

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, July 29, 2009
Central Library, Board Committee Room

5:30 p.m.

AGENDA

- | | |
|--|---------------|
| 1. Communication of Audit Results | Attachment #1 |
| 2. 2008 Financial Statement Report | Attachment #2 |
| 3. Budget Variance Report – April 30, 2009 | Attachment #3 |
| 4. Adjournment | |



Report to the Audit Committee - Communication of Audit Results

Hamilton Public Library
For the year ended December 31, 2008



April 3, 2009

Grant Thornton LLP
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To the members of the audit committee of 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, 2008. 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 audit 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 audit committee 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 audit committee.

We express our appreciation for the cooperation and assistance received from the management and 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 sincerely
Grant Thornton LLP

A handwritten signature in cursive script that reads "Grant Thornton LLP".

Allister Byrne, FCA
Partner

cc: William Guise

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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, 2008 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 items need to be addressed/completed before that report is signed:

- Receipt of legal confirmation;
- Finalization of actuarial valuations for post-employment benefit liabilities;
- Receipt of signed management representation letter (draft has been attached as Appendix B); and
- Approval of the financial statements by the Audit Committee.

Reportable matters

Summary of disclosure matters

Our audit did not identify any misstatements.

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 such reportable weaknesses in internal control.

Significant new accounting policies

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

Controversial, emerging or unique accounting policy issues

There were no new controversial, emerging or unique accounting policies issues noted. For 2009, the Board will be required to implement the new standard, PS 3150 Tangible Capital Assets.

Cooperation during the audit

We report that we received full cooperation from management and 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 management 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 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, dated October 9, 2008, which confirms our independence with respect to Hamilton Public Library Board.

Technical updates

Accounting and auditing standards

Recent changes in accounting and auditing standards were included in our planning memorandum for the 2008 audit of the Hamilton Public Library Board. There have been no significant changes subsequent to the issuance of this memo. We would be pleased to discuss these changes if the audit committee has any questions.

Appendix B – Draft Management representation letter

April 3, 2009

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

Dear Sir/Madam:

We are providing this letter in connection with your audit of the financial statements of Hamilton Public Library Board as of December 31, 2008 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, financial activities, and changes in financial position of the 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 April 3, 2009, 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 entity as at December 31, 2008 and the financial activities and changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Completeness of information

2. We have made available to you all financial records and related data and all minutes of the meetings of the audit committee and board of directors.
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 revenues, expenditures, debt, transfers of reserve amounts, non-monetary transactions and transactions for no consideration.

Fraud and error

7. We have no knowledge of fraud or suspected fraud affecting the entity 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 entity's financial statements communicated by employees, former employees 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 entity'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 Sections 3250 *Retirement Benefits* and 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. We have considered whether or not events have occurred or conditions exist which may cast significant doubt on the Board's ability to continue as a going concern and have concluded that no such events or conditions are evident.

Yours very truly,

.....
[Chief Librarian]

.....
[Director, Finance and Facilities]



Hamilton Public Library

Date: July 9th 2009

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: 2008 Financial Statement Report

RECOMMENDATION:

That the 2008 Financial Statements for the Hamilton Public Library Board and Statements for the Hamilton Public Library Board – Trust Funds attached to this report be approved.

BACKGROUND:

Every year, the Library must prepare and present the audited financial statements to the Council of the City of Hamilton as required by the Public Libraries Act. The financial statements present the 2008 financial position of the Library as at December 31, 2008 and the financial activities for the year ended December 31, 2008.

Grant Thornton, LLP, Chartered Accountants, who are external auditors for both the City of Hamilton and the Hamilton Public Library have performed the statutory audit function and will be presenting their Audit Concluding Memorandum to the Board.

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, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles free of any qualifications.

Subject: 2008 Financial Report
 Page 2 of 3
 July 9th 2009

The financial statements have been prepared by staff in accordance with generally accounting principles for local governments (including local boards) as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants (CICA). PSAB requirements for local boards include fund accounting, accrual accounting and post employment and retirement benefit obligations.

