

Financial statements of

Oshawa Public Library Board

December 31, 2014

Oshawa Public Library Board

December 31, 2014

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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, 2014, 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, 2014, 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.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
May 21, 2015

Oshawa Public Library Board

Statement of financial position as at December 31, 2014

	2014	2013
	\$	\$
Financial assets		
Cash	218,226	1,226,689
Due from City of Oshawa	2,728,535	2,611,292
Accounts receivable	283,701	87,479
	3,230,462	3,925,460
Liabilities		
Accounts payable and accrued liabilities	224,388	552,684
Employee future benefits (Note 4)	2,954,398	2,852,165
Deferred revenue (Note 5)		
Development charges	2,370,280	2,250,717
Jess Hann Branch	303,803	444,021
	5,852,869	6,099,587
Net debt	(2,622,407)	(2,174,127)
Non-financial assets		
Tangible capital assets (Note 6)	3,175,903	3,146,453
Prepaid expenses		
General	61,599	60,341
Jess Hann Branch	303,803	444,021
	3,541,305	3,650,815
Accumulated surplus (Note 7)	918,898	1,476,688

Approved by the Board



The image shows two blue ink signatures on horizontal lines. The top signature is a cursive signature, and the bottom signature is a more stylized signature.

Oshawa Public Library Board

Statement of operations year ended December 31, 2014

	2014		2013
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Operating			
Municipal contribution	8,220,500	8,220,500	8,414,200
Province of Ontario	215,400	215,444	215,441
Other grants	8,030	-	7,549
Donations	143,100	158,023	206,725
Development charges earned	45,000	113,000	45,000
Interest	8,500	20,492	22,593
Fines	135,000	136,733	133,554
Service charges	26,000	25,580	24,523
	8,801,530	8,889,772	9,069,585
Expenses			
Salaries	5,437,000	5,362,337	5,493,296
Employee benefits	1,353,000	1,410,823	1,433,085
Periodicals	157,400	150,346	156,919
Utilities	252,000	256,021	248,239
Other supplies	168,000	162,995	196,363
Rents	241,000	265,352	255,645
Maintenance	258,000	276,418	256,031
General	328,000	420,808	309,788
Minor capital expenditures	-	68,000	12,862
Contribution to library renovations (Note 2)	-	259,026	266,507
Amortization	-	815,436	916,434
	8,194,400	9,447,562	9,545,169
Annual surplus (deficit)	607,130	(557,790)	(475,584)
Accumulated surplus, beginning of year	1,476,688	1,476,688	1,952,272
Accumulated surplus, end of year	2,083,818	918,898	1,476,688

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, 2014

	2014		2013
	Budget	Actual	Actual
	\$	\$	\$
Annual surplus (deficit)	607,130	(557,790)	(475,584)
Acquisition of tangible capital assets	-	(844,886)	(876,041)
Amortization	-	815,436	916,434
	607,130	(587,240)	(435,191)
Prepaid expenses incurred	-	(61,599)	(60,341)
Use of prepaid expenses	-	200,559	193,750
Change in net debt	607,130	(448,280)	(301,782)
Net debt, beginning of year	-	(2,174,127)	(1,872,345)
Net debt, end of year	607,130	(2,622,407)	(2,174,127)

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, 2014

	2014	2013
	\$	\$
Operating activities		
Annual deficit	(557,790)	(475,584)
Items not involving cash		
Amortization	815,436	916,434
Change in non-cash assets and liabilities		
Due from City of Oshawa	(117,243)	(220,084)
Accounts receivable	(196,222)	3,895
Accounts payable and accrued liabilities	(328,296)	218,590
Employee future benefits	102,233	130,440
Deferred revenue	(20,655)	67,603
Prepaid expense	138,960	133,409
	(163,577)	774,703
Capital activity		
Acquisition of tangible capital assets	(844,886)	(876,041)
Decrease in cash	(1,008,463)	(101,338)
Cash, beginning of year	1,226,689	1,328,027
Cash, end of year	218,226	1,226,689

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, 2014

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, 2014

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.

Adoption of new accounting standard

As at January 1, 2014, the Library adopted Public Sector Accounting Handbook Section PS 3410, "Government Transfers". There was no impact on the financial statements as a result of the adoption of this new standard.

