
Financial statements of Oshawa Public Library Board

December 31, 2017

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Oshawa Public Library Board, which comprise the statement of financial position as at December 31, 2017, and the statement of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Oshawa Public Library Board as at December 31, 2017 and the results of its operations, its change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants
Licensed Public Accountants
May 7, 2018

Oshawa Public Library Board
Statement of financial position
As at December 31, 2017

	Notes	2017	2016
		\$	\$
Financial assets			
Cash		839,070	1,086,517
Due from City of Oshawa		2,911,251	2,683,000
Accounts receivable		97,758	130,700
		3,848,079	3,900,217
Liabilities			
Accounts payable and accrued liabilities		525,388	222,272
Employee future benefits	4	3,256,296	3,173,850
Deferred revenue	5		
Grants		—	721,917
Development charges		2,711,877	2,416,474
Jess Hann Branch		584,238	23,370
		7,077,799	6,557,883
Net debt		(3,229,720)	(2,657,666)
Non-financial assets			
Tangible capital assets	6	2,877,820	2,951,715
Prepaid expenses			
General		90,947	78,744
Jess Hann Branch		584,238	23,370
		3,553,005	3,053,829
Accumulated surplus	7	323,285	396,163

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

Approved by the Board

 , Director

 , Director

Oshawa Public Library Board

Statement of operations

Year ended December 31, 2017

Notes	Budget (Note 8)	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
Operating			
Municipal contribution	8,879,575	8,879,575	8,663,030
Provincial operating grants	215,400	215,441	215,441
Other government grants	14,000	78,667	78,060
Donations	143,021	168,236	159,402
Development charges earned	85,500	85,500	85,500
Interest	7,000	13,946	12,983
Fines	122,500	134,177	131,104
Service charges	52,500	55,027	51,872
	9,519,496	9,630,569	9,397,392
Expenses			
Salaries	5,669,565	5,785,628	5,502,209
Employee benefits	1,514,237	1,438,331	1,554,041
Digital and periodicals	98,200	97,417	172,257
Utilities	317,150	322,137	305,981
Other supplies	225,750	204,859	155,448
Rents	248,880	190,238	209,834
Maintenance	258,000	251,186	238,069
General	439,950	417,145	398,068
Minor capital expenditures	—	18,655	—
Contribution to library			
renovations	—	130,457	490,161
Amortization	840,000	847,394	843,802
	9,611,732	9,703,447	9,869,870
Annual surplus (deficit)	(92,236)	(72,878)	(472,478)
Accumulated surplus, beginning of year	396,163	396,163	868,641
Accumulated surplus, end of year	303,927	323,285	396,163

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

Oshawa Public Library Board
Statement of change in net debt
Year ended December 31, 2017

	Budget	2017 Actual	2016 Actual
	\$	\$	\$
Annual surplus (deficit)	8,864	(72,878)	(472,478)
Acquisition of tangible capital assets	(738,900)	(773,499)	(796,661)
Amortization	840,000	847,394	843,802
	109,964	1,017	(425,337)
Prepaid expenses incurred	—	(675,185)	(78,744)
Use of prepaid expenses	—	102,114	209,437
Change in net debt	109,964	(572,054)	(294,644)
Net debt, beginning of year	(2,657,666)	(2,657,666)	(2,363,022)
Net debt, end of year	(2,547,702)	(3,229,720)	(2,657,666)

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

Oshawa Public Library Board

Statement of cash flows

Year ended December 31, 2017

	2017	2016
	\$	\$
Operating activities		
Annual (deficit)	(72,878)	(472,478)
Items not involving cash		
Amortization	847,394	843,802
Changes in non-cash assets and liabilities		
Due from City of Oshawa	(228,251)	(14,659)
Accounts receivable	32,942	(70,262)
Accounts payable and accrued liabilities	303,116	(108,066)
Employee future benefits	82,446	168,345
Deferred revenue	134,354	595,029
Prepaid expense	(573,071)	130,693
	526,052	1,072,404
Capital activity		
Acquisition of tangible capital assets	(773,499)	(796,661)
Increase in cash	(247,447)	275,743
Cash, beginning of year	1,086,517	810,774
Cash, end of year	839,070	1,086,517

