

Financial statements of

**City of Pickering
Public Library Board**

December 31, 2017

City of Pickering Public Library Board

December 31, 2017

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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, 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 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, 2017 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 18, 2018

City of Pickering Public Library Board

Statement of financial position as at December 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash	1,225	2,225
Accounts receivable	1,333	371
Due from the Government of Canada	14,927	15,404
Due from City of Pickering	162,706	109,079
	180,191	127,079
Liabilities		
Accounts payable and accrued liabilities	202,851	207,274
Due to City of Pickering	14,793	-
Post-employment benefits liability (Note 2)	452,568	382,100
	670,212	589,374
Net debt	(490,021)	(462,295)
Non-financial assets		
Tangible capital assets (Note 4)	1,494,740	1,527,727
Prepaid expense	37,453	80,195
	1,532,193	1,607,922
Accumulated surplus (Note 5)	1,042,172	1,145,627

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, 2017

	Budget (Note 6)	2017	2016
	\$	\$	\$
Revenue			
City of Pickering grants	5,855,893	5,781,879	5,617,847
Federal grants	-	-	6,881
Province of Ontario grants	213,083	210,280	234,827
Fines and other receipts	172,500	152,398	178,658
	6,241,476	6,144,557	6,038,213
Expenses			
Operating			
Salaries			
Salaries and wages	3,488,684	3,483,038	3,437,699
Fringe benefits	1,006,745	970,148	950,275
	4,495,429	4,453,186	4,387,974
Material, supplies and utilities			
Books	205,000	208,582	190,654
Utilities	281,623	227,402	241,830
Other supplies	53,100	54,963	74,174
	539,723	490,947	506,658
Services			
Repairs and maintenance	296,421	394,908	280,030
Insurance	27,918	25,918	30,300
Travel	4,250	7,308	5,394
Consulting and professional	24,195	41,951	64,821
Advertising	23,500	20,782	25,088
Conference	14,000	15,594	11,360
Postage	2,800	3,078	3,231
Telephone	75,466	60,431	64,977
Seminars and education	22,300	32,187	34,899
Software/hardware maintenance	130,701	123,405	104,243
Vehicle repairs and maintenance	3,943	3,527	3,326
Minor capital purchases	62,000	79,757	121,538
Miscellaneous	21,530	21,950	22,342
	709,024	830,796	771,549
Amortization of tangible capital assets	482,290	473,083	485,579
	6,226,466	6,248,012	6,151,760
Annual surplus (deficit)	15,010	(103,455)	(113,547)
Accumulated surplus, beginning of year	1,145,627	1,145,627	1,259,174
Accumulated surplus, end of year	1,160,637	1,042,172	1,145,627

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, 2017

		2017	2016
	Budget (Note 6)		
	\$	\$	\$
Annual surplus (deficit)	15,010	(103,455)	(113,547)
Acquisition of tangible capital assets	(563,000)	(440,096)	(432,332)
Amortization of tangible capital assets	482,290	473,083	485,579
	(80,710)	32,987	53,247
Change in prepaid expense	-	42,742	(3,141)
Change in net debt	(65,700)	(27,726)	(63,441)
Net debt, beginning of year	(462,295)	(462,295)	(398,854)
Net debt, end of year	(527,995)	(490,021)	(462,295)

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, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual deficit	(103,455)	(113,547)
Non-cash items		
Amortization of tangible capital assets	473,083	485,579
	369,628	372,032
Change in non-cash operating items		
(Increase) decrease in accounts receivable	(962)	114,189
Decrease (increase) in due from Government of Canada	477	(7,473)
Increase in due from City of Pickering	(53,627)	(193,375)
(Decrease) increase in accounts payable and accrued liabilities	(4,423)	89,775
Increase in deferred revenue	14,793	-
Increase in post-employment benefits liability	70,468	60,300
Decrease (increase) in prepaid expense	42,742	(3,141)
	69,468	60,275
	439,096	432,307
Capital transactions		
Net acquisition of tangible capital assets	(440,096)	(432,332)
Net change in cash	(1,000)	(25)
Cash, beginning of year	2,225	2,250
Cash, end of year	1,225	2,225

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, 2017

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 13 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, 2017

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, 2017 and the changes in the accrued benefit obligation for the 2017 fiscal year was determined by actuarial valuation prepared as at December 31, 2017.

