

Financial Statements of

**MIDDLESEX COUNTY LIBRARY  
BOARD**

Year ended December 31, 2010



**KPMG LLP**  
**Chartered Accountants**  
140 Fullarton Street Suite 1400  
PO Box 2305  
London ON N6A 5P2  
Canada

Telephone (519) 672-4880  
Fax (519) 672-5684  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## INDEPENDENT AUDITORS' REPORT

To the Middlesex County Library Board

We have audited the accompanying financial statements of Middlesex County Library Board, which comprise the balance sheet as at December 31, 2010, the statements of earnings and financial position, and 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 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these (consolidated / non-consolidated / separate / combined) 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 our 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, we consider 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 Middlesex County Library Board as at December 31, 2010, and its (consolidated / non-consolidated / separate / combined) results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

July 12, 2011

London, Canada

# MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Financial Assets</b>		
Cash	\$ 700	\$ 700
Accounts receivable	24,823	40,817
Receivable from the County of Middlesex	397,465	328,472
<b>Total financial assets</b>	<b>422,988</b>	<b>369,989</b>
<b>Liabilities</b>		
Accounts payable	195,945	97,841
Employee future benefits (note 4)	85,678	78,969
<b>Total liabilities</b>	<b>281,623</b>	<b>176,810</b>
<b>Net financial assets</b>	<b>141,365</b>	<b>193,179</b>
Non-financial assets:		
Tangible capital assets (note 7)	1,308,287	1,252,402
Prepaid expenses	7,832	-
<b>Non - financial assets</b>	<b>1,316,119</b>	<b>1,252,402</b>
<b>Commitments</b> (note 6)		
<b>Accumulated surplus</b> (note 3)	<b>\$ 1,457,484</b>	<b>\$ 1,445,581</b>

See accompanying notes to financial statements.

# MIDDLESEX COUNTY LIBRARY BOARD

## Statement of Operations

Year ended December 31, 2010, with comparative figures for 2009

	Budget 2010	Actual 2010	Actual 2009
	(Unaudited)		
<b>Revenue:</b>			
Grants:			
Government of Canada - CAP	\$ 6,450	\$ 6,518	\$ 39,678
Government of Canada - Dorchester ERC	83,724	84,060	74,735
Province of Ontario	183,082	182,702	134,047
County of Middlesex, contribution	2,329,194	2,329,194	2,288,854
Service Ontario	3,931	12,383	9,369
User charges			
Fines, fees, rentals and donations	44,000	40,009	100,364
Investment income	-	144	65
Total revenue	2,650,381	2,655,010	2,647,112
<b>Expenditures:</b>			
Salaries	1,447,381	1,421,463	1,334,681
Books	-	105,500	101,661
Rent	251,029	253,256	252,401
Employee benefits	271,360	260,357	269,843
Development and automation	49,531	44,555	97,041
Dorchester ERC	83,724	84,060	74,735
Non - print materials	76,500	63,945	85,968
Postage	36,500	36,572	30,212
Utilities and maintenance	40,000	29,693	31,133
Miscellaneous	16,000	17,243	18,192
Insurance	13,003	12,885	11,162
Literacy fund expenditures	89,500	3,484	16,231
Amortization	281,987	310,094	310,568
Loss on disposal of tangible capital assets	-	-	2,136
Total expenditures	2,656,515	2,643,107	2,635,964
<b>Annual surplus (deficit):</b>	(6,134)	11,903	11,148
Accumulated surplus, beginning of year	1,445,581	1,445,581	1,434,433
Accumulated surplus, end of year	\$ 1,439,447	\$ 1,457,484	\$ 1,445,581

See accompanying notes to financial statements.

