

Financial statements of

Oshawa Public Library Board

December 31, 2015

Oshawa Public Library Board

December 31, 2015

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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, 2015, 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, 2015 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.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
April 26, 2016

Oshawa Public Library Board

Statement of financial position as at December 31, 2015

	2015	2014
	\$	\$
Financial assets		
Cash	810,774	218,226
Due from City of Oshawa	2,668,341	2,728,535
Accounts receivable	60,438	283,701
	3,539,553	3,230,462
Liabilities		
Accounts payable and accrued liabilities	330,338	224,388
Employee future benefits (Note 4)	3,005,505	2,954,398
Deferred revenue (Note 5)		
Development charges	2,403,145	2,370,280
Jess Hann Branch	163,587	303,803
	5,902,575	5,852,869
Net debt	(2,363,022)	(2,622,407)
Non-financial assets		
Tangible capital assets (Note 6)	2,998,856	3,175,903
Prepaid expenses		
General	69,220	61,599
Jess Hann Branch	163,587	303,803
	3,231,663	3,541,305
Accumulated surplus (Note 7)	868,641	918,898

Approved by the Board

_____ Director

_____ Director

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

Oshawa Public Library Board

Statement of operations year ended December 31, 2015

	Budget (Note 8)	2015 Actual	2014 Actual
	\$	\$	\$
Revenue			
Operating			
Municipal contribution	8,459,900	8,459,900	8,220,500
Provincial operating grants	215,400	215,441	215,444
Other government grants	-	73,086	-
Donations	143,100	201,438	158,023
Development charges earned	45,000	85,500	113,000
Interest	7,000	15,535	20,492
Fines	135,000	137,528	136,733
Service charges	26,000	31,924	25,580
	9,031,400	9,220,352	8,889,772
Expenses			
Salaries	5,507,800	5,264,704	5,362,337
Employee benefits	1,418,100	1,497,550	1,410,823
Periodicals	196,500	183,925	150,346
Utilities	266,700	280,549	256,021
Other supplies	135,000	145,627	162,995
Rents	260,000	264,059	265,352
Maintenance	210,000	234,219	276,418
General	318,800	346,515	420,808
Minor capital expenditures	-	28,809	68,000
Contribution to library renovations (Note 2)	-	158,762	259,026
Amortization	865,000	865,890	815,436
	9,177,900	9,270,609	9,447,562
Annual surplus (deficit)	(146,500)	(50,257)	(557,790)
Accumulated surplus, beginning of year	918,898	918,898	1,476,688
Accumulated surplus, end of year	772,398	868,641	918,898

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

Oshawa Public Library Board

Statement of change in net debt year ended December 31, 2015

	Budget	2015 Actual	2014 Actual
	\$	\$	\$
Annual surplus (deficit)	(146,500)	(50,257)	(557,790)
Acquisition of tangible capital assets	(650,000)	(688,843)	(844,886)
Amortization	865,000	865,890	815,436
	68,500	126,790	(587,240)
Prepaid expenses incurred	-	(69,220)	(61,599)
Use of prepaid expenses	-	201,815	200,559
Change in net debt	68,500	259,385	(448,280)
Net debt, beginning of year	(2,363,022)	(2,622,407)	(2,174,127)
Net debt, end of year	(2,294,522)	(2,363,022)	(2,622,407)

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

Oshawa Public Library Board

Statement of cash flows year ended December 31, 2015

	2015	2014
	\$	\$
Operating activities		
Annual surplus (deficit)	(50,257)	(557,790)
Items not involving cash		
Amortization	865,890	815,436
Changes in non-cash assets and liabilities		
Due from City of Oshawa	60,194	(117,243)
Accounts receivable	223,263	(196,222)
Accounts payable and accrued liabilities	105,950	(328,296)
Employee future benefits	51,107	102,233
Deferred revenue	(107,351)	(20,655)
Prepaid expense	132,595	138,960
	1,281,391	(163,577)
Capital activity		
Acquisition of tangible capital assets	(688,843)	(844,886)
Decrease in cash	592,548	(1,008,463)
Cash, beginning of year	218,226	1,226,689
Cash, end of year	810,774	218,226

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

Oshawa Public Library Board

Notes to the financial statements

December 31, 2015

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.

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.

Oshawa Public Library Board

Notes to the financial statements

December 31, 2015

1. Significant accounting policies (continued)

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 \$158,762 (2014 - \$259,026) 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 2015 were \$442,659 (2014 - \$442,587).

