

Financial statements of

**City of Pickering  
Public Library Board**

December 31, 2016

# City of Pickering Public Library Board

December 31, 2016

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## Independent Auditor's Report

To the Members of  
The City of Pickering Public Library Board,  
Members of Council, Inhabitants and Ratepayers of the City of Pickering

We have audited the accompanying financial statements of the City of Pickering Public Library Board, which comprise the statement of financial position as at December 31, 2016, and the statements 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 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 City of Pickering Public Library Board as at December 31, 2016, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Deloitte LLP*

Chartered Professional Accountants

Licensed Public Accountants

June 12, 2017

# City of Pickering Public Library Board

## Statement of financial position as at December 31, 2016

	2016	2015
	\$	\$
<b>Financial assets</b>		
Cash	2,225	2,250
Accounts receivable	371	114,560
Due from the Government of Canada	15,404	7,931
Due from City of Pickering	109,079	-
	<b>127,079</b>	<b>124,741</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	207,274	117,499
Due to City of Pickering	-	84,296
Post-employment benefits liability (Note 2)	382,100	321,800
	<b>589,374</b>	<b>523,595</b>
Net debt	<b>(462,295)</b>	<b>(398,854)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 4)	1,527,727	1,580,974
Prepaid expense	80,195	77,054
	<b>1,607,922</b>	<b>1,658,028</b>
<b>Accumulated surplus (Note 5)</b>	<b>1,145,627</b>	<b>1,259,174</b>

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

# City of Pickering Public Library Board

## Statement of operations year ended December 31, 2016

	Budget (Note 6)	2016	2015
	\$	\$	\$
<b>Revenue</b>			
City of Pickering grants	5,686,029	5,617,847	5,333,203
Federal grants	6,865	6,881	11,133
Province of Ontario grants	207,425	234,827	163,256
Fines and other receipts	176,500	178,658	167,658
<b>Total revenue</b>	<b>6,076,819</b>	<b>6,038,213</b>	<b>5,675,250</b>
<b>Expenses</b>			
Operating			
Salaries			
Salaries and wages	3,417,176	3,437,699	3,300,330
Fringe benefits	969,117	950,275	910,912
	<b>4,386,293</b>	<b>4,387,974</b>	<b>4,211,242</b>
Material, supplies and utilities			
Books	180,000	190,654	157,094
Utilities	233,868	241,830	222,142
Other supplies	49,000	74,174	42,675
	<b>462,868</b>	<b>506,658</b>	<b>421,911</b>
Services			
Repairs and maintenance	293,837	280,030	257,064
Insurance	32,300	30,300	29,975
Travel	4,250	5,394	4,011
Consulting and professional	65,147	64,821	36,423
Advertising	22,000	25,088	21,973
Conference	12,700	11,360	7,522
Postage	3,000	3,231	3,758
Telephone	66,886	64,977	61,990
Seminars and education	32,000	34,899	25,858
Software/hardware maintenance	129,415	104,243	103,510
Vehicle repairs and maintenance	4,943	3,326	2,559
Minor capital purchases	131,950	121,538	61,878
Miscellaneous	21,530	22,342	20,556
	<b>819,958</b>	<b>771,549</b>	<b>637,077</b>
Amortization of tangible capital assets	403,151	485,579	493,434
<b>Total operating expenses</b>	<b>6,072,270</b>	<b>6,151,760</b>	<b>5,763,664</b>
Annual surplus (deficit)	4,549	(113,547)	(88,414)
Accumulated surplus, beginning of year	1,259,174	1,259,174	1,347,588
<b>Accumulated surplus, end of year</b>	<b>1,263,723</b>	<b>1,145,627</b>	<b>1,259,174</b>

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

# City of Pickering Public Library Board

## Statement of change in net debt year ended December 31, 2016

		2016	2015
	Budget (Note 6)		
	\$	\$	\$
<b>Annual surplus (deficit)</b>	<b>4,549</b>	<b>(113,547)</b>	<b>(88,414)</b>
Acquisition of tangible capital assets	(468,000)	(432,332)	(449,720)
Amortization of tangible capital assets	403,151	485,579	493,434
	(64,849)	53,247	43,714
Change in prepaid expense	-	(3,141)	20,109
Change in net debt	(60,300)	(63,441)	(24,591)
Net debt, beginning of year	(398,854)	(398,854)	(374,263)
<b>Net debt, end of year</b>	<b>(459,154)</b>	<b>(462,295)</b>	<b>(398,854)</b>

