

Financial Statements

**MIDDLESEX COUNTY LIBRARY
BOARD**

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
140 Fullarton Street, Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4880
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Members of Middlesex County Library Board

Opinion

We have audited the financial statements of Middlesex County Library Board, (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net financial assets (debt)
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, its changes in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

September 14, 2021

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position
December 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---|--------------|--------------|
| Financial assets: | | |
| Cash | \$ 8,429 | \$ 143,391 |
| Accounts receivable | 21,746 | 3,066 |
| Receivable from the County of Middlesex | 2,405,653 | 1,560,131 |
| | 2,435,828 | 1,706,588 |
| Financial liabilities: | | |
| Accounts payable | 253,651 | 196,943 |
| Deferred revenue (note 9) | 56,144 | 95,233 |
| Employee future benefits (note 4) | 103,400 | 82,300 |
| Total liabilities | 413,195 | 374,476 |
| Net financial assets | 2,022,633 | 1,332,112 |
| Non-financial assets: | | |
| Tangible capital assets (note 6) | 1,950,527 | 2,152,913 |
| Prepaid expenses | 46,645 | 58,605 |
| | 1,997,172 | 2,211,518 |
| Commitments (note 5) | | |
| Effects of COVID-19 (note 10) | | |
| Accumulated surplus (note 3) | \$ 4,019,805 | \$ 3,543,630 |

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

| | Budget 2020 | 2020 | 2019 |
|---|---------------------|---------------------|---------------------|
| Revenues: | | | |
| Grants: | | | |
| Government of Canada | \$ - | \$ - | \$ 3,384 |
| Province of Ontario | 484,047 | 975,563 | 870,090 |
| County of Middlesex, contribution | 4,553,773 | 4,573,773 | 4,042,513 |
| | 5,037,820 | 5,549,336 | 4,915,987 |
| User charges: | | | |
| Fines, fees, rentals and donations | 143,500 | 111,348 | 110,270 |
| Loss on disposal of tangible capital assets | - | (90) | (1,314) |
| | 5,181,320 | 5,660,594 | 5,024,943 |
| Expenditures: | | | |
| Salaries | 2,571,762 | 1,699,398 | 2,299,602 |
| CBCP (note 8) | - | 735,888 | - |
| Rent | 700,024 | 699,355 | 686,363 |
| Amortization | 476,787 | 487,986 | 514,882 |
| EarlyON (note 9) | 350,000 | 481,620 | 367,709 |
| Employee benefits (note 4) | 577,354 | 468,637 | 493,304 |
| Books | 96,000 | 180,729 | 147,707 |
| Development and automation | 194,643 | 170,138 | 180,854 |
| COVID – 19 program (note 10) | - | 100,757 | - |
| Non - print materials | 151,200 | 68,108 | 117,321 |
| Postage | 40,000 | 37,991 | 43,972 |
| Utilities and maintenance | 34,981 | 29,813 | 29,279 |
| Insurance | 20,000 | 23,388 | 19,133 |
| Legal services | 5,000 | 611 | 3,147 |
| | 5,217,751 | 5,184,419 | 4,903,273 |
| Annual surplus (deficit): | (36,431) | 476,175 | 121,670 |
| Accumulated surplus, beginning of year | 3,543,630 | 3,543,630 | 3,421,960 |
| Accumulated surplus, end of year | \$ 3,507,199 | \$ 4,019,805 | \$ 3,543,630 |

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Changes in Net Financial Assets
 Year ended December 31, 2020, with comparative information for 2019

| | Budget 2020 | 2020 | 2019 |
|---|--------------|--------------|--------------|
| Annual surplus (deficit) | \$ (36,431) | \$ 476,175 | \$ 121,670 |
| Acquisition of tangible capital assets | (189,680) | (285,690) | (378,279) |
| Amortization of tangible capital assets | 476,787 | 487,986 | 514,882 |
| Loss on disposal of tangible capital assets | - | 90 | 1,314 |
| Prepaid expenses | - | 11,960 | (45,423) |
| Change in net financial assets | 250,676 | 690,521 | 214,164 |
| Net financial assets, beginning of year | 1,332,112 | 1,332,112 | 1,117,948 |
| Net financial assets, end of year | \$ 1,582,788 | \$ 2,022,633 | \$ 1,332,112 |

