



Financial Statements

Elliot Lake Public Library Board

December 31, 2011

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Independent auditors' report

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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 Board, which comprise the statement of financial position as at December 31, 2011, and the statement of operations, accumulated surplus, changes in net financial assets and statement of 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.

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 the auditors' 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 Board 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 the amounts recorded in the records of the Library Board and we were not able to determine whether any adjustments might be necessary to revenue, annual surplus (deficit) 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 Library Board as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Sault Ste. Marie, Ontario

May 14, 2012



Chartered Accountants

Licensed Public Accountants

Elliot Lake Public Library Board

Statement of Financial Position

December 31

2011

2010

(restated – Note 8)

Financial assets

| | | |
|----------------------------------|----------------|----------------|
| Cash | \$ 500 | \$ 500 |
| Restricted cash (Note 3) | 604,722 | 582,387 |
| Due from the City of Elliot Lake | <u>38,985</u> | <u>24,619</u> |
| | <u>644,207</u> | <u>607,506</u> |

Liabilities

| | | |
|---------------------------------------|--------------|--------------|
| Accounts payable and accrued expenses | <u>9,282</u> | <u>7,055</u> |
|---------------------------------------|--------------|--------------|

Net financial assets

634,925 600,451

Non-financial assets

| | | |
|----------------------------------|----------------|----------------|
| Tangible capital assets (Note 6) | <u>257,064</u> | <u>260,362</u> |
|----------------------------------|----------------|----------------|

| | | |
|---------------------|-------------------|-------------------|
| Accumulated surplus | <u>\$ 891,989</u> | <u>\$ 860,813</u> |
|---------------------|-------------------|-------------------|

Commitment (Note 4)

On behalf of the Board

See accompanying notes to the financial statements.

Elliot Lake Public Library Board

Statement of Operations

| Year Ended December 31 | Budget (unaudited) | 2011 | 2010 (restated – Note 8) |
|--|-----------------------|----------------|-----------------------------|
| Revenue | | | |
| Municipal grants – operations | \$ 406,399 | \$ 406,399 | \$ 381,555 |
| Province of Ontario grants | 37,522 | 38,718 | 54,804 |
| User charges | 15,552 | 13,068 | 13,551 |
| Interest | - | 18,131 | 18,277 |
| Other | 16,348 | 13,509 | 16,553 |
| | <u>475,821</u> | <u>489,825</u> | <u>484,740</u> |
| Expenses | | | |
| Salaries and payroll costs | 226,530 | 243,198 | 233,761 |
| Maintenance and supplies | 19,050 | 15,224 | 13,925 |
| Utilities | 9,756 | 8,373 | 10,437 |
| Travel | 1,385 | 287 | 255 |
| Advertising | 1,350 | 1,763 | 1,002 |
| Telephone and internet | 6,518 | 5,643 | 6,189 |
| Professional fees | 4,715 | 2,862 | 2,585 |
| Repairs and maintenance | 14,580 | 13,189 | 13,424 |
| Insurance | 1,230 | 1,249 | 1,292 |
| Rent | 106,800 | 108,680 | 107,740 |
| Municipal taxes | 22,000 | 4,430 | 14,112 |
| Amortization | - | 51,439 | 50,884 |
| Equipment | - | 2,312 | 16,008 |
| | <u>413,914</u> | <u>458,649</u> | <u>471,614</u> |
| Annual surplus (deficit) | 61,907 | 31,176 | 13,126 |
| Opening accumulated surplus, as originally filed | - | 860,813 | 593,614 |
| Prior period adjustment (note 8) | - | - | 254,073 |
| Opening accumulated surplus, as adjusted | - | 860,813 | 847,687 |
| Ending accumulated surplus | \$ 61,907 | \$ 891,989 | \$ 860,813 |

See accompanying notes to the financial statements.

Elliot Lake Public Library Board Statement of Accumulated Surplus

Year Ended December 31

2011

2010

(restated – Note 8)

Consists of

Reserves set aside by the Board

| | | |
|--------------------------|-------------------|-------------------|
| Library building reserve | <u>\$ 604,722</u> | <u>\$ 582,387</u> |
|--------------------------|-------------------|-------------------|

Surpluses

| | | |
|-------------------------------------|----------------|---------|
| Invested in tangible capital assets | <u>257,064</u> | 260,362 |
|-------------------------------------|----------------|---------|

| | | |
|--------------|---------------|---------------|
| General fund | <u>30,203</u> | <u>18,064</u> |
|--------------|---------------|---------------|

| | | |
|------------------------|-----------------------|-----------------------|
| Total surpluses | <u>287,267</u> | <u>278,426</u> |
|------------------------|-----------------------|-----------------------|

| | | |
|----------------------------|--------------------------|--------------------------|
| Accumulated surplus | <u>\$ 891,989</u> | <u>\$ 860,813</u> |
|----------------------------|--------------------------|--------------------------|

See accompanying notes to the financial statements.

Elliot Lake Public Library Board

Statement of Changes in Net Financial Assets

| Year Ended December 31 | Budget (unaudited) | 2011 | 2010 (restated – Note 8) |
|---|-----------------------|--------------------------|-----------------------------|
| Annual | \$ 61,907 | \$ 31,176 | \$ 13,126 |
| Acquisition of tangible capital assets | (56,303) | (48,141) | (43,818) |
| Amortization of tangible capital assets | <u>-</u> | <u>51,439</u> | <u>50,884</u> |
| Change in net financial assets | <u>\$ 5,604</u> | 34,474 | 20,191 |
| Net financial assets, beginning of year | | <u>600,451</u> | <u>580,260</u> |
| Net financial assets, end of year | | <u>\$ 634,925</u> | <u>\$ 600,451</u> |

See accompanying notes to the financial statements.

