

Financial Statements

Hamilton Public Library Board

December 31, 2011

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Hamilton Public Library Board

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Hamilton Public Library Board – Trust Funds

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Independent Auditor's report

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To the Board Members, Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Hamilton

We have audited the accompanying financial statements of The Hamilton Public Library Board, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of operations, statement of changes 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Hamilton Public Library Board as at December 31, 2011, the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of matter

Without modifying our report we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Hamilton, Canada
June 20, 2012

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Hamilton Public Library Board

Consolidated Statement of Financial Position

as at December 31

2011

2010

Financial assets

Cash	\$ 32,232	\$ 29,945
Accounts receivable	67,781	1,052,922
Due from City of Hamilton (Note 2)	<u>7,898,934</u>	<u>5,699,358</u>
	<u>7,998,948</u>	<u>6,782,225</u>

Liabilities

Accounts payable and accrued liabilities	697,672	505,232
Due to trust funds	365,643	373,232
Liability for future benefits (Note 3)	<u>2,132,236</u>	<u>2,083,285</u>
	<u>3,195,551</u>	<u>2,961,749</u>

Net financial assets

4,803,397 3,820,476

Non-financial assets

Prepaid expenses	35,113	67,208
Tangible capital assets (net) (Page 12)	<u>12,729,594</u>	<u>12,280,635</u>
	<u>12,764,707</u>	<u>12,347,743</u>

Accumulated surplus (Note 8)

\$ 17,568,104 \$ 16,168,319

Commitments (Note 6)

On behalf of the Board

_____ Director

_____ Director

See accompanying notes and schedule to the financial statements.

Hamilton Public Library Board

Consolidated Statement of Operations

For The Year Ended December 31

	Budget 2011 (unaudited)	Actual 2011	Actual 2010
Revenue			
Municipal contribution	\$27,635,290	\$ 27,635,290	\$27,194,013
Province of Ontario grants	949,450	949,451	949,451
Other grant revenue	581,280	965,215	727,361
Fines	461,070	513,294	484,332
Photocopier revenue	28,370	50,669	30,161
Other – rentals, sales and recoveries	79,910	110,896	96,497
Interest	-	149,062	206,432
Contribution from Municipal reserves	281,490	334,343	322,480
Contribution from Capital	-	234,529	-
Donations	-	7,900	17,465
	<u>30,016,860</u>	<u>30,950,649</u>	<u>30,028,193</u>
Expenditures			
Employee costs	19,946,540	18,331,765	18,755,367
Amortization	-	3,361,194	3,248,665
Facility costs	2,335,460	2,183,914	1,984,206
Long term debt charges (Note 4)	351,310	627,612	350,234
Contribution to Municipal reserves	203,400	455,729	5,370
Supplies and services	3,562,570	3,431,398	3,324,697
	<u>26,399,280</u>	<u>28,391,612</u>	<u>27,668,539</u>
Net revenue	<u>3,617,580</u>	<u>2,559,037</u>	<u>2,359,654</u>
Contributions from reserves to Municipality	-	1,159,252	3,855,737
Annual surplus (deficit)	3,617,580	1,399,785	(1,496,083)
Accumulated surplus, beginning of year	16,168,319	16,168,319	17,664,402
Accumulated surplus, end of year	<u>\$19,785,899</u>	<u>\$ 17,568,104</u>	<u>\$16,168,319</u>

See accompanying notes and schedule to the financial statements.

Hamilton Public Library Board
Consolidated Statement of Changes in Net Financial Assets
For The Year Ended December 31

	<u>2011</u>	<u>2010</u>
Annual surplus (deficit)	\$ 1,399,785	\$ (1,496,083)
Acquisition of tangible capital assets	(3,810,151)	(3,712,014)
Amortization of tangible capital assets	<u>3,361,193</u>	<u>3,248,665</u>
	<u>(448,958)</u>	<u>(463,349)</u>
Acquisition of prepaid expenses	(35,113)	(67,208)
Use of prepaid expenses	<u>67,207</u>	<u>26,828</u>
	<u>32,094</u>	<u>(40,380)</u>
Change in net financial assets	982,921	(1,999,812)
Net financial assets, beginning of the year	<u>3,820,476</u>	<u>5,820,288</u>
Net financial assets, end of the year	\$ <u>4,803,397</u>	\$ <u>3,820,476</u>

See accompanying notes and schedules to the financial statements.

