

Mission Statement

The Hamilton Public Library unites people and ideas in a warm and welcoming environment. The library's staff, collections, and access to global electronic resources help to enrich the lives of individuals. The library actively champions literacy, access to information, and the joy of reading.

Strategic Priorities

Empower Communities Celebrate Diversity Strengthen Our Organization

HAMILTON PUBLIC LIBRARY BOARD

Audit Committee Meeting

Wednesday, May 16, 2007

Central Library, Administration Committee Room

4:30 p.m.

AGENDA

1. Selection of Chair of Audit Committee
2. Presentation of Draft Audited Financial Statements for 2006 by External Auditors, Grant Thornton
3. Audit Concluding Memorandum for Fiscal 2006
4. 2006 Audited Financial Statements Report
5. In camera
6. Adjournment

Report to the Audit Committee - Communication of Audit Results

Hamilton Public Library Board

For the year ended December 31, 2006

Grant Thornton 

Grant Thornton LLP
Chartered Accountants
Management Consultants

April 11, 2007

To the members of the Audit Committee of The Hamilton Public Library Board

We are pleased to report that we have now substantially completed our audit of the financial statements of The Hamilton Public Library Board for the year ended December 31, 2006. We have attached our draft auditors' report. We will finalize this auditors' report once we have the opportunity to discuss the results of our audit with you.

The report to the Committee has been prepared in accordance with the assurance recommendations issued by the Canadian Institute of Chartered Accountants (CICA) entitled "Communications with Those Having Oversight Responsibility for the Financial Reporting Process". That standard recommends we communicate with the Board various matters including: the overall audit strategy, our responsibility as auditors, any matters arising from the audit, misstatements, significant accounting policies, and any other matters that may be of interest to the Board of Directors.

We express our appreciation for the cooperation and assistance received from the staff of the Hamilton Public Library Board during the course of our audit.

If you have any particular comments or concerns, please do not hesitate to raise them at our scheduled meeting.

Yours very truly,
GRANT THORNTON LLP

Grant Thornton LLP

Evan McDade, CA, CBV
Partner

Suite 1040
Standard Life Centre
120 King Street West
Suite 1040
Hamilton, Ontario
L8P 4V2
T (905) 525-1930
1-800-3092 (Ontario)
F: (905) 527-4413
E-mail: Hamilton@GrantThornton.ca
W www.GrantThornton.ca

Canadian Member of Grant Thornton International

Contents

	Page
Status of the audit.....	1
Reportable matters	2
Technical updates	3
 Appendices	
Appendix A – Draft auditors’ report.....	4
Appendix B – Draft Management Representation Letter.....	5
Appendix C – Letter of Independence	8
Appendix D – Accounting and Auditing Developments	10

Status of the audit

We have substantially completed our audit of the financial statements of The Hamilton Public Library Board for the year ended December 31, 2006 and the results of that audit are included in this report.

As noted in the covering letter, we have attached our draft auditors' report as Appendix A. The following item needs to be completed before that report is signed:

- Approval of the financial statements by the Audit Committee.

Reportable matters

Internal control

Management is responsible for the design and operation of an effective system of internal control that provides reasonable assurance that the accounting system provides timely, accurate and reliable financial information, and safeguards the assets of the entity.

Through our role as auditors of your financial statements we possess an understanding of the entity and its environment, including internal control. However, a financial statement audit is not designed to provide assurance on internal control. Professional standards do require us to communicate to the audit committee significant deficiencies and material weaknesses in internal control that have come to our attention in the course of performing the audit.

During the course of performing our audit, we did not identify any significant weaknesses in internal controls to report.

Significant new accounting policies

There were no significant new accounting policies noted in the year.

Management's judgements and accounting estimates

Management has the responsibility for applying judgement in preparing the accounting estimates and disclosures contained within the financial statements. The fact that estimates are used in the preparation of the financial statements is outlined in Note 1 to the financial statements. The following is a particularly sensitive estimate included within the financial statements:

Significant payroll accrual:

In connection with the pay equity job re-evaluation, the Avalon Group was hired as consultants to assist the library in its pay equity and job evaluations. An estimated pay equity accrual for the period of January 1, 2005 to December 31, 2006 of \$638,600 has been reflected in 2006.

Controversial, emerging or unique accounting policy issues

There were no new controversial, emerging or unique accounting policies issues noted.