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

	2017	2016
	\$	\$
Post-employment benefits liability, beginning of year	382,100	321,800
Current service costs	44,147	42,700
Amortization of actuarial losses	18,900	18,900
Interest expense	19,458	18,600
Benefits paid during the year	(12,037)	(19,900)
Post-employment benefits liability	452,568	382,100

	2017	2016
	\$	\$
Accrued post-employment benefits obligation	351,533	539,900
Unamortized actuarial gain (loss)	101,035	(157,800)
Post-employment benefits liability	452,568	382,100

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

a) Discount rate

The present value as at December 31, 2017 of the future benefits was determined using a discount rate of 3.75% (2016 - 3.5%).

b) Dental cost

The dental cost trend rate was 3.75% (2016 - 3.75%) per annum.

City of Pickering Public Library Board

Notes to the financial statements

December 31, 2017

2. Post-employment benefits liability (continued)

c) Health costs

Health costs were assumed to increase at 6.75% (2016 - 6.50%) and decrease by 0.33% (2016 - 0.25%) increments per year to an ultimate rate of 3.75% per year in 2027 and thereafter.

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 482,000 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, 2017. The results of this valuation disclosed total actuarial liabilities as at that date of \$94,431 million in respect of benefits accrued for service with actuarial assets at that date of \$89,028 million indicating an actuarial deficit of \$5,403 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 \$ 278,157 (2016 - \$278,674) 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	Assets under construction	2017
	\$	\$	\$	\$	\$	\$
Cost						
Balance, beginning of year	23,681	204,157	2,466,112	329,648	-	3,023,598
Additions during the year	-	51,193	347,502	21,111	20,290	440,096
Disposals/transfers to TCA during the year	-	-	455,245	-	-	455,245
Balance, end of year	23,681	255,350	2,358,369	350,759	20,290	3,008,449
Accumulated amortization						
Balance, beginning of year	8,178	98,883	1,252,263	136,547	-	1,495,871
Amortization	2,368	31,095	427,924	11,696	-	473,083
Accumulated amortization on disposals	-	-	455,245	-	-	455,245
Balance, end of year	10,546	129,978	1,224,942	148,243	-	1,513,709
Net book value	13,135	125,372	1,133,427	202,516	20,290	1,494,740

City of Pickering Public Library Board

Notes to the financial statements

December 31, 2017

4. Tangible capital assets (TCA) (continued)

	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

5. Accumulated surplus

Accumulated surplus consists of the following:

	2017	2016
	\$	\$
Invested in capital assets	1,494,740	1,527,727
Post-employment benefits liability	(452,568)	(382,100)
	1,042,172	1,145,627

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6. Budget figures

The 2017 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.

	2017 Council approved budget	Post-employment benefits / Amortization/ City Assets/ Capital budget adjustment	2017 budget presented in statements
	\$	\$	\$
Revenue			
City of Pickering	5,975,893	(120,000)	5,855,893
Federal and provincial grants	213,083	-	213,083
Fines and other receipts	172,500	-	172,500
	6,361,476	(120,000)	6,241,476
Expenditures			
Salaries and benefits	4,429,729	65,700	4,495,429
Material, supplies and utilites	539,723	-	539,723
Services	709,024	-	709,024
Amortization	-	482,290	482,290
	5,678,476	547,990	6,226,466
Annual surplus (deficit)	683,000	(667,990)	15,010
Capital expenditures/ additions	(683,000)	120,000	(563,000)