

Financial statements of

**City of Pickering  
Public Library Board**

December 31, 2010

# City of Pickering Public Library Board

December 31, 2010

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## Independent Auditor's Report

To the Members of  
The City of Pickering Public Library Board,  
Members of Council, Inhabitants and Ratepayers of the City of Pickering

We have audited the accompanying financial statements of the City of Pickering Public Library Board, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, change in net debt 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 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 City of Pickering Public Library Board as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants  
June 20, 2011

# City of Pickering Public Library Board

## Statement of financial position as at December 31, 2010

	2010	2009
	\$	\$
<b>Financial assets</b>		
Cash	2,260	2,310
Accounts receivable	580	259
Due from the Government of Canada	2,456	-
Due from the City of Pickering	360,140	147,564
	<b>365,436</b>	<b>150,133</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	388,920	174,851
Deferred revenue	-	13,913
Due to the Government of Canada	-	351
Post-employment benefits liability (Note 2)	119,500	119,200
	<b>508,420</b>	<b>308,315</b>
<b>Net debt</b>	<b>(142,984)</b>	<b>(158,182)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 4)	1,535,730	1,993,685
Prepaid expense	23,484	38,982
	<b>1,559,214</b>	<b>2,032,667</b>
<b>Accumulated surplus (Note 5)</b>	<b>1,416,230</b>	<b>1,874,485</b>

# City of Pickering Public Library Board

## Statement of operations year ended December 31, 2010

		2010	2009
	Budget (Unaudited) (Note 6)		
	\$	\$	\$
<b>Revenue</b>			
City of Pickering grants	4,746,464	4,745,060	4,657,315
Federal grants	-	1,654	18,246
Province of Ontario grants	135,696	160,367	174,231
Fines and other revenue	218,715	185,463	189,619
<b>Total revenue</b>	<b>5,100,875</b>	<b>5,092,544</b>	<b>5,039,411</b>
<b>Expenses</b>			
Operating			
Salaries			
Salaries and wages	3,043,252	3,075,779	2,969,487
Fringe benefits	702,010	652,302	630,094
	<b>3,745,262</b>	<b>3,728,081</b>	<b>3,599,581</b>
Material, supplies and utilities			
Books	87,000	96,574	104,841
Utilities	189,758	172,463	179,631
Other supplies	61,000	69,447	60,586
	<b>337,758</b>	<b>338,484</b>	<b>345,058</b>
Services			
Repairs and maintenance	296,516	305,257	374,551
Insurance	45,990	43,894	38,845
Travel	4,500	4,443	5,480
Consulting and professional	36,090	37,165	77,510
Advertising	12,000	17,526	20,035
Conference	7,200	6,061	8,485
Postage	6,000	4,248	5,587
Telephone	46,394	70,618	49,698
Seminars and education	26,858	15,606	18,748
Vehicle repairs and maintenance	5,200	2,708	3,248
Miscellaneous	88,757	85,314	49,390
	<b>575,505</b>	<b>592,840</b>	<b>651,577</b>
Capital related			
Amortization expense	895,188	891,394	968,682
<b>Total operating expenses</b>	<b>5,553,713</b>	<b>5,550,799</b>	<b>5,564,898</b>
Annual deficit	(452,838)	(458,255)	(525,487)
Accumulated surplus, beginning of year	1,872,322	1,874,485	2,399,972
<b>Accumulated surplus, end of year</b>	<b>1,419,484</b>	<b>1,416,230</b>	<b>1,874,485</b>

# City of Pickering Public Library Board

## Statement of change in net debt year ended December 31, 2010

		2010	2009
	Budget (Unaudited) (Note 6)		
	\$	\$	\$
<b>Annual deficit</b>	<b>(452,838)</b>	<b>(458,255)</b>	<b>(525,487)</b>
Acquisition of tangible capital assets	<b>(442,350)</b>	<b>(433,439)</b>	(442,295)
Amortization of tangible capital assets	<b>895,188</b>	<b>891,394</b>	968,682
	<b>452,838</b>	<b>457,955</b>	526,387
Change in prepaid expense	-	<b>15,498</b>	(9,745)
Change in net debt	-	<b>15,198</b>	(8,845)
Net debt, beginning of year	-	<b>(158,182)</b>	(149,337)
<b>Net debt, end of year</b>	-	<b>(142,984)</b>	<b>(158,182)</b>

