

Financial Statements of

**MIDDLESEX COUNTY LIBRARY  
BOARD**

Year ended December 31, 2011



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## INDEPENDENT AUDITORS' REPORT

To the Members of Middlesex County Library Board

We have audited the accompanying financial statements of the Middlesex County Library ("the Entity"), which comprise the statement of financial position as at December 31, 2011 and the statement of operations, statement of changes in net financial assets/(debt), and the statement of 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 and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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 consolidated 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 an audit to obtain reasonable assurance about whether the consolidated 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 audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Middlesex County 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 generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

June 26, 2012

London, Canada

# MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
	(restated-note1(e)(ii))	
<b>Financial Assets</b>		
Cash	\$ 700	\$ 700
Accounts receivable	8,240	24,823
Receivable from the County of Middlesex	187,164	397,465
<b>Total financial assets</b>	<b>196,104</b>	<b>422,988</b>
<b>Liabilities</b>		
Accounts payable	114,085	195,945
Employee future benefits (note 4)	96,841	85,678
<b>Total liabilities</b>	<b>210,926</b>	<b>281,623</b>
<b>Net financial assets / (debt)</b>	<b>(14,822)</b>	<b>141,365</b>
<b>Non-financial assets</b>		
Tangible capital assets (note 6)	1,519,821	1,367,008
Prepaid expenses	6,997	7,832
<b>Total non - financial assets</b>	<b>1,526,818</b>	<b>1,374,840</b>
Commitments (note 5)		
<b>Accumulated surplus</b> (note 3)	<b>\$ 1,511,996</b>	<b>\$ 1,516,205</b>

See accompanying notes to financial statements.

# MIDDLESEX COUNTY LIBRARY BOARD

## Statement of Operations

Year ended December 31, 2011, with comparative figures for 2010

	Budget 2011	Actual 2011	Actual 2010
	(Unaudited)	(restated-note 1(e)(ii))	
<b>Revenues:</b>			
Grants:			
Government of Canada - CAP	\$ 20,500	\$ 23,078	\$ 6,518
Government of Canada - Dorchester ERC	91,985	90,573	84,060
Province of Ontario	134,047	144,101	182,702
County of Middlesex, contribution	2,519,433	2,510,229	2,329,194
Service Ontario	8,500	7,822	12,383
User charges			
Fines, fees, rentals and donations	44,000	41,974	40,009
Investment income	-	161	144
<b>Total revenues</b>	<b>2,818,465</b>	<b>2,817,938</b>	<b>2,655,010</b>
<b>Expenditures:</b>			
Salaries	1,569,639	1,528,031	1,421,463
Books	44,000	35,441	43,688
Rent	280,307	263,730	253,256
Employee benefits	298,975	309,419	260,357
Development and automation	56,000	56,106	44,555
Dorchester ERC	91,985	90,573	84,060
Non - print materials	87,800	93,481	63,945
Postage	41,695	37,542	36,572
Utilities and maintenance	24,000	29,086	29,693
Miscellaneous	5,000	17,397	17,243
Insurance	13,553	13,439	12,885
Literacy fund expenditures	-	-	3,484
Amortization	302,723	347,902	313,185
<b>Total expenditures</b>	<b>2,815,677</b>	<b>2,822,147</b>	<b>2,584,386</b>
<b>Annual surplus (deficit):</b>	<b>2,788</b>	<b>(4,209)</b>	<b>70,624</b>
Accumulated surplus, beginning of year	1,516,205	1,516,205	1,445,581
<b>Accumulated surplus, end of year</b>	<b>\$ 1,518,993</b>	<b>\$ 1,511,996</b>	<b>\$ 1,516,205</b>

See accompanying notes to financial statements.

