

Financial Statements of

**THE WATERLOO PUBLIC
LIBRARY BOARD**

Year ended December 31, 2018



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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, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of change 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, 2018, 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 responsibilities 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 ethical 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.



Responsibilities 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 risks 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, intentional 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 purpose 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.



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- 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 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 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 22, 2019

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash and cash equivalents	\$ 1,889,928	\$ 1,984,222
Investments (note 2)	177,951	177,951
Accounts receivable	68,907	62,115
Due from City of Waterloo	-	2,186
	<u>2,136,786</u>	<u>2,226,474</u>
Financial Liabilities		
Accounts payable and accrued liabilities	332,887	551,551
Due to City of Waterloo	208,925	-
Deferred revenue (note 6)	499,035	632,940
Post-employment benefits (note 4)	607,461	647,395
	<u>1,648,308</u>	<u>1,831,886</u>
Net financial assets	488,478	394,588
Non-Financial Assets		
Tangible capital assets (note 3)	3,118,432	3,147,111
Accumulated surplus	<u>\$ 3,606,910</u>	<u>\$ 3,541,699</u>

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	Actual 2018	Actual 2017
Revenue:			
Municipal contribution (note 5)	\$ 5,434,051	\$ 5,434,231	\$ 5,434,231
Grant	330,888	524,445	740,464
Fines, fees, operating interest and miscellaneous income	180,000	171,066	172,449
Donations	-	83,087	28,089
Investment income	7,000	40,028	27,433
	<u>5,951,939</u>	<u>6,252,857</u>	<u>6,402,666</u>
Expenditures:			
Salaries and wages	3,426,280	3,365,379	3,174,857
Benefits	826,704	750,036	731,380
Periodicals	68,500	74,760	63,063
Other collections and services	112,000	127,695	92,580
Utilities	170,000	157,172	162,846
Maintenance	230,000	236,737	249,383
Automation	200,000	152,345	138,076
Office supplies	181,000	161,924	161,832
Other	33,376	302,793	258,213
Amortization of tangible capital assets	-	858,805	835,380
	<u>5,247,860</u>	<u>6,187,646</u>	<u>5,867,610</u>
Annual surplus	704,079	65,211	535,056
Accumulated surplus, beginning of year	3,541,699	3,541,699	3,006,643
Accumulated surplus, end of year	<u>\$ 4,245,778</u>	<u>\$ 3,606,910</u>	<u>\$ 3,541,699</u>

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus	\$ 65,211	\$ 535,056
Acquisition of tangible capital assets	(830,126)	(1,071,273)
Amortization of tangible capital assets	858,805	835,380
Change in net financial assets	93,890	299,163
Net financial assets, beginning of year	394,588	95,425
Net financial assets, end of year	\$ 488,478	\$ 394,588

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 65,211	\$ 535,056
Items not involving cash:		
Amortization of tangible capital assets	858,805	835,380
Change in post-employee benefits	(39,934)	(30,189)
Changes in non-cash assets and liabilities:		
Accounts receivable	(6,792)	(1,491)
Accounts payable and accrued liabilities	(218,664)	(3,889)
Deferred revenue	(133,905)	150,087
Due from/to City of