# City of Pickering Public Library Board

## Statement of cash flows year ended December 31, 2010

	2010	2009
	\$	\$
<b>Operating transactions</b>		
Annual deficit	(458,255)	(525,487)
Non cash item		
Amortization of tangible capital assets	891,394	968,682
	<b>433,139</b>	<b>443,195</b>
Change in non-cash operating items		
(Increase) decrease in accounts receivable	(321)	190
Increase in due from City of Pickering	(212,576)	(53,723)
Increase in accounts payable and accrued liabilities	214,069	57,751
(Decrease) increase in deferred revenue	(13,913)	5,525
(Increase) decrease in due from/to Government of Canada	(2,807)	2
Increase (decrease) in post-employment benefits liability	300	(900)
Decrease (increase) in prepaid expense	15,498	(9,745)
	<b>250</b>	<b>(900)</b>
	<b>433,389</b>	<b>442,295</b>
<b>Capital transaction</b>		
Acquisition of tangible assets	(433,439)	(442,295)
Net decrease in cash	(50)	-
Cash, beginning of year	2,310	2,310
<b>Cash, end of year</b>	<b>2,260</b>	<b>2,310</b>

# City of Pickering Public Library Board

## Notes to the financial statements

December 31, 2010

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### 1. Significant accounting policies

The financial statements of the City of Pickering Public Library Board (the "Library Board") are the representations of management prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Significant accounting policies adopted by the Library Board are as follows:

#### *Basis of accounting*

##### (a) Accrual basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized, as they are incurred and measurable as a result of the receipt of goods and services and the creation of a legal obligation to pay.

##### (b) Non-financial assets

###### (i) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts that are directly attributable to acquisition, development or betterment of the asset. The cost of the tangible capital asset is amortized on a straight-line basis over the estimated useful life as follows:

Machinery & equipment	2 to 25 years
Information technology hardware	4 to 8 years
Library collection material	4 to 7 years
Furniture and fixtures	10 to 50 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Other major assets including the Library buildings are owned by the City and are not reflected in these financial statements.

###### (ii) Contribution/donation of tangible capital assets

Tangible capital assets received as contributions or donations are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue.

#### Intangible assets

Intangible assets are not recognized as assets in the financial statements.

##### (c) Deferred revenue

Deferred revenue represents amounts which have been received for expenditures not yet incurred. These amounts will be recognized as revenue in the fiscal year the related items are purchased.

##### (d) Post employment benefits

The present value of the cost of providing employees with future benefits programs is recognized as employees earn these entitlements through service. Any actuarial gains or losses are amortized on a straight-line basis over the average remaining service period (ARSP) of employees. The actuary estimated the ARSP to be 15 years.

##### (e) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

# City of Pickering Public Library Board

## Notes to the financial statements

December 31, 2010

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### 2. Post employment benefits liability

The Library Board makes available to qualifying employees who retire before the age of 65, the opportunity to continue their coverage for benefits such as post-retirement extended healthcare benefits. Coverage ceases at the age of 65. The Library Board also provides full time and permanent part-time employees a sick time entitlement and any unused entitlement is accumulated year to year. This accumulated entitlement is not vested and therefore is forfeited at the time of retirement or termination. The post-employment benefits obligation at December 31, 2010 and the changes in the accrued benefit obligation for the 2010 fiscal year was determined by actuarial valuation prepared as at January 1, 2008.

Information about the Library Board's post employment benefits liabilities is as follows:

	2010	2009
	\$	\$
Post-employment benefits liability, beginning of year	119,200	120,100
Current service costs	17,500	16,600
Amortization of actuarial losses	3,900	3,900
Interest expense	9,300	9,500
Benefits paid during the year	<u>(30,400)</u>	<u>(30,900)</u>
Post-employment benefits liability, end of year	<u>119,500</u>	<u>119,200</u>

	2010	2009
	\$	\$
Accrued post-employment benefits obligation	162,900	166,500
Unamortized actuarial losses	<u>(43,400)</u>	<u>(47,300)</u>
Post-employment benefits liability	<u>119,500</u>	<u>119,200</u>

The main actuarial assumptions employed in the actuarial valuations are as follows:

(a) Discount rate

The present value as at December 31, 2010 of the future benefits was determined using a discount rate of 5.5% (2009 – 5.5%).