## MIDDLESEX COUNTY LIBRARY BOARD

Statement of Change in Net Financial Assets / (Debt)

Year ended December 31, 2011, with comparative figures for 2010

	Budget 2011 (Unaudited)	Actual 2011 (restated-note 1(e)(ii))	Actual 2010
Annual surplus (deficit)	\$ 2,788	\$ (4,209)	\$ 70,624
Acquisition of tangible capital assets	(505,220)	(500,715)	(427,791)
Amortization of tangible capital assets	302,723	347,902	313,185
Prepaid expenses	-	835	(7,832)
<b>Change in net financial assets / (debt)</b>	<b>(199,709)</b>	<b>(156,187)</b>	<b>(51,814)</b>
<b>Net Financial Assets / (Debt)</b>			
Beginning of year	141,365	141,365	193,179
End of year	\$ (58,344)	\$ (14,822)	\$ 141,365

See accompanying notes to financial statements.

# MIDDLESEX COUNTY LIBRARY BOARD

## Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
		(restated-note 1(e)(ii))
Cash provided by (used in):		
Operating activities:		
Net revenue	\$ (4,209)	\$ 70,624
Change in non-cash operating working capital:		
Accounts receivable	16,583	15,994
Receivable from the County of Middlesex	210,301	(68,993)
Prepaid expenses	835	(7,832)
Accounts payable	(81,860)	98,104
Employee future benefit liability	11,163	6,709
Amortization	347,902	313,185
	500,715	427,791
Capital activities		
Acquisition of tangible capital assets	(500,715)	(427,791)
	(500,715)	(427,791)
<b>Net increase in cash</b>	-	-
Cash, beginning of year	700	700
Cash, end of year	\$ 700	\$ 700

See accompanying notes to financial statements.

# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements  
Year ended December 31, 2011

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## 1. Significant accounting policies:

The financial statements of the Middlesex County Library Board (the "Board") are prepared in accordance with Canadian generally accepted accounting principles as defined in the Canadian Institute of Chartered Accountants Public Sector Accounting Handbook.

### (a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures 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.

### (b) Government transfers:

Government transfers are recognized in the financial statements 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.

### (c) Employee future benefits:

The Board has adopted the following policies for future benefits provided to both active and retired employees:

#### (i) Post-employment benefits:

The cost of termination benefits and compensated absences are recognized when the event that obligates the Board occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefits are determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees and expected health costs.

Employee future benefit costs are discounted using the Board's cost of long-term borrowing. The costs of workplace safety and insurance obligations are actuarially determined and are expensed.

# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2011

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## 1. Significant accounting policies (continued):

### (ii) Pension benefits:

The Middlesex County Library Board provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi employer pension plan which operates as the Ontario Municipal Employees Retirement Fund, and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The fund is a contributory defined benefit pension plan. As this is a multi-employer plan, no liability is recorded on the County's books.

The employer's contributions to a multi-employer, defined benefit plan are expensed as the obligations arise.

### (d) Use of estimates:

The preparation of financial statements in conformity 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 expenses during the year. Significant items subject to estimates and assumptions include the valuation allowance for receivables and the assumptions associated with post-employment benefits. Actual results could differ from those estimates.

### (e) Non-financial 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. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

### (i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of an asset. The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight line basis over their estimated useful lives as follows:

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Asset	Rate
Machine & Equipment	3 – 5 years
Collections	5 – 15 years

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# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2011

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## 1. Significant accounting policies (continued):

### (ii) Change in accounting policy:

During the year, management changed their accounting policy with respect to costs incurred to apply bar coding to books in the collection. Prior to 2011, these costs were expensed as incurred. Management has determined that these costs provide future value and has determined that they should be capitalized as doing so provides more relevant financial information regarding the cost of the collection. As a result of the change in accounting policy, management has retroactively restated the comparative amounts.

The net impact on the January 1, 2010 opening accumulated surplus and the net book value of tangible capital assets was nil as the values of tangible capital assets determined by Management upon the Board's adoption of Public Sector Accounting Board Section 3150, *Tangible Capital Assets* in 2009, incorporated the value of bar codes affixed to books included the Board's collection.

The net impact on the Statement of Accumulated Surplus for the year ended December 31, 2010 was an increase in tangible capital assets of \$58,721 and an increase in accumulated surplus of \$58,721. This change consisted of an increase in tangible capital asset additions of \$61,812, an increase in amortization expense of \$3,091, and decrease in books expense of \$61,812 for the year ended December 31, 2010.

