which included legislative grants, are recognized in the in the financial statements in the period in which the events giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be determined.

Other employee future benefit plans

The Board provides other future benefits to specified employee groups. These benefits include life insurance, health care benefits, sick days and worker's compensation benefits. The Board has adopted the following policies with respect to accounting for these employee benefits:

The costs of self-insured sick days and other employee future benefit plans are actuarially determined using management's best estimates of salary escalation, retirement ages of employees, accumulated sick days at retirement, insurance and health care cost trends, disability recovery rates, long-term inflation rates and discount rates.

For self-insured other employee benefits that vest or accumulate over the periods of service provided by employees such as insurance, dental and medical benefits for retirees, or certain sick leave amounts, the cost is actuarially determined using the projected benefit method prorated on services. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For self-insured benefit obligations that arise from specific events that occur from time to time, such as long-term disability, the cost is recognized in the year in which it occurs.

Barrie Public Library Board

Notes to the financial statements

December 31, 2012

2. Restatement of prior period

During the year, it was discovered that tangible capital assets (collection not yet in service) and amounts due to/from the Corporation of the City of Barrie were understated as at December 31, 2011. A prior period adjustment has been recorded to correct these amounts. The impact of the above noted prior period adjustment was as follows:

	2011
	\$
Statement of financial position	
Increase in 2011 amounts due to/from the Corporation of the City of Barrie	334,911
Increase in 2011 tangible capital assets - collection not in service	334,911

The restatement had no impact on the Statement of operations.

3. 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:

	2012	2011
	\$	\$
Revenue		
Municipal operating grant	5,766,781	5,388,540
Municipal capital grant	188,319	-
Development charges	254,597	250,859
Expenditures		
Facility expenses	661,920	440,408
Contribution to municipality	-	573,940

During the year the Board transferred \$Nil (2011 - \$573,940) to the Corporation of the City of Barrie for the Painswick Library branch capital project.

At the end of the year, the amount due from the Corporation of the City of Barrie is \$1,061,019 (2011 - \$976,997). The balance is non-interest bearing, 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 the financial statements

December 31, 2012

4. Employee future benefits plan liability

	2012	2011
	\$	\$
Retirement gratuity benefit - accrued benefit obligation	283,831	257,723
Post-retirement benefits - accrued benefit obligation	230,898	203,989
Sick leave benefits - accrued benefit obligation	68,148	60,077
Unamortized net actuarial loss	(25,645)	-
Employee future benefits plan liability	557,232	521,789

Information about post-retirement benefits is as follows:

	2012	2011
	\$	\$
Current year benefit cost	18,382	12,698
Interest on accrued benefit obligation	8,527	6,763
Increase due to plan amendment	-	43,616
Employee future benefit expense	26,909	63,077

Information about compensated absences is as follows:

	2012	2011
	\$	\$
Current year benefit cost	19,968	18,663
Interest on accrued benefit obligation	12,630	12,029
Employee compensated absences expense	32,598	30,692

The Board has established reserves to mitigate the future impact of the sick leave obligation as detailed on the schedule of reserves in note 6. The balance of the sick leave reserve is \$124,483 (2011 - \$119,483).

The amount of benefits paid during the year was \$24,064 (2011 - \$8,591) for compensated absence benefits.

Long-term disability benefits are available to employees as discussed in the policies. As of December 31, 2012 there is no liability recorded as the benefits are event driven and there have not been any events which would indicate a liability is required.

Retirement benefits

Retirement pay

Certain groups of employees who retire under the provisions of OMERS are entitled to retirement gratuities. The amount of the gratuities paid at retirement is based on their salary, accumulated sick days, and years of service at retirement. The benefit costs and liabilities recorded are based on an extrapolation from an actuarial valuation prepared by an independent firm. The date of the last actuarial valuation was as of December 31, 2011.

Barrie Public Library Board

Notes to the financial statements

December 31, 2012

4. Employee benefits plan liability (continued)

Sick leave benefits

The Board provides paid sick leave that can be carried forward up to a maximum defined by each employee group. The benefit costs and liabilities recorded for this benefit in 2012 are based on an actuarial valuation prepared by an Independent firm. The date of the last actuarial valuation was as of December 31, 2011.

