

Financial statements of

**City of Pickering
Public Library Board**

December 31, 2018

City of Pickering Public Library Board

December 31, 2018

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Independent Auditor's Report

To the Board of Directors of
The City of Pickering Public Library Board,
and Members of Council of the Corporation of the City of Pickering

Opinion

We have audited the financial statements of City of Pickering Public Library Board (the "Library Board"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Library Board as at December 31, 2018, and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Library Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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.

In preparing the financial statements, management is responsible for assessing the Library Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Library Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Library Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Library Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Library Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style. The word "Deloitte" is written in a larger, more prominent script, and "LLP" is written in a smaller, simpler script to the right of it.

Chartered Professional Accountants
Licensed Public Accountants
June 17, 2019

City of Pickering Public Library Board

Statement of financial position as at December 31, 2018

	2018	2017
	\$	\$
Financial assets		
Cash	1,225	1,225
Accounts receivable	2,294	1,333
Due from the Government of Canada	11,335	14,927
Due from City of Pickering	138,181	162,706
	153,035	180,191
Liabilities		
Accounts payable and accrued liabilities	198,723	202,851
Deferred Revenue	-	14,793
Post-employment benefits liability (Note 2)	464,078	452,568
	662,801	670,212
Net debt	(509,766)	(490,021)
Non-financial assets		
Tangible capital assets (Note 4)	1,494,063	1,494,740
Prepaid expense	45,688	37,453
	1,539,751	1,532,193
Accumulated surplus (Note 5)	1,029,985	1,042,172

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, 2018

		2018	2017
	Budget (Note 6)		
	\$	\$	\$
Revenue			
City of Pickering grants	5,964,138	5,882,770	5,781,879
Federal grants	-	9,234	-
Province of Ontario grants	138,050	138,049	210,280
Fines and other receipts	176,500	136,720	152,398
	6,278,688	6,166,773	6,144,557
Expenses			
Operating			
Salaries			
Salaries and wages	3,576,717	3,440,087	3,483,038
Fringe benefits	1,014,024	916,264	970,148
	4,590,741	4,356,351	4,453,186
Material, supplies and utilities			
Books	225,000	234,355	208,582
Utilities	294,028	219,266	227,402
Other supplies	53,250	52,556	54,963
	572,278	506,177	490,947
Services			
Repairs and maintenance	322,533	284,079	394,908
Insurance	25,918	23,918	25,918
Travel	6,000	7,358	7,308
Consulting and professional	103,850	112,978	41,951
Advertising	23,500	27,107	20,782
Conference	10,000	13,106	15,594
Postage	2,800	2,823	3,078
Telephone	70,466	65,597	60,431
Seminars and education	17,500	18,602	32,187
Software/hardware maintenance	115,785	150,008	123,405
Vehicle repairs and maintenance	5,143	3,816	3,527
Minor capital purchases	46,000	119,775	79,757
Miscellaneous	15,230	20,636	21,950
	764,725	849,803	830,796
Amortization of tangible capital assets	463,283	466,629	473,083
	6,391,027	6,178,960	6,248,012
Annual deficit	(112,339)	(12,187)	(103,455)
Accumulated surplus, beginning of year	1,042,172	1,042,172	1,145,627
Accumulated surplus, end of year	929,833	1,029,985	1,042,172

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, 2018

		2018	2017
	Budget (Note 6)		
	\$	\$	\$
Annual deficit	(112,339)	(12,187)	(103,455)
Acquisition of tangible capital assets	(420,944)	(465,952)	(440,096)
Amortization of tangible capital assets	463,283	466,629	473,083
	42,339	677	32,987
Acquisition of prepaid expenses	-	(45,688)	(37,453)
Usage of prepaid expenses	-	37,453	80,195
Change in prepaid expense	-	(8,235)	42,742
Change in net debt	(70,000)	(19,745)	(27,726)
Net debt, beginning of year	(490,021)	(490,021)	(462,295)
Net debt, end of year	(560,021)	(509,766)	(490,021)

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, 2018

	2018	2017
	\$	\$
Operating transactions		
Annual deficit	(12,187)	(103,455)
Non-cash items		
Amortization of tangible capital assets	466,629	473,083
	454,442	369,628
Change in non-cash operating items		
Increase in accounts receivable	(961)	(962)
Decrease in due from Government of Canada	3,592	477
Decrease (increase) in due from City of Pickering	24,525	(53,627)
Decrease in accounts payable and accrued liabilities	(4,128)	(4,423)
(Decrease) increase in deferred revenue	(14,793)	14,793
Increase in post-employment benefits liability	11,510	70,468
(Increase) decrease in prepaid expense	(8,235)	42,742
	11,510	69,468
	465,952	439,096
Capital transactions		
Net acquisition of tangible capital assets	(465,952)	(440,096)
Net change in cash	-	(1,000)
Cash, beginning of year	1,225	2,225
Cash, end of year	1,225	1,225

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, 2018

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 for retirement and 12 years for sick leave benefits.

