

**Elliot Lake Public Library**  
**Financial Statements**  
For the year ended December 31, 2015

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## Independent Auditor's Report

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To the Members of the Elliot Lake Public Library Board,  
Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Elliot Lake

We have audited the accompanying financial statements of the Elliot Lake Public Library, which comprise the statement of financial position as at December 31, 2015 and the statements of operations, change in net financial assets 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 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 qualified audit opinion.

### *Basis for Qualified Opinion*

In common with many such organizations, the Elliot Lake Public Library derives revenue from fines, user charges and sale of materials, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the Library and we were not able to determine whether any adjustments might be necessary to revenue, annual surplus or accumulated surplus.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Elliot Lake Public Library as at December 31, 2015, and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Sault Ste. Marie, Ontario  
August 22, 2016

**Elliot Lake Public Library  
Statement of Financial Position**

December 31	2015	(Restated See Note 9) 2014
<b>Financial assets</b>		
Cash	\$ 159,340	\$ 112,916
Insurance recoveries receivable	-	126,675
Restricted cash (Note 2)	1,439,649	704,750
Due from the City of Elliot Lake (Note 4)	<u>430,301</u>	<u>350,126</u>
	<u>2,029,290</u>	<u>1,294,467</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	15,727	7,276
Deferred revenue (Note 5)	<u>300,000</u>	<u>300,000</u>
	<u>315,727</u>	<u>307,276</u>
<b>Net financial assets</b>	1,713,563	987,191
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	<u>386,485</u>	<u>355,393</u>
<b>Accumulated surplus (Note 7)</b>	<u>\$ 2,100,048</u>	<u>\$ 1,342,584</u>

On behalf of the Board:

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## Elliot Lake Public Library Statement of Operations

For the year ended December 31	Budget	2015	(Restated See Note 9) 2014
<b>Revenue</b>			
Municipal contributions	\$ 420,945	\$ 420,945	\$ 411,924
Insurance recoveries	-	699,503	86,644
Province of Ontario grants	37,522	46,425	87,384
User charges	6,240	7,861	6,749
Interest	-	35,203	25,514
Other	3,680	5,064	3,938
	<u>468,387</u>	<u>1,215,001</u>	<u>622,153</u>
<b>Expenses</b>			
Advertising	1,602	2,008	1,687
Amortization	20,000	41,391	33,902
Equipment	5,000	8,414	5,061
Insurance	2,316	2,425	2,225
Insurance claims	-	-	86,644
Professional fees	5,650	5,856	5,421
Rent	113,604	113,602	113,602
Repairs and maintenance	1,250	-	-
Supplies and materials	17,366	12,450	12,489
Telephone and internet	4,524	4,163	4,051
Travel	765	337	51
Wages and benefits	259,730	266,891	251,644
	<u>431,807</u>	<u>457,537</u>	<u>516,777</u>
<b>Annual surplus</b>	36,580	757,464	105,376
<b>Accumulated surplus, beginning of year</b>	<u>1,342,584</u>	<u>1,342,584</u>	<u>1,237,208</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 1,379,164</u>	<u>\$ 2,100,048</u>	<u>\$ 1,342,584</u>

The accompanying notes are an integral part of these financial statements.

**Elliot Lake Public Library**  
**Statement of Change in Net Financial Assets**

<b>For the year ended December 31</b>	<b>Budget</b>	<b>2015</b>	<b>(Restated See Note 9) 2014</b>
<b>Annual surplus</b>	\$ 36,580	\$ 757,464	\$ 105,376
Acquisition of tangible capital assets	(56,400)	(72,483)	(103,545)
Amortization of tangible capital assets	20,000	41,391	33,901
<b>Net change in net financial assets</b>	<b>180</b>	<b>726,372</b>	<b>35,732</b>
<b>Net financial assets, beginning of year</b>	<b>987,191</b>	<b>987,191</b>	<b>951,459</b>
<b>Net financial assets, end of year</b>	<b>\$ 987,371</b>	<b>\$ 1,713,563</b>	<b>\$ 987,191</b>

The accompanying notes are an integral part of these financial statements.

**Elliot Lake Public Library**  
**Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2015</b>	<b>(Restated See Note 9) 2014</b>
<b>Operating transactions</b>		
Annual surplus	\$ 757,464	\$ 105,376
Items not involving cash		
Amortization	41,391	33,902
	798,855	139,278
Changes in non-cash operating balances		
Insurance recoveries receivable	126,675	153,197
Accounts payable and accrued liabilities	8,451	(567)
Deferred revenue	-	(49,862)
Due to/from the City of Elliot Lake	(80,175)	(74,270)
	853,806	167,776
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(72,483)	(103,545)
<b>Financing activities</b>		
Increase in restricted cash	(734,899)	(26,709)
<b>Net change in cash</b>	46,424	37,522
<b>Cash, beginning of year</b>	112,916	75,394
<b>Cash, end of year</b>	\$ 159,340	\$ 112,916

The accompanying notes are an integral part of these financial statements.