Hamilton Public Library Board

Consolidated Statement of Cash Flows

For The Year Ended December 31

Increase (decrease) in cash and cash equivalents	<u>2011</u>	<u>2010</u>
Cash flows from operating transactions		
Annual surplus (deficit)	\$ 1,399,785	\$(1,496,083)
Non-cash charges to operations		
Amortization	3,361,193	3,248,665
Decrease (increase) in accounts receivable	985,141	(914,348)
(Increase) decrease in due from City of Hamilton	(692,647)	3,182,417
Decrease (increase) in prepaid expenses	32,095	(40,380)
Increase (decrease) in accounts payable and accrued liabilities	192,441	(987,026)
Increase in due to trust funds	<u>593,694</u>	<u>712,610</u>
Cash provided by operating transactions	<u>4,471,916</u>	<u>5,201,938</u>
Capital transactions		
Purchase of tangible capital assets	<u>(3,810,151)</u>	<u>(3,712,014)</u>
Financing activities		
Decrease in future benefits	<u>48,951</u>	<u>(2,533)</u>
Net change in cash	<u>2,287</u>	<u>(8,692)</u>
Cash and cash equivalents, beginning of year	<u>29,945</u>	<u>38,637</u>
Cash and cash equivalents, end of year	<u>\$ 32,232</u>	<u>\$ 29,945</u>

See accompanying notes and schedule to the financial statements.

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2011

1. Summary of significant accounting policies

The consolidated financial statements of the Hamilton Public Library Board (the Board) are prepared by management in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenditures. The Board does not budget actively within reserves and reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures do not include amounts for tangible capital assets amortization.

Significant aspects of the accounting policies adopted by the Board are as follows:

Basis of accounting

Revenues are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable, with the exception of fines and other desk receipts which are reported on the cash basis of accounting. Expenditures are reported on the accrual basis of accounting which recognizes expenditures as they are incurred and measurable as a result of a receipt of goods or services and the creation of a legal obligation to pay.

Tangible capital assets

(a) Determination of costs

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed or donated tangible capital assets are recorded at their fair value at the date of receipt.

(a) Amortization

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing Library services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives as follows:

Collections (asset pool)	7 years
Furniture, equipment and shelving	10 years
Computer hardware	3 years
Software	5 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Library land and buildings are owned and controlled by the City of Hamilton and are therefore not reflected in these financial statements.

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2011

1. Summary of significant accounting policies (continued).

Use of estimates

The preparation of financial statements in accordance with 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 at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

2. Due from City of Hamilton

The balance due from the City of Hamilton is non-interest bearing and has no set terms of repayment.

3. Liability for future benefits

In accordance with PSAB guidelines the Board is required to report obligations for retirement benefits earned over the employment period of its employees.

Employees who have retired either under the OMERS early retirement provisions or otherwise are eligible to receive drug, extended health services and dental benefits for the lifetime of the retiree. Effective January 1, 2002 new retirees only receive benefits until age sixty-five.

The Board recognizes the post employment benefit costs as they are earned during the year. The Board's obligation under the post employment provisions of employment agreements will be funded out of current revenue.

	<u>2011</u>	<u>2010</u>
Accrued Benefit Obligation		
Vested sick leave liability	\$ 102,588	\$ 129,313
Retirement Benefits	<u>2,602,454</u>	<u>2,269,785</u>
	2,705,042	2,399,098
Net unamortized actuarial loss	<u>(572,806)</u>	<u>(315,813)</u>
Accrued Liability	<u>\$ 2,132,236</u>	<u>\$ 2,083,285</u>

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2011

3. Liability for future benefits (continued)

The continuity of employee benefits and other obligations are summarized as follows:

	<u>2011</u>	<u>2010</u>
Liability for Employee Benefits and Other Obligations balance at beginning of the year	\$2,083,285	\$ 2,085,818
Benefit expenditure	60,508	66,507
Interest expenditure	119,395	118,136
Amortization of actuarial loss	64,737	42,848
Benefit payments	<u>(195,689)</u>	<u>(230,024)</u>
Liability for Employee Benefits and Other Obligations balance at end of the year	<u>\$2,132,236</u>	<u>\$ 2,083,285</u>

Actuarial valuations are performed on post employment and retirement benefits to provide estimates of the accrued benefit obligations. These estimates are based on a number of assumptions about future events including interest rates, inflation rates, salary and wage increases, medical and dental cost increases and mortality. The assumptions are determined at the time of the actuarial valuations and are reviewed annually. Consequently, different assumptions may be used as follows:

	Discount Rate	Return on Assets	Inflation Rate	Salary Increases	Dental Increases	Life Expectancy (Years)
Vested sick leave	4.5%	NA	2%	4%	NA	12
Retirement Benefits – Health and Dental	4.5%	NA	2%	4%	3.5% (1)	12

Note (1): Medical costs are assumed to increase at a rate of 6% in 2012 and 3.5% in 2017 and thereafter.

