

Financial Statements of

**THE LONDON PUBLIC LIBRARY
BOARD**

Year ended December 31, 2007



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AUDITORS' REPORT TO THE LONDON PUBLIC LIBRARY BOARD

We have audited the balance sheet of The London Public Library Board as at December 31, 2007 and the statements of earnings and changes in financial position, and cash flows 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 London Public Library Board as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

London, Canada

March 14, 2008

THE LONDON PUBLIC LIBRARY BOARD

Balance Sheet

December 31, 2007, with comparative figures for 2006

	2007	2006
Financial Assets		
Cash	\$ 1,552,871	\$ 1,067,153
Accounts receivable:		
The City of London	668,972	423,467
<u>Accounts receivable</u>	348,438	261,188
	1,017,410	684,655
Prepaid assets	173,109	13,525
	<u>\$ 2,743,390</u>	<u>\$ 1,765,333</u>
Liabilities and Fund Balances		
Accounts payable and accrued liabilities	\$ 1,529,687	\$ 956,707
Accrued sick and vacation liability (notes 3 and 7)	1,262,576	1,329,328
Payable to The City of London	707,182	301,777
Deferred revenue	147,948	77,832
Employee future benefits (note 6)	1,330,000	1,210,000
	4,977,393	3,875,644
Financial position:		
Sick leave reserve (note 3)	186,542	213,219
<u>Reserves (note 4)</u>	172,029	215,798
	358,571	429,017
Amount to be recovered, sick leave	(186,542)	(213,219)
Amount to be recovered from reserves	(172,029)	(215,798)
<u>Amount to be recovered, operations</u>	(2,234,003)	(2,110,311)
	(2,592,574)	(2,539,328)
Financial position	(2,234,003)	(2,110,311)
Commitments (note 8)		
	<u>\$ 2,743,390</u>	<u>\$ 1,765,333</u>

See accompanying notes to financial statements.

THE LONDON PUBLIC LIBRARY BOARD

Statement of Earnings and changes in Financial Position

Year ended December 31, 2007, with comparative figures for 2006

	Budget (unaudited)	2007	2006
Revenue:			
User charges:			
Fines	\$ 500,000	\$ 502,115	\$ 506,655
Fees, rental, sundry	405,728	343,442	305,937
	905,728	845,557	812,592
Grants:			
Federal	-	558,366	513,108
Ontario	599,000	609,895	662,199
The City of London:			
Current	15,250,373	15,250,372	14,582,572
Capital	405,430	405,430	116,322
Other	-	8,717	216,294
	16,254,803	16,832,780	16,090,495
Other:			
Investment income	18,000	77,348	50,277
Total revenues	17,178,531	17,755,685	16,953,364
Expenditures:			
Current operations:			
Personnel costs	11,397,793	12,153,524	11,455,012
Personnel services	107,275	87,808	47,223
Purchased services	504,275	462,235	519,031
Technology	604,795	552,126	647,249
Utilities	853,540	751,305	730,157
Facilities services	1,250,460	1,282,500	1,247,994
Collection and lending services	1,868,425	1,901,728	1,698,651
Program services	69,525	81,488	76,882
General	10,000	130,465	187,205
	16,666,088	17,403,179	16,609,404
Capital:			
New major facilities	309,806	309,806	80,920
Major repair and maintenance	95,624	95,623	35,402
Equipment	38,155	33,643	69,378
	443,585	439,072	185,700
	17,109,673	17,842,251	16,795,104
Operating results	68,858	(86,566)	158,260
Transfer to The City of London reserves (note 4)	-	(37,126)	(37,126)
Total applications during the year	\$ 68,858	\$ (123,692)	\$ 121,134

See accompanying notes to financial statements.

THE LONDON PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Net income (loss)	\$ (123,692)	\$ 121,134
Changes in non-cash operating working capital:		
Receivable from The City of London	(245,505)	229,417
Accounts receivable	(87,250)	277,338
Prepaid assets	(159,584)	(4,245)
Accounts payable and accrued liabilities	572,980	(358,785)
Accrued sick and vacation liability	(66,752)	(54,423)
Payable to The City of London	405,405	241,124
Deferred revenue	70,116	57,752
Employee future benefit liability	120,000	66,000
Increase in cash	485,718	575,312
Cash, beginning of year	1,067,153	491,841
Cash, end of year	\$ 1,552,871	\$ 1,067,153

See accompanying notes to financial statements.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2007

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.

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 Earnings and Financial Position in the year of acquisition.

(c) Deferred revenue:

Grants are included in the statement of Statement of Earnings and Financial Position 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

Notes to Financial Statements (continued)

Year ended December 31, 2007

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.

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian 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 and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation allowances for receivables. Actual results could differ from those estimates.

2. Trust funds:

Trust funds and their related operations administered by the Board amounting to \$1,493,147 (2006 - \$1,198,280) 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 Earnings and Financial Position.

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 \$521,299 (2006 - \$598,292) as at December 31, 2007. This amount is partially funded by a reserve held by The City of London in the amount of \$186,542 (2006 - \$213,219).

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2007

4. Reserves:

Reserves held by the Board are as follows:

	2007	2006
Stabilization	\$ 55,965	\$ 66,398
Collections	116,064	149,400
	<u>\$ 172,029</u>	<u>\$ 215,798</u>

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

	2007	2006
Acquisition of vehicles	\$ 2,500	\$ 2,500
Self insurance	34,626	34,628
	<u>\$ 37,126</u>	<u>\$ 37,126</u>

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 2007 is \$611,377 (2006 - \$567,885) for current service and is included as an expenditure in the Statement of Earnings and Financial Position.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2007

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, 2007, of the present value of future liabilities and the expense for the year ended December 31, 2007, 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, 2007 amounted to approximately \$741,277 (2006 - \$731,036). A provision for this liability has been made in these financial statements.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2007

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:

2008	\$	737,029
2009		663,444
2010		467,443
2011		350,093
2012		198,750
	\$	2,416,759

9. Fair value of financial instruments:

The carrying values of cash, trade accounts receivable and accounts payable and accrued liabilities, accrued sick and vacation liability and payable to The City of London approximate their fair values due to the relatively short periods to maturity of these instruments.

Credit and foreign currency risk:

The Company is not exposed to any foreign currency or credit risk.