Cooperation during the audit

We report that we received cooperation from the employees of The Hamilton Public Library Board. To our knowledge, we were provided access to all necessary records and other documentation and

any issues that arose as a result of our audit were discussed with staff and have been resolved to our satisfaction.

Consultations with other accountants

To our knowledge, management did not seek the advice or opinion of other external accountants on financial reporting or accounting matters.

Fraud and illegal acts

Our inquiries of management did not reveal any fraud or illegal acts.

Independence

As external auditors of the Hamilton Public Library Board, we are required to be independent in accordance with Canadian professional standards. These standards require that we disclose to the Audit Committee all relationships that, in our professional judgement, may reasonably be thought to bear on our independence. We have provided a letter to the Board, presented as Appendix C of this report which confirms our independence with respect to the Hamilton Public Library Board.

Technical updates

Accounting and auditing standards

Recent changes in accounting and auditing standards have been summarized in Appendix D. These accounting and auditing changes have had no effect on the Hamilton Public Library Board for this year.

Appendix A – Draft auditors' report

DRAFT

Auditors' Report

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

We have audited the consolidated statement of financial position of Hamilton Public Library Board as at December 31, 2006 and the consolidated statement of financial activities and changes in financial position 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.

Except as explained in the following paragraph, 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.

The Hamilton Public Library Board derives revenue from donations and cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Hamilton Public Library Board and we were not able to determine whether any adjustments might be necessary to donations and other revenue, net expenditures, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we may have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Hamilton Public Library Board as at December 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express any opinion regarding the budget figures.

Hamilton, Ontario
March 29, 2007

Grant Thornton LLP
Chartered Accountants

Appendix B – Draft Management Representation Letter

March 29, 2007

Grant Thornton LLP
Standard Life Centre
120 King Street West
Suite 1040
Hamilton, Ontario
L8P 4V2

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of Hamilton Public Library Board as of December 31, 2006, and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Hamilton Public Library Board in accordance with Canadian generally accepted accounting principles.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles and for the design and implementation of internal controls to prevent and detect fraud and error. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal controls and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, as of March 29, 2007, the following representations made to you during your audit.

Financial statements

1. The financial statements referred to above present fairly, in all material respects, the financial position of the 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 the basis of accounting described in the notes to the financial statements.

Completeness of information

2. We have made available to you all financial records and related data and all minutes of the meetings of the board of directors. Summaries of actions of recent meetings for which minutes have not yet been prepared have been provided to you. All significant board and committee actions are included in the summaries.
3. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
4. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
5. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss.
6. We have identified to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements guarantees, non-monetary transactions and transactions for no consideration.

Fraud and error

7. We have no knowledge of fraud or suspected fraud affecting the Library Board involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Library Board's financial statements communicated by employees, former employees, analysts, regulators or others.

Recognition, measurement and disclosure

9. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
10. All related party transactions have been appropriately measured and disclosed in the financial statements.

11. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
12. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 13. The Library Board has satisfactory title to (or lease interest in) all assets, and there are no liens or encumbrances on the Library Board's assets nor has any been pledged as collateral.
14. Employee future benefit costs, assets, and obligations have been determined, accounted for and disclosed in accordance with the requirements of Section 3255 *Post-employment Benefits, Compensated Absences and Termination Benefits* of the CICA Public Sector Accounting Handbook.
15. There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure in the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and related notes.

Other

16. The Library Board has obtained all consents and authorizations under law in respect of the personal information, if any, of employees, customers and other individuals provided to you in the course of your audit, and you are authorized to use such personal information required for your workpapers.

Yours very truly,

.....

[Chief Librarian]

.....

[Director, Finance and Facilities]

Appendix C – Letter of Independence

April 11, 2007

The Audit Committee of
The Hamilton Public Library Board

Dear Members of the Audit Committee:

We have been engaged to audit the financial statements of The Hamilton Public Library Board for the year ending December 31, 2006.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the organization and Grant Thornton LLP that, in our professional judgement, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute and applicable legislation, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) holding a position, either directly or indirectly, that give the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) economic dependence on a client; and
- (e) provision of services in addition to the audit engagement.

We are not aware of any relationships between the organization and ourselves that in our professional judgement may reasonably be thought to bear on our independence that, have occurred from December 13, 2006, the date of our last letter, to April 11, 2007.

