

DRAFT Financial Statements of

**THE LONDON PUBLIC LIBRARY
BOARD**

Year ended December 31, 2006

AUDITORS' REPORT

To The London Public Library Board

We have audited the balance sheet of The London Public Library Board as at December 31, 2006 and the statements of earnings, changes in financial position, and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the The London Public Library Board as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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Chartered Accountants, Licensed Public Accountants

London, Canada

March 9, 2007

THE LONDON PUBLIC LIBRARY BOARD

Balance Sheet

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December 31, 2006, with comparative figures for 2005

	2006	2005
Financial Assets		
Cash	\$ 1,067,153	\$ 491,841
Accounts receivable:		
The City of London	423,467	652,884
Other	261,188	538,526
	684,655	1,191,410
Other current assets	13,525	9,280
	\$ 1,765,333	\$ 1,692,531
Liabilities and Fund Balances		
Accounts payable and accrued liabilities	\$ 956,707	\$ 1,315,492
Accrued sick and vacation liability (notes 3 and 7)	1,329,328	1,383,751
Payable to The City of London	301,777	60,653
Deferred revenue	77,832	20,080
Employee future benefits (note 6)	1,210,000	1,144,000
	3,875,644	3,923,976
Financial position:		
Sick leave reserve (note 3)	213,219	143,365
Reserves (note 4)	215,798	152,941
	429,017	296,306
Amount to be recovered from sick leave reserve	(213,219)	(143,365)
Amount to be recovered from reserves	(215,798)	(152,941)
Amount to be recovered from operations	(2,110,311)	(2,231,445)
	(2,539,328)	(2,527,751)
Financial position	(2,110,311)	(2,231,445)
Commitments (note 8)		
	\$ 1,765,333	\$ 1,692,531

See accompanying notes to financial statements.

THE LONDON PUBLIC LIBRARY BOARD

Statement of Earnings

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Year ended December 31, 2006, with comparative figures for 2005

	Budget (unaudited)	2006	2005
Revenue:			
User charges:			
Fines	\$ 480,000	\$ 506,655	\$ 474,537
Fees, rentals and sundry	323,955	305,937	312,236
	803,955	812,592	786,773
Grants:			
Federal	-	513,108	576,206
Province of Ontario	599,000	662,199	653,729
The City of London:			
Current	14,592,572	14,582,572	13,967,981
Capital	116,322	116,322	3,717,939
Other	-	216,294	973
	15,307,894	16,090,495	18,916,828
Other:			
Investment income	15,000	50,277	27,193
Total financing available	16,126,849	16,953,364	19,730,794
Expenditures:			
Current operations:			
Personnel costs	11,011,624	11,455,012	10,931,397
Personnel services	54,427	47,223	97,188
Purchased services	443,174	519,031	478,467
Technology	570,243	647,249	498,250
Utilities	830,247	730,157	705,834
Facilities services	1,168,053	1,247,994	1,273,182
Collections and lending services	1,768,425	1,698,651	1,691,937
Program services	63,885	76,882	66,675
General	8,293	187,205	239,605
	15,918,371	16,609,404	15,982,535
Capital:			
New major facilities	80,920	80,920	2,199,407
Major repair and maintenance	35,402	35,402	1,518,533
Equipment	18,155	69,378	245,457
	134,477	185,700	3,963,397
	16,052,848	16,795,104	19,945,932
Operating results	74,001	158,260	(215,138)
Less: transfer to The City of London reserves	-	(37,126)	(37,182)
Total applications during the year	\$ 74,001	\$ 121,134	\$ (252,320)

See accompanying notes to financial statements.

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THE LONDON PUBLIC LIBRARY BOARD

Statement of Changes in Financial Position

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Year ended December 31, 2006, with comparative figures for 2005

	Balance, beginning of year	Contributions	Withdrawals	Employee future benefits	Net earnings	Balance, end of year
Sick leave reserve \$	143,365	\$ 238,749	\$ (168,895)	\$ -	\$ -	213,219
Amount to be recovered from sick leave reserve	(143,365)	(238,749)	168,895	-	-	(213,219)
Reserves (note 4)	152,941	149,401	(86,544)	-	-	215,798
Amount to be recovered from reserves	(152,941)	(149,401)	86,544	-	-	(215,798)
Amount to be recovered from operations	(2,231,445)	-	-	(66,000)	187,134	(2,110,311)
	<u>\$ (2,231,445)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (66,000)</u>	<u>187,134</u>	<u>\$ (2,110,311)</u>
2005	\$ (1,979,125)	\$ -	\$ -	(117,000)	(135,320)	\$ (2,231,445)

See accompanying notes to financial statements.

