

Financial Statements of

**THE WATERLOO PUBLIC
LIBRARY BOARD**

Year ended December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of The Waterloo Public Library Board

We have audited the accompanying financial statements of The Waterloo Public Library Board, which comprise the statement of financial position as at December 31, 2017, the statements of operations and accumulated surplus, change in net financial assets, 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 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.



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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 Waterloo Public Library Board as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

May 23, 2018

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets		
Cash and cash equivalents	\$ 1,984,222	\$ 2,019,733
Investments (note 2)	177,951	177,902
Accounts receivable	62,115	60,624
Due from City of Waterloo	2,186	-
	<u>2,226,474</u>	<u>2,258,259</u>
Financial Liabilities		
Accounts payable and accrued liabilities	551,551	555,440
Due to City of Waterloo	-	446,957
Deferred revenue (note 7)	632,940	482,853
Post-employment benefits (note 4)	647,395	677,584
	<u>1,831,886</u>	<u>2,162,834</u>
Net financial assets	394,588	95,425
Non-Financial Assets		
Tangible capital assets (note 3)	3,147,111	2,911,218
Accumulated surplus	<u>\$ 3,541,699</u>	<u>\$ 3,006,643</u>

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Operations and Accumulated Surplus

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

	Budget 2017	Actual 2017	Actual 2016
Revenue:			
Municipal contribution	\$ 5,434,051	\$ 5,434,231	\$ 5,434,235
Grant	327,888	740,464	339,877
Fines, fees, operating interest and miscellaneous income	169,000	172,449	175,800
Donations	4,000	28,089	18,845
Investment income	18,000	27,433	23,108
	5,952,939	6,402,666	5,991,865
Expenditures:			
Salaries and wages	3,377,625	3,174,857	3,043,293
Benefits	762,941	731,380	687,546
Periodicals	65,000	63,063	50,238
Other collections and services	105,000	92,580	81,770
Utilities	170,000	162,846	180,691
Maintenance	250,000	249,383	314,838
Automation	225,000	138,076	365,106
Office supplies	157,500	161,832	198,365
Other	94,876	258,213	116,385
Amortization of tangible capital assets	-	835,380	794,770
	5,207,942	5,867,610	5,833,002
Annual surplus	744,997	535,056	158,863
Accumulated surplus, beginning of year	3,006,643	3,006,643	2,847,780
Accumulated surplus, end of year	\$ 3,751,640	\$ 3,541,699	\$ 3,006,643

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Assets

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

	2017	2016
Annual surplus	\$ 535,056	\$ 158,863
Acquisition of tangible capital assets	(1,071,273)	(754,785)
Amortization of tangible capital assets	835,380	794,770
Change in net financial assets	299,163	198,848
Net financial assets (liabilities), beginning of year	95,425	(103,423)
Net financial assets, end of year	\$ 394,588	\$ 95,425

See accompanying notes to financial statements.

THE WATERLOO PUBLIC 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	\$ 535,056	\$ 158,863
Items not involving cash:		
Amortization of tangible capital assets	835,380	794,770
Change in post employee benefits	(30,189)	(16,875)
Change in non-cash assets and liabilities:		
Accounts receivable	(1,491)	(8,024)
Accounts payable and accrued liabilities	(3,889)	229,114
Deferred revenue	150,087	482,853
Due from/to City of Waterloo	(449,143)	30,136
Net change in cash from operating activities	1,035,811	1,670,837
Capital activities:		
Cash used to acquire tangible capital assets	(1,071,273)	(754,785)
Investing activities:		
Change in investments	(49)	-
Net change in cash	(35,511)	916,052
Cash and cash equivalents, beginning of year	2,019,733	1,103,681
Cash and cash equivalents, end of year	\$ 1,984,222	\$ 2,019,733

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2017

The Waterloo Public Library Board (the "Board"), as established by the Corporation of the City of Waterloo (the "City") and the Public Libraries Act, is a corporation under the laws of Ontario and is a not-for-profit as well as a registered charitable organization. The Board governs the Waterloo Public Library system and is dependent on the City for a significant portion of its operating and capital funding.

