

Financial Statements of

MIDDLESEX COUNTY LIBRARY BOARD

Year ended December 31, 2013



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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, 2013 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 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.

Auditors' 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 an 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 our 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, we consider 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, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Professional Accountants, Licensed Public Accountants

July 22, 2014

London, Canada

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MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Financial Assets		
Cash	\$ 4,625	\$ 700
Accounts receivable	137,447	136,323
Receivable from the County of Middlesex	157,521	263,117
Total financial assets	299,593	400,140
Financial liabilities		
Accounts payable	172,492	186,294
Employee future benefits (note 4)	92,526	98,685
Total liabilities	265,018	284,979
Net financial assets	34,575	115,161
Non-financial assets:		
Tangible capital assets (note 6)	1,716,445	1,610,203
Prepaid expenses	39,218	7,447
Total non-financial assets	1,755,663	1,617,650
Commitments (note 5)		
Accumulated surplus (note 3)	\$ 1,790,238	\$ 1,732,811

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

	Budget 2013	Actual 2013	Actual 2012
Revenues:			
Grants:			
Government of Canada - CAP	\$ -	\$ -	\$ 24,500
Government of Canada - Dorchester ERC	-	-	49,256
Province of Ontario	134,047	138,867	179,535
County of Middlesex, contribution	3,025,882	3,079,783	2,674,460
Service Ontario	-	6,375	-
	<u>3,159,929</u>	<u>3,225,025</u>	<u>2,927,751</u>
User charges:			
Fines, fees, rentals and donations	70,920	85,176	81,500
Loss on disposal of tangible capital assets	-	-	(441)
	<u>3,230,849</u>	<u>3,310,201</u>	<u>3,008,810</u>
Expenditures:			
Salaries	1,811,992	1,768,360	1,500,305
Books	-	87,662	38,031
Rent	377,243	387,351	299,776
Employee benefits	347,472	341,315	280,858
Development and automation	125,549	96,046	74,466
Dorchester ERC	-	-	49,256
Non - print materials	97,819	93,901	84,857
Postage	40,000	33,518	36,440
Utilities and maintenance	31,700	32,939	30,080
Purchase of services	5,000	1,045	14,426
Insurance	15,450	26,132	14,444
Amortization	371,536	384,505	365,056
	<u>3,223,761</u>	<u>3,252,774</u>	<u>2,787,995</u>
Annual surplus:	7,088	57,427	220,815
Accumulated surplus, beginning of year	1,732,811	1,732,811	1,511,996
Accumulated surplus, end of year	\$ 1,739,899	\$ 1,790,238	\$ 1,732,811

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Change in Net Financial Assets / (Debt)

Year ended December 31, 2013, with comparative information for 2012

	Budget 2013	Actual 2013	Actual 2012
Annual surplus	\$ 7,088	\$ 57,427	\$ 220,815
Acquisition of tangible capital assets	(489,000)	(490,747)	(455,879)
Amortization of tangible capital assets	371,536	384,505	365,056
Loss of sale tangible capital assets	-	-	441
Prepaid expenses	-	(31,771)	(450)
Change in net financial assets / (debt)	(110,376)	(80,586)	129,983
Net Financial Assets / (Debt):			
Beginning of year	115,161	115,161	(14,822)
End of year	\$ 4,785	\$ 34,575	\$ 115,161

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 57,427	\$ 220,815
Change in non-cash operating working capital:		
Accounts receivable	(1,124)	(128,083)
Receivable from the County of Middlesex	105,596	(75,953)
Prepaid expenses	(31,771)	(450)
Accounts payable	(13,802)	72,209
Employee future benefit liability	(6,159)	1,844
Amortization	384,505	365,056
	494,672	455,438
Capital activities:		
Acquisition of tangible capital assets	(490,747)	(455,879)
Loss on disposal of tangible capital assets	-	441
	(490,747)	(455,438)
Net increase in cash	3,925	-
Cash, beginning of year	700	700
Cash, end of year	\$ 4,625	\$ 700

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2013

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, 2013

1. Significant accounting policies (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.

(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

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(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. The budget figures are unaudited.

(g) Change in accounting policy:

The County has implemented Public Sector Accounting Board ("PSAB") section 3410 – Government Transfers at January 1, 2013. The standard discusses what the criteria are for a government transfer, recognition of the transferring and recipient government, eligibility criteria/stipulations within the transfer, and presentation and disclosure information related to the government transfer. In accordance with the transitional guidance included within the standard, this change has been applied prospectively. There were no changes to the financial statements as a result of the implementation of this standard.

2. Trust funds:

Trust funds and their related operations administered by the Board amounting to \$5,778 (2012 - \$11,800) 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.

3. Accumulated surplus:

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

	2013	Transfers (to) from reserves	2012
Thorndale Library branch reserve fund	\$ 2,280	\$ (28)	\$ 2,252
Surplus:			
Invested in tangible capital assets (note 6)	1,716,445		1,610,203
General revenue fund	34,533		157,055
Capital fund	131,375		65,375
Unfunded			
Future benefit cost liability	(92,526)		(98,685)
Vacation payable	(1,869)		(3,389)
Total surplus	1,787,958		1,730,559
Accumulated surplus	\$ 1,790,238		\$ 1,732,811

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

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 2013, the Board contributed \$123,841 (2012 - \$94,714) 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.

The benefit obligation continuity is as follows:

	2013	2012
Accrued benefit obligation, January 1	\$ 98,685	\$ 96,841
Current period benefit cost	(1,258)	5,920
Amortization of actuarial losses	932	970
Retirement interest expenditure	4,021	4,299
Benefits paid	(9,854)	(9,345)
Accrued benefit obligation, December 31	\$ 92,526	\$ 98,685
Post - employment and post-retirement benefits expense:		
Current period benefit cost	\$ (1,258)	\$ 5,920
Amortization of actuarial losses	932	970
Retirement interest expenditure	4,021	4,299
	\$ 3,695	\$ 11,189

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

4. Employee future benefits:

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	6.334% for 2013 then reducing by 0.333% per year until 2020 when the ultimate rate of 4% is reached

5. Commitments:

The Board has entered into commitments for rent and leases expiring at various dates prior to 2017. The future minimum annual payments are estimated to be as follows:

2014	\$	149,096
2015		153,569
2016		158,176
	\$	460,841

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

6. Tangible capital assets:

			2013	2012
	Collections	Machine and equipment	Total	Total
Cost:				
Balance, beginning of year	\$ 2,870,526	\$ 319,465	\$ 3,189,991	\$ 3,065,885
Additions during the year	425,824	64,923	490,747	455,879
Disposals during the year	(286,533)	(31,919)	(318,452)	(331,773)
Balance, end of year	3,009,817	352,469	3,362,286	3,189,991
Accumulated amortization:				
Balance, beginning of year	1,394,948	184,840	1,579,788	1,546,064
Amortization during the year	322,785	61,720	384,505	365,056
Disposals during the year	(286,533)	(31,919)	(318,452)	(331,332)
Balance, end of year	1,431,200	214,641	1,645,841	1,579,788
Net book value	\$ 1,578,617	\$ 137,828	\$ 1,716,445	\$ 1,610,203

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.