# MIDDLESEX COUNTY LIBRARY BOARD

## Statement of Change in Net Financial Assets

Year ended December 31, 2010, with comparative figures for 2009

	Budget 2010	Actual 2010	Actual 2009
	(Unaudited)		
Annual surplus (deficit)	\$ (6,134)	\$ 11,903	\$ 11,148
Acquisition of tangible capital assets	(426,000)	(365,979)	(352,969)
Amortization of tangible capital assets	281,987	310,094	310,568
Loss on sale of tangible capital assets	-	-	2,136
Prepaid expenses	-	(7,832)	-
<b>Change in net financial assets</b>	<b>(150,147)</b>	<b>(51,814)</b>	<b>(29,117)</b>
<b>Net Financial Assets</b>			
Beginning of year	193,179	193,179	222,296
End of year	\$ 43,032	\$ 141,365	\$ 193,179

See accompanying notes to financial statements.

# MIDDLESEX COUNTY LIBRARY BOARD

## Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Net revenue	\$ 11,903	\$ 11,148
Change in non-cash operating working capital:		
Accounts receivable	15,994	(21,699)
Receivable from the County of Middlesex	(68,993)	30,967
Prepaid expenses	(7,832)	-
Accounts payable	98,104	16,606
Employee future benefit liability	6,709	3,243
Amortization	310,094	310,568
	365,979	350,833
Capital activities		
Acquisition of tangible capital assets	(365,979)	(352,969)
Loss on sale of tangible capital assets	-	2,136
	(365,979)	(350,833)
<b>Net increase in cash</b>	<b>-</b>	<b>-</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, 2010

---

## 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.

# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2010

---

## 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.

### (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
Machine & Equipment	3 – 5 years
Collections	5 – 15 years

---



# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2010

## 2. Trust funds:

Trust funds and their related operations administered by the Board amounting to \$11,800 (2009 - \$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 surplus and reserves and reserve funds as follows:

	2010	Appropriations (to) from reserves	2009
Reserves:			
Library literary fund	173,375	10,657	184,032
Total reserves	173,375	10,657	184,032
Reserve funds:			
Strathroy branch fund	-	10,000	10,000
Total reserve funds	173,375	20,657	194,032
Surplus:			
Invested in tangible capital assets	1,308,287		1,252,402
General revenue fund	58,438		90,485
Capital fund	10,000		-
Unfunded employee benefits	(92,616)		(91,338)
Total surplus	1,284,109		1,251,549
Accumulated surplus	\$ 1,457,484		\$ 1,445,581

# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2010

## 4. Employee future benefits:

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

(a) 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:

	2010	2009
Accrued benefit obligation, January 1	\$ 78,969	\$ 77,830
Current period benefit cost	10,422	3,829
Retirement interest expenditure	4,162	3,824
Benefits paid	(7,875)	(6,514)
	\$ 85,678	\$ 78,969
Post employment and post retirement benefits expense		
Current period benefit cost	\$ 10,422	\$ 3,829
Retirement interest expenditure	4,162	3,824
	\$ 14,584	\$ 7,653

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

# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2010

---

## 5. 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 2010, the Board contributed \$72,398 (2009 - \$66,030) to OMERS on behalf of its employees for current service. Contributions are included as an expenditure on the Statement of Operations.

## 6. Commitments:

The Board has entered into commitments for rent and leases expiring at various dates prior to 2013. The future minimum annual payments are estimated to be as follows:

---

2011	\$	290,389
2012		296,197
2013		302,121
	\$	888,707

---

# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2010

## 7. Tangible capital assets:

	2010			2009	
	Collections	Computer H/W & S/W	Total	Total	
Cost:					
Balance, beginning of year	\$ 2,466,322	\$ 192,256	\$ 2,658,578	\$ 2,470,852	
Additions during the year	299,174	66,805	365,979	352,969	
Disposals during the year	(215,747)	(30,749)	(246,496)	(165,244)	
Balance, end of year	2,549,749	228,312	2,778,061	2,658,577	
Accumulated amortization:					
Balance, beginning of year	\$ 1,290,621	\$ 115,555	\$ 1,406,176	\$ 1,258,715	
Amortization during the year	270,490	39,604	310,094	310,568	
Disposals during the year	(215,747)	(30,749)	(246,496)	(163,108)	
Balance, end of year	1,345,364	124,410	1,469,774	1,406,175	
Net book value	\$ 1,204,385	\$ 103,902	\$ 1,308,287	\$ 1,252,402	

## 8. 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.