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

1. Significant accounting policies

The financial statements of the Oshawa Public Library Board ("Library Board") are the representations of management prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

The significant accounting policies adopted by the Library Board are as follows:

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the year in which transactions or events occur that give rise to the revenue. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(a) Tangible capital assets

Tangible capital assets are recorded at cost. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over their estimated useful lives as follows:

Collections	7 years
Furniture	10 years
Computer equipment	5 years

(b) Leases

Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(c) Prepaid expenses - Jess Hann Branch

The Library entered into an agreement with the lessor of the Jess Hann library branch. Under this agreement rent was prepaid for the term of the lease and an equivalent donation made to the Library Board. The prepaid rent is being expensed over the term of the lease. The donation was deferred and is being amortized to income over the term of the lease.

Post-employment benefits

The present value of providing employees with post-employment benefits is recognized as employees earn these entitlements through service.

1. Significant accounting policies (continued)

Deferred revenue

Certain grants contain conditions specifying the use of the funds received. Any unspent portion of conditional grants is reported as deferred revenue.

The Library Board receives development charge contributions under authority of provincial legislation and a by-law of the City of Oshawa. These funds by their nature are restricted in their use and until applied to applicable capital works are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal year the funds are expended.

Reserve and reserve funds

Certain amounts, as approved by the Board, are set aside in reserves for future operating and capital purposes. Transfers to/from reserves and reserve funds are recorded when approved.

Government transfers

Government transfers are recognized as revenues by the Library in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions or programs to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

Investment income

Investment income earned (other than development charge funds) are reported as revenue in the year earned. Investment income earned on unspent development charge funds is added to the deferred revenue balance.

Budget figures

The budget figures included in the statements of operations and change in net debt were derived from the original budget as approved by the Board with adjustments to present the information on a basis consistent with Public Sector Accounting Standards.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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. Actual results could differ from those estimates. Accounts subject to estimates include employee future benefits, certain accrued liabilities and net book value of tangible capital assets.

2. Contribution to Library renovations

During the year, the Library incurred costs of \$130,457 (\$490,161 in 2016) in respect of renovations to library branches. As the renovations pertain to buildings owned by the City and are not recorded as tangible capital assets in the Library's financial statements, the amount paid has been expensed in the Library's financial statements.

3. Pension agreement

The Library makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of eligible staff members. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employee based on the length of service and rates of pay. Contributions paid by the Library in 2017 were \$440,957 (\$441,700 in 2016).

4. Employee future benefits

Employee future benefits are comprised as follows:

	2017	2016
	\$	\$
Accumulates sick leave benefit plan entitlements	741,711	737,832
Post-employment benefits	2,514,585	2,436,018
	3,256,296	3,173,850

(a) Accumulated sick leave benefit plan entitlements

Under the sick leave benefit plan, applicable only to employees hired prior to January 1, 1992, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Library's employment.

(b) Post-employment benefits

The Library makes available to qualifying employees certain non-pension post-employment benefits for extended health care and life insurance.

The significant actuarial assumptions adopted in estimating the Library's employee future benefits are as follows:

Discount rate	– 4.0% (Post-employment benefits), 3.25% (sick leave benefits)
Future inflation rates	– 2% (per annum)
Medical benefit cost escalation	– 6.5% (per year reducing to 4.5% per year after 6 years)

The Library has established a reserve to mitigate the future impact of these obligations as detailed on the Schedule of Reserves and Reserve Funds. The balance of the sick leave reserve is \$199,374 (\$265,224 in 2016).

The date of the most recent actuarial valuation for accounting purposes was December 31, 2017.

