

Financial Statements of

**MIDDLESEX COUNTY LIBRARY BOARD**

Year ended December 31, 2014

## INDEPENDENT AUDITORS' REPORT

### *To the Members of Middlesex County Library Board*

We have audited the accompanying financial statements of the Middlesex County Library ("the Entity"), which comprise the statement of financial position as at December 31, 2014 and the statements of operations, changes in net financial assets debt), and the cash flows for the year then ended, and notes comprising 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 consolidated 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 consolidated 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 an audit to obtain reasonable assurance about whether the consolidated 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 Middlesex County Library Board as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*'Signed by KPMG LLP'*

Chartered Professional Accountants, Licensed Public Accountants

June 30, 2015

London, Canada

# MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
<b>Financial Assets:</b>		
Cash	1,547	4,625
Accounts receivable	8,585	137,447
Receivable from the County of Middlesex	218,039	157,521
Total financial assets	228,171	299,593
<b>Financial liabilities :</b>		
Accounts payable	147,146	172,492
Employee future benefits (note 4)	95,742	92,526
Total liabilities	242,888	265,018
<b>Net financial assets (debt)</b>	-14,717	34,575
<b>Non-financial assets:</b>		
Tangible capital assets (note 6)	1,820,374	1,716,445
Prepaid expenses	19,177	39,218
Total non-financial assets	1,839,551	1,755,663
Commitments (note 5)		
<b>Accumulated surplus</b> (note 3) \$	1,824,834	1,790,238

See accompanying notes to financial statements.

# MIDDLESEX COUNTY LIBRARY BOARD

## Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	Budget 2014	Actual 2014	Actual 2013
<b>Revenues:</b>			
Grants:			
Province of Ontario	140,422	134,047	138,867
County of Middlesex, contribution	3,281,289	3,281,289	3,079,783
Service Ontario	-	-	6,375
	3,421,711	3,415,336	3,225,025
User charges:			
Fines, fees, rentals and donations	74,736	74,431	85,176
Loss on disposal of tangible capital assets	-	-1,002	-
<b>Total revenues</b>	<b>3,496,447</b>	<b>3,488,765</b>	<b>3,310,201</b>
<b>Expenditures:</b>			
Salaries	1,894,310	1,884,226	1,768,360
Rent	434,608	441,765	387,351
Employee benefits	364,150	378,329	341,315
Non - print materials	97,050	113,766	93,901
Development and automation	78,109	76,633	96,046
Books	-	57,988	87,662
Utilities and maintenance	31,816	33,290	32,939
Postage	40,000	33,151	33,518
Insurance	17,369	17,369	26,132
Purchase of services	5,000	15,623	1,045
Amortization	372,188	402,029	384,505
<b>Total expenditures</b>	<b>3,334,600</b>	<b>3,454,169</b>	<b>3,252,774</b>
<b>Annual surplus:</b>	<b>161,847</b>	<b>34,596</b>	<b>57,427</b>
Accumulated surplus, beginning of year	1,790,238	1,790,238	1,732,811
Accumulated surplus, end of year	1,952,085	1,824,834	1,790,238

See accompanying notes to financial statements.

## MIDDLESEX COUNTY LIBRARY BOARD

### Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2014, with comparative information for 2013

	Budget 2014	Actual 2014	Actual 2013
Annual surplus	161,847	34,596	57,427
Acquisition of tangible capital assets	-556,400	-506,960	-490,747
Amortization of tangible capital assets	372,188	402,029	384,505
Loss on disposal of tangible capital assets	-	1,002	-
Prepaid expenses	-	20,041	-31,771
Change in net financial assets (debt)	-22,365	-49,292	-80,586
<b>Net Financial Assets (Debt):</b>			
Beginning of year	34,575	34,575	115,161
End of year \$	12,210	-14,717	34,575

See accompanying notes to financial statements.

# MIDDLESEX COUNTY LIBRARY BOARD

## Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual surplus	34,596	57,427
Amortization	402,029	384,505
Loss on disposal of tangible capital assets	1,002	-
Changes in non-cash operating working capital:		
Accounts receivable	128,862	-1,124
Receivable from the County of Middlesex	-60,518	105,596
Prepaid expenses	20,041	-31,771
Accounts payable	-25,346	-13,802
Employee future benefit liability	3,216	-6,159
	503,882	494,672
Capital activities:		
Acquisition of tangible capital assets	-506,960	-490,747
Net increase / (decrease) in cash	-3,078	3,925
Cash, beginning of year	4,625	700
Cash, end of year	1,547	4,625

See accompanying notes to financial statements.

# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2014

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## 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)

Year ended December 31, 2014

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## 1. Significant accounting policies (continued):

### (c) Employee future benefits: (continued):

#### (ii) Pension benefits:

The Middlesex County Library 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 County'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 consolidated change in net financial assets for the year.

# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

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## 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 (2013 - \$5,778) 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)

Year ended December 31, 2014

### 3. Accumulated surplus:

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

	2014	Transfers (to) from reserves	2013
Thorndale Library branch reserve fund	-	2,280	2,280
Surplus:			
Invested in tangible capital assets (note 6)	1,820,374		1,716,445
General revenue fund	43,925		34,533
Capital fund	69,034		131,375
Unfunded			
Future benefit cost liability	-95,742		-92,526
Vacation payable	-12,757		-1,869
Total surplus	1,824,834		1,787,958
Accumulated surplus	1,824,834		1,790,238

### 4. Employee future benefits:

#### (a) Pension plan:

The Board participates in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer plan, on behalf of its employees. The plan is a contributory defined benefit pension plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of services and rates of pay.

During 2014, the Board contributed \$127,223 (2013 - \$123,841) 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 which 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, 2012.

# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

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## 4. Employee future benefits (continued)

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

The benefit obligation continuity is as follows:

	2014	2013
Accrued benefit obligation, January 1	92,526	98,685
Current period benefit cost	9,558	-1,258
Amortization of actuarial losses	999	932
Retirement interest expenditure	4,154	4,021
Benefits paid	-11,495	-9,854
Accrued benefit obligation, December 31	95,742	92,526
Post - employment and post-retirement benefits expense:		
Current period benefit cost	9,558	-1,258
Amortization of actuarial losses	999	932
Retirement interest expenditure	4,154	4,021
	14,711	3,695

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

Discount rate	4%
Inflation rate	2%
Rate of compensation increase	3%
Dental & travel cost increases	4%
Healthcare cost increases	6.00% for 2014 then reducing by 0.33% per year until 202 when the ultimate rate of 4% is reached

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# MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

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## 5. Commitments:

The Board has entered into commitments for rent and leases expiring at various dates prior to 2018. The future minimum annual payments are estimated to be as follows:

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2015	152,078
2016	156,641
2017	161,340
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	470,059

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## 6. Tangible capital assets:

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			2014	2013
	Collections	Machine and equipment	Total	Total
Cost:				
Balance, beginning of year	3,009,816	352,470	3,362,286	3,189,991
Additions during the year	423,234	83,726	506,960	490,747
Disposals during the year	-271,162	-34,873	-306,035	-318,452
Balance, end of year	3,161,888	401,323	3,563,211	3,362,286
Accumulated amortization:				
Balance, beginning of year	1,431,200	214,641	1,645,841	1,579,788
Amortization during the year	341,217	60,812	402,029	384,505
Disposals during the year	-271,162	-33,871	-305,033	-318,452
Balance, end of year	1,501,255	241,582	1,742,837	1,645,841
Net book value	1,660,633	159,741	1,820,374	1,716,445

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## 7. Financial instruments:

The carrying value of cash, accounts receivable 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.