GAAS requires that we confirm our independence to the Audit Committee. However, since the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario deal with the concept of independence in terms of objectivity, our confirmation is to be made in that context. Accordingly, we hereby confirm that we are objective with respect to the organization within the

meaning of the rules of professional conduct of the Institute of Chartered Accountants of Ontario as of April 11, 2007.

This report is intended solely for the use of the Audit Committee, management and others within the organization and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you.

Yours very truly,

GRANT THORNTON LLP

Grant Thornton LLP

Evan McDade, CA, CBV
Partner

Appendix D – Accounting and Auditing Development

Accounting – Standards issued by the CICA	Effective date	Assessment of applicability
<p>PS 3150 – Tangible Capital Assets</p> <p>PSAB has approved revisions to Section PS 3150, Tangible Capital Assets, focused primarily on local governments recognizing and amortizing all their tangible capital assets.</p> <p>Additional revisions to Section PS 3150, which affect all governments, include:</p> <ul style="list-style-type: none"> • Clarifying the definition of “cost” to stop netting capital grants against tangible; • Additional guidance on when to start and stop capitalizing carrying costs; • Removing the 40 year amortization cap; and • Moving tangible capital asset disclosure requirements in Section PS1200, <i>Financial Statement Presentation – Federal, Provincial, and Territorial Governments</i>, to Section PS 3150. 	<p>This Section is effective for fiscal years beginning on or after January 1, 2009 with earlier adoption encouraged.</p>	<p>No impact on reporting for 2006.</p>
<p>PSG-7 – Tangible Capital Assets</p> <p>The purpose of this Guideline is to provide transitional guidance to a local government on presenting information related to tangible capital assets in notes or schedules to its summary financial statements.</p>	<p>This Guideline is effective for fiscal years beginning on or after January 1, 2007.</p>	<p>No impact on reporting for 2006. In 2007, a note will be required in the financial statements disclosing the status of the process and the known amounts of tangible capital assets to-date. These amounts will also be subject to audit.</p>



Hamilton Public Library

Date: May 10th 2007

To: Chair and Members of the Audit Committee

From: William Guise, Director, Finance and Facilities
Hamilton Public Library

c.c. Ken Roberts, Chief Librarian

Subject: 2006 Audited Financial Report

RECOMMENDATION:

That the 2006 Audited Financial Statements for the Hamilton Public Library Board attached to this report be approved.

BACKGROUND:

Every year, the Library must prepare and submit the audited financial statements to Council as required by the Public Libraries Act. The financial statements present the 2006 financial position of the Library as at December 31, 2006 and the financial activities for the year ended December 31, 2006.

The Library derives revenue from donations and cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, the auditors' verification of these revenues was limited to the amounts recorded in the Library's records.

Subject to any required adjustments, if any, which they may have determined to be necessary had they been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, Grant Thornton, LLP, Chartered Accountants have expressed an opinion on the financial statements that they present fairly, in all material respects, the financial position of the Hamilton Public Library Board as at December 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles free of any qualifications.

The financial statements have been prepared by staff in accordance with generally accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. PSAB requires the reporting of employee benefit obligations.

Also attached to this report is the 2006 Audited Financial Report for Hamilton Public Library Board Trust Funds.

Grant Thornton, LLP, Chartered Accountants, performed the statutory audit function and expressed an opinion, subject the limitation concerning the completeness of the donation revenue referred to previously these 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, 2005 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

The following analysis highlights the financial results for 2006.

Operations

The operational surplus for 2006 is \$140,323 as compared to the 2005 operational surplus of \$966,767.

Major Factors Contributing to Surplus

Salaries & Wages	\$ 630,990
------------------	------------

There were vacant positions and gapping during the year which resulted in a favourable variance.

Employer Benefits	171,470
-------------------	---------

Some of the favourable variance is a result of the unfilled positions and partly from not all part time staff taking up the option for medical and dental coverage.

OMERS	67,150
-------	--------

Some of the favourable variance is a result of the unfilled positions and partly from not all part time staff taking up the option for OMERS coverage.

Security	32,930
----------	--------

Cost of providing security services at Central and branches were lower than expected.

Operating Supplies	48,000
--------------------	--------

Operating supplies for processing of Library Materials were lower as a result in delay in ordering of material.