Effective January 1, 2007, the Library adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets for local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

Also attached to this report is the 2008 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, 2008 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Some highlights from financial results for 2008.

Operations

The Library had an operational deficit of \$111,630 as compared to an operational surplus of \$174,208 in 2007. Included in the operations for 2008 were \$388,980 in unanticipated pay equity costs. The operational deficit was funded from Library reserves.

Reserve Funds

The Reserve Fund balances have decreased \$234,762.55 from the December 31st 2007 balance of \$8,047,544.32 to \$7,812,781.77.

Interest on Received on Reserve Funds	\$ 286,390.51
---------------------------------------	---------------

Contributions from Operating Fund	
Funding for Mobile Equipment	30,000.00
Funding for Repairs to Grounds	9,000.00
Funding for Accessibility & Renewal Reserve	100,000.00
Donations	13,287.89
Lost Book Charges	36,269.05
Printer Revenue	22,945.22

Subject: 2008 Financial Report
 Page 3 of 3
 July 9th 2009

Allowance from Landlord for Sherwood	186,000.00	370,502.16
Expenditures		
Vehicle Purchases	(\$ 418,546.20)	
Renovations to 5 th Floor Central	(27,163.95)	
RFID	(233,882.00)	
Library Materials	(102,659.10)	
Summer Reading Programs	(16,774.39)	
Operational Loss for 2008	(111,629.58)	(\$ 910,655.22)
Decrease in Reserve Funds for 2008		<u>(\$ 253,762.55)</u>

Trust Funds

The Trust Account balances have decreased by \$236,300.43 from the December 31st 2007 balance of \$2725,919.27 to \$2,489,618.84.

Donations received		\$ 2,500.00
Interest on funds held by City		23,874.57
Hamilton Community Foundation		
Realized investment income	\$ 87,577.00	
Unrealized investment losses	(305,729.00)	
Management Fees	(29,523.00)	(247,675.00)
Funding of Programs approved by Board		<u>(15,000.00)</u>
Decrease in Trust Accounts Balances		<u>(\$ 236,300.43)</u>

Hamilton Public Library Board

Financial Statements

December 31, 2008

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Auditor's Report

<<NOTE: The Auditor's Report will be inserted here>>

The Hamilton Public Library Board

Consolidated Statement of Financial Position

December 31	2008	2007
Assets		
Financial assets		
Cash	\$ 56,170	\$ 54,347
Accounts receivable	199,124	124,996
Due from City of Hamilton (Note 2)	<u>8,796,248</u>	<u>8,766,128</u>
	9,051,542	8,945,471
Non financial assets		
Prepaid expenses	<u>31,133</u>	<u>6,411</u>
	<u>\$ 9,082,675</u>	<u>\$ 8,951,882</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 850,498	\$ 481,597
Deferred revenue	-	5,577
Due to trust funds	<u>419,395</u>	<u>417,164</u>
	1,269,893	904,338
Liability for future benefits (Note 3)	<u>2,090,199</u>	<u>2,125,304</u>
	<u>3,360,092</u>	<u>3,029,642</u>
Library position		
Reserves and reserve funds (Note 5)	7,812,782	8,047,544
Amounts to be recovered in future (Note 6)	<u>(2,090,199)</u>	<u>(2,125,304)</u>
	<u>5,722,583</u>	<u>5,922,240</u>
	<u>\$ 9,082,675</u>	<u>\$ 8,951,882</u>

