

Financial Statements of

**THE WATERLOO PUBLIC
LIBRARY BOARD**

And Independent Auditors' Report thereon

Year ended December 31, 2021



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
Fax 613-549-6349

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, 2021
- 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, 2021, 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 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 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.



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- 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

Kitchener, Canada
June 6, 2022

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 2,688,575	\$ 1,549,147
Investments (note 2)	177,951	177,951
Accounts receivable	84,822	74,712
Due from City of Waterloo (note 5)	–	12,207
	<u>2,951,348</u>	<u>1,814,017</u>
Financial Liabilities		
Accounts payable and accrued liabilities	605,545	361,485
Due to City of Waterloo (note 5)	204,023	–
Post-employment benefits (note 4)	533,901	578,364
Deferred revenue (note 5)	586,940	–
	<u>1,930,409</u>	<u>939,849</u>
Net financial assets	1,020,939	874,168
Non-Financial Assets		
Tangible capital assets (note 3)	3,601,005	3,195,405
Prepaid expenses	59,897	63,431
Accumulated surplus	<u>\$ 4,681,841</u>	<u>\$ 4,133,004</u>

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Operations and Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
Revenue:			
Municipal contribution (note 5)	\$ 5,779,670	\$ 6,007,892	\$ 5,906,491
Grants	358,888	398,893	351,862
Fines, fees, operating interest and miscellaneous income	184,193	39,911	50,377
Donations	4,000	365,853	17,069
Investment income	8,000	23,375	32,619
	<u>6,334,751</u>	<u>6,835,924</u>	<u>6,358,418</u>
Expenditures:			
Salaries and wages	3,633,114	3,609,025	3,306,839
Benefits	1,012,458	823,408	823,454
Periodicals	68,500	45,183	55,228
Other collections and services	112,000	133,106	134,373
Utilities	195,000	106,083	124,222
Maintenance	230,000	233,939	196,177
Automation	219,000	196,810	220,311
Office supplies	172,000	169,567	139,164
Other	81,600	273,505	68,637
COVID supplies	—	7,675	62,426
Loss on disposal of tangible capital assets	—	6,895	27,358
Amortization of tangible capital assets	—	681,891	780,423
	<u>5,723,672</u>	<u>6,287,087</u>	<u>5,938,612</u>
Annual surplus	611,079	548,837	419,806
Accumulated surplus, beginning of year	4,133,004	4,133,004	3,713,198
Accumulated surplus, end of year	<u>\$ 4,744,083</u>	<u>\$ 4,681,841</u>	<u>\$ 4,133,004</u>

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Annual surplus	\$ 548,837	\$ 419,806
Acquisition of tangible capital assets	(1,094,386)	(969,178)
Amortization of tangible capital assets	681,891	780,423
Loss on disposal of tangible capital assets	6,895	27,358
Change in prepaid expenses	3,534	(13,399)
Change in net financial assets	146,771	245,010
Net financial assets, beginning of year	874,168	629,158
Net financial assets, end of year	\$ 1,020,939	\$ 874,168

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 548,837	\$ 419,806
Items not involving cash:		
Amortization of tangible capital assets	681,891	780,423
Loss on disposal of tangible capital assets	6,895	27,358
Change in post-employee benefits	(44,463)	(12,465)
Changes in non-cash assets and liabilities:		
Accounts receivable	(10,110)	(10,197)
Accounts payable and accrued liabilities	244,060	23,841
Deferred revenue	586,940	—
Due from/to City of Waterloo	216,230	(528,985)
Prepaid expenses	3,534	(13,399)
Net change in cash from operating activities	2,233,814	686,382
Capital activities:		
Cash used to acquire tangible capital assets	(1,094,386)	(969,178)
Net change in cash	1,139,428	(282,796)
Cash and cash equivalents, beginning of year	1,549,147	1,831,943
Cash and cash equivalents, end of year	\$ 2,688,575	\$ 1,549,147

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2021

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, 2021

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, 2021 is \$260,353 (2020 - \$244,002).

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Year ended December 31, 2021

3. Tangible capital assets:

	2021						
	Books and audio visual resources	Shelving	Computer hardware	Computer software	Furniture, fixtures and equipment	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$
Cost:							
Balance, beginning of year	5,047,460	532,964	399,072	55,016	433,793	–	6,468,305
Additions	1,021,776	31,413	10,880	–	19,123	11,194	1,094,386
Disposals	(601,186)	(20,279)	–	–	–	–	(621,465)
Balance, end of year	5,468,050	544,098	409,952	55,016	452,916	11,194	6,941,226
Accumulated amortization:							
Balance, beginning of year	2,330,439	306,157	367,836	52,272	216,196	–	3,272,900
Disposals	(601,186)	(13,384)	–	–	–	–	(614,570)
Amortization expense	599,080	17,826	33,049	1,831	30,105	–	681,891
Balance, end of year	2,328,333	310,599	400,885	54,103	246,301	–	3,340,221
Net book value, end of year	3,139,717	233,499	9,067	913	206,615	11,194	3,601,005

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Year ended December 31, 2021

3. Tangible capital assets (continued):

	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)
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

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Year ended December 31, 2021

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, 2021, has been completed for the year ended December 31, 2021, and forms the basis for the estimated liability reported in these financial statements.

	2021	2020
Accumulated sick leave benefit plan entitlements	\$ 130,301	\$ 135,540
Other liabilities	403,600	442,824
	\$ 533,901	\$ 578,364

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, 2021 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:

	2021	2020
Accrued benefit obligation:		
Balance, beginning of year	\$ (699,585)	\$ (662,964)
Current benefit cost	(36,353)	(35,123)
Interest	(24,769)	(24,040)
Benefits paid	56,499	22,542
Estimation adjustment	267,599	-
Balance, end of year	(436,609)	(699,585)
Unamortized actuarial loss (gain)	(97,292)	121,221
Liability for benefits	(533,901)	(578,364)
Amortization of actuarial loss	\$ (49,086)	\$ (49,086)

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Year ended December 31, 2021

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 \$8,880 (2020 - \$8,093).

(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 \$4,807 (2020 - \$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% (2020 - 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, 2021. At that time, the plan reported a \$3.1 billion actuarial deficit (2020 - \$3.2 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 2021 was \$295,740 (2020 - \$282,534) 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 2021 amounted to \$6,007,892 (2020 - \$5,906,491).

THE WATERLOO PUBLIC LIBRARY BOARD

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Year ended December 31, 2021

5. Related party transactions (continued):

The City approves capital grants for the Board to purchase specific capital items. Capital grants for 2021 totaled \$230,600 (2020 - \$222,400) and are included in grants revenue on the statement of operations.

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

	2021	2020
Due to/(from) City of Waterloo:		
Payroll	\$ 680,951	\$ 218,559
Utilities and other	-	85
Capital funding	(476,928)	(230,851)
	<u>\$ 204,023</u>	<u>\$ (12,207)</u>

In 2021, the Library contributed \$205,000 to the City for the Eastside Library Branch Project, which has been recorded as other expenditures in the statement of operations.

As at December 31, 2021, the City has advanced amounts related to the 2022 municipal contribution, which has been reflected as deferred revenue on the statement of financial position.