Data Line	30,730
-----------	--------

Data line costs for network connection between library locations were less than expected.

Facility Costs	113,910
----------------	---------

The actual costs allocated from the City for Facility Costs were less than budget established by City for 2006

Fine Revenue 32,570

As a result of the continuation of amore aggressive collection process, fine revenue is up 12.9% over 2006 budget and 8.6% over 2005 actual.

Grant Revenue 104,000

Due to a change in funding policy, the Library was able to obtain full funding for an existing federal grant program that was partially subsidized from operations.

IP Telephony Costs (34,630)

Costs allocated from the City for the IP Telephony system was greater than the 2006 budget established by the City.

One Time Costs funded by Operations

Pay Equity Retroactive costs (2005 to 2006)	(638,000)
Vehicle Acquisition for Branch Courier	(48,859)
RFID	(38,486)
Video Cameras for branches	(69,813)
Ancaster Renovations	(174,389)
Architectural fees for 5 th floor Central	(22,952)
Computer Booking System	(37,800)

Reserve Funds

The Reserve Fund balances have increased by \$608,617.17 from the December 31st 2006 balance of \$7,879,121.83 to \$8,527,319.00.

Revenues

Sirsi/Dynix Grant	\$ 11,201.10	
Interest from City of Hamilton	378,110.05	
		\$ 389,311.15

Contributions from Operating Fund

Operating Surplus for 2006	\$140,323.33	
Funding for Mobile Equipment	30,000.00	
Funding for Repairs to Grounds	9,000.00	
Donations	8,530.78	
Unexpended Library Material Budget	53,521.86	
Lost Book Charges	29,853.76	
Trust Fund - Bookmobile Summer Reading	5,000.00	
Printer Revenue	23,496.81	
Net Increase in Summer Reading Reserve	61,809.02	
Increase in Youth Programming Reserve	238.96	361,774.52
		\$ 751,085.67

Expenditures

Funding approved by Board

5th Floor Renovations	\$ 22,953.50	
E- Audio Books	31,795.00	
RFID	48,140.00	\$ 102,888.50

Increase in Reserve Funds for 2006	<u>\$ 648,197.17</u>
------------------------------------	----------------------

Trust Funds

The Trust Account balances have increased by \$472,701.67 from the December 31st 2006 balance of \$2,299,054.84 to \$2,771,756.51.

The change in Trust Account balances arose from

Revenues

Donations	\$364,378.45	
Interest from bank accounts and City	28,408.81	
Hamilton Community Foundation	<u>161,150.00</u>	
		\$553,937.26

Expenditures

Interest Expense	\$ 2,826.87	
Management Fee	29,792.00	
Funding approved by Board		
Kids Page Redesign	\$3,150.00	
Board Books for Read to Baby	4,500.00	
Neon Artwork Modification	355.76	
Image Collection Digitization	27,008.77	
Bookmobile Summer Reading	<u>13,602.19</u>	<u>48,616.72</u>
Change in Trust Account Balances		<u>\$472,701.67</u>

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

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

We have audited the consolidated statement of financial position of Hamilton Public Library Board as at December 31, 2006 and the consolidated statement of financial activities and changes in financial position 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.

Except as explained in the following paragraph, 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.

The Hamilton Public Library Board derives revenue from donations and cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Hamilton Public Library Board and we were not able to determine whether any adjustments might be necessary to donations and other revenue, net expenditures, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we may have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Hamilton Public Library Board as at December 31, 2006 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express any opinion regarding the budget figures.

DRAFT

Hamilton, Ontario
March 29, 2007

Grant Thornton LLP
Chartered Accountants

Standard Life Centre
120 King Street West
Suite 1040
Hamilton, Ontario L8P 4V2
T (905)-525-1930
F (905)-527-4413
E Hamilton@GrantThornton.ca
W www.GrantThornton.ca

Canadian Member of Grant Thornton International

The Hamilton Public Library Board

Consolidated Statement of Financial Position

December 31

2006

2005

Assets

Financial assets

Cash	\$ 32,584	\$ 36,233
Accounts receivable	126,910	132,672
Due from City of Hamilton (Note 2)	<u>9,760,683</u>	<u>8,232,651</u>

9,920,177 8,401,556

Non financial assets

Prepaid expenses	<u>9,034</u>	<u>10,200</u>
------------------	--------------	---------------