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> (Unaudited)	<u>Current</u> <u>Fund</u>	<u>Reserve</u> <u>Fund</u>	<u>2008</u> <u>Total</u>	<u>2007</u> <u>Total</u>
Revenue					
Municipal contribution	\$ 25,248,372	\$ 25,248,372	\$ -	\$ 25,248,372	\$ 24,156,800
Province of Ontario grants	949,450	949,451	-	949,451	949,451
Other grant revenue	458,350	856,841	-	856,841	749,523
Fines	528,110	443,241	-	443,241	482,602
Photocopier revenue	28,570	30,999	-	30,999	34,840
Other – rentals, sales and Recoveries	85,770	324,891	-	324,891	140,951
Interest	-	-	286,391	286,391	310,280
Donations and other	-	62,443	-	62,443	38,474
Total revenue	<u>27,298,622</u>	<u>27,916,238</u>	<u>286,391</u>	<u>28,202,629</u>	<u>26,862,921</u>
Expenditures					
Employee costs	19,049,992	19,376,031	-	19,376,031	18,301,176
Library materials	3,140,720	3,328,166	-	3,328,166	2,941,956
Facility costs	3,176,040	3,134,901	-	3,134,901	3,089,368
Supplies and services	1,702,070	2,288,516	-	2,288,516	1,734,159
Total expenditures	<u>27,068,822</u>	<u>28,127,614</u>	<u>-</u>	<u>28,127,614</u>	<u>26,066,659</u>
Net revenues	<u>229,800</u>	<u>(211,376)</u>	<u>286,391</u>	<u>75,015</u>	<u>796,262</u>
Financing transfers					
Long term debt charges (Note 4)	(69,800)	(220,643)	-	(220,643)	(69,399)
Transfer from (to) reserve - City of Hamilton	-	164,853	-	164,853	(411)
Transfer to capital - City of Hamilton	-	-	(233,882)	(233,882)	(1,313,009)
Net contributions from reserve fund	-	835,223	-	835,223	117,037
Net contributions to reserve funds	(160,000)	(547,952)	-	(547,952)	(575,911)
Net contributions to current fund	-	-	(835,223)	(835,223)	(117,037)
Net contributions from current fund	-	-	547,952	547,952	575,911
Net contributions from trust funds	-	15,000	-	15,000	30,087
(Decrease) Increase in amounts to be recovered in future	-	(35,105)	-	(35,105)	76,695
Net financing and transfers	<u>(229,800)</u>	<u>211,376</u>	<u>(521,153)</u>	<u>309,777</u>	<u>(1,276,037)</u>
Change in funds	-	-	(234,762)	(234,762)	(479,775)
Fund balances, beginning of year	-	-	8,047,544	8,047,544	8,527,319
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,812,782</u>	<u>\$ 7,812,782</u>	<u>\$ 8,047,544</u>

See accompanying notes to the financial statements.

The Hamilton Public Library Board

Consolidated Statement of Changes in Financial Position

Year Ended December 31

2008

2007

Increase (decrease) in cash

Operation activities		
Change in funds	\$ (234,762)	\$ (479,775)
(Increase) decrease in accounts receivable	(74,128)	1,914
(Increase) decrease in due from City of Hamilton	(30,120)	994,555
(Increase) decrease in prepaid expenses	(24,722)	2,623
Increase (decrease) in accounts payable and accrued liabilities	368,901	(524,336)
Decrease in deferred revenue	(5,577)	(4,423)
Increase in due to trust funds	<u>2,231</u>	<u>31,205</u>
	<u>1,823</u>	<u>21,763</u>
Financing activities		
(Decrease) increase in liability for future benefits	(35,105)	76,695
Decrease (increase) in amounts to be recovered in future	<u>35,105</u>	<u>(76,695)</u>
	<u>-</u>	<u>-</u>
Net increase in cash	1,823	21,763
Cash and cash equivalents		
Cash, beginning of year	<u>54,347</u>	<u>32,584</u>
Cash, end of year	<u>\$ 56,170</u>	<u>\$ 54,347</u>

See accompanying notes to the financial statements.

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2008

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.

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

Effective January 1, 2007, the Board adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets for local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2008, the Board continued to work towards compliance with the new recommendations for accounting for tangible capital assets. The Board is working towards having a complete listing of assets and values and is expected to be completed by December 31, 2009.