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|--|------------|------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual surplus | \$ 476,175 | \$ 121,670 |
| Items not involving cash: | | |
| Amortization | 487,986 | 514,882 |
| Loss on disposal of tangible capital assets | 90 | 1,314 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | (18,680) | (1,234) |
| Receivable from the County of Middlesex | (845,522) | (151,867) |
| Prepaid expenses | 11,960 | (45,423) |
| Accounts payable | 56,708 | 31,429 |
| Employee future benefits | 21,100 | (51,245) |
| | 189,817 | 419,526 |
| Investing activities: | | |
| Acquisition of tangible capital assets | (285,690) | (378,279) |
| Financing activities: | | |
| Deferred revenue | (39,089) | 94,851 |
| Increase (decrease) in cash | (134,962) | 136,098 |
| Cash, beginning of year | 143,391 | 7,293 |
| Cash, end of year | \$ 8,429 | \$ 143,391 |

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements

December 31, 2020, with comparative information for 2019

1. Significant accounting policies:

The financial statements of the Middlesex County Library Board (the "Board") are prepared by management in accordance with generally accepted accounting principles for organizations operating in the local government sector as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Government transfers:

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) Employee future benefits:

The Board has adopted the following policies for future benefits provided to both active and retired employees:

(i) Post-employment benefits:

The cost of termination benefits and compensated absences are recognized when the event that obligates the Board occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefits are determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees and expected health costs

Employee future benefit costs are discounted using the Board's cost of long-term borrowing. The costs of workplace safety and insurance obligations are actuarially determined and are expensed.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

December 31, 2020, with comparative information for 2019

1. Significant accounting policies (continued):

(c) Employee future benefits (continued):

(ii) Pension benefits:

The Board provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund, and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The fund is a contributory defined benefit pension plan. As this is a multi-employer plan, no liability is recorded on the Board's books.

The employer's contributions to a multi-employer, defined benefit plan are expensed as the obligations arise.

(d) Use of estimates:

The preparation of financial statements 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 period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

In addition, the Board's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(e) 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. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

December 31, 2020, with comparative information for 2019

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of an asset. The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight line basis over their estimated useful lives as follows:

| Asset | Rate |
|-----------------------|--------------|
| Machine and equipment | 3 – 5 years |
| Collections | 5 – 15 years |

(f) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the funding model and generally accepted accounting principles for local governments established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

2. Trust funds:

Trust funds and their related operations administered by the Board amounting to \$30,778 (2019 - \$30,778) are not consolidated, but are reported separately on the trust fund statement of continuity. They have not been included in the Statements of Financial Position or Operations.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

December 31, 2020, with comparative information for 2019

3. Accumulated surplus:

Accumulated surplus consists of individual fund surpluses, reserves, and reserve funds as follows:

| | 2020 | 2019 |
|--|--------------|--------------|
| Murray Elliott reserve fund | \$ 69,090 | \$ 68,576 |
| Strathroy Library reserve fund | 67,921 | 67,415 |
| | 137,011 | 135,991 |
| Surplus: | | |
| Invested in tangible capital assets (note 6) | 1,950,527 | 2,152,913 |
| General revenue fund | 1,545,442 | 160,034 |
| Capital fund | 521,146 | 1,189,768 |
| Unfunded | | |
| Future benefit cost liability | (103,400) | (82,300) |
| Vacation payable | (30,921) | (12,776) |
| Total surplus | 3,882,794 | 3,407,639 |
| Accumulated surplus | \$ 4,019,805 | \$ 3,543,630 |

4. Employee future benefits:

(a) Pension plan:

During 2020, the Board contributed \$174,698 (2019 - \$179,575) to OMERS on behalf of its employees for current service. Contributions are included as an expenditure on the Statement of Operations.

(b) Health, dental and life insurance:

The Board provides certain employee future benefits such as health, dental and life insurance that will require funding in future periods.

The Board pays certain health care benefits on behalf of the retired employees. The Board recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was undertaken as at December 31, 2019, and it provided projected expense and liability disclosure information for the fiscal periods 2020, 2021 and 2022.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

December 31, 2020, with comparative information for 2019

4. Employee future benefits (continued):

(b) Health, dental and life insurance (continued):

The benefit obligation continuity is as follows:

| | 2020 | 2019 |
|--|------------|------------|
| Accrued benefit obligation, January 1 | \$ 99,200 | \$ 152,264 |
| Current period benefit cost | 22,700 | (8,126) |
| Post-employment benefit interest expenditure | 3,400 | (684) |
| Benefits paid | (6,600) | (483) |
| Actuarial loss (gain) and amortization of losses | - | (43,771) |
| Accrued benefit obligation, December 31 | 118,700 | 99,200 |
| Unamortized actuarial loss | (15,300) | (16,900) |
| Liability for benefits | \$ 103,400 | \$ 82,300 |