\$ 9,929,211 \$ 8,411,756

Liabilities

Accounts payable and accrued liabilities	\$ 1,005,933	\$ 460,977
Deferred revenue	10,000	15,639
Due to trust funds	<u>385,959</u>	<u>56,018</u>
	<u>1,401,892</u>	<u>532,634</u>

Liability for future benefits (Note 3) 2,048,609 1,967,567

3,450,501 2,500,201

Library position

Reserves and reserve funds (Note 5)	8,527,319	7,879,122
Amounts to be recovered in future (Note 6)	<u>(2,048,609)</u>	<u>(1,967,567)</u>

6,478,710 5,911,555

\$ 9,929,211 \$ 8,411,756

Commitments (Note 8)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

The Hamilton Public Library Board

Consolidated Statement of Financial Activities

Year Ended December 31

	<u>Budgeted</u>	<u>Current Fund</u>	<u>Reserve Fund</u>	<u>2006 Total</u>	<u>2005 Total</u>
Revenue					
Municipal contribution	\$ 23,508,480	\$ 23,508,480	\$ -	\$ 23,508,480	\$ 22,652,440
Province of Ontario grants	949,450	949,451	-	949,451	949,451
Other grant revenue	385,960	698,821	-	698,821	542,960
Fines	502,820	567,425	-	567,425	522,381
Photocopier revenue	48,500	31,755	-	31,755	43,969
Other – rentals, sales and Recoveries	91,050	143,850	-	143,850	146,134
Interest	-	-	378,110	378,110	313,270
Donations and other	-	15,691	-	15,691	40,081
Total revenue	<u>25,486,260</u>	<u>25,915,473</u>	<u>378,110</u>	<u>26,293,583</u>	<u>25,210,686</u>
Expenditures					
Employee costs	17,811,390	17,621,122	-	17,621,122	16,221,903
Library materials	2,740,720	2,737,703	-	2,737,703	2,955,020
Facility costs	3,076,570	3,225,489	-	3,225,489	2,927,136
Supplies and services	1,600,080	1,822,147	-	1,822,147	1,697,093
Total expenditures	<u>25,228,760</u>	<u>24,406,461</u>	<u>-</u>	<u>25,406,461</u>	<u>23,801,152</u>
Net revenues	<u>257,500</u>	<u>509,012</u>	<u>378,110</u>	<u>887,122</u>	<u>1,409,534</u>
Financing transfers					
Long term debt charges (Note 4)	(206,500)	(130,196)	-	(130,196)	(206,109)
Transfer to capital - City of Hamilton	-	-	-	-	(118,779)
Transfer to reserve - City of Hamilton	-	(76,304)	-	(76,304)	-
Net contributions from reserve fund	-	119,521	-	119,521	357,281
Net contributions to reserve funds	(51,000)	(389,608)	-	(378,407)	(1,119,878)
Net contributions to current fund	-	-	(119,521)	(119,521)	(357,281)
Net contributions from current fund	-	-	389,608	378,407	1,119,878
Net contributions from trust funds	-	48,617	-	48,617	75,518
Decrease in amounts to be recovered in future	-	(81,042)	-	(81,042)	(84,297)
Net financing and transfers	<u>(257,500)</u>	<u>(509,012)</u>	<u>270,087</u>	<u>(238,925)</u>	<u>(333,667)</u>
Change in funds	-	-	648,197	648,197	1,075,867
Fund balances, beginning of year	-	-	7,879,122	7,879,122	6,803,255
Fund balances, end of year	\$ -	\$ -	\$8,527,319	\$ 8,527,319	\$ 7,879,122

See accompanying notes to the financial statements.

The Hamilton Public Library Board

Consolidated Statement of Changes in Financial Position

Year Ended December 31

2006

2005

Increase (decrease) in cash

Operation activities

Change in funds	\$ 648,197	\$ 1,075,867
Decrease (increase) in accounts receivable	5,762	(73,285)
Increase in due from City of Hamilton	(1,528,031)	(1,153,374)
(Increase) decrease in prepaid expenses	1,166	(3,209)
Increase in accounts payable and accrued liabilities	544,955	227,534
Decrease in deferred revenue	(5,639)	(6,728)
Increase (decrease) in due to trust funds	<u>329,941</u>	<u>(51,756)</u>
	<u>(3,649)</u>	<u>15,049</u>

Financing activities

Increase in liability for future benefits	81,042	84,297
Increase in amounts to be recovered in future	<u>(81,042)</u>	<u>(84,297)</u>
	<u>-</u>	<u>-</u>

Net (decrease) increase in cash

(3,649) 15,049

Cash and cash equivalents

Cash, beginning of year	<u>36,233</u>	<u>21,184</u>
Cash, end of year	<u>\$ 32,584</u>	<u>\$ 36,233</u>

See accompanying notes to the financial statements.