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

# City of Pickering Public Library Board

## Statement of cash flows

year ended December 31, 2016

	2016	2015
	\$	\$
<b>Operating transactions</b>		
Annual deficit	(113,547)	(88,414)
Non-cash items		
Amortization of tangible capital assets	485,579	493,434
	<b>372,032</b>	<b>405,020</b>
Change in non-cash operating items		
Decrease (increase) in accounts receivable	114,189	(106,559)
(Increase) decrease in due from Government of Canada	(7,473)	18,657
(Increase) decrease in due from City of Pickering	(193,375)	398,935
Increase (decrease) in accounts payable and accrued liabilities	89,775	(331,142)
Increase in post-employment benefits liability	60,300	44,700
(Increase) decrease in prepaid expense	(3,141)	20,109
	<b>60,275</b>	<b>44,700</b>
	<b>432,307</b>	<b>449,720</b>
<b>Capital transactions</b>		
Net acquisition of tangible capital assets	(432,332)	(449,720)
Net change in cash	(25)	-
Cash, beginning of year	2,250	2,250
<b>Cash, end of year</b>	<b>2,225</b>	<b>2,250</b>

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



# City of Pickering Public Library Board

## Notes to the financial statements

December 31, 2016

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### 1. Significant accounting policies

The financial statements of the City of Pickering Public Library Board (the "Library Board") are the representations of management prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants of Canada.

Significant accounting policies adopted by the Library Board are as follows:

#### *Basis of accounting*

##### a) Accrual basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized, as they are incurred and measurable as a result of the receipt of goods and services and the creation of a legal obligation to pay.

##### b) Non-financial assets

###### (i) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts that are directly attributable to acquisition, development or betterment of the asset. The cost of the tangible capital asset is amortized on a straight-line basis over the estimated useful life as follows:

Machinery and equipment	2 to 25 years
Information technology hardware	4 to 8 years
Library collection materials	4 to 7 years
Furniture and fixtures	10 to 50 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Other major assets including the Library buildings are owned by the City and are not reflected in these financial statements.

###### (ii) Contribution/donation of tangible capital assets

Tangible capital assets received as contributions or donations are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue.

###### (iii) Intangible assets

Intangible assets are not recognized as assets in the financial statements.

##### c) Post-employment benefits

The present value of the cost of providing employees with future benefits programs is recognized as employees earn these entitlements through service. Any actuarial gains or losses are amortized on a straight-line basis over the average remaining service period (ARSP) of employees. The actuary estimated the ARSP to be 14 years.

##### d) Government transfers

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

# City of Pickering Public Library Board

## Notes to the financial statements

December 31, 2016

### 1. Significant accounting policies (continued)

#### *Basis of accounting (continued)*

#### e) 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 amount of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Balances which require significant estimates include tangible capital assets, which are based on estimated useful lives, and post-employment benefits.

### 2. Post-employment benefits liability

The Library Board makes available to qualifying employees who retire before the age of 65, the opportunity to continue their coverage for benefits such as post-employment extended healthcare benefits. Coverage ceases at the age of 65. The Library Board also provides full time and permanent part-time employees a sick time entitlement and any unused entitlement is accumulated year to year. This accumulated entitlement is not vested and therefore is forfeited at the time of retirement or termination. The post-employment benefits obligation at December 31, 2016 and the changes in the accrued benefit obligation for the 2016 fiscal year was determined by actuarial valuation prepared as at January 1, 2014.

Information about the Library Board's post-employment benefits liability is as follows:

	2016	2015
	\$	\$
Post-employment benefits liability, beginning of year	321,800	277,100
Current service costs	42,700	41,300
Amortization of actuarial losses	18,900	18,900
Interest expense	18,600	17,400
Benefits paid during the year	(19,900)	(32,900)
<b>Post-employment benefits liability</b>	<b>382,100</b>	<b>321,800</b>
	2016	2015
	\$	\$
Accrued post-employment benefits obligation	539,900	498,500
Unamortized actuarial losses	(157,800)	(176,700)
<b>Post-employment benefits liability</b>	<b>382,100</b>	<b>321,800</b>

The main actuarial assumptions employed in the actuarial valuation are as follows:

#### a) *Discount rate*

The present value as at December 31, 2016 of the future benefits was determined using a discount rate of 3.5% (2015 - 3.5%).