The historical cost and accumulated amortization for capital assets are not recorded. Purchases of capital assets are charged directly to operations in the year in which the expenditures occur.

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.

The Hamilton Public Library Board

Notes to the Consolidated Financial Statements

December 31, 2008

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.

Budget Figures

Budgets are only established for the Current Fund.

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>2008</u>	<u>2007</u>
Accrued Benefit Obligation		
Vested sick leave liability	\$ 207,301	\$ 209,119
Retirement Benefits	<u>2,284,408</u>	<u>2,234,272</u>
	2,491,709	2,443,391
Net unamortized actuarial loss	<u>(401,510)</u>	<u>(318,087)</u>
Accrued Liability	<u>\$ 2,090,199</u>	<u>\$ 2,125,304</u>

The Hamilton Public Library Board Notes to the Consolidated Financial Statements

December 31, 2008

3. Liability for Future Benefits (continued)

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

	<u>2008</u>	<u>2007</u>
Liability for Employee Benefits and Other Obligations balance at beginning of the year	\$ 2,125,304	\$ 2,048,609
Benefit expenditure	58,004	42,798
Interest expenditure	122,947	141,041
Amortization of actuarial loss	42,848	32,326
Benefit payments	<u>(258,904)</u>	<u>(139,470)</u>
Liability for Employee Benefits and Other Obligations balance at end of the year	<u>\$ 2,090,199</u>	<u>\$ 2,125,304</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	5%	NA	2%	3%	NA	12
Retirement Benefits – Health and Dental	5%	NA	2%	3%	3.5% (1)	12

Note (1): Medical costs are assumed to increase at a rate of 5% in 2009, 4.5% in 2010, 4% in 2011 and 3.5% in 2012 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. An actuarial valuation as at December 31, 2008 estimated the accrued benefit obligation at \$207,301. Changes in valuation assumptions have resulted in a decrease in the liability to \$207,301 from the expected liability of \$208,592. The actuarial gain as at December 31, 2008 of \$1,291 is being amortized over the expected average remaining life expectancy of the members of the employee group. The estimated accrued benefit obligation at December 31, 2008 is \$207,301 (2007 - \$209,119)

The Hamilton Public Library Board Notes to the Consolidated Financial Statements

December 31, 2008

(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, 2008 estimated the accrued benefit obligation at \$2,284,408. The cost of a plan amendment and changes in valuation assumptions have resulted in an increase in the liability to \$2,284,408 from the expected liability of \$1,881,607. The actuarial loss of \$402,801 is being amortized over the expected average remaining life expectancy of the plan members in various groups. The estimated accrued benefit obligation at December 31, 2008 is \$2,284,408 (2007 - \$2,234,272).

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:

Debenture Number	Purpose	Interest Rates	Maturity Date	2008	2007
01-244	Westdale Branch	3.125% to 6%	2011	125,966	138,069
01-244	Barton Branch	3.125% to 6%	2011	287,832	315,488
01-162	Central Library	4.65% to 6.75%	2016	19,346	21,149
08-120	South Mtn Complex	4.728%	2023	<u>2,930,174</u>	-
				<u>\$ 3,363,318</u>	<u>\$ 474,705</u>

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

2009	\$ 188,515
2010	197,974
2011	488,473
2012	168,731
2013	176,842

(c) The Board was charged \$220,643 (2007 \$69,399) for long term debt charges during the year as follows:

	2008	2007
Principal	\$ 111,387	\$ 39,475
Interest	<u>109,256</u>	<u>29,924</u>

\$ 220,643 \$ 69,399

The Hamilton Public Library Board Notes to the Consolidated Financial Statements

December 31, 2008

5. Reserves and reserve funds	<u>2008</u>	<u>2007</u>
Mobile equipment	\$ 280,882	\$ 643,366
Library collections	1,048,554	1,289,986
Library general development	941,787	878,384
Library major capital projects	4,767,561	4,450,616
Summer reading	327,115	332,160
Redevelopment, training & restructuring	342,284	330,609
Youth Programming	12,215	22,423
Accessibility, Health & Safety	<u>204,414</u>	<u>100,000</u>
	<u>\$ 7,924,812</u>	<u>\$ 8,527,319</u>