2. Contribution to Library renovations

During the year, the Library incurred costs of \$259,026 (2013 - \$266,507) 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 2014 were \$442,587 (2013 - \$461,907).

4. Employee future benefits

Employee future benefits are comprised as follows:

	2014	2013
	\$	\$
Accumulates sick leave benefit plan entitlements	709,047	631,057
Post employment benefits	2,245,351	2,221,108
Total	2,954,398	2,852,165

Oshawa Public Library Board

Notes to the financial statements

December 31, 2014

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 \$358,253 (2013 - \$360,602).

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

	2014	2013
	\$	\$
Accrued benefit liability, beginning of year	2,852,165	2,721,725
Expenses for year	173,720	184,989
Benefits paid	(71,487)	(54,549)
Accrued benefit liability, end of year	2,954,398	2,852,165

Reconciliation of accrued benefit obligation

	2014	2013
	\$	\$
Accrued benefit obligation at December 31	2,931,904	2,541,626
Unamortized actuarial gain	22,494	310,539
	2,954,398	2,852,165

Expense

	2014	2013
	\$	\$
Current service cost	112,070	119,087
Amortization of actuarial gains	(43,282)	(25,879)
Interest on accrued benefit obligation	104,932	91,781
	173,720	184,989

Oshawa Public Library Board

Notes to the financial statements

December 31, 2014

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:

	2014	2013
	\$	\$
Obligatory Reserve Fund - development charges	2,370,280	2,250,717
Deferred revenue - general		
Jess Hann Branch	303,804	444,021
	2,674,084	2,694,738

Continuity of deferred revenue is as follows:

	2014	2013
	\$	\$
Balance, beginning of year	2,694,738	2,627,135
Developer contributions collected	208,835	231,303
Interest earned	23,728	21,516
	232,563	252,819
Less		
Developer contributions earned	113,000	45,000
General deferred revenues earned	140,217	140,216
	253,217	185,216
	2,674,084	2,694,738

Oshawa Public Library Board

Notes to the financial statements

December 31, 2014

6. Tangible capital assets

				2014	2013
	Collections	Furniture	Computer equipment	Total	Total
	\$	\$	\$	\$	\$
Cost					
Balance, beginning of year	6,382,963	631,222	27,537	7,041,722	7,657,371
Additions	712,108	49,887	82,891	844,886	876,041
Write-offs	(818,791)	-	-	(818,791)	(1,491,690)
	6,276,280	681,109	110,428	7,067,817	7,041,722
Accumulated amortization					
Balance, beginning of year	3,603,068	276,214	15,987	3,895,269	4,470,525
Amortization expense	738,518	63,122	13,796	815,436	916,434
Write-offs	(818,791)	-	-	(818,791)	(1,491,690)
Balance, end of year	3,522,795	339,336	29,783	3,891,914	3,895,269
Net book value, end of year	2,753,485	341,773	80,645	3,175,903	3,146,453

7. Accumulated surplus

Accumulated surplus consists of the following:

	2014	2013
	\$	\$
Operating fund	67,371	185,012
Capital fund	(84,851)	(119,793)
Unfunded liabilities	(2,954,398)	(2,852,165)
Reserves and reserve funds (schedule)	714,873	1,117,181
Invested in capital assets	3,175,903	3,146,453
	918,898	1,476,688

Oshawa Public Library Board

Schedule - Reserves and reserve funds year ended December 31, 2014

				2014	2013
	Balance, beginning of year	Interest earned	Appropriations to (from)	Balance, end of year	Balance, end of year
	\$	\$	\$	\$	\$
Reserves					
Building interior facilities	43,492	711	(44,203)	-	43,492
Vehicle replacement	71,436	815	(72,251)	-	71,436
Furniture replacement	140,295	2,290	(142,304)	281	140,295
Major equipment replacement	298,092	2,709	(300,801)	-	298,092
Oshawa Public Library	144,481	3,104	151,182	298,767	144,481
	697,796	9,629	(408,377)	299,048	697,796
Reserve funds	58,783	942	(2,183)	57,542	58,783
Sick leave reserve - held by					
City of Oshawa	360,602	3,505	(5,824)	358,283	360,602
Total reserves and reserve funds	1,117,181	14,076	(416,384)	714,873	1,117,181

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