

Financial Statements of

**THE WATERLOO PUBLIC
LIBRARY BOARD**

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519-747-8800
Fax 519-747-8830

INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of The Waterloo Public Library Board

Opinion

We have audited the financial statements of The Waterloo Public Library Board (the Entity), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- 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, 2020, and its results of operations 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 responsibility 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 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.

Responsibility of Management 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.

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 risk 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, internal 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 purposes 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.



- 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 the 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's 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

Waterloo, Canada

May 28, 2021

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 1,549,147	\$ 1,831,943
Investments (note 2)	177,951	177,951
Accounts receivable	74,712	64,515
Due from City of Waterloo (note 5)	12,207	-
	<u>1,814,017</u>	<u>2,074,409</u>
Financial Liabilities		
Accounts payable and accrued liabilities	361,485	337,644
Due to City of Waterloo (note 5)	-	516,778
Post-employment benefits (note 4)	578,364	590,829
	<u>939,849</u>	<u>1,445,251</u>
Net financial assets	874,168	629,158
Non-Financial Assets		
Tangible capital assets (note 3)	3,195,405	3,034,008
Prepaid expenses	63,431	50,032
Accumulated surplus	<u>\$ 4,133,004</u>	<u>\$ 3,713,198</u>

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Operations and Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	Actual 2020	Actual 2019
Revenue:			
Municipal contribution (note 5)	\$ 5,731,962	\$ 5,906,491	\$ 5,559,220
Grants	356,888	351,862	401,712
Fines, fees, operating interest and miscellaneous income	169,000	50,377	177,939
Donations	4,000	17,069	28,132
Investment income	24,000	32,619	52,400
	<u>6,285,850</u>	<u>6,358,418</u>	<u>6,219,403</u>
Expenditures:			
Salaries and wages	3,564,212	3,306,839	3,466,813
Benefits	951,295	823,454	828,106
Periodicals	68,500	55,228	33,040
Other collections and services	112,000	134,373	110,871
Utilities	180,000	124,222	162,598
Maintenance	230,000	196,177	237,341
Automation	219,000	220,311	183,182
Office supplies	160,588	139,164	148,212
Other	77,176	68,637	121,631
COVID supplies	-	62,426	-
Loss on disposal of tangible capital assets	-	27,358	-
Amortization of tangible capital assets	-	780,423	821,321
	<u>5,562,771</u>	<u>5,938,612</u>	<u>6,113,115</u>
Annual surplus	723,079	419,806	106,288
Accumulated surplus, beginning of year	3,713,198	3,713,198	3,606,910
Accumulated surplus, end of year	<u>\$ 4,436,277</u>	<u>\$ 4,133,004</u>	<u>\$ 3,713,198</u>

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Annual surplus	\$ 419,806	\$ 106,288
Acquisition of tangible capital assets	(969,178)	(736,897)
Amortization of tangible capital assets	780,423	821,321
Loss on disposal of tangible capital assets	27,358	-
Change in prepaid expenses	(13,399)	(50,032)
Change in net financial assets	245,010	140,680
Net financial assets, beginning of year	629,158	488,478
Net financial assets, end of year	\$ 874,168	\$ 629,158

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 419,806	\$ 106,288
Items not involving cash:		
Amortization of tangible capital assets	780,423	821,321
Loss on disposal of tangible capital assets	27,358	
Change in post-employee benefits	(12,465)	(16,632)
Changes in non-cash assets and liabilities:		
Accounts receivable	(10,197)	4,392
Accounts payable and accrued liabilities	23,841	4,757
Deferred revenue	-	(499,035)
Due from/to City of Waterloo	(528,985)	307,853
Prepaid expenses	(13,399)	(50,032)
Net change in cash from operating activities	686,382	678,912
Capital activities:		
Cash used to acquire tangible capital assets	(969,178)	(736,897)
Net change in cash	(282,796)	(57,985)
Cash and cash equivalents, beginning of year	1,831,943	1,889,928
Cash and cash equivalents, end of year	\$ 1,549,147	\$ 1,831,943

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2020

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.

THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements, page 2

Year ended December 31, 2020

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 Board. 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, 2020 is \$244,002 (2019 - \$242,723).

THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements, page 3

Year ended December 31, 2020

3. Tangible capital assets:

	2020						
	Books and audio visual resources	Shelving	Computer hardware	Computer software	Furniture, fixtures and equipment	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$
Cost:							
Balance, beginning of year	4,919,966	532,964	421,913	290,460	452,098	–	6,617,401
Additions	794,649	–	–	–	174,529	–	969,178
Disposals	(667,155)	–	(22,841)	(235,444)	(192,834)	–	(1,118,274)
Transfers from work in progress	–	–	–	–	–	–	–
Balance, end of year	5,047,460	532,964	399,072	55,016	433,793	–	6,468,305
Accumulated amortization:							
Balance, beginning of year	2,352,523	288,959	309,709	274,965	357,237	–	3,583,393
Disposals	(667,155)	–	(22,841)	(227,369)	(173,551)	–	(1,090,916)
Amortization expense	645,071	17,198	80,968	4,676	32,510	–	780,423
Balance, end of year	2,330,439	306,157	367,836	52,272	216,196	–	3,272,900
Net book value, end of year	2,717,021	226,807	31,236	2,744	217,597	–	3,195,405

THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements, page 4

Year ended December 31, 2020

3. Tangible capital assets (continued):

	2019						
	Books and audio visual resources	Shelving	Computer hardware	Computer software	Furniture, fixtures and equipment	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$
Cost:							
Balance, beginning of year	4,841,634	532,964	421,913	290,460	452,098	–	6,539,069
Additions	736,897	–	–	–	–	–	736,897
Disposals	(658,565)	–	–	–	–	–	(658,565)
Transfers from work in progress	–	–	–	–	–	–	–
Balance, end of year	4,919,966	532,964	421,913	290,460	452,098	–	6,617,401
Accumulated amortization:							
Balance, beginning of year	2,347,374	271,761	210,245	267,447	323,810	–	3,420,637
Disposals	(658,565)	–	–	–	–	–	(658,565)
Amortization expense	663,714	17,198	99,464	7,518	33,427	–	821,321
Balance, end of year	2,352,523	288,959	309,709	274,965	357,237	–	3,583,393
Net book value, end of year	2,567,443	244,005	112,204	15,495	94,861	–	3,034,008

THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements, page 5

Year ended December 31, 2020

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, 2020, has been completed for the year ended December 31, 2020, and forms the basis for the estimated liability reported in these financial statements.

	2020	2019
Accumulated sick leave benefit plan entitlements	\$ 135,540	\$ 143,836
Other liabilities	442,824	446,993
	\$ 578,364	\$ 590,829

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, 2020 are as follows:

	%
Discount rate	3.50
Expected long-term rate of return	6.00
Salary increase	3.00
Dental cost increase	3.00
Health care cost increase:	4.50

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

	2020	2019
Accrued benefit obligation:		
Balance, beginning of year	\$ (662,964)	\$ (630,510)
Current benefit cost	(35,123)	(33,935)
Interest	(24,040)	(22,831)
Benefits paid	22,542	24,312
Balance, end of year	(699,585)	(662,964)
Unamortized actuarial loss	121,221	72,135
Liability for benefits	(578,364)	(590,829)
Amortization of actuarial loss (gain)	\$ (49,086)	\$ (49,086)

THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements, page 6

Year ended December 31, 2020

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 \$8,093 (2019 - \$11,099).

(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 \$NIL (2019 - \$NIL).

(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 9.0% and 14.6% (2019 - 9.0% 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 at December 31, 2020. At that time, the plan reported a \$3.2 billion actuarial deficit (2019 - \$3.4 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 2020 was \$282,534 (2019 - \$293,786) for current service and is included as an expenditure on the statement of revenue and expenses and accumulated surplus.

5. 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 2020 amounted to \$5,906,491 (2019 - \$5,559,220).

THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements, page 7

Year ended December 31, 2020

5. Related party transactions (continued):

The City approves capital grants for the Board to purchase specific capital items. Capital grants for 2020 totaled \$222,400 (2019 - \$229,000).

In the normal course of operations, amounts are paid by the City on behalf of the Library, and subsequently invoiced to the Library.

	2020	2019
Due to/(from) City of Waterloo:		
Payroll	\$ 218,559	\$ 438,858
Utilities and other	85	110,187
Capital funding	(230,851)	(32,267)
	\$ (12,207)	\$ 516,778

6. Impact of COVID-19 pandemic:

In March 2020, 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 entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- WPL has developed a two-phased four stage plan, commencing with facility closure, program cancellation and mandatory work from home creating complete virtual programs and services evolving to contactless pickup of items to a limited opening of the facility for partial service, and eventually open generally to public all in alignment with the government of Ontario, and the City of Waterloo
- WPL is regularly monitoring the financial impact of the pandemic of decreased revenue due to facility closures and therefore no collection of fine revenue or room rental fees along with increased costs associated with facility reopening and personal protective equipment

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. 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.