Financial Statements of

MIDDLESEX COUNTY LIBRARY BOARD

Year ended December 31, 2009

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AUDITORS' REPORT

To the Members of the Middlesex County Library Board

We have audited the statement of financial position of Middlesex County Library Board as at December 31, 2009 and the statements of operations, change in net financial assets, and cash flows for the year then ended. These financial statements are the responsibility of the Boards' management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

London, Canada

June 28, 2010

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position

December 31, 2009, with comparative figures for 2008

	2009	2008 (restated - note 2)
Financial Assets		
Cash	$ 700	$ 700
Accounts receivable	40,817	19,118
Receivable from the County of Middlesex	328,472	359,439
Total financial assets	369,989	379,257
Liabilities		
Accounts payable	97,841	81,235
Employee future benefits (note 5)	78,969	75,726
Total liabilities	176,810	156,961
Net financial assets	193,179	222,296
Non-financial assets:		
Tangible capital assets (note 8)	1,252,402	1,212,137
Non financial assets	1,252,402	1,212,137
Commitments (note 7)		
Accumulated surplus (note 4)	$ 1,445,581	$ 1,434,433

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Operations

Year ended December 31, 2009, with comparative figures for 2008

	Budget 2009	Actual 2009	Actual 2008
	(unaudited)		(restated – note 2)
Revenue:			
Grants:			
Government of Canada - CAP	$ 20,500	$ 39,678	$ 4,945
Government of Canada - Dorchester ERC	80,860	74,735	75,567
Province of Ontario	134,047	134,047	134,047
County of Middlesex, contribution	2,288,854	2,288,854	2,108,561
Service Ontario	4,000	9,369	4,700
User charges			
Fines, fees, rentals and donations	44,000	100,364	54,779
Investment income	–	65	357
Total revenue	2,572,261	2,647,112	2,382,956
Expenditures:			
Salaries	1,330,209	1,334,681	1,180,892
Books	115,500	101,661	141,279
Rent	250,926	252,401	246,744
Employee benefits	249,856	269,843	207,216
Development and automation	70,030	97,041	69,295
Dorchester ERC	80,860	74,735	75,567
Non - print materials	77,090	85,968	61,272
Postage	38,000	30,212	30,153
Utilities and maintenance	33,500	31,133	30,569
Miscellaneous	11,000	18,192	16,019
Insurance	11,226	11,162	11,426
Literacy fund expenditures	89,500	16,231	61,279
Amortization	284,856	310,568	292,780
Loss on disposal of tangible capital assets	–	2,136	–
Total expenditures	2,642,553	2,635,964	2,424,491
Annual surplus (deficit):	(70,292)	11,148	(41,535)
Accumulated surplus, beginning of year	1,434,433	1,434,433	1,475,968
Accumulated surplus, end of year	1,364,141	$ 1,445,581	$ 1,434,433

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Change in Net Financial Assets

Year ended December 31, 2009, with comparative figures for 2008

	Budget 2009	Actual 2009	Actual 2008
	(unaudited)		(restated – note 2)
Annual surplus	$ (70,292)	$ 11,148	$ (41,535)
Acquisition of tangible capital assets	(344,500)	(352,969)	(282,684)
Amortization of tangible capital assets	284,856	310,568	292,780
Loss on sale of tangible capital assets	–	2,136	–
Change in net financial assets	(129,936)	(29,117)	(31,439)
Net Financial Assets			
Beginning of year	222,296	222,296	253,735
End of year	$ 92,360	$ 193,179	$ 222,296

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

		2009		2008
				(restated – note 2)
Cash provided by (used in):				
Operating activities:				
Net revenue (loss)	$	11,148	$	(41,535)
Change in non-cash operating working capital:				
Accounts receivable		(21,699)		(3,717)
Receivable from the County of Middlesex		30,967		31,589
Prepaid expenses		–		4,807
Accounts payable		16,606		(2,629)
Employee future benefit liability		3,243		1,389
Amortization		310,568		292,780
		350,833		282,684
Capital activities				
Acquisition of tangible capital assets		(352,969)		(282,684)
Loss on sale of tangible capital assets		2,136		–
		(350,833)		–
Net increase in cash		–		–
Cash, beginning of year		700		700
Cash, end of year	$	700	$	700

See accompanying notes to financial statements.

