

Elliot Lake Public Library
Financial Statements
For the year ended December 31, 2013

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Independent Auditor's Report

To the Members of the Elliot Lake Public Library Board, Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Elliot Lake

We have audited the accompanying financial statements of the Elliot Lake Public Library, which comprise the statement of financial position as at December 31, 2013 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 such organizations, the Elliot Lake Public Library derives revenue from fines, user charges and sale of materials, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the Library and we were not able to determine whether any adjustments might be necessary to revenue, annual surplus or 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 financial position of the Elliot Lake Public Library as at December 31, 2013, and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of the Elliot Lake Public Library for the year ended December 31, 2012, were audited by another auditor who expressed a qualified opinion on those statements on May 13, 2013.

Chartered Accountants, Licensed Public Accountants
Sault Ste. Marie, Ontario
April 28, 2014

**Elliot Lake Public Library
Statement of Financial Position**

December 31	2013	2012
Financial assets		
Cash	\$ 75,394	\$ 37,573
Insurance recoveries receivable	279,872	252,000
Restricted cash (Note 2)	643,252	636,531
Due from the City of Elliot Lake (Note 4)	275,856	-
	<u>1,274,374</u>	<u>926,104</u>
Liabilities		
Accounts payable and accrued liabilities	7,842	5,775
Due to the City of Elliot Lake (Note 4)	-	430,799
Deferred revenue (Note 5)	349,862	-
	<u>357,704</u>	<u>436,574</u>
Net financial assets	916,670	489,530
Non-financial assets		
Tangible capital assets (Schedule 1)	285,749	594,681
Accumulated surplus (Note 7)	\$ 1,202,419	\$ 1,084,211

On behalf of the Board:

Elliot Lake Public Library
Statement of Operations

For the year ended December 31	Budget	2013	2012
Revenue			
Municipal contributions	\$ 409,444	\$ 409,444	\$ 404,972
Insurance recoveries	-	654,171	252,000
Province of Ontario grants	37,522	39,759	40,200
User charges	10,740	5,602	5,368
Interest	-	12,642	20,681
Other	10,900	6,518	14,588
	468,606	1,128,136	737,809
Expenses			
Advertising	2,000	1,357	1,063
Amortization	1,410	14,764	25,031
Equipment	6,500	3,669	3,122
Insurance	2,300	2,316	1,529
Insurance claims	-	605,051	-
Professional fees	4,340	6,323	2,851
Rent	115,000	113,602	54,340
Repairs and maintenance	12,340	937	13,737
Supplies and materials	19,849	14,564	20,396
Telephone and internet	6,849	4,295	4,388
Travel	1,017	322	352
Utilities	-	-	2,962
Wages and benefits	239,011	242,728	183,784
	410,616	1,009,928	313,555
Net revenue over expenses	57,990	118,208	424,254
Loss on disposal of tangible capital assets	-	-	(232,032)
Annual surplus	57,990	118,208	192,222
Accumulated surplus, beginning of year	1,084,211	1,084,211	891,989
Accumulated surplus, end of year	\$ 1,142,201	\$ 1,202,419	\$ 1,084,211

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

Elliot Lake Public Library
Statement of Change in Net Financial Assets

<u>For the year ended December 31</u>	<u>Budget</u>	<u>2013</u>	<u>2012</u>
Annual surplus	\$ 57,990	\$ 118,208	\$ 192,222
Acquisition of tangible capital assets	(56,400)	(76,239)	(611,666)
Amortization of tangible capital assets	1,410	14,764	25,031
Disposal of tangible capital assets	-	370,407	249,018
Net change in net financial assets	3,000	427,140	(145,395)
Net financial assets, beginning of year	489,530	489,530	634,925
Net financial assets, end of year	\$ 492,530	\$ 916,670	\$ 489,530

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

**Elliot Lake Public Library
Statement of Cash Flows**

For the year ended December 31	2013	2012
Operating transactions		
Annual surplus	\$ 118,208	\$ 192,222
Item not involving cash		
Amortization	14,764	25,031
Disposal of tangible capital assets	370,407	249,018
	<u>503,379</u>	<u>466,271</u>
Changes in non-cash operating balances		
Insurance recoveries receivable	(27,872)	(252,000)
Accounts payable and accrued liabilities	2,067	(3,507)
Deferred revenue	349,862	-
Due to/from the City of Elliot Lake	(706,655)	469,784
	<u>120,781</u>	<u>680,548</u>
Capital transactions		
Acquisition of tangible capital assets	(76,239)	(611,666)
Financing activities		
Increase in restricted cash	(6,721)	(31,809)
	<u>37,821</u>	<u>37,073</u>
Net change in cash	37,821	37,073
Cash, beginning of year	37,573	500
Cash, end of year	\$ 75,394	\$ 37,573