The accrued benefit obligations for the Board's employee future benefit plans as at December 31, 2012 are based on an extrapolation of the actuarial valuations for accounting purposes as at December 31, 2011. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2012	2011
	%	%
Expected future inflation rates	2.0	2.0
Expected wage and salary increases	3.0	3.0
Discount on accrued benefit obligations	4.0	4.0
Health care costs escalation	4.0 to 12.0	4.0 to 12.0
Dental costs escalation	3.5 to 8.0	3.5 to 8.0

Barrie Public Library Board

Notes to the financial statements

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5. Tangible capital assets

	Collections	Computer equipment	Furniture and fixtures	2012 total
	\$	\$	\$	\$
Cost, beginning of year	6,121,475	487,896	1,029,872	7,639,243
Additions and transfers	1,259,978	115,485	400,846	1,776,309
Disposals	1,871,395	338,375	307,286	2,517,056
Cost, end of year	5,510,058	265,006	1,123,432	6,898,496
Accumulated amortization, beginning of year	3,344,512	417,520	462,049	4,224,081
Amortization	607,155	45,496	34,449	687,100
Disposals	1,871,395	338,375	307,286	2,517,056
Accumulated amortization, end of year	2,080,272	124,641	189,212	2,394,125
Net carrying amount, end of year	3,429,786	140,365	934,220	4,504,371

	Collections	Computer equipment	Furniture and fixtures	2011 total
	\$	\$	\$	\$
Cost, beginning of year	4,888,003	470,723	602,396	5,961,122
Additions	1,233,472	17,173	427,476	1,678,121
Cost, end of year	6,121,475	487,896	1,029,872	7,639,243
Accumulated amortization, beginning of year	2,858,545	372,285	433,160	3,663,990
Amortization	485,967	45,236	28,888	560,091
Accumulated amortization, end of year	3,344,512	417,521	462,048	4,224,081
Net carrying amount, end of year	2,776,963	70,375	567,824	3,415,162

The carrying amount of tangible capital assets not being amortized because they were not yet in service is \$Nil (2011 - \$484,756).

Contributions of tangible capital assets were \$Nil (2011 - \$Nil).

Barrie Public Library Board

Notes to the financial statements

December 31, 2012

6. Accumulated surplus

The Board segregates its accumulated surplus in the following categories:

	2012	2011
	\$	\$
Investment in tangible capital assets	4,504,371	3,899,918
Current funds	(1,058,733)	(1,113,801)
Reserves		
Vested sick leave benefits reserve	124,483	119,483
Future capital expenditures reserve	1,158,764	883,489
Future collection acquisitions reserve	461,534	600,893
	5,190,419	4,389,982

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

The Corporation of the City of Barrie calculates interest on the library capital and collection reserves based on a variable Interest rate. This interest is credited to the reserves on a monthly basis. The rate for 2012 was 1.28% (2011 - 1.28%).

7. Pension agreement

OMERS provides pension services to more than 428,947 active and retired members and approximately 968 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, 2012. The results of this valuation disclosed total actuarial liabilities of \$69,122 million in respect of benefits accrued for service with actuarial assets at that date of \$59,198 million indicating an actuarial deficit of \$9,924 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 2012 were \$239,040 (2011 - \$183,989).

Barrie Public Library Board

Notes to the financial statements

December 31, 2012

8. Budget

The Budget adopted by Board for 2012 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 requires a full accrual basis. The budget figures anticipated the use of 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. Actual amortization for the year has been added to the budget in the statement of operations for presentation purposes, as indicated below. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget adopted by the Board for 2012 with adjustments as follows:

	2012
	\$
Budget surplus for the year, as approved	-
Capital expenditures	1,075,124
Contribution to Technology Reserve	40,000
Actual amortization	(687,100)
Budgeted transfer from reserves	(175,017)
Budget surplus per statement of operations	253,007

9. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation including an amount of \$130,050 reclassified from employee future benefits liability to accounts payable and accrued liabilities and an amount of \$12,070 reclassified from processing, professional and other expense to maintenance expense.