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# Elliot Lake Public Library

## Notes to Financial Statements

**December 31, 2015**

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### 1. Summary of significant accounting policies

<b>Management responsibility</b>	The financial statements of the Elliot Lake Public Library (the Library) are the representations of management prepared in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board.				
<b>Nature of operations</b>	The Elliot Lake Public Library provides library services to residents of the City of Elliot Lake and residents of other municipalities who have contracted the Library for services.				
<b>Basis of accounting</b>	Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable. Expenses 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>Revenue recognition</b>	<p>Government transfers are recognized in the year in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability.</p> <p>Government grants are recognized when approved to the extent that the related expenditures have been incurred and collection can be reasonably assured.</p> <p>User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.</p>				
<b>Deferred revenue</b>	Funds received for specific purposes which contain stipulations externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.				
<b>Tangible capital assets</b>	<p>Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:</p> <table style="margin-left: 40px;"><tr><td>Library collection</td><td style="text-align: right;">- 10 years</td></tr><tr><td>Furniture and equipment</td><td style="text-align: right;">- 15 years</td></tr></table>	Library collection	- 10 years	Furniture and equipment	- 15 years
Library collection	- 10 years				
Furniture and equipment	- 15 years				
<b>Use of estimates</b>	The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.				

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## Elliot Lake Public Library Notes to Financial Statements

**December 31, 2015**

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### 2. Restricted cash

Internally restricted cash which arose as a result of historical surpluses of the Library consist of cash and short term investments. Cash is restricted to fund future deficits and capital purchases as decided by the Board.

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### 3. Pension plan and future benefits

The library makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of all permanent, full time 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 length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the library does not recognize any share of the pension plan deficit, as this is a joint responsibility of all Ontario municipalities and their employees. Employer's contributions for current and past service are included as an expense on the consolidated statement of operations. The amount contributed to OMERS in 2015 was \$19,164 (2014 - \$18,008).

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### 4. Due to the City of Elliot Lake

The balance owing from the City of Elliot Lake is non-interest bearing and has no set terms of repayment.

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### 5. Deferred revenue

	Opening balance	Contributions received	Spent funds	Ending balance
OMAFRA	\$ 300,000	\$ -	\$ -	\$ 300,000

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### 6. Commitment

The Library's temporary lease expired in 2013 and is continuing on a month to month basis. Monthly lease payments are currently \$9,303. During 2013, the Library entered into a lease to operate permanently out of the Pearson Plaza with plans to move into the premises when ready, presently expected in 2016. Annual lease payments are expected to be approximately \$100,590 plus a proportionate share of common area costs.



**Elliot Lake Public Library**  
**Notes to Financial Statements**

**December 31, 2015**

**7. Accumulated surplus**

The total balance of accumulated surplus is made up of the following amounts:

	2015	2014
Equity in tangible capital assets	\$ 386,485	\$ 355,393
Operating surplus	273,914	282,441
Reserves set aside by the Board		
Library building reserve	1,439,649	704,750
	\$ 2,100,048	\$ 1,342,584

**8. Budget**

The Financial Plan (Budget) By-Law adopted by Council on February 9, 2015 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget figures anticipated use of reserves and/or surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues. In addition, the budget expensed all tangible capital expenditures and underestimated amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council on February 9, 2015 with adjustments as follows:

Financial Plan (Budget) Bylaw surplus for the year	\$	-
Add:		
Capital expenditures		56,400
Net inter-fund transfers to reserves		180
Less:		
Amortization		(20,000)
Budget deficit per statement of operations	\$	36,580

**9. Prior period correction**

During the year it was discovered that the restricted cash did not correctly record interest on an accrual basis. As a result the prior years restricted cash, accumulated surplus, interest revenue and annual surplus were all understated. The financial statement amounts that are presented for comparative purposes have been restated to correct this as follows:

Increase in 2014 restricted cash	\$	44,295
Increase in 2014 interest revenue	\$	9,506
Increase in 2014 annual surplus	\$	9,506
Increase in 2014 accumulated surplus, beginning of year	\$	34,789
Increase in 2014 accumulated surplus, end of year	\$	44,295

**Elliot Lake Public Library**  
**Schedule 1 - Tangible Capital Assets**

**For the year ended December 31, 2015**

	Furniture and Equipment	Library Collection	Leasehold Improvements	Total
Cost, beginning of year	\$ 22,456	\$ 369,689	\$ 11,913	\$ 404,058
Additions	-	58,549	13,934	72,483
Cost, end of year	22,456	428,238	25,847	476,541
Accumulated amortization, beginning of year	2,250	46,415	-	48,665
Amortization	1,496	39,895	-	41,391
Accumulated amortization, end of year	3,746	86,310	-	90,056
Net carrying amount, end of year	\$ 18,710	\$ 341,928	\$ 25,847	\$ 386,485

**For the year ended December 31, 2014 (comparative figures)**

	Furniture and Equipment	Library Collection	Leasehold Improvements	Total
Cost, beginning of year	\$ 22,456	\$ 278,057	\$ -	\$ 300,513
Additions	-	91,632	11,913	103,545
Cost, end of year	22,456	369,689	11,913	404,058
Accumulated amortization, beginning of year	754	14,010	-	14,764
Amortization	1,496	32,405	-	33,901
Accumulated amortization, end of year	2,250	46,415	-	48,665
Net carrying amount, end of year	\$ 20,206	\$ 323,274	\$ 11,913	\$ 355,393

The accompanying notes are an integral part of these financial statements.