Elliot Lake Public Library Board Statement of Cash Flows

Year Ended December 31

2011

2010

(restated – Note 8)

Cash flows from operating transactions

| | | |
|----------------|-----------|-----------|
| Annual surplus | \$ 31,176 | \$ 13,126 |
|----------------|-----------|-----------|

Non-cash charges to operations

| | | |
|----------------------------------|---------------|---------------|
| Amortization | 51,439 | 50,884 |
| Due from the City of Elliot Lake | (14,366) | (1,308) |
| Payable and accruals | <u>2,227</u> | <u>4,459</u> |
| | <u>70,476</u> | <u>67,161</u> |

Capital transactions

| | | |
|-------------------------------------|-----------------|-----------------|
| Purchase of tangible capital assets | <u>(48,141)</u> | <u>(43,818)</u> |
|-------------------------------------|-----------------|-----------------|

Financing transactions

| | | |
|-----------------------------|-----------------|-----------------|
| Increase in restricted cash | <u>(22,335)</u> | <u>(23,343)</u> |
|-----------------------------|-----------------|-----------------|

| | | |
|--------------------|---|---|
| Net change in cash | - | - |
|--------------------|---|---|

| | | |
|-------------------------|------------|------------|
| Cash, beginning of year | <u>500</u> | <u>500</u> |
|-------------------------|------------|------------|

| | | |
|-------------------|---------------|---------------|
| Cash, end of year | <u>\$ 500</u> | <u>\$ 500</u> |
|-------------------|---------------|---------------|

See accompanying notes to the financial statements.

Elliot Lake Public Library Board

Notes to the Financial Statements

December 31, 2011

1. Purpose of the Library Board

Elliot Lake Public Library Board (the "Board") provides library services to residents of the City of Elliot Lake and residents of other municipalities who have contracted the Board for services.

2. Summary of significant accounting policies

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

Accrual accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measureable.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|-------------------------|----------|
| Library collection | 10 years |
| Machinery and equipment | 10 years |

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 expenditures during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Government grants are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

Elliot Lake Public Library Board

Notes to the Financial Statements

December 31, 2011

2. Summary of significant accounting policies (cont'd)

Budget figures

The operating budget approved by the Board for 2011 is reflected in the Statement of Operations and Accumulated Surplus. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenditures. Budget figures have been restated to be comparable with the PSAB reporting reflected in the actual results.

3. 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.

4. Commitment

The Library operates out of leased premises. The five year lease expires in 2014 with annual lease payments of approximately \$106,800.

5. Pension agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of five members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Commencing January 1, 2010 contribution rates ranged from 6.4% to 9.7% depending on the proposed retirement age and the level of earnings. As a result, \$13,546 (2010: \$10,624) was contributed to OMERS.

Elliot Lake Public Library Board

Notes to the Financial Statements

December 31, 2011

6. Tangible capital assets

| | <u>2011</u> | | | <u>2010</u> |
|---------------------------------|--|-------------------------------|-------------------|-------------------|
| | <u>Furniture and Equipment</u> | <u>Library Collection</u> | <u>Total</u> | <u>Total</u> |
| Cost | | | | |
| Balance, beginning of the year | \$ 26,349 | \$ 532,161 | \$ 558,510 | \$ 514,692 |
| Additions during the year | <u>-</u> | <u>48,141</u> | <u>48,141</u> | <u>43,818</u> |
| Balance, end of year | <u>26,349</u> | <u>580,302</u> | <u>606,651</u> | <u>558,510</u> |
| Accumulated amortization | | | | |
| Balance, beginning of the year | 14,401 | 283,747 | 298,148 | 247,264 |
| Amortization during the year | <u>1,405</u> | <u>50,034</u> | <u>51,439</u> | <u>50,884</u> |
| Balance, end of year | <u>15,806</u> | <u>333,781</u> | <u>349,587</u> | <u>298,148</u> |
| Net book value | <u>\$ 10,543</u> | <u>\$ 246,521</u> | <u>\$ 257,064</u> | <u>\$ 260,362</u> |

7. Budget figures

Budget figures are compiled from the 2011 fiscal operating budget approved by the Library Board and are not subject to audit.

8. Prior period adjustment

The financial statements have been adjusted to include the Library Board's library collection as a tangible capital asset on the statement of financial position.

This change has been applied retrospectively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

Accumulated surplus at December 31, 2010

| | |
|---|-------------------|
| Opening accumulated surplus, as previously reported | \$ 593,614 |
| Net book value of library collection at January 1, 2010 | <u>254,073</u> |
| Accumulated surplus, as restated | <u>\$ 847,687</u> |

Annual surplus for the year ended December 31, 2010

| | |
|---|------------------|
| Annual surplus, as previously reported | \$ 18,787 |
| Add: Library collection capitalized, remove from expenses | 43,818 |
| Less: Amortization expense not previously recorded | <u>(49,479)</u> |
| Annual surplus, as restated | <u>\$ 13,126</u> |