#### b) *Dental cost*

The dental cost trend rate was 3.75% (2015 - 3.75%) per annum.

#### c) *Health costs*

Health costs were assumed to increase at 6.50% (2015 - 6.75%), and decrease by 0.25% (2015 - 0.25%) increments per year to an ultimate rate of 4.75% per year in 2023 and thereafter.

# City of Pickering Public Library Board

## Notes to the financial statements

December 31, 2016

### 3. Pension agreement

The Library Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of eligible members of its staff. The Plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

OMERS provide pension services to over 460,000 active and retired members and about 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension ("the Plan") by comparing the actuarial value of the invested assets to the estimated present value of all pension benefits that members have earned to-date. The most recent actuarial valuation of the Plan was conducted as at December 31, 2016. The results of this valuation disclosed total actuarial liabilities as at that date of \$87,554 million in respect of benefits accrued for service with actuarial assets at that date of \$81,834 million indicating an actuarial deficit of \$5,720 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employers. As a result, the Library Board does not recognize any share of the OMERS pension surplus or deficit.

Contributions in the amount of \$278,674 (2015 - \$292,275) were paid to OMERS on behalf of its members during the year.

### 4. Tangible capital assets (TCA)

	Machinery and equipment	Information technology hardware	Library collection materials	Furniture and fixtures	2016
	\$	\$	\$	\$	\$
Cost					
Balance beginning of year	9,992	204,157	2,538,389	329,648	3,082,186
Additions during the year	13,689	-	418,643	-	432,332
Disposals/transfers to TCA during the year	-	-	490,920	-	490,920
Balance, end of year	23,681	204,157	2,466,112	329,648	3,023,598
Accumulated amortization					
Balance, beginning of year	6,494	72,622	1,296,189	125,907	1,501,212
Amortization	1,684	26,261	446,994	10,640	485,579
Accumulated amortization on disposals	-	-	490,920	-	490,920
Balance, end of year	8,178	98,883	1,252,263	136,547	1,495,871
Net book value	15,503	105,274	1,213,849	193,101	1,527,727

# City of Pickering Public Library Board

Notes to the financial statements

December 31, 2016

## 4. Tangible capital assets (TCA) (continued)

	Machinery and equipment	Information technology hardware	Library collection materials	Furniture and fixtures	2015
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance beginning of year	9,992	255,729	2,561,508	329,648	3,156,877
Additions during the year	-	-	449,720	-	449,720
Disposals/transfers to TCA during the year	-	51,572	472,839	-	524,411
Balance, end of year	9,992	204,157	2,538,389	329,648	3,082,186
<b>Accumulated amortization</b>					
Balance, beginning of year	5,495	97,933	1,313,494	115,267	1,532,189
Amortization	999	26,261	455,534	10,640	493,434
Accumulated amortization on disposals	-	51,572	472,839	-	524,411
Balance, end of year	6,494	72,622	1,296,189	125,907	1,501,212
Net book value	3,498	131,535	1,242,200	203,741	1,580,974

## 5. Accumulated surplus

Accumulated surplus consists of the following:

	2016	2015
	\$	\$
Invested in capital assets	1,527,727	1,580,974
Post-employment benefits liability	(382,100)	(321,800)
	<b>1,145,627</b>	<b>1,259,174</b>

# City of Pickering Public Library Board

## Notes to the financial statements

December 31, 2016

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### 6. Budget figures

The 2016 budget was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while public sector accounting standards require a full accrual basis of accounting. The budget figures treated all tangible capital asset (TCA) acquisitions as expenditures and did not include amortization expense on tangible capital assets or post-employment benefits expenses on a full accrual basis. The following provides a reconciliation from the approved budget to the budget numbers presented in the financial statements.

	2016 Council approved budget	Post-employment benefits / Amortization	2016 budget presented in statements
	\$	\$	\$
Revenue			
City of Pickering	5,686,029	-	5,686,029
Federal and provincial grants	214,290	-	214,290
Fines and other receipts	176,500	-	176,500
	<u>6,076,819</u>	-	<u>6,076,819</u>
Expenditures			
Salaries and benefits	4,325,993	60,300	4,386,293
Material, supplies and utilities	462,868	-	462,868
Services	819,958	-	819,958
Amortization	-	403,151	403,151
	<u>5,608,819</u>	<u>463,451</u>	<u>6,072,270</u>
Annual surplus (deficit)	468,000	(463,451)	4,549
Capital expenditures/ additions	(468,000)	-	(468,000)