6. Amounts to be recovered in future	<u>2008</u>	<u>2007</u>
Employee benefit obligations (see note 3)	<u>\$ 2,090,199</u>	<u>\$ 2,125,304</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 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, 2003 indicated that current member and employer contributions were sufficient to fund future benefits. Contributions were made in the 2008 calendar year at rates ranging from 6.5% to 9.6% depending on the level of earnings. As a result, \$915,104 was contributed to OMERS (2007 - \$919,527) for current service.

8. Commitments

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

2009	\$ 910,560
2010	695,946
2011	490,643
2012	330,480
2013	<u>326,400</u>
	<u>\$ 2,754,029</u>

The Hamilton Public Library Board
Notes to the Consolidated Financial Statements

December 31, 2008

9. Trust funds

Trust funds administered by the Board amounting to \$2,489,619 (2007 - \$2,725,919) have not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Financial Activities.

Auditor's Report

<<NOTE: The Auditor's Report will be inserted here.>>

**The Hamilton Public Library Board
Trust Funds
Balance Sheet**

December 31

2008

2007

Assets

Cash	\$ 292,767	\$ 283,624
Deposits with the Hamilton Community Foundation	1,253,958	1,253,958
Due from current fund	419,395	417,164
Accrued interest receivable	<u>523,499</u>	<u>771,173</u>
	<u>\$ 2,489,619</u>	<u>\$ 2,725,919</u>

Fund Balances

Trust Funds – fund balances	<u>\$ 2,489,619</u>	<u>\$ 2,725,919</u>
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On behalf of the Board

Director_____
Director

See accompanying notes to the financial statements.

The Hamilton Public Library Board
Trust Funds
Statement of Continuity

December 31	2008	2007
Revenue		
Donations and other	\$ <u>2,500</u>	\$ <u>16,154</u>
Expenditures		
Other	<u>223,800</u>	<u>31,904</u>
	\$ <u>(221,300)</u>	\$ <u>(15,750)</u>
Financing and transfers		
Net transfers to Library current fund	<u>(15,000)</u>	<u>(30,087)</u>
Change in fund balances	(236,300)	(45,837)
Fund balances, beginning of year	<u>2,725,919</u>	<u>2,771,756</u>
Fund balances, end of year	<u>\$ 2,489,619</u>	<u>\$ 2,725,919</u>

See accompanying notes to the financial statements.

The Hamilton Public Library Board

Trust Funds

Notes to the Financial Statements

December 31, 2008

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	<u>2008</u>	<u>2007</u>
Trust funds consist of:		
M. Walden Thompson	\$ 19,229	\$ 33,155
Special Gifts Fund	1,748,943	1,910,318
Permanent Endowment	529,819	592,610
K. McClaren Memorial	24,232	27,978
F. Walden	60,571	58,677
Dundas Library Fundraising	68,844	66,496
Waterdown Library	<u>37,981</u>	<u>36,685</u>
	<u>\$ 2,489,619</u>	<u>\$ 2,725,919</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.



Hamilton Public Library

Date: July 9th 2009
To: Chair and Members of the Audit Committee
c.c. Ken Roberts, Chief Librarian
From: William Guise, Director, Finance and Facilities
Subject: Budget Variance Report – April 30th 2009

RECOMMENDATION:

That Budget Variance Report as at April 30, 2009 and Estimate to December 31, 2009 be received.

Summary

Estimated variance at December 31, 2009 - \$18,413 - 0.1%

The total 2009 annual operating budget for the Hamilton Public Library has a net expenditure of \$26,606,375 (gross expenditures of \$28,953,245 less gross revenues of \$2,346,870). The current estimated variance as at December 31, 2009 is unfavourable by \$18,413 which is less than one-tenth of a percent of the budgeted net expenditure. An explanation of the type of revenues and expenditures contained with each line of the Budget Variance Report is provided below along with an explanation of the significant variances.