The Board is a key partner in supporting literacy and intellectual, cultural and economic vitality of the community. Through its resources and services, both physical and virtual, the Board offers people of all ages innovative lifelong learning and leisure opportunities.

These financial statements of the Board are the representation of management and have been prepared in accordance with Canadian generally accepted accounting policies for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment. The following is a summary of the significant accounting policies followed in the preparation of these financial statements.

1. Summary of significant accounting policies:

(a) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the 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
Books and audio visual resources	7 years
Shelving	25 years
Computer hardware	3 years
Computer software	10 years
Furniture, fixtures and equipment	10 years

Annual amortization is charged in the year of acquisition and in the year of disposal.

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Year ended December 31, 2017

1. Summary of significant accounting policies (continued):

(b) 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.

(c) Employee future benefits:

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit pension plan, are expensed when contributions are due.

The costs of post-employment benefits 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 cost of pensions and other retirement benefits is actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs and plan investment performance. Any actuarial gains or losses from changes in assumptions are amortized over the average remaining service period for active employees.

2. Investments:

Investments include The Kitchener and Waterloo Community Foundation Library Endowment Fund, which represents amounts held by The Kitchener and Waterloo Community Foundation for The Waterloo Public Library. The interest earned on the restricted principal of \$50,000 is to be used toward a summer reading program. The use of the balance of the interest earned by the Fund is decided annually. The principal is not available for purposes other than investing. Investments are recorded at cost. Fair value of the investments at December 31, 2017 is \$234,269 (2016 - \$227,197).

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Year ended December 31, 2017

3. Tangible capital assets:

	2017						
	Books and audio visual resources	Shelving	Computer hardware	Computer software	Furniture, fixtures and equipment	Work in Progress	Total
Cost:							
Balance, beginning of year	5,032,557	532,964	434,606	306,549	418,411	5,722	6,730,809
Additions	774,983	-	105,258	-	14,074	176,958	1,071,273
Disposals	(782,850)	-	(148,186)	-	(9,273)	-	(940,309)
Transfers from WIP	-	-	5,722	-	-	(5,722)	-
Balance, end of year	5,024,690	532,964	397,400	306,549	423,212	176,958	6,861,773
Accumulated amortization:							
Balance, beginning of year	2,644,408	237,365	423,000	248,630	266,188	-	3,819,591
Disposals	(782,850)	-	(148,186)	-	(9,273)	-	(940,309)
Amortization expense	735,147	17,198	26,233	21,426	35,376	-	835,380
Balance, end of year	2,596,705	254,563	301,047	270,056	292,291	-	3,714,662
Net book value, end of year	2,427,985	278,401	96,353	36,493	130,921	176,958	3,147,111

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Year ended December 31, 2017

3. Tangible capital assets (continued):

	2016						
	Books and audio visual resources	Shelving	Computer hardware	Computer software	Furniture, fixtures and equipment	Work in Progress	Total
Cost:							
Balance, beginning of year	\$ 4,934,160	\$ 532,964	\$ 434,606	\$ 306,549	\$ 418,411	\$ -	\$ 6,626,690
Additions	749,063	-	-	-	-	5,722	754,785
Disposals	(650,666)	-	-	-	-	-	(650,666)
Transfers from WIP							
Balance, end of year	5,032,557	532,964	434,606	306,549	418,411	5,722	6,730,809
Accumulated amortization:							
Balance, beginning of year	2,583,166	220,167	412,917	229,782	229,455	-	2,951,203
Disposals	(650,666)	-	-	-	-	-	(650,666)
Amortization expense	711,908	17,198	10,083	18,848	36,733	-	794,770
Balance, end of year	2,644,408	237,365	423,000	248,630	266,188	-	3,819,591
Net book value, end of year	\$ 2,388,149	\$ 295,599	\$ 11,606	\$ 57,919	\$ 152,223	\$ 5,722	\$ 2,911,218

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Year ended December 31, 2017

4. Post employment benefits:

The Library provides certain employee benefits, which may require funding in future periods. An actuarial estimate of future liabilities, dated December 31, 2017, has been completed for the year ended December 31, 2017, and forms the basis for the estimated liability reported in these financial statements.