Post retirement and sick leave benefits expenses are as follows:

| | | |
|--|-----------|-------------|
| Current period benefit cost | \$ 22,700 | \$ (8,126) |
| Amortization of actuarial loss (gain) | 1,600 | (41,952) |
| Post-employment benefit interest expenditure | 3,400 | (684) |
| | \$ 27,700 | \$ (50,762) |

The significant assumptions used in the actuarial valuation are as follows:

| | 2020 | 2019 |
|--|--|--|
| Discount rate | 2.9% | 2.9% |
| Rate of compensation increase | 3.0% | 3.0% |
| Dental & other Extended Health Care cost increases | 4.0% | 4.0% |
| Extended Health Care cost increases | 5.72% for 2020 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached | 5.85% for 2019 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached |

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

December 31, 2020, with comparative information for 2019

5. Commitments:

The Board has entered into commitments for rent and leases expiring at various dates prior to 2036. The future minimum annual payments are estimated to be as follows:

| | | |
|------------|----|-----------|
| 2021 | \$ | 168,535 |
| 2022 | | 171,906 |
| 2023 | | 175,344 |
| 2024 | | 178,851 |
| 2025 | | 182,428 |
| Thereafter | | 1,920,949 |
| | \$ | 2,798,013 |

6. Tangible capital assets:

| | | | 2020 | 2019 |
|----------------------------------|--------------|--------------------------|--------------|--------------|
| | Collections | Machine and equipment | Total | Total |
| Cost: | | | | |
| Balance, beginning of year | \$ 3,623,648 | \$ 720,528 | \$ 4,344,176 | \$ 4,343,105 |
| Additions during the year | 185,601 | 100,089 | 285,690 | 378,279 |
| Disposals during the year | (371,169) | (21,012) | (392,181) | (377,208) |
| Total | 3,438,080 | 799,605 | 4,237,685 | 4,344,176 |
| Accumulated amortization: | | | | |
| Balance, beginning of year | 1,701,153 | 490,110 | 2,191,263 | 2,052,275 |
| Amortization during the year | 380,500 | 107,486 | 487,986 | 514,882 |
| Disposals during the year | (371,169) | (20,922) | (392,091) | (375,894) |
| Total | 1,710,484 | 576,674 | 2,287,158 | 2,191,263 |
| Net book value | \$ 1,727,596 | \$ 222,931 | \$ 1,950,527 | \$ 2,152,913 |

7. Financial instruments:

The carrying value of cash, accounts receivable, receivable from the County of Middlesex and accounts payable approximate their fair value due to the relatively short periods to maturity of these instruments. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

December 31, 2020, with comparative information for 2019

8. Community-Based Early Years and Child Care Capital Program funding (CBCP):

Community-Based Early Years and Child Care Capital Program (CBCP) funding (CBCP) is funding issued by the Ministry of Education. The CBCP project is designed to address capital costs related to the creation of Ministry approved child care or EarlyON rooms. During 2020, the Board has provided \$250,000 for the Strathroy EarlyON Child and Family Centre Library renovation and \$485,888 for the Ilderton EarlyON Child and Family Centre Library addition.

9. EarlyON Child and Family Centres funding:

Ontario's EarlyON Child and Family Centres funding (EarlyON) is a funding issued by the Ministry of Education. The EarlyON programs and services provide opportunities for children from birth to 6 years of age to participate in play and inquiry-based programs, and support parents and caregivers in their roles. EarlyON centres offer free, high-quality drop-in programs, support families seeking convenient, accessible, play-based learning activities with their children.

During 2020, the Board received new funding of \$440,132 (2019 - \$736,043). At 12/31/2020, \$56,144 was recorded as deferred revenue.

10. Effects of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. This has resulted in Governments worldwide enacting emergency measures to combat the spread of the virus. Several measures were put in place which include the implementation of travel bans, self-imposed quarantine periods and social distancing. These measures have caused material disruption to individuals, businesses, and organizations globally which has resulted in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the success of these interventions is not currently determinable.

At the time of approval of these financial statements, the Corporation, which conducts business in communities impacted by COVID-19, has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- The closure of a number of facilities to the general public;
- Revisions to the delivery of a number of municipal services in order to contribute toward social distancing and/or provincial public health and workplace safety measures and restrictions;
- The implementation of working from home requirements for certain municipal employees;
- Temporary staff layoffs for some part-time staff in the library branches.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.