

Elliot Lake Public Library
Financial Statements
For the year ended December 31, 2017

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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, 2017 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 to 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 for the year ended December 31, 2017 and 2016 and current assets as at December 31, 2017 and 2016. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation.

Qualified Opinion

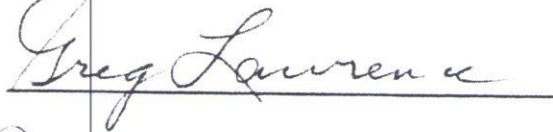
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Elliot Lake Public Library as at December 31, 2017, and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

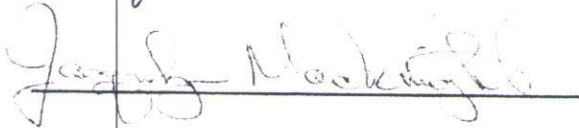
Chartered Professional Accountants, Licensed Public Accountants
Sault Ste. Marie, Ontario
June 11, 2018

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

December 31	2017	2016
Financial assets		
Cash	\$ 43,383	\$ 200,927
Rental inducements receivable	165,248	-
Portfolio investments (Note 2)	177,229	423,960
Due from the City of Elliot Lake (Note 4)	<u>567,936</u>	<u>560,264</u>
	953,796	1,185,151
Liabilities		
Accounts payable and accrued liabilities	20,149	15,812
Deferred revenue	<u>-</u>	<u>4,066</u>
	20,149	19,878
Net financial assets	933,647	1,165,273
Non-financial assets		
Tangible capital assets (Schedule 1)	<u>1,704,316</u>	<u>1,253,527</u>
Accumulated surplus (Note 6)	\$ 2,637,963	\$ 2,418,800

On behalf of the Board:





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

Elliot Lake Public Library
Statement of Operations

For the year ended December 31	Budget	2017	2016
Revenue			
Municipal contributions	\$ 478,970	\$ 478,970	\$ 450,904
Province of Ontario grants	39,520	46,523	337,522
User charges	4,440	6,453	6,710
Interest	-	13,623	18,334
Rent inducements	-	265,000	-
Other	6,500	5,795	4,745
	<u>529,430</u>	<u>816,364</u>	<u>818,215</u>
Expenses			
Advertising	3,000	2,301	1,291
Amortization	47,000	85,559	46,944
Equipment	2,000	3,000	992
Insurance	3,500	3,500	2,997
Professional fees	11,050	5,716	6,446
Rent	140,830	137,619	113,602
Repairs and maintenance	15,130	4,838	140
Supplies and materials	18,240	18,375	13,370
Telephone and internet	4,590	5,281	4,247
Travel	5,000	3,791	1,626
Wages and benefits	269,220	327,221	307,808
	<u>519,560</u>	<u>597,201</u>	<u>499,463</u>
Annual surplus	9,870	219,163	318,752
Accumulated surplus, beginning of year	2,418,800	2,418,800	2,100,048
Accumulated surplus, end of year	<u>\$ 2,428,670</u>	<u>\$ 2,637,963</u>	<u>\$ 2,418,800</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	2017	2016
Annual surplus	\$ 9,870	\$ 219,163	\$ 318,752
Acquisition of tangible capital assets	(56,570)	(536,348)	(913,986)
Amortization of tangible capital assets	47,000	85,559	46,944
Net change in net financial assets	300	(231,626)	(548,290)
Net financial assets , beginning of year	1,165,273	1,165,273	1,713,563
Net financial assets , end of year	\$ 1,165,573	\$ 933,647	\$ 1,165,273

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	2017	2016
Operating transactions		
Annual surplus	\$ 219,163	\$ 318,752
Items not involving cash		
Amortization	<u>85,559</u>	46,944
	304,722	365,696
Changes in non-cash operating balances		
Accounts receivable - rent inducements	(165,248)	-
Accounts payable and accrued liabilities	4,337	85
Deferred revenue	(4,066)	(295,934)
Due to/from the City of Elliot Lake	<u>(7,672)</u>	(129,963)
	132,073	(60,116)
Capital transactions		
Acquisition of tangible capital assets	(536,348)	(913,986)
Financing activities		
Decrease in portfolio investments	<u>246,731</u>	1,015,689
Net change in cash	(157,544)	41,587
Cash, beginning of year	<u>200,927</u>	159,340
Cash, end of year	\$ 43,383	\$ 200,927

