

Financial Statements

MIDDLESEX COUNTY LIBRARY BOARD

And Independent Auditors' Report thereon

Year ended December 31, 2019



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, 2019
- 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, 2019, 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.



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- 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

August 11, 2020

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position
December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Cash	\$ 143,391	\$ 7,293
Accounts receivable	3,066	1,832
Receivable from the County of Middlesex	1,560,131	1,408,264
	1,706,588	1,417,389
Financial liabilities:		
Accounts payable	196,943	165,514
Deferred revenue (note 9)	95,233	382
Employee future benefits (note 4)	82,300	133,545
Total liabilities	374,476	299,441
Net financial assets	1,332,112	1,117,948
Non-financial assets:		
Tangible capital assets (note 6)	2,152,913	2,290,830
Prepaid expenses	58,605	13,182
	2,211,518	2,304,012
Commitments (note 5)		
Subsequent event (note 10)		
Accumulated surplus (note 3)	\$ 3,543,630	\$ 3,421,960

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	Budget 2019	2019	2018
Revenues:			
Grants:			
Government of Canada	\$ 4,788	\$ 3,384	\$ 3,360
Province of Ontario	849,122	870,090	993,262
County of Middlesex, contribution	4,042,513	4,042,513	4,038,264
	4,896,423	4,915,987	5,034,886
User charges:			
Fines, fees, rentals and donations	37,000	110,270	120,709
Loss on disposal of tangible capital assets	–	(1,314)	(373)
	4,933,423	5,024,943	5,155,222
Expenditures:			
Salaries	2,321,310	2,299,602	2,204,898
Rent	681,588	686,363	617,389
Amortization	524,146	514,882	517,450
Employee benefits (note 4)	510,093	493,304	479,941
EarlyON (note 9)	350,000	367,709	–
Development and automation	166,500	180,854	197,586
Books	96,000	147,707	159,499
Healthy Kids Community Challenge (note 8)	–	–	129,529
Non - print materials	146,200	117,321	106,392
Postage	40,000	43,972	47,032
Utilities and maintenance	34,827	29,279	26,510
Insurance	20,000	19,133	19,845
Legal services	5,000	3,147	763
	4,895,664	4,903,273	4,506,834
Annual surplus:	37,759	121,670	648,388
Accumulated surplus, beginning of year	3,421,960	3,421,960	2,773,572
Accumulated surplus, end of year	\$ 3,459,719	\$ 3,543,630	\$ 3,421,960

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Changes in Net Financial Assets (Debt)
Year ended December 31, 2019, with comparative information for 2018

	Budget 2019	2019	2018
Annual surplus	\$ 37,759	\$ 121,670	\$ 648,388
Acquisition of tangible capital assets	(808,260)	(378,279)	(594,779)
Amortization of tangible capital assets	524,146	514,882	517,450
Loss on disposal of tangible capital assets	-	1,314	373
Prepaid expenses	-	(45,423)	33,588
Change in net financial assets (debt)	(246,355)	214,164	605,020
Net financial assets, beginning of year	1,117,948	1,117,948	512,928
Net financial assets, end of year	\$ 871,593	\$ 1,332,112	\$ 1,117,948

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 121,670	\$ 648,388
Items not involving cash:		
Amortization	514,882	517,450
Loss on disposal of tangible capital assets	1,314	373
Changes in non-cash operating working capital:		
Accounts receivable	(1,234)	2,276
Receivable from the County of Middlesex	(151,867)	(795,506)
Prepaid expenses	(45,423)	33,588
Accounts payable	31,429	27,539
Employee future benefits	(51,245)	31,744
	419,526	465,852
Investing activities:		
Acquisition of tangible capital assets	(378,279)	(594,779)
Financing activities:		
Deferred revenue	94,851	(24,947)
Increase (decrease) in cash	136,098	(153,874)
Cash, beginning of year	7,293	161,167
Cash, end of year	\$ 143,391	\$ 7,293