## 2. Trust funds:

Trust funds and their related operations administered by the Board amounting to \$11,800 (2010 - \$11,800) are not consolidated, but are reported separately on the trust fund statement of continuity. They have not been included in the statements of financial position or operations.

# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2011

### 3. Accumulated surplus:

Accumulated surplus consists of individual fund surpluses and reserves and reserve funds as follows:

	2011	Appropriations (to) from reserves	2010
Reserves:			
Library literary fund	-	173,375	173,375
Total reserves	-	173,375	173,375
Reserve funds:			
Thorndale Library branch fund	2,224	(2,224)	-
Total reserve funds	2,224	171,151	173,375
Surplus:			
Invested in tangible capital assets (note 1(e))	1,519,821		1,367,008
General revenue fund	94,777		58,438
Capital fund	-		10,000
Unfunded employee benefits	(104,826)		(92,616)
Total surplus	1,509,772		1,342,830
Accumulated surplus	\$ 1,511,996		\$ 1,516,205

### 4. Employee future benefits:

(a) Pension plan:

The Board participates in the Ontario Municipal Employees Retirement System ("OMERS"), a multi employer plan, on behalf of its employees. The plan is a contributory defined benefit pension plan. 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 services and rates of pay.

During 2011, the Board contributed \$94,086 (2010 - \$72,398) to OMERS on behalf of its employees for current service. Contributions are included as an expenditure on the Statement of Operations.

# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2011

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## 4. Employee future benefits (continued):

(b) Health, dental and life insurance:

The Board provides certain employee future benefits such as health, dental and life insurance which will require funding in future periods:

The Board pays certain health care benefits on behalf of the retired employees. The Board recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was undertaken as at December 31, 2008.

The benefit obligation continuity is as follows:

	2011	2010
Accrued benefit obligation, January 1	\$ 85,678	\$ 78,969
Current period benefit cost	16,269	10,422
Retirement interest expenditure	4,718	4,162
Benefits paid	(9,824)	(7,875)
	<u>\$ 96,841</u>	<u>\$ 85,678</u>
Post employment and post retirement benefits expense:		
Current period benefit cost	\$ 16,269	\$ 10,422
Retirement interest expenditure	4,718	4,162
	<u>\$ 20,987</u>	<u>\$ 14,584</u>

The significant assumptions used in the actuarial valuation are as follows:

Discount rate	5%
Inflation rate	2%
Rate of compensation increase	3%
Dental cost increases	4%
Healthcare cost increases	7.33% per year until 2010 then reducing by 0.33% per year until 2020 when the ultimate rate of 4% is reached

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# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 5. Commitments:

The Board has entered into commitments for rent and leases expiring at various dates prior to 2015. The future minimum annual payments are estimated to be as follows:

2012	\$	307,370
2013		316,506
2014		325,916
	\$	949,792

## 6. Tangible capital assets:

			2011	2010
	Collections	Computer H/W & S/W	Total	Total
<b>Cost:</b>				
Balance, beginning of year	\$ 2,611,560	\$ 228,313	\$ 2,839,873	\$ 2,658,578
Additions during the year	332,112	168,603	500,715	427,791
- (note 1(e))				
Disposals during the year	(244,424)	(30,279)	(274,703)	(246,496)
Balance, end of year	2,699,248	366,637	3,065,885	2,839,873
<b>Accumulated amortization:</b>				
Balance, beginning of year	\$ 1,348,455	\$ 124,410	\$ 1,472,865	\$ 1,406,176
Amortization during the year	284,567	63,335	347,902	313,185
Disposals during the year	(244,424)	(30,279)	(274,703)	(246,496)
Balance, end of year	1,388,598	157,466	1,546,064	1,472,865
Net book value	\$ 1,310,650	\$ 209,171	\$ 1,519,821	\$ 1,367,008

## 7. Financial instruments:

The carrying value of cash, accounts receivable and accounts payable approximate their fair value due to the relatively short periods to maturity of these instruments.