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

Elliot Lake Public Library

Notes to Financial Statements

December 31, 2017

1. Summary of significant accounting policies

Basis of accounting	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.						
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>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 border="0" 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;">- 5-15 years</td> </tr> <tr> <td>Leasehold improvements</td> <td style="text-align: right;">- over the lease term</td> </tr> </table>	Library collection	- 10 years	Furniture and equipment	- 5-15 years	Leasehold improvements	- over the lease term
Library collection	- 10 years						
Furniture and equipment	- 5-15 years						
Leasehold improvements	- over the lease term						
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, 2017

2. Portfolio investments

Portfolio investments arose as a result of historical surpluses of the Library, and are internally designated to fund future deficits and capital purchases as decided by the Board. These are part of a group of investments held by the City of Elliot Lake, which is comprised of GICs, corporate and provincial bonds, strip and coupon bonds, and term deposits.

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 2017 was \$18,799 (2016 - \$18,565).

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. Commitment

The Library's temporary lease expired in 2013 and continued on a month to month basis with monthly lease payments of \$9,303. During 2013, the Library entered into a lease to operate permanently out of the Pearson Plaza which they moved into in April 2017. Annual lease payments are to be approximately \$100,590 plus a proportionate share of common area costs which will be a maximum of \$40,236 annually.

Elliot Lake Public Library
Notes to Financial Statements

December 31, 2017

6. Accumulated surplus

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

	2017	2016
Equity in tangible capital assets	\$ 1,704,316	\$ 1,253,527
Operating surplus	557,503	324,812
Reserves set aside by the Board		
Library building reserve	376,144	840,461
	\$ 2,637,963	\$ 2,418,800

Allocation of annual surplus:

Reserves	\$ (464,317)	\$ (599,188)
Equity in tangible capital assets	450,789	867,042
Operating surplus	232,691	50,898
	\$ 219,163	\$ 318,752

7. Budget

The Financial Plan (Budget) By-Law adopted by Council on December 12, 2016 was not prepared on a basis consistent with that used to report actual results. 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 rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets include the following adjustments:

Financial Plan (Budget) Bylaw surplus for the year	\$	-
Add:		
Capital expenditures		56,570
Net inter-fund transfers to reserves		300
Less:		
Amortization		(47,000)
Budget surplus per statement of operations	\$	9,870

Elliot Lake Public Library
Schedule 1 - Tangible Capital Assets

For the year ended December 31, 2017

	Leasehold Improvements	Furniture and Equipment	Library Collection	Work in Progress	Total
Cost, beginning of year	\$ -	\$ 22,456	\$ 478,459	\$ 889,612	\$ 1,390,527
Additions	198,542	285,593	52,213	-	536,348
Capitalized construction	889,612	-	-	(889,612)	-
Cost, end of year	1,088,154	308,049	530,672	-	1,926,875
Accumulated amortization, beginning of year	-	5,246	131,754	-	137,000
Amortization	21,749	13,385	50,425	-	85,559
Accumulated amortization, end of year	21,749	18,631	182,179	-	222,559
Net carrying amount, end of year	\$ 1,066,405	\$ 289,418	\$ 348,493	\$ -	\$ 1,704,316

The net book value of tangible capital assets not being amortized because they are under construction/development or have been removed from service is \$NIL (2016 - \$889,612).

For the year ended December 31, 2016 (comparative figures)

	Leasehold Improvements	Furniture and Equipment	Library Collection	Work in Progress	Total
Cost, beginning of year	\$ -	\$ 22,456	\$ 428,238	\$ 25,847	\$ 476,541
Additions	-	-	50,221	863,765	913,986
Cost, end of year	-	22,456	478,459	889,612	1,390,527
Accumulated amortization, beginning of year	-	3,746	86,310	-	90,056
Amortization	-	1,500	45,444	-	46,944
Accumulated amortization, end of year	-	5,246	131,754	-	137,000
Net carrying amount, end of year	\$ -	\$ 17,210	\$ 346,705	\$ 889,612	\$ 1,253,527

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