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 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)

Year ended December 31, 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)

Year ended December 31, 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 (2018 - \$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)

Year ended December 31, 2019

3. Accumulated surplus:

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

	2019	2018
Murray Elliott reserve fund	\$ 68,576	\$ 67,592
Strathroy Library reserve fund	67,415	66,448
	135,991	134,040
Surplus:		
Invested in tangible capital assets (note 6)	2,152,913	2,290,830
General revenue fund	160,034	331,596
Capital fund	1,189,768	801,600
Unfunded		
Future benefit cost liability	(82,300)	(133,545)
Vacation payable	(12,776)	(2,561)
Total surplus	3,407,639	3,287,920
Accumulated surplus	\$ 3,543,630	\$ 3,421,960

4. Employee future benefits:

(a) Pension plan:

During 2019, the Board contributed \$179,575 (2018 - \$153,822) 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)

Year ended December 31, 2019

4. Employee future benefits (continued):

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

The benefit obligation continuity is as follows:

	2019	2018
Accrued benefit obligation, January 1	\$ 152,264	\$ 120,277
Current period benefit cost	(8,126)	33,826
Post-employment benefit interest expenditure	(684)	6,084
Benefits paid	(483)	(11,717)
Actuarial loss (gain) and amortization of losses	(43,771)	3,794
Accrued benefit obligation, December 31	99,200	152,264
Unamortized actuarial loss	(16,900)	(18,719)
Liability for benefits	\$ 82,300	\$ 133,545

Post retirement and sick leave benefits expenses are as follows:

Current period benefit cost	\$ (8,126)	\$ 33,826
Amortization of actuarial loss (gain)	(41,952)	3,551
Post-employment benefit interest expenditure	(684)	6,084
	\$ (50,762)	\$ 43,461

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

	2019	2018
Discount rate	2.9%	3.4%
Rate of compensation increase	3.0%	3.0%
Dental & other Extended Health Care cost increases	4.0%	4.0%
Extended Health Care cost increases	5.85% for 2019 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached	5.63% for 2018 then reducing by 0.09% per year until 2036 when the ultimate rate of 4.0% is reached

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 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:

2020	\$	167,364
2021		170,711
2022		174,125
2023		177,608
2024		181,160
Thereafter		2,130,531
	\$	3,001,499

6. Tangible capital assets:

			2019	2018
	Collections	Machine and equipment	Total	Total
Cost:				
Balance, beginning of year	\$ 3,624,454	\$ 718,651	\$ 4,343,105	\$ 4,132,165
Additions during the year	324,414	53,865	378,279	594,779
Disposals during the year	(325,220)	(51,988)	(377,208)	(383,839)
Total	3,623,648	720,528	4,344,176	4,343,105
Accumulated amortization:				
Balance, beginning of year	1,631,724	420,551	2,052,275	1,918,291
Amortization during the year	394,649	120,233	514,882	517,450
Disposals during the year	(325,220)	(50,674)	(375,894)	(383,466)
Total	1,701,153	490,110	2,191,263	2,052,275
Net book value	\$ 1,922,495	\$ 230,418	\$ 2,152,913	\$ 2,290,830

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)

Year ended December 31, 2019

8. Healthy Kids Community Challenge:

Ontario's Healthy Kids Community Challenge (HKCC) is a three-year project issued by the Ministry of Health and Long-Term Care. The HKCC program is designed to improve the health of children aged 12 and under. Various community partners work together to implement community-based programs and activities that focus on physical activity and healthy eating. This project ended in 2018.

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 2019, the Board received new funding of \$736,043 (2018 - \$696,300). The balance of \$95,233 was allocated to deferred revenue.

10. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Board has experienced the following indicators of financial implications and undertaken the following activities in related to the COVID-19 pandemic:

- Closure of all library branches from March 16, 2020 to the date of the auditor's report based on public health recommendations
- Mandatory working from home requirements for those able to do so
- Temporary staff layoffs

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.