

*Final*

Financial statements of

**Oshawa Public Library Board**

December 31, 2016



Deloitte LLP  
400 Applewood Crescent  
Suite 500  
Vaughan ON L4K 0C3  
Canada

Tel: 416-601-6150  
Fax: 416-601-6151  
[www.deloitte.ca](http://www.deloitte.ca)

## 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, 2016, 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.

# Oshawa Public Library Board

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

	2016	2015
	\$	\$
<b>Financial assets</b>		
Cash	1,086,517	810,774
Due from City of Oshawa	2,683,000	2,668,341
Accounts receivable	130,700	60,438
	<b>3,900,217</b>	<b>3,539,553</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	222,272	330,338
Employee future benefits (Note 4)	3,173,850	3,005,505
Deferred revenue (Note 5)		
Grants	721,917	-
Development charges	2,416,474	2,403,145
Jess Hann Branch	23,370	163,587
	<b>6,557,883</b>	<b>5,902,575</b>
<b>Net debt</b>	<b>(2,657,666)</b>	<b>(2,363,022)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 6)	2,951,715	2,998,856
Prepaid expenses		
General	78,744	69,220
Jess Hann Branch	23,370	163,587
	<b>3,053,829</b>	<b>3,231,663</b>
<b>Accumulated surplus (Note 7)</b>	<b>396,163</b>	<b>868,641</b>

Approved by the Board

 Director

 Director

# Oshawa Public Library Board

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

	Budget	2016 Actual	2015 Actual
	\$	\$	\$
<b>Annual (deficit)</b>	<b>(168,530)</b>	<b>(472,478)</b>	(50,257)
Acquisition of tangible capital assets	<b>(686,700)</b>	<b>(796,661)</b>	(688,843)
Amortization	<b>840,000</b>	<b>843,802</b>	865,890
	<b>(15,230)</b>	<b>(425,337)</b>	126,790
Prepaid expenses incurred	-	<b>(78,744)</b>	(69,220)
Use of prepaid expenses	-	<b>209,437</b>	201,815
Change in net debt	<b>(15,230)</b>	<b>(294,644)</b>	259,385
Net debt, beginning of year	<b>(2,363,022)</b>	<b>(2,363,022)</b>	(2,622,407)
<b>Net debt, end of year</b>	<b>(2,378,252)</b>	<b>(2,657,666)</b>	(2,363,022)

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, 2016

---

### 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, 2016

### 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

	2016	2015
	\$	\$
Accrued benefit liability, beginning of year	3,005,505	2,954,398
Expenses for year	250,577	240,400
Benefits paid	(82,232)	(189,293)
<b>Accrued benefit liability, end of year</b>	<b>3,173,850</b>	<b>3,005,505</b>

#### Reconciliation of accrued benefit obligation

	2016	2015
	\$	\$
Accrued benefit obligation at December 31	3,165,108	2,996,042
Unamortized actuarial gain	8,742	9,463
<b>Accrued benefit liability, end of year</b>	<b>3,173,850</b>	<b>3,005,505</b>

#### Expense

	2016	2015
	\$	\$
Current service cost	135,048	129,007
Amortization of actuarial gains	(741)	(1,745)
Interest on accrued benefit obligation	116,270	113,150
<b>Expense</b>	<b>250,577</b>	<b>240,412</b>

# Oshawa Public Library Board

Notes to the financial statements

December 31, 2016

## 6. Tangible capital assets

				2016	2015
	Collections	Furniture	Computer equipment	Total	Total
	\$	\$	\$	\$	\$
Cost					
Balance, beginning of year	6,140,944	695,236	131,390	6,967,570	7,067,817
Additions	752,310	24,837	19,514	796,661	688,843
Write-offs	(776,782)	-	-	(776,782)	(789,090)
	<b>6,116,472</b>	<b>720,073</b>	<b>150,904</b>	<b>6,987,449</b>	<b>6,967,570</b>
Accumulated amortization					
Balance, beginning of year	3,508,802	408,153	51,759	3,968,714	3,891,914
Amortization expense	762,594	57,390	23,818	843,802	865,890
Write-offs	(776,782)	-	-	(776,782)	(789,090)
Balance, end of year	<b>3,494,614</b>	<b>465,543</b>	<b>75,577</b>	<b>4,035,734</b>	<b>3,968,714</b>
Net book value, end of year	<b>2,621,858</b>	<b>254,530</b>	<b>75,327</b>	<b>2,951,715</b>	<b>2,998,856</b>

## 7. Accumulated surplus

Accumulated surplus consists of the following:

	2016	2015
	\$	\$
Operating fund	67,731	67,731
Capital fund	(80,693)	(80,693)
Unfunded liabilities	(3,173,850)	(3,005,505)
Reserves and reserve funds (Schedule)	631,260	888,252
Invested in capital assets	2,951,715	2,998,856
	<b>396,163</b>	<b>868,641</b>

## 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 February 5, 2016 with adjustments as follows:

	\$
Budgeted deficit for the year	-
Add: tangible capital asset acquisitions	686,700
interfund transfers	(15,230)
Less: estimated amortization	(840,000)
<b>Budgeted surplus per statement of operations</b>	<b>(168,530)</b>