

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

Contents

| | |
|---|----------|
| Independent Auditor's Report | 2 |
| Financial Statements | |
| Statement of Financial Position | 3 |
| Statement of Operations | 4 |
| Statement of Change in Net Financial Assets | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 |
| Schedule 1 - Tangible Capital Assets | 10 |



Tel: 705 945 0990
Fax: 705 942 7979
Toll-Free: 800 520 3005
www.bdo.ca

BDO Canada LLP
747 Queen Street E
PO Box 1109
Sault Ste. Marie ON P6A 5N7 Canada

Independent Auditor's Report

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 |
|---|---------------------|----------------------------------|
| Financial assets | | |
| 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> |
| Liabilities | | |
| 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> |
| Net financial assets | 1,713,563 | 987,191 |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1) | <u>386,485</u> | <u>355,393</u> |
| Accumulated surplus (Note 7) | \$ 2,100,048 | \$ 1,342,584 |

On behalf of the Board:

Elliot Lake Public Library Statement of Operations

| For the year ended December 31 | Budget | 2015 | (Restated See Note 9) 2014 |
|---|---------------------|---------------------|----------------------------------|
| Revenue | | | |
| 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> |
| Expenses | | | |
| 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> |
| Annual surplus | 36,580 | 757,464 | 105,376 |
| Accumulated surplus, beginning of year | 1,342,584 | 1,342,584 | 1,237,208 |
| Accumulated surplus, end of year | <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

| For the year ended December 31 | Budget | 2015 | (Restated See Note 9) 2014 |
|--|-------------------|---------------------|---|
| Annual surplus | \$ 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 |
| Net change in net financial assets | 180 | 726,372 | 35,732 |
| Net financial assets, beginning of year | 987,191 | 987,191 | 951,459 |
| Net financial assets, end of year | \$ 987,371 | \$ 1,713,563 | \$ 987,191 |

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

Elliot Lake Public Library
Statement of Cash Flows

| For the year ended December 31 | 2015 | (Restated See Note 9) 2014 |
|--|------------|----------------------------------|
| Operating transactions | | |
| 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 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (72,483) | (103,545) |
| Financing activities | | |
| Increase in restricted cash | (734,899) | (26,709) |
| Net change in cash | 46,424 | 37,522 |
| Cash, beginning of year | 112,916 | 75,394 |
| Cash, end of year | \$ 159,340 | \$ 112,916 |

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

Elliot Lake Public Library

Notes to Financial Statements

December 31, 2015

1. Summary of significant accounting policies

| | | | | | | | |
|----------------------------------|---|--------------------|---|----------|-------------------------|---|----------|
| Management responsibility | 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. | | | | | | |
| Nature of operations | 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. | | | | | | |
| Basis of accounting | 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. | | | | | | |
| Revenue recognition | <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> | | | | | | |
| Deferred revenue | 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. | | | | | | |
| Tangible capital assets | <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><tr><td>Library collection</td><td>-</td><td>10 years</td></tr><tr><td>Furniture and equipment</td><td>-</td><td>15 years</td></tr></table> | Library collection | - | 10 years | Furniture and equipment | - | 15 years |
| Library collection | - | 10 years | | | | | |
| Furniture and equipment | - | 15 years | | | | | |
| Use of estimates | 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. | | | | | | |

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

December 31, 2015

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.

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).

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.

5. Deferred revenue

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

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.