4. Employee future benefits

Employee future benefits are comprised as follows:

	2015	2014
	\$	\$
Accumulates sick leave benefit plan entitlements	667,941	709,047
Post employment benefits	2,337,564	2,245,351
	3,005,505	2,954,398

Oshawa Public Library Board

Notes to the financial statements

December 31, 2015

4. Employee future benefits (continued)

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), 3.5% (sick leave benefits)
Future inflation rates	2% (per annum)
Medical benefit cost escalation	8% (per year reducing to 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 \$265,224 (2014 - \$358,253).

The date of the most recent actuarial valuation for accounting purposes was December 31, 2014.

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

Continuity of accrued benefit liability

	2015	2014
	\$	\$
Accrued benefit liability, beginning of year	2,954,398	2,852,165
Expenses for year	240,400	173,720
Benefits paid	(189,293)	(71,487)
Accrued benefit liability, end of year	3,005,505	2,954,398

Reconciliation of accrued benefit obligation

	2015	2014
	\$	\$
Accrued benefit obligation at December 31	2,996,042	2,931,904
Unamortized actuarial gain	9,463	22,494
	3,005,505	2,954,398

Expense

	2015	2014
	\$	\$
Current service cost	129,007	112,070
Amortization of actuarial gains	(1,745)	(43,282)
Interest on accrued benefit obligation	113,150	104,932
	240,412	173,720

Oshawa Public Library Board

Notes to the financial statements

December 31, 2015

5. Deferred revenue

Deferred revenue represents development charges, donations and fees 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:

	2015	2014
	\$	\$
Obligatory Reserve Fund - development charges	2,403,145	2,370,280
Deferred revenue - general		
Jess Hann Branch	163,587	303,804
	2,566,732	2,674,084

Continuity of deferred revenue is as follows:

	2015	2014
	\$	\$
Balance, beginning of year	2,674,084	2,694,738
Developer contributions collected	100,387	208,835
Interest earned	17,478	23,728
	117,865	232,563
Less		
Developer contributions earned	85,000	113,000
General deferred revenues earned	140,217	140,217
	225,217	253,217
	2,566,732	2,674,084

Oshawa Public Library Board

Notes to the financial statements

December 31, 2015

6. Tangible capital assets

				2015	2014
	Collections	Furniture	Computer equipment	Total	Total
	\$	\$	\$	\$	\$
Cost					
Balance, beginning of year	6,276,280	681,109	110,428	7,067,817	7,041,722
Additions	653,754	14,127	20,962	688,843	844,886
Write-offs	(789,090)	-	-	(789,090)	(818,791)
	6,140,944	695,236	131,390	6,967,570	7,067,817
Accumulated amortization					
Balance, beginning of year	3,522,795	339,336	29,783	3,891,914	3,895,269
Amortization expense	775,097	68,817	21,976	865,890	815,436
Write-offs	(789,090)	-	-	(789,090)	(818,791)
Balance, end of year	3,508,802	408,153	51,759	3,968,714	3,891,914
Net book value, end of year	2,632,142	287,083	79,631	2,998,856	3,175,903

7. Accumulated surplus

Accumulated surplus consists of the following:

	2015	2014
	\$	\$
Operating fund	67,731	67,371
Capital fund	(80,693)	(84,851)
Unfunded liabilities	(3,005,505)	(2,954,398)
Reserves and reserve funds (Schedule)	888,252	714,873
Invested in capital assets	2,998,856	3,175,903
	868,641	918,898

Oshawa Public Library Board

Notes to the financial statements

December 31, 2015

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 on February 9, 2015 with adjustments as follows:

	\$
Budgeted deficit for the year	(68,091)
Add: tangible capital asset acquisitions	650,000
interfund transfers	136,591
Less: estimated amortization	(865,000)
<u>Budgeted surplus per statement of operations</u>	<u>(146,500)</u>

Oshawa Public Library Board

Schedule of reserves and reserve funds year ended December 31, 2015

				2015	2014
	Balance, beginning of year	Interest earned	Appropriations to (from)	Balance, end of year	Balance, end of year
	\$	\$	\$	\$	\$
Reserves					
Furniture replacement	281	-	(281)	-	281
Oshawa Public Library	298,767	3,617	277,224	579,608	298,767
	299,048	3,617	276,943	579,608	299,048
Reserve funds	57,542	503	(14,625)	43,420	57,542
Sick leave reserve - held by					
City of Oshawa	358,283	2,035	(95,094)	265,224	358,283
	714,873	6,155	167,224	888,252	714,873

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