(a) Liability for vested sick leave

Effective May 1, 1982 the Income Protection Plan was adopted and sick leave credits earned under the Sick Leave Benefit Plan were frozen. Under the Sick Leave Benefit Plan unused sick leave would accumulate and employees were entitled to cash payment upon termination of services after ten continuous years. Entitlement to cash payment continues to apply to those employees who accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination. The estimated accrued benefit obligation at December 31, 2011 is \$102,588 (2010 - \$129,313).

(b) Liability for retirement benefits

The Board provides certain health, dental and life insurance benefits between the time an employee retires under the Ontario Municipal Employees Retirement System (OMERS) or the normal retirement age and up to the age of 65 years. The estimated accrued benefit obligation at December 31, 2011 is \$2,602,454 (2010 - \$2,269,785).

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2011

4. Long term debt

The City charges the Library principal and interest for long term debt, as well as sinking fund charges, related to Library facilities and other capital. These charges are funded by the City through its annual contributions. The debt is not disclosed on the statement of financial position as the City of Hamilton is legally responsible for repayment of the debt.

(a) The net long term debt to which these charges are related is as follows:

<u>Debenture Number</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>2011</u>	<u>2010</u>
01-244	Westdale Branch	3.125% to 6%	2011	0	99,691
01-244	Barton Branch	3.125% to 6%	2011	0	227,791
01-162	Central Library	4.65% to 6.75%	2016	13,203	15,381
08-120	South Mtn Complex	4.728%	2023	<u>2,475,152</u>	<u>2,633,966</u>
				<u>\$ 2,488,355</u>	<u>\$ 2,976,829</u>

(b) Principal charges in each of the next five years are as follows:

2012	168,731
2013	176,842
2014	185,345
2015	194,256
2016	203,598
2017 and thereafter	1,559,583

(c) The Board was charged \$627,612 (2010 \$350,234) for long term debt charges during the year as follows:

	<u>2011</u>	<u>2010</u>
Principal	\$ 488,474	\$ 197,973
Interest	<u>139,138</u>	<u>152,261</u>
	<u>\$ 627,612</u>	<u>\$ 350,234</u>

5. Pension agreements

The Hamilton Public Library makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 280 members of its staff. 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 service and rates of pay.

The latest actuarial valuation as at December 31, 2010 indicated that current member and employer contributions were sufficient to fund future benefits. Contributions were made in the 2011 calendar year at rates ranging from 7.4% to 10.7% depending on the level of earnings. As a result, \$986,471 was contributed to OMERS (2010 - \$974,304) for current service.

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2011

6. Commitments

Minimum future lease payments for various premises and equipment are as follows:

2012	560,289
2013	509,400
2014	509,400
2015	484,400
2016	<u>504,800</u>
	<u>\$2,568,289</u>

7. Trust funds

Trust funds administered by the Board amounting to \$2,694,048 (2010 - \$2,693,090) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Financial Activities.

8. Accumulated surplus

Consists of:

	<u>2011</u>	<u>2010</u>
Reserves and reserve funds	\$ 6,970,746	\$ 5,970,696
Amounts to be recovered in the future	(2,132,236)	(2,083,285)
Tangible capital assets	<u>12,729,594</u>	<u>12,280,635</u>
	<u>\$17,568,104</u>	<u>16,138,319</u>

Reserves and reserve funds

	<u>2011</u>	<u>2010</u>
Mobile equipment	\$ 129,726	\$ 194,866
Library collections	1,213,569	1,176,333
Library general development	1,150,859	1,414,752
Library major capital projects	3,071,661	2,139,170
Summer reading	457,266	446,140
Redevelopment, training & restructuring	373,379	364,294
Youth Programming	13,325	13,000
Accessibility Health & Safety	222,973	22,414
Computer Reserve	<u>337,988</u>	<u>200,000</u>
	<u>\$ 6,970,746</u>	<u>\$ 5,970,969</u>

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2011

9. Budget figures

The budgets originally approved by the Library for 2011 are reflected on the Consolidated Statement of Operations and the Consolidated Statement of Changes in Net Financial Assets and do not include amounts relating to PSAB reporting requirements.

- The budget reflects anticipated expenditures for collection purchases, whereas actual results have been adjusted to move capital-related collection items to tangible capital assets. An amount for amortization expense has not been included in the budget, but is reflected in actual results.
- Amounts included in the original council approved capital budget which are not recognized as tangible capital assets are included in Consolidated Statement of Operations under the appropriate functional expense category, while those recognized as tangible capital assets are included in the Consolidated Statement of Change in Net Financial Assets.