Grants and Subsidies

Estimated variance at December 31, 2009 - \$0.00 - 0.0%

This line includes the annual operating grant from the Province of Ontario which is budgeted at \$949,450 and funding by Provincial and Federal governments for specific grant programs such as Literacy Instruction for New Canadians (LINC) and Job Discovery Centres (JDC). The annual operating grant is paid in one lump sum and is normally received in the last quarter of the year. The claims for the funding for the grant programs are submitted monthly to the funding governments.

Fees and General

Estimated variance at December 31, 2009 - \$21,706 Favourable - 4.1%

The major items contained in this line are revenues from library fines, book sales, photocopiers, printers and donations. The estimate revenue for this line for the end of December 2009 shows a positive variance of \$21,706 of which the major cause is



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Subject: Budget Variance Report – April 30th 2009

Date: July 9th 2009

represented by donations received since we do not include a figure for donations in our budget.

Reserves/Capital Recoveries

Estimated variance at December 31, 2009 - \$50,615 Favourable

This line currently contains two types of transfers from City of Hamilton reserve funds to cover specific costs charged to the Hamilton Public Library. Only one of the transfers has been budgeted – namely transfers from the City's Development Charge reserve fund to cover the repayment of debentures that were issued by the City for a Library capital project instead of being funded directly from the Development Charge reserve. The other transfer from City reserves represents the funding by the City of Hamilton to the Vested Sick Leave benefits paid to Library employees on their retirement. The favourable variance consists entirely of this funding of Vested Sick Leave Benefits. The payout of the Vested Sick Leave is reported under Employee Related Costs in the Expenditure section of the Budget Variance Report.

Employee Related Costs

Estimated variance at December 31, 2009 - \$93,462 Favourable – 0.5%

This line includes all the employee related costs such as salaries, wages and government and employer benefits including medicinal, dental, OMERS, WSIB and Vested Sick Leave payouts. Provisions have been included in the estimate for rate increases resulting from current negotiations with CUPE 932.

Capital Financing

Estimated variance at December 31, 2009 - \$0 – 0.0%

This line reflects the repayment of debentures issued by the City of Hamilton to fund Library capital projects.

Financial

Estimated variance at December 31, 2009 - \$6,208 Favourable – 5.5%

The main costs included in this line are legal, audit, and collection fees.

Materials and Supplies

Estimated variance at December 31, 2009 - \$70,485 Unfavourable – 1.9%

The major items in this line are Library Materials, operating supplies and furnishings. Library Materials represents \$3,297,760 or 85.5% of the amount budgeted under this line. The estimated unfavourable variance results from unexpected increased costs related to the processing of library material and computer equipment.



Page 3 of 4

Subject: Budget Variance Report – April 30th 2009

Date: July 9th 2009

Vehicle Expenses

Estimated variance at December 31, 2009 - \$157 Favourable – 12.1%

This line includes those vehicle expenses that are paid directly by the Library and not through a cost allocation from the City.

Buildings and Grounds

Estimated variance at December 31, 2009 - \$49,033 Unfavourable – 10.1%

This line includes building associated costs that are paid directly by the Library and not through a cost allocation from the City. Examples are relocation costs, data and external telephone lines and security guards. Security guard costs are estimated to be approximately \$30,000 unfavourable as a result of a higher than anticipated rate increase. The balance of the unfavourable variance relates to relocation costs that were not budgeted.

Contractual

Estimated variance at December 31, 2009 - \$18,819 Unfavourable – 2.6%

This line includes the expenditures for such items as rental of photocopiers, rental of storefront space in Jackson Square, advertising, service contracts and inter branch courier service.