4. Employee future benefits (continued)

Information about the Library's employee future benefits is as follows:

Continuity of accrued benefit liability

	2017	2016
	\$	\$
Accrued benefit liability, beginning of year	3,173,850	3,005,505
Expenses for year	260,085	250,577
Benefits paid	(177,639)	(82,232)
Accrued benefit liability, end of year	3,256,296	3,173,850

Reconciliation of accrued benefit obligation

	2017	2016
	\$	\$
Accrued benefit obligation at December 31	3,705,272	3,165,108
Unamortized actuarial (loss) gain	(448,976)	8,742
	3,256,296	3,173,850

Expense

	2017	2016
	\$	\$
Current service cost	139,863	135,048
Amortization of actuarial gains	(683)	(741)
Interest on accrued benefit obligation	120,905	116,270
	260,085	250,577

5. Deferred revenue

Deferred revenue represents development charges, donations, charges and municipal contributions which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the related services are performed. The following is the current status of the deferred revenue:

	2017	2016
	\$	\$
Obligatory Reserve Fund - development charges	2,711,877	2,416,474
Deferred revenue		
Jess Hann Branch	584,238	23,370
Municipal contribution	—	721,917
	3,296,115	3,161,761

5. Deferred revenue (continued)

Continuity of deferred revenue is as follows:

	2017	2016
	\$	\$
Balance, beginning of year	3,161,761	2,566,732
Developer contributions collected	364,563	81,902
Interest earned	16,342	16,927
Other contributions	701,083	—
Municipal contributions received in advance	—	721,917
	1,081,988	820,746
Less		
Developer contributions earned	85,500	85,500
General deferred revenues earned	862,134	140,217
	947,634	225,717
	3,296,115	3,161,761

6. Tangible capital assets

	2017			2016
	Collections	Furniture	Computer equipment	Total
	\$	\$	\$	\$
Cost				
Balance, beginning of year	6,116,472	720,073	150,904	6,987,449
Additions	736,140	37,359	—	773,499
Write-offs	(804,312)	—	—	(776,782)
	6,048,300	757,432	150,904	6,956,636
Accumulated amortization				
Balance, beginning of year	3,494,614	465,543	75,577	4,035,734
Amortization expense	757,687	63,937	25,770	847,394
Write-offs	(804,312)	—	—	(776,782)
Balance, end of year	3,447,989	529,480	101,347	4,078,816
Net book value, end of year	2,600,311	227,952	49,557	2,877,820

7. Accumulated surplus

Accumulated surplus consists of the following:

	2017	2016
	\$	\$
Operating fund	67,729	67,731
Capital fund	(80,693)	(80,693)
Unfunded liabilities	(3,256,296)	(3,173,850)
Reserves and reserve funds (Schedule)	714,725	631,260
Invested in capital assets	2,877,820	2,951,715
	<u>323,285</u>	<u>396,163</u>

8. Budget

The budget adopted by the Library Board was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. The budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net debt represent the budget adopted by Council February 5, 2016 with adjustments as follows:

	\$
Budgeted deficit for the year	—
Add: tangible capital asset acquisitions	738,900
interfund transfers	8,864
Less: estimated amortization	<u>(840,000)</u>
Budgeted surplus per statement of operations	<u><u>(92,236)</u></u>

Oshawa Public Library Board
Schedule of reserves and reserve funds
Year ended December 31, 2017

	2017			2016
	Balance, beginning of year	Interest earned	Appropriations to (from)	Balance, end of year
	\$	\$	\$	\$
Reserves				
Operating	261,859	3,630	103,705	261,859
Friends of the Library	—	65	5,062	—
Jess Hann Rent Reserve	59,052	671	58,600	59,052
	320,911	4,366	167,367	320,911
Bequest reserve funds	43,821	349	(21,465)	43,821
Sick leave reserve – held by City of Oshawa	266,528	1,427	(68,579)	266,528
	631,260	6,142	77,323	631,260

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