

Financial Statements of

MIDDLESEX COUNTY LIBRARY BOARD

Year ended December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Members of Middlesex County Library Board

We have audited the accompanying financial statements of the Middlesex County Library Board, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net financial assets (debt) and 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 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 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, 2017, 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.

'DRAFT'

Chartered Professional Accountants, Licensed Public Accountants
London, Canada
June 26, 2018

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position
December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash	\$161,167	\$156,804
Accounts receivable	4,108	6,049
Receivable from the County of Middlesex	612,758	217,676
	778,033	380,529
Financial liabilities:		
Accounts payable	137,975	137,799
Deferred revenue	25,329	31,295
Employee future benefits (note 4)	101,801	103,094
Total liabilities	265,105	272,188
Net financial assets	512,928	108,341
Non-financial assets:		
Tangible capital assets (note 6)	2,213,874	2,258,761
Prepaid expenses	46,770	97,716
	2,260,644	2,356,477
Commitments (note 5)		
Accumulated surplus (note 3)	\$2,773,572	\$2,464,818

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Budget 2017	2017	2016
Revenues:			
Grants:			
Government of Canada	\$-	\$4,788	\$2,260
Province of Ontario	329,956	340,342	408,946
County of Middlesex, contribution	4,038,264	4,038,264	3,982,043
	4,368,220	4,383,394	4,393,249
User charges:			
Fines, fees, rentals and donations	75,000	186,493	110,036
Loss on disposal of tangible capital assets	-	-	(2,861)
	4,443,220	4,569,887	4,500,424
Expenditures:			
Salaries	2,227,247	2,117,077	2,055,881
Rent	610,817	597,151	539,489
Employee benefits	435,268	410,266	410,840
Healthy Kids Community Challenge (note 8)	175,000	185,386	269,136
Books	-	135,372	130,432
Non - print materials	139,500	119,664	99,206
Development and automation	160,332	103,273	114,034
Postage	40,000	42,375	40,408
Utilities and maintenance	34,525	35,170	35,877
Insurance	19,700	18,785	18,551
Legal services	5,000	-	1,336
Amortization	518,039	496,614	477,664
	4,365,428	4,261,133	4,192,854
Annual surplus:	77,792	308,754	307,570
Accumulated surplus, beginning of year	2,464,818	2,464,818	2,157,248
Accumulated surplus, end of year	\$2,542,610	\$2,773,572	\$2,464,818

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Changes in Net Financial Assets (Debt)
Year ended December 31, 2017, with comparative information for 2016

	Budget 2017	2017	2016
Annual surplus	\$77,792	\$308,754	\$307,570
Acquisition of tangible capital assets	(804,800)	(451,727)	(719,078)
Amortization of tangible capital assets	518,039	496,614	477,664
Loss on disposal of tangible capital assets	-	-	2,861
Prepaid expenses	-	50,946	(32,255)
Change in net financial assets (debt)	(208,969)	404,587	36,762
Net financial assets, beginning of year	108,341	108,341	71,579
Net financial assets (debt), end of year	\$(100,628)	\$512,928	\$108,341

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Cash Flows
Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$308,754	\$307,570
Items not involving cash:		
Amortization	496,614	477,664
Loss on disposal of tangible capital assets	-	2,861
Changes in non-cash operating working capital:		
Accounts receivable	1,941	131,757
Receivable from the County of Middlesex	(395,082)	15,034
Prepaid expenses	50,946	(32,255)
Accounts payable	176	7,049
Employee future benefits	(1,293)	(2,221)
	462,056	907,459
Investing activities:		
Acquisition of tangible capital assets	(451,727)	(719,078)
Financing activities:		
Deferred revenue	(5,966)	(78,990)
Increase in cash	4,363	109,391
Cash, beginning of year	156,804	47,413
Cash, end of year	\$161,167	\$156,804

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2017

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, 2017

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 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, 2017

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 (2016 - \$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, 2017

3. Accumulated surplus:

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

	2017	2016
Murray Elliott reserve fund	\$87,806	\$10,143
Strathroy Library reserve fund	65,821	65,201
	153,627	75,344
Surplus:		
Invested in tangible capital assets (note 6)	2,213,874	2,258,761
General revenue fund	217,566	221,088
Capital fund	291,319	17,931
Unfunded		
Future benefit cost liability	(101,801)	(103,094)
Vacation payable	(1,013)	(5,212)
Total surplus	2,619,945	2,389,474
Accumulated surplus	\$ 2,773,572	\$ 2,464,818

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 that specifies the amount of the retirement benefit to be received by the employees based on the length of services and rates of pay.

During 2017, the Board contributed \$146,505 (2016 - \$138,747) 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, 2015.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

4. Employee future benefits (continued):

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

The benefit obligation continuity is as follows:

	2017	2016
Accrued benefit obligation, January 1	\$126,676	\$134,838
Current period benefit cost	1,024	1,770
Post-employment benefit interest expenditure	4,787	5,046
Benefits paid	(10,051)	(12,280)
Actuarial (gain) loss and amortization of losses	(2,159)	(2,698)
Accrued benefit obligation, December 31	120,277	126,676
Unamortized actuarial loss	(18,476)	(23,582)
Liability for benefits	\$101,801	\$103,094

Post retirement and sick leave benefits expenses are as follows:

Current period benefit cost	\$1,024	\$1,770
Amortization of actuarial losses	2,946	3,243
Post-employment benefit interest expenditure	4,787	5,046
	\$8,757	\$10,059

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

	2017	2016
Discount rate	3.4%	3.4%
Rate of compensation increase	3.0%	3.0%
Dental & other EHC cost increases	4.0%	4.0%
EHC cost increases	5.72% for 2017 then reducing by 0.09% per year until 2036 when the ultimate rate of 4.0% is reached	5.81% for 2016 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, 2017

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:

2018	\$319,012
2019	163,743
2020	167,018
2021	170,358
2022	173,766
Thereafter	2,484,157
	<u>\$3,478,054</u>

6. Tangible capital assets:

			2017	2016
	Collections	Machine and equipment	Total	Total
Cost:				
Balance, beginning of year	\$ 3,416,753	\$ 638,195	\$ 4,054,948	\$ 3,838,983
Additions during the year	389,221	62,506	451,727	719,078
Disposals during the year	(356,174)	(18,336)	(374,510)	(503,113)
Total	3,449,800	682,365	4,132,165	4,054,948
Accumulated amortization:				
Balance, beginning of year	1,540,743	255,444	1,796,187	1,818,775
Amortization during the year	374,217	122,397	496,614	477,664
Disposals during the year	(356,174)	(18,336)	(374,510)	(500,252)
Total	1,558,786	359,505	1,918,291	1,796,187
Net book value	\$ 1,891,014	\$ 322,860	\$ 2,213,874	\$ 2,258,761

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

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.

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.

During 2017, the Board received new funding of \$175,000. The Board also carried over deferred revenue of \$10,385 from 2016; total Operating expenditures were \$185,386.