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) 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.

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 contributions to a multi-employer, defined benefit plan are expensed when contributions are due.

(c) 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.

(d) 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
Equipment	3 years
Collections	5 – 7 years

2. Change in accounting policies:

The Middlesex County Library Board has implemented Public Sector Accounting Board ("PSAB") sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital
assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

Methods used for determining the cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. Certain capital assets for which historical cost information is not available have been recorded at estimated historical cost using current fair market value discounted by a relevant inflation factor.

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

Accumulated Surplus at January 1, 2008:		
Operating fund balance	$	74,517
Reserves balance		261,542
Amounts to be recovered		(82,324)
Accumulated surplus, as previously reported		253,735
Adjustment for net book value of tangible capital assets		1,222,233
Accumulated surplus, as restated	$	1,475,968
Annual Surplus for 2008:		
Net revenue, as previously reported	$	(31,439)
Tangible capital assets capitalized but previously expensed		282,684
Amortization expenses not previously recorded		(292,780)
Annual surplus, as restated		(41,535)
Accumulated surplus, as restated	$	1,434,433

3. Trust funds:

Trust funds and their related operations administered by the Board amounting to $11,800 (2008 - $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.

4. Accumulated surplus:

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

	2009	Appropriations to (from) reserves	2008
Reserves:			
Library Literary Fund	184,032	16,231	200,263
Total reserves	184,032	16,231	200,263
Reserve funds:			
Strathroy Branch Fund	10,000	(10,000)	–
Total reserve funds	194,032	(6,173)	200,263
Surplus:			
Invested in tangible capital assets	1,252,402		1,212,137
General Revenue Fund	90,485		103,076
Unfunded			
Employee benefits	(91,338)		(81,043)
Total surplus	1,251,549		1,234,170
Accumulated surplus (deficit)	$ 1,445,581		$ 1,434,433

5. Employee future benefits:

The Board provides certain employee future benefits which will require funding in future periods:

Health, dental and life insurance:

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:

	2009	2008
Accrued benefit obligation, January 1	$ 77,830	$ 74,337
Current period benefit cost	3,829	3,544
Retirement interest expenditure	3,824	3,658
Benefits paid	(6,514)	(5,813)
	$ 78,969	$ 75,726
Post employment and post retirement benefits expense		
Current period benefit cost	$ 3,829	$ 3,544
Retirement interest expenditure	3,824	3,658
	$ 7,653	$ 7,202

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

6. 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 2009, the Board contributed $66,030 (2008 - $57,544) to OMERS on behalf of its employees for current service. Contributions are included as an expenditure on the Statement of Operations.

7. Commitments:

The Board has entered into commitments for rent and leases expiring at various dates prior to 2012. The future minimum annual payments are estimated to be as follows:

2010	$	254,029
2011		259,050
2012		264,171
	$	777,250

8. Tangible capital assets:

		Collections		Computer H/W & S/W		2009 Total		2008 Total
Cost:								
Balance, beginning of year	$	2,300,750	$	170,102	$	2,470,852	$	2,253,896
Additions during the year		290,982		61,987		352,969		282,684
Disposals during the year		(125,411)		(39,833)		(165,244)		(65,728)
Balance, end of year		2,466,321		192,256		2,658,577		2,470,852
Accumulated amortization:								
Balance, beginning of year	$	1,155,118	$	103,597	$	1,258,715	$	1,031,663
Amortization during the year		260,913		49,655		310,568		292,780
Disposals during the year		(125,411)		(37,697)		(163,108)		(65,728)
Balance, end of year		1,290,620		115,555		1,406,175		1,258,715
Net book value	$	1,175,701	$	76,701	$	1,252,402	$	1,212,137

9. 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.