Transfer to Reserves

Estimated variance at December 31, 2009 - \$43,662 Unfavourable – 35.82%

This line includes both budgeted and unbudgeted transfers from operating to Library reserve funds and recoveries related to security service provided to the Hamilton Farmer's Market. Approximately \$27,900 of the variance represents unbudgeted revenue items such as donations and sale of old bookmobile which have been reported as favourable variances under revenue and have been transferred to Library reserves. Although this is shown as an unfavourable expenditure it is not a true expense since the funds are still held by the Library in the reserve funds. Approximately \$12,100 of the unfavourable variance relates to a lower than the budgeted estimated recovery from the Hamilton Farmers' Market for the provision of security services. Since the Farmers' Market has moved out of the building we are no longer providing the same level of security service.

Cost Allocations

Estimated variance at December 31, 2009 - \$8,559 Unfavourable – 0.3%

This line includes the various cost allocations for services provided to Library by various departments of the City of Hamilton. The major services include: Insurance (liability, vehicle, building).



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Subject: Budget Variance Report – April 30th 2009

Date: July 9th 2009

- IP Telephony
- Vehicle expense (licence, fuel repairs)
- Facilities (utilities, cleaning, maintenance, repairs etc)
- Computer leasing

HAMILTON PUBLIC LIBRARY
Budget Variance Report
As at April 30, 2009 and Estimate to December 31, 2009

	YEAR TO DATE				ALL YEAR			
REVENUE	YTD BUDGET	YTD ACTUAL	YTD VARIANCE	% SPENT	ANNUAL BUDGET	ESTIMATED ACTUAL	ANNUAL VARIANCE	% SPENT
Grants and subsidies	\$191,622	\$126,274	\$(65,348)	65.9%	\$1,530,730	\$1,530,730	\$ -	100.0%
Fees and General	\$182,592	\$186,528	\$3,936	102.2%	\$534,650	\$556,356	\$21,706	104.1%
Reserves/Capital Recoveries	\$93,982	\$144,447	\$50,465	153.7%	\$281,490	\$332,105	\$50,615	118.0%
	\$468,196	\$457,249	\$(10,947)	97.7%	\$2,346,870	\$2,419,191	\$72,321	103.1%

EXPENDITURES	YTD BUDGET	YTD ACTUAL	YTD VARIANCE	% SPENT	ANNUAL BUDGET	ESTIMATED ACTUAL	ANNUAL VARIANCE	% SPENT
Employee Related Cost	\$6,765,229	\$6,358,267	\$406,962	94.0%	\$19,997,917	\$19,904,455	\$93,462	99.5%
Capital Financing	\$117,104	\$117,104	-	100.0%	\$351,310	\$351,310	-	100.0%
Financial	\$30,470	\$11,353	\$19,117	37.3%	\$113,840	\$107,635	\$6,205	94.5%
Material and Supplies	\$1,262,804	\$1,207,417	\$55,387	95.6%	\$3,784,078	\$3,854,563	\$(70,485)	101.9%
Vehicle Expense	\$557	\$400	\$157	71.8%	\$1,300	\$1,143	\$157	87.9%
Building and Grounds	\$148,480	\$177,514	\$(29,034)	119.6%	\$483,640	\$532,673	\$(49,033)	110.1%
Contractual	\$341,157	\$295,764	\$45,393	86.7%	\$713,100	\$731,919	\$(18,819)	102.6%
Trf to Reserves	\$1,012	\$32,534	\$(31,522)	3214.8%	\$121,900	\$165,562	\$(43,662)	135.8%
Cost Allocations	\$1,128,768	\$1,137,327	\$(8,559)	100.8%	\$3,386,160	\$3,394,719	\$(8,559)	100.3%
	\$9,795,581	\$9,337,680	\$457,901	95.3%	\$28,953,245	\$29,043,979	\$(90,734)	100.3%

NET EXPENDITURES	\$ 9,327,385	\$ 8,880,431	\$ 446,954	95.2%	\$ 26,606,375	\$ 26,624,788	\$ (18,413)	100.1%
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