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

Elliot Lake Public Library

Notes to Financial Statements

December 31, 2013

1. Summary of significant accounting policies

Management responsibility	The financial statements of the Elliot Lake Public Library (the Library) are the representations of management prepared in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board.				
Nature of operations	The Elliot Lake Public Library provides library services to residents of the City of Elliot Lake and residents of other municipalities who have contracted the Library for services.				
Basis of accounting	Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.				
Revenue recognition	<p>Government transfers are recognized in the year in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated.</p> <p>Government grants are recognized when approved to the extent that the related expenditures have been incurred and collection can be reasonably assured.</p> <p>User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.</p>				
Deferred revenue	Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal 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	<p>Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset. 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:</p> <table style="margin-left: 40px;"><tr><td>Library collection</td><td style="text-align: right;">- 10 years</td></tr><tr><td>Furniture and equipment</td><td style="text-align: right;">- 15 years</td></tr></table>	Library collection	- 10 years	Furniture and equipment	- 15 years
Library collection	- 10 years				
Furniture and equipment	- 15 years				
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. Actual results could differ from management's best estimates as additional information becomes available in the future.				

**Elliot Lake Public Library
Notes to Financial Statements**

December 31, 2013

2. Restricted cash

Internally restricted cash which arose as a result of historical surpluses of the Library consist of cash and short term investments. Cash is restricted to fund future deficits and capital purchases as decided by the Board.

3. Pension plan and future benefits

The library makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of all permanent, full time members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the library does not recognize any share of the pension plan deficit, as this is a joint responsibility of all Ontario municipalities and their employees. Employer's contributions for current and past service are included as an expense on the consolidated statement of operations. The amount contributed to OMERS in 2013 was \$16,964 (2012 - \$13,546).

4. Due to the City of Elliot Lake

The balance owing from the City of Elliot Lake is non-interest bearing and has no set terms of repayment.

5. Deferred revenue

	Opening balance	Contributions received	Spent funds	Ending balance
Southern Ontario Library Service - Capacity Grant	\$ -	\$ 2,099	\$ -	\$ 2,099
OMAFRA	-	300,000	-	300,000
MTCS - Library History Collection	-	50,000	2,237	47,763
	\$ -	\$ 352,099	\$ 2,237	\$ 349,862

The Elliot Lake Public Library has entered into agreements with Southern Ontario Library Service, Ontario Ministry of Agriculture, Food and Rural Affairs, and Ministry of Tourism, Culture and Sport to replenish the library's book collection which was completely destroyed in the Algo Centre mall collapse in the prior year.

Elliot Lake Public Library
Notes to Financial Statements

December 31, 2013

6. Commitment

The Library's temporary lease expired during the year and is continuing on a month to month basis. Monthly lease payments are currently \$9,303. During the year, the Library entered into a lease to operate permanently out of the Pearson Plaza with plans to move into the premises on or before December 2014. Annual lease payments are expected to be approximately \$100,590 plus a proportionate share of common area costs.

7. Accumulated surplus

The total balance of accumulated surplus is made up of the following amounts:

	2013	2012
Equity in tangible capital assets	\$ 285,749	\$ 594,681
Operating surplus (deficit)	273,418	(147,001)
Reserves set aside by the Board		
Library building reserve	643,252	636,531
	\$ 1,202,419	\$ 1,084,211

8. Budget

The Financial Plan (Budget) By-Law adopted by Council on January 14, 2013 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget figures anticipated use of reserves and/or surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues. In addition, the budget expensed all tangible capital expenditures and underestimated 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 January 14, 2013 with adjustments as follows:

Financial Plan (Budget) Bylaw surplus for the year	\$	-
Add:		
Capital expenditures		56,400
Net inter-fund transfers to reserves		3,000
Less:		
Amortization		(1,410)
Budget deficit per statement of operations	\$	57,990

Elliot Lake Public Library
Schedule 1 - Tangible Capital Assets

For the year ended December 31, 2013

	Furniture and Equipment	Library Collection	Leasehold Improvements	Total
Cost, beginning of year	\$ 108,075	\$ 201,818	\$ 284,788	\$ 594,681
Additions	-	76,239	-	76,239
Disposals	(85,619)	-	(284,788)	(370,407)
Cost, end of year	22,456	278,057	-	300,513
Accumulated amortization, beginning of year	-	-	-	-
Amortization	754	14,010	-	14,764
Accumulated amortization, end of year	754	14,010	-	14,764
Net carrying amount, end of year	\$ 21,702	\$ 264,047	\$ -	\$ 285,749

For the year ended December 31, 2012 (comparative figures)

	Furniture and Equipment	Library Collection	Leasehold Improvements	Total
Cost, beginning of year	\$ 26,349	\$ 580,302	\$ -	\$ 606,651
Additions	108,075	218,803	284,788	611,666
Disposals	(26,349)	(597,287)	-	(623,636)
Cost, end of year	108,075	201,818	284,788	594,681
Accumulated amortization, beginning of year	15,806	333,781	-	349,587
Amortization	704	24,327	-	25,031
Disposals	(16,510)	(358,108)	-	(374,618)
Accumulated amortization, end of year	-	-	-	-
Net carrying amount, end of year	\$ 108,075	\$ 201,818	\$ 284,788	\$ 594,681

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