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, 2018

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 amortization expense of 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, with any unused entitlement 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, 2018 and the changes in the accrued benefit obligation for the 2018 fiscal year was determined by actuarial valuation prepared as at December 31, 2017, with projection to December 31, 2018.

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

	2018	2017
	\$	\$
Post-employment benefits liability, beginning of year	452,568	382,100
Current service costs	30,062	44,147
Amortization of actuarial (gains) losses	(262)	18,900
Interest expense	13,157	19,458
Benefits paid during the year	(31,447)	(12,037)
Post-employment benefits liability	464,078	452,568
	2018	2017
	\$	\$
Accrued post-employment benefits obligation	363,305	351,533
Unamortized actuarial gains	100,773	101,035
Post-employment benefits liability	464,078	452,568

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

a) Discount rate

The present value as at December 31, 2018 of the future benefits was determined using a discount rate of 3.75% (2017 - 3.75%).

b) Dental cost

The dental cost trend rate was 3.75% (2017 - 3.75%) per annum.

City of Pickering Public Library Board

Notes to the financial statements

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2. Post-employment benefits liability (continued)

c) Health costs

Health costs were assumed to increase at 6.42% (2017 - 6.75%) and decrease by 0.33% (2017 - 0.33%) 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 496,000 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, 2018. The results of this valuation disclosed total actuarial liabilities as at that date of \$100,081 million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 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 \$288,959 (2017 - \$278,157) were paid to OMERS on behalf of its members during the year.

4. Tangible capital assets (TCA)

	Machinery and equipment	Information and technology hardware	Library collection materials	Furniture and fixtures	Assets under construction	2018
	\$	\$	\$	\$	\$	\$
Cost						
Balance, beginning of year	23,681	255,350	2,358,369	350,759	20,290	3,008,449
Additions during the year	-	46,498	366,812	72,932	-	486,242
Disposals/transfers to TCA during the year	-	-	474,319	-	20,290	494,609
Balance, end of year	23,681	301,848	2,250,862	423,691	-	3,000,082
Accumulated amortization						
Balance, beginning of year	10,546	129,978	1,224,942	148,243	-	1,513,709
Amortization	2,368	41,741	405,060	17,460	-	466,629
Accumulated amortization on disposals	-	-	474,319	-	-	474,319
Balance, end of year	12,914	171,719	1,155,683	165,703	-	1,506,019
Net book value	10,767	130,129	1,095,179	257,988	-	1,494,063

City of Pickering Public Library Board

Notes to the financial statements

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4. Tangible capital assets (TCA) (continued)

	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

5. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017
	\$	\$
Invested in tangible capital assets	1,494,063	1,494,740
Post-employment benefits liability	(464,078)	(452,568)
	1,029,985	1,042,172

City of Pickering Public Library Board

Notes to the financial statements

December 31, 2018

6. Budget figures

The 2018 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 Canadian 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.

	2018 Council approved budget	Post-employment benefits / Amortization/ City Assets	2018 budget presented in statements
	\$	\$	\$
Revenue			
City of Pickering	5,994,138	(30,000)	5,964,138
Federal and provincial grants	138,050	-	138,050
Fines and other receipts	176,500	-	176,500
	<u>6,308,688</u>	<u>(30,000)</u>	<u>6,278,688</u>
Expenditures			
Salaries and benefits	4,520,741	70,000	4,590,741
Material, supplies and utilites	572,278	-	572,278
Services	764,725	-	764,725
Amortization	-	463,283	463,283
	<u>5,857,744</u>	<u>533,283</u>	<u>6,391,027</u>
Annual surplus (deficit)	450,944	(563,283)	(112,339)
Capital expenditures/ additions	<u>(450,944)</u>	<u>30,000</u>	<u>(420,944)</u>