10. Contribution From Reserves to the Municipality

The contribution from reserves to the Municipality does not include any transfers to our operating budget.

Net Transfer to Municipality	\$1,159,252
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Historically, there has been no budgeted amount for transfers to the Municipality. This is due the fact that impending projects are not necessarily known or approved at the time of the budget preparation.

The Hamilton Public Library Board Schedule of Tangible Capital Assets

December 31, 2011

Cost	<u>Comp Hardware</u>	<u>Comp Software</u>	<u>Collections</u>	<u>Furn & Equip</u>	<u>Total</u>	<u>Total</u>
	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2010</u>
Beginning of year	-	-	21,674,913	1,799,061	\$ 23,473,973	\$ 23,132,251
Add: Additions during the year	227,974	98,985	3,200,884	282,308	\$ 3,810,151	\$ 3,712,015
Less: Disposals during the year	-	-	(2,694,506)	(266,039)	\$ (2,960,545)	\$ (3,370,292)
End of year	227,974	98,985	22,181,291	1,815,329	\$ 24,323,579	\$ 23,473,973
Accumulated Amortization						
Beginning of year	-	-	10,237,156	956,182	\$ 11,193,338	\$ 11,314,965
Add: Amortization during the year	37,996	9,892	3,132,586	180,720	\$ 3,361,193	\$ 3,248,665
Less: Amortization on Disposals	-	-	(2,694,506)	(266,039)	\$ (2,960,545)	\$ (3,370,292)
End of year	\$ 37,996	\$ 9,892	\$ 10,675,236	\$ 870,863	\$ 11,593,986	\$ 11,193,338
Net Book Value	\$ 189,978	\$ 89,094	\$ 11,506,055	\$ 944,467	\$ 12,729,594	\$ 12,280,635

Independent Auditor's report

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To the Board Members, Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Hamilton

We have audited the accompanying financial statements of Trust Funds of the Hamilton Public Library Board, which comprise the statement of financial position as at December 31, 2011, and the consolidated statement of operations 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Funds of the Hamilton Public Library Board as at December 31, 2011, the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Hamilton, Canada
June 20, 2012

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

**The Hamilton Public Library Board
Trust Funds
Statement of Financial Position**

December 31

2011

2010

Assets

Cash	\$ 301,163	\$ 297,423
Accrued interest receivable	714,772	768,476
Deposits Hamilton Community Foundation	1,314,470	1,253,959
Due from City of Hamilton	<u>365,643</u>	<u>373,232</u>
Total assets	<u>\$ 2,694,048</u>	<u>\$ 2,693,090</u>
Accumulated surplus	<u>\$ 2,694,048</u>	<u>\$ 2,693,090</u>

On behalf of the Board

_____ Director

_____ Director

See accompanying notes to the financial statements.

**The Hamilton Public Library Board
Trust Funds
Statement of Operations**

December 31	2011	2010
Revenue		
Investment income	\$ (3,850)	\$ 146,900
Hamilton Foundation	<u>35,926</u>	<u>-</u>
Total revenue	<u>\$ 32,076</u>	<u>\$ 146,900</u>
Expenses		
Investment loss	\$	\$ 112
Other	<u>31,118</u>	<u>69,025</u>
Total expenses	<u>\$ 31,118</u>	<u>\$ 69,027</u>
Annual surplus	\$ 958	\$ 77,763
Accumulated surplus, beginning of year	<u>2,693,090</u>	<u>2,615,327</u>
Accumulated surplus, end of year	<u>\$ 2,694,048</u>	<u>\$ 2,693,090</u>

See accompanying notes to the financial statements.

The Hamilton Public Library Board Trust Funds Notes to the Financial Statements

December 31, 2011

1. Accounting policies

Basis of accounting

Income and capital receipts are reported on the cash basis.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses, which are reported on the accrual basis of accounting, which recognizes expenditures, as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

2. Accumulated surplus 2011 2010

The accumulated surplus consists of:

Library

M. Walden Thompson Estate	\$ 19,673	\$ 18,891
Special Gift Fund Central	1,955,114	1,950,196
Permanent Endowment Fund	587,449	594,190
Keetha McLaren Memorial Fund	28,064	27,808
F. Walden Library Bequest	62,317	61,582
Waterdown Library Fundraising	<u>41,431</u>	<u>40,423</u>
	<u>\$ 2,694,048</u>	<u>\$ 2,693,090</u>