	2017	2016
Accumulated sick leave benefit plan entitlements	\$ 193,538	\$ 201,068
Other liabilities	453,857	476,516
	\$ 647,395	\$ 677,584

The significant actuarial assumptions adopted in measuring the Library's accrued benefit obligations for the accumulated sick leave benefit plan entitlements and other liabilities at December 31, 2017 are as follows:

	%
Discount rate	3.60
Expected long-term rate of return	6.00
Salary increase	3.00
Dental cost increase	3.00
Health care cost increase:	
2018	6.50
Declining by 2020 to	5.00

Information about the Library's benefit plans is as follows:

	2017	2016
Accrued benefit obligation:		
Balance, beginning of year	\$ (683,649)	\$ (661,433)
Current benefit cost	(28,300)	(27,317)
Interest	(24,834)	(24,266)
Benefits paid	44,232	29,367
Estimation adjustment gain	-	-
Balance, end of year	(692,551)	(683,649)
Unamortized actuarial loss (gain)	45,156	6,065
Liability for benefits	\$ (647,395)	\$ (677,584)
Amortization of actuarial loss	\$ (13,004)	\$ (39,091)

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Year ended December 31, 2017

4. Post employment benefits (continued):

The City funds the expenditures related to this liability from its sick leave reserve fund.

(a) WSIB:

The Workplace Safety and Insurance Board (WSIB) administers injured worker benefit payments on behalf of the Library as a Schedule 1 employer. The expense for the year was \$10,416 (2016 - \$9,729).

(b) Sick leave:

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the Library's employment. The expense for the year was \$27,002 (2016 - \$30,437).

(c) Pension plan:

The Library makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer plan on behalf of all permanent full-time and qualifying part-time members of its staff. 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 service and rates of pay.

Contribution rates for employees earning below and above the year's maximum pensionable earnings were 9% and 14.6% (2016 - 9% and 14.6%) respectively.

OMERS is a multi-employer plan, therefore, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, Waterloo Public Library does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was December 31, 2017. At that time, the plan reported a \$5.4 billion actuarial deficit (2016-\$5.7 billion actuarial deficit).

The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employee based upon length of service and rates of pay.

The amount contributed to OMERS for 2017 was \$279,173 (2016 - \$246,732) for current service and is included as an expenditure on the statement of revenue and expenses and accumulated surplus.

5. Commitments:

The Board is committed to the City to fundraise \$530,000 towards the cost of the John M. Harper branch, which opened in October 2011. In 2017, \$nil (2016 - \$9,200) of this commitment was paid to the City of Waterloo and is included in other expenses. At December 31, 2017, the remaining balance of the commitment is \$nil (2016 - \$nil).

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Year ended December 31, 2017

6. Related party transactions:

The Board is appointed by the City of Waterloo Council, and as such, the City of Waterloo (the City) has the ability to exercise significant influence over the Board. For this reason the City is considered to be a related party to the Board.

The City provides municipal contributions to the Board. Municipal contributions received in 2017 amounted to \$5,434,231 (2016 - \$5,434,235).

The City approves capital grants for the Board to purchase specific capital items. Capital grants for 2017 totaled \$453,617 (2016 - \$200,000).

7. Deferred revenue:

	2017	2016
City of Waterloo Grant	\$ 452,853	\$ 452,853
Other programs	180,087	30,000
	<u>\$ 632,940</u>	<u>\$ 482,853</u>

During the year ended December 31, 2017, funding was received that pertains to the 2018 operating levy grant from the City of Waterloo. In addition, funding was received in 2017 related to programs offered in 2018.