(b) Dental cost

The current dental cost trend cost at January 1, 2008 was 4.0% per annum.

(c) Health costs

Health costs were assumed to increase at 8.5% in 2010 and decrease by 0.5% increments per year to an ultimate rate of 5% per year in 2017 and thereafter.

### 3. Pension agreements

The Library Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of eligible 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 the length of service and rates of pay.

Contributions in the amount of \$166,343 (2009 - \$163,185) were paid to OMERS on behalf of its members during the year.

# City of Pickering Public Library Board

## Notes to the financial statements

December 31, 2010

### 4. Tangible capital assets

	Machinery and equipment	Information technology hardware	Library collection materials	Furniture and fixtures	2010
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance beginning of year	9,992	405,830	5,376,617	292,082	6,084,521
Additions during the year	-	-	433,439	-	433,439
Disposals during the year	-	26,335	-	-	26,335
<b>Balance, end of year</b>	<b>9,992</b>	<b>379,495</b>	<b>5,810,056</b>	<b>292,082</b>	<b>6,491,625</b>
Accumulated amortization					
Balance, beginning of year	500	313,511	3,692,006	84,819	4,090,836
Amortization	999	38,680	845,873	5,842	891,394
Accumulated amortization on disposals	-	26,335	-	-	26,335
<b>Balance, end of year</b>	<b>1,499</b>	<b>325,856</b>	<b>4,537,879</b>	<b>90,661</b>	<b>4,955,895</b>
<b>Net book value</b>	<b>8,493</b>	<b>53,639</b>	<b>1,272,177</b>	<b>201,421</b>	<b>1,535,730</b>
	Machinery and equipment	Information technology hardware	Library collection materials	Furniture and fixtures	2009
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance beginning of year	-	405,830	6,115,387	292,082	6,813,299
Additions during the year	9,992	-	432,303	-	442,295
Disposals during the year	-	-	1,171,073	-	1,171,073
<b>Balance, end of year</b>	<b>9,992</b>	<b>405,830</b>	<b>5,376,617</b>	<b>292,082</b>	<b>6,084,521</b>
Accumulated amortization					
Balance, beginning of year	-	262,394	3,951,856	78,977	4,293,227
Amortization	500	51,117	911,223	5,842	968,682
Accumulated amortization on disposals	-	-	1,171,073	-	1,171,073
<b>Balance, end of year</b>	<b>500</b>	<b>313,511</b>	<b>3,692,006</b>	<b>84,819</b>	<b>4,090,836</b>
<b>Net book value</b>	<b>9,492</b>	<b>92,319</b>	<b>1,684,611</b>	<b>207,263</b>	<b>1,993,685</b>

# City of Pickering Public Library Board

## Notes to the financial statements

December 31, 2010

### 5. Accumulated surplus

Accumulated surplus consist of the following:

	2010	2009
	\$	\$
Invested in capital assets	1,535,730	1,993,685
Post employment benefits liability	(119,500)	(119,200)
	<b>1,416,230</b>	<b>1,874,485</b>

### 6. Budget figures

The 2010 budget was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while public sector accounting standards require a full accrual basis of accounting. The budget figures treated all tangible capital asset acquisitions as expenditures and did not include amortization expense on tangible capital assets. The following provides reconciliation from the approved budget to the budget numbers presented in the financial statements.

	2010 Council approved budget	TCA adjustment for City owned assets	Non TCA expenditures from capital	Amortization	2010 budget presented in statements
	\$	\$	\$	\$	\$
Revenue					
City of Pickering	4,956,464	(210,000)	-	-	4,746,464
Federal and provincial grants	375,696	(240,000)	-	-	135,696
Other	218,715	-	-	-	218,715
	<b>5,550,875</b>	<b>(450,000)</b>	<b>-</b>	<b>-</b>	<b>5,100,875</b>
Expenditures					
Salaries	3,745,262	-	-	-	3,745,262
Material, supplies and utilities	337,758	-	-	-	337,758
Services	507,405	-	68,100	-	575,505
Amortization	-	-	-	895,188	895,188
	<b>4,590,425</b>	<b>-</b>	<b>68,100</b>	<b>895,188</b>	<b>5,553,713</b>
Annual surplus	960,450	(450,000)	(68,100)	(895,188)	(452,838)
Capital expenditures/ additions	(960,450)	450,000	68,100	-	(442,350)