THE LONDON PUBLIC LIBRARY BOARD

Statement of Cash Flows

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Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
Cash provided by (used in):		
Operating activities:		
Net income (loss)	\$ 121,134	\$ (252,320)
Changes in non-cash operating working capital:		
Receivable from The City of London	229,417	249,282
Accounts receivable, other	277,338	(293,909)
Other current assets	(4,245)	12,396
Due from The City of London	-	100,000
Accounts payable and accrued liabilities	(358,785)	401,778
Accrued sick and vacation liability	(54,423)	(57,584)
Payable to The City of London	241,124	32,056
Long-term debt	-	(100,000)
Deferred revenue	57,752	(71,172)
Employee future benefit liability	66,000	117,000
Increase in cash	575,312	137,527
Cash, beginning of year	491,841	354,314
Cash, end of year	\$ 1,067,153	\$ 491,841

See accompanying notes to financial statements.

THE LONDON PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements

Year ended December 31, 2006

1. Significant accounting policies:

The financial statements of The London Public 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 with the exception of principal and interest charges on long-term liabilities which are charged against operations in the periods in which they are paid.

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) Capital assets:

The historical cost and accumulated amortization of capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the statement of operations in the year of acquisition.

(c) Deferred revenue:

Grants are included in the statement of operations in the year in which the designated program is carried out. Grants received in advance of being earned are recorded as deferred revenue.

(d) Employee future benefits:

The Board has adopted the following policies for future benefits provided to both active and retired employees:

(i) Pension benefits:

The Board has a pension agreement with the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer contributory defined benefit plan. Board contributions to the plan are recognized as expenditures in the period that they are incurred.

THE LONDON PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2006

1. Significant accounting policies (continued):

(d) Employee future benefits (continued):

(ii) Post-employment benefits:

The Board provides other benefits to retired employees including life insurance and extended health and dental benefits. Recognition of these benefits are actuarially determined using the projected benefit method, pro-rated on service using management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care and dental costs.

2. Trust funds:

Trust funds and their related operations administered by the Board amounting to \$1,198,280 (2005 - \$609,850) are not consolidated, but are reported separately on the trust fund statement of continuity. They have not been included in the balance sheet nor have they been included in the statement of operations.

3. Liability for vested sick leave benefits:

Under the sick leave benefit plan, employees hired prior to May 1, 1985 can accumulate unused sick leave and may become entitled to a cash payment when they leave the employment of the Board.

The liability of these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounts to \$598,292 (2005 - \$748,421) as at December 31, 2006. This amount is partially funded by a reserve held by The City of London in the amount of \$213,219 (2005 - \$143,365).

THE LONDON PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2006

4. Reserves:

Reserves held by the Board are as follows:

	2006	2005
Stabilization	\$ 66,398	\$ 66,398
Collections	149,400	86,543
	\$ 215,798	\$ 152,941

Net appropriations to reserves held and maintained by The City of London consist of the following:

	2006	2005
Acquisition of vehicles	\$ 2,500	\$ 2,500
Self insurance	34,626	34,682
	\$ 37,126	\$ 37,182

5. Pension agreement:

The Board has a pension agreement with OMERS, which is a multi-employer plan, on behalf of its full and part-time staff. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2006 is \$567,885 (2005 - \$457,423) for current service and is included as an expenditure in the statement of operations.

THE LONDON PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2006

6. Employee future benefits:

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

The Board pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age sixty-five. The Board recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was performed as at December 31, 2006.

The main actuarial assumptions employed for the valuations are as follows:

(a) Interest (discount rate):

The obligation as at December 31, 2006, of the present value of future liabilities and the expense for the year ended December 31, 2006, were determined using a discount rate of 5%.

(b) Medical costs:

Medical costs were assumed to increase at the rate of 10% per year reducing to 5.0% per year over ten years and 5.0% per year thereafter.

(c) Dental costs:

Dental costs were assumed to increase at the rate of 5% per year.

7. Vacation pay liability:

The liability for vacation pay as at December 31, 2006 amounted to approximately \$731,036 (2005 - \$635,331). A provision for this liability has been made in these financial statements.

8. Commitments:

The Board is committed under operating leases for the rental of premises and equipment. The minimum annual payments under these leases are as follows:

2007	\$	748,836
2008		542,809
2009		540,635
2010		412,887
2011		350,353
	\$	2,595,520
