

Financial Statements of

MIDDLESEX COUNTY LIBRARY BOARD

Year ended December 31, 2012



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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, 2012 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 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 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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants

June 25, 2013

London, Canada

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MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
Financial Assets		
Cash	\$ 700	\$ 700
Accounts receivable	136,323	8,240
Receivable from the County of Middlesex	263,117	187,164
Total financial assets	400,140	196,104
Financial Liabilities		
Accounts payable	186,294	114,085
Employee future benefits (note 4)	98,685	96,841
Total financial liabilities	284,979	210,926
Net financial assets / (debt)	115,161	(14,822)
Non-financial assets		
Tangible capital assets (note 6)	1,610,203	1,519,821
Prepaid expenses	7,447	6,997
Total non - financial assets	1,617,650	1,526,818
Commitments (note 5)		
Accumulated surplus (note 3)	\$ 1,732,811	\$ 1,511,996

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Operations

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

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
Revenues:			
Grants:			
Government of Canada - CAP	\$ 24,500	\$ 24,500	\$ 23,078
Government of Canada - Dorchester ERC	53,658	49,256	90,573
Province of Ontario	134,047	179,535	144,101
County of Middlesex, contribution	2,674,460	2,674,460	2,510,229
Service Ontario	-	-	7,822
User charges			
Fines, fees, rentals and donations	40,000	81,500	42,135
Loss on disposal of tangible capital assets	-	(441)	-
Total revenues	2,926,665	3,008,810	2,817,938
Expenditures:			
Salaries	1,590,669	1,500,305	1,528,031
Books	45,673	38,031	35,441
Rent	304,522	299,776	263,730
Employee benefits	301,289	280,858	309,419
Development and automation	86,674	74,466	56,106
Dorchester ERC	53,658	49,256	90,573
Non - print materials	86,109	84,857	93,481
Postage	40,000	36,440	37,542
Utilities and maintenance	30,829	30,080	29,086
Purchase of services	12,000	14,426	17,397
Insurance	14,381	14,444	13,439
Amortization	354,327	365,056	347,902
Total expenditures	2,920,131	2,787,995	2,822,147
Annual surplus (deficit):	6,534	220,815	(4,209)
Accumulated surplus, beginning of year	1,511,996	1,511,996	1,516,205
Accumulated surplus, end of year	\$ 1,518,530	\$ 1,732,811	\$ 1,511,996

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Change in Net Financial Assets / (Debt)

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

	Budget 2012 (Unaudited)	Actual 2012	Actual 2011
Annual surplus (deficit)	\$ 6,534	\$ 220,815	\$ (4,209)
Acquisition of tangible capital assets	(427,702)	(455,879)	(500,715)
Amortization of tangible capital assets	354,327	365,056	347,902
Loss of sale tangible capital assets	-	441	-
Prepaid expenses	-	(450)	835
Change in net financial assets / (debt)	(66,841)	129,983	(156,187)
Net Financial Assets / (Debt)			
Beginning of year	(14,822)	(14,822)	141,365
End of year	\$ (81,663)	\$ 115,161	\$ (14,822)

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Cash Flows

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

	2012	2011
Cash provided by (used in):		
Operating activities:		
Net revenue	\$ 220,815	\$ (4,209)
Change in non-cash operating working capital:		
Accounts receivable	(128,083)	16,583
Receivable from the County of Middlesex	(75,953)	210,301
Prepaid expenses	(450)	835
Accounts payable	72,209	(81,860)
Employee future benefit liability	1,844	11,163
Amortization	365,056	347,902
	455,438	500,715
Capital activities		
Acquisition of tangible capital assets	(455,879)	(500,715)
Loss on disposal of tangible capital assets	441	-
	(455,438)	(500,715)
Net increase in cash	-	-
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, 2012

1. Significant accounting policies:

The financial statements of the Middlesex County Library Board (the "Board") are prepared by management in accordance with generally accepted accounting principles for organizations operating in the local government sector 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:

(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, 2012

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 Board'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 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 period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

In addition, the Board's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these 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:

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

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2012

1. Significant accounting policies (continued):

(f) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the funding model and generally accepted accounting principles for local governments established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB. The budget figures are unaudited.

2. Trust funds:

Trust funds and their related operations administered by the Board amounting to \$11,800 (2011 - \$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.

3. Accumulated surplus:

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

	2012	Appropriations (to) from reserves	2011
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Reserve funds:			
Thorndale Library branch fund	2,252	(28)	2,224
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Total reserve funds	2,252	(28)	2,224
 Surplus:			
Invested in tangible capital assets (note 6)	1,610,203		1,519,821
General revenue fund	157,055		94,777
Capital fund	65,375		-
Unfunded employee benefits	(102,074)		(104,826)
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Total surplus	1,730,559		1,509,772
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Accumulated surplus	\$ 1,732,811		\$ 1,511,996

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2012

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 2012, the Board contributed \$94,714 (2011 - \$94,086) to OMERS on behalf of its employees for current service. Contributions are included as an expenditure on the Statement of Operations.

(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, 2012.

The benefit obligation continuity is as follows:

	2012	2011
Accrued benefit obligation, January 1	\$ 96,841	\$ 85,678
Current period benefit cost	5,920	16,269
Amortization of actuarial losses	970	-
Retirement interest expenditure	4,299	4,718
Benefits paid	(9,345)	(9,824)
Accrued benefit obligation, December 31	\$ 98,685	\$ 96,841
Post-employment and post-retirement benefits expense:		
Current period benefit cost	\$ 5,920	\$ 16,269
Amortization of actuarial losses	970	-
Retirement interest expenditure	4,299	4,718
	\$ 11,189	\$ 20,987

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2012

4. Employee future benefits (continued):

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

Discount rate	4%
Inflation rate	2%
Rate of compensation increase	3%
Dental & travel cost increases	4%
Healthcare cost increases	6.667% per year for 2012 then reducing by 0.333% per year until 2020 when the ultimate rate of 4% is reached

5. Commitments:

The Board has entered into commitments for rent and leases expiring at various dates prior to 2016. The future minimum annual payments are estimated to be as follows:

2013	\$	377,243
2014		388,560
2015		400,217
	\$	1,166,020

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2012

6. Tangible capital assets:

			2012	2011
	Collections	Machine & Equipment	Total	Total
Cost:				
Balance, beginning of year	\$ 2,754,028	\$ 311,857	\$ 3,065,885	\$ 2,839,873
Additions during the year	412,927	42,952	455,879	500,715
Disposals during the year	(296,429)	(35,344)	(331,773)	(274,703)
Balance, end of year	2,870,526	319,465	3,189,991	3,065,885
Accumulated amortization:				
Balance, beginning of year	\$ 1,391,991	\$ 154,073	\$ 1,546,064	\$ 1,472,865
Amortization during the year	299,386	65,670	365,056	347,902
Disposals during the year	(296,429)	(34,903)	(331,332)	(274,703)
Balance, end of year	1,394,948	184,840	1,579,788	1,546,064
Net book value	\$ 1,475,578	\$ 134,625	\$ 1,610,203	\$ 1,519,821

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.

Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.