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2006

1. Summary of significant accounting policies

The consolidated financial statements of the 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.

Certain comparative figures in these consolidated statements have been reclassified from statements previously presented to conform to the presentation adopted for the current year.

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.

Capital Assets

The historical cost and accumulated amortization for capital assets are not recorded. Purchases of capital assets are charged either directly to operations in the year in which the expenditures occur, or to a reserve established for the purchase of capital assets.

Fund Accounting

Funds with the consolidated financial statements consist of the operating and reserve funds. Transfers between the funds are recorded as adjustments to the appropriate fund balance.

Reserves for Future Expenditures

Certain amounts, as approved by the Board, are set aside in reserves for future operating and capital expenditures. Transfers to and from reserves are reflected as an adjustment to the respective fund.

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.

Budget figures

Budgets are only established for the Current Fund.

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2006

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>2006</u>	<u>2005</u>
Accrued Benefit Obligation		
Vested sick leave liability	\$ 192,232	\$ 176,586
Retirement Benefits	<u>2,206,790</u>	<u>2,173,719</u>
	2,399,022	2,350,305
Net unamortized actuarial loss	<u>(350,413)</u>	<u>(382,738)</u>
Accrued Liability	\$ <u>2,048,609</u>	\$ <u>1,967,567</u>

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

	<u>2006</u>
Liability for Employee Benefits and Other Obligations balance at beginning of the year	\$ 1,967,567
Benefit expenditure	40,376
Interest expenditure	138,330
Amortization of actuarial loss	32,326
Benefit payments	<u>(129,990)</u>
Liability for Employee Benefits and Other Obligations balance at end of the year	\$ <u>2,048,609</u>

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2006

3. Liability for Future Benefits (continued)

(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. An actuarial valuation as at December 31, 2006 has estimated the accrued benefit obligation at \$192,232. The assumptions used to calculate the accrued benefit obligation include a discount rate of 6%, an inflation rate of 3.0% and future salary and wage increases of 4%. Changes in valuation assumptions resulted in a decrease in the liability to \$192,232 from the expected liability of \$268,154 as at December 31, 2006. The actuarial gain as at December 31, 2004 of \$89,930 is being amortized over thirteen years representing the expected average remaining life expectancy of the members of the employee groups.

(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. An actuarial valuation at December 31, 2006 estimated the accrued benefit obligation at \$2,206,790. The accrued benefit obligation was determined using a discount rate of 6.0% and inflation rate of 3%. Medical costs were assumed to increase at a rate of 7.5% in 2005 and reduce by 0.5% per year to 4.5% in 2011 and thereafter. Dental costs were assumed to increase at 4.5% per year. Changes in valuation assumptions have resulted in an increase in the liability to \$2,206,790 from the expected liability of \$1,780,455 as at December 31, 2006. The actuarial loss of \$504,994 at December 31, 2004 is being amortized over 13 years representing the average remaining life expectancy of the plan members in various groups.

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.

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2006

4. Long term debt (continued)

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

Debenture Number	Purpose	Interest Rates	Maturity Date	2006	2005
91-050	Redhill Library	9.75% to 10%	2006	\$ 0	\$ 8,999
91-050	Terryberry Public Library	9.75% to 10%	2006	0	13,128
91-050	Sherwood Public Library	9.75% to 10%	2006	0	11,677
01-244	Westdale Branch	3.125% to 6%	2011	149,570	160,525
01-244	Barton Branch	3.125% to 6%	2011	341,769	366,800
01-162	Central Library	4.65% to 6.75%	2016	22,841	24,429
				<u>\$ 514,180</u>	<u>\$ 585,558</u>

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

2007	\$ 39,475
2008	41,560
2009	43,871
2010	46,410
2011	329,659

(c) The Board was charged \$130,196 (2005 \$206,109) for long term debt charges during the year as follows:

	2006	2005
Principal	\$ 54,080	\$ 69,636
Interest	76,116	136,473
	<u>\$ 130,196</u>	<u>\$ 206,109</u>

5. Reserves and reserve funds

	2006	2005
Mobile equipment	\$ 637,558	\$ 579,787
Library collections	1,499,062	1,414,344
Library general development	816,041	736,368
Library major capital projects	4,265,745	3,936,848
Summer reading	270,976	199,606
Redevelopment, training & restructuring	1,016,288	991,738
Youth Programming	21,649	20,431
	<u>\$ 8,527,319</u>	<u>\$ 7,879,122</u>

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2006

6. Amounts to be recovered in future	<u>2006</u>	<u>2005</u>
Employee benefit obligations (see note 3)	<u>\$ 2,048,609</u>	<u>\$ 1,967,567</u>

7. 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 250 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, 2003 indicated that current member and employer contributions were sufficient to fund future benefits. Contributions were made in the 2006 calendar year at rates ranging from 6.5% to 9.6% depending on the level of earnings. As a result, \$834,851 was contributed to OMERS (2005 - \$724,131) for current service.

8. Commitments

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

2007	\$ 866,950
2008	646,097
2009	560,758
2010	423,750
2011	<u>23,750</u>
	<u>\$ 2,521,305</u>

9. Trust funds

Trust funds administered by the Board amounting to \$2,771,756 (2005 - \$2,299,055) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Financial Activities.

Grant Thornton LLP
Chartered Accountants
Management Consultants



Auditors' Report

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

We have audited the balance sheet of the trust funds of the Hamilton Public Library Board as at December 31, 2006 and the statement of continuity of trust funds 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.

Except as explained in the following paragraph, 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.

The trust funds of the Hamilton Public Library Board derive revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the trust funds of the Hamilton Public Library Board and we were not able to determine whether any adjustments might be necessary to donation revenue, change in fund balances, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we may have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these 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, 2006 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

DRAFT

Hamilton, Ontario
March 29, 2007

Grant Thornton LLP
Chartered Accountants

Standard Life Centre
120 King Street West
Suite 1040
Hamilton, Ontario L8P 4V2
T (905)-525-1930
F (905)-527-4413
E Hamilton@GrantThornton.ca
W www.GrantThornton.ca

Canadian Member of Grant Thornton International

2005

Cash	\$ 301,564	\$ 290,276
Deposits with the Hamilton Community Foundation	1,211,213	1,183,972
Due from current fund	385,959	56,018
Accrued interest receivable	873,020	768,789

\$ 2,771,756 \$ 2,299,055

Trust Funds – fund balances	\$ 2,771,756	\$ 2,299,055
-----------------------------	--------------	--------------

Director Director

11

The Hamilton Public Library Board
Trust Funds
Statement of Continuity

December 31	2006	2005
Revenue		
Interest	\$ 189,559	\$ 133,469
Donations and other	<u>364,378</u>	<u>18,907</u>
	<u>553,937</u>	<u>152,376</u>
Expenditures		
Other	<u>32,619</u>	<u>30,045</u>
	<u>\$ 521,318</u>	<u>\$ 122,331</u>
Financing and transfers		
Net transfers to Library current fund	<u>(48,617)</u>	<u>(75,518)</u>
Change in fund balances	472,701	46,813
Fund balances, beginning of year	<u>2,299,055</u>	<u>2,252,242</u>
Fund balances, end of year	<u>\$ 2,771,756</u>	<u>\$ 2,299,055</u>

See accompanying notes to the financial statements.

The Hamilton Public Library Board

Trust Funds

Notes to the Financial Statements

December 31, 2006

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. Fund balances

2006

2005

Trust funds consist of:

M. Walden Thompson	\$ 31,897	\$ 30,664
Special Gifts Fund	1,937,360	1,505,139
Permanent Endowment	617,529	586,524
K. McClaren Memorial	28,919	27,176
F. Walden	56,435	54,489
Dundas Library Fundraising	64,198	61,264
Waterdown Library	<u>35,418</u>	<u>33,799</u>
	<u>\$ 2,771,756</u>	<u>\$ 2,299,055</u>

The above funds can be used at the discretion of the Board with the exception of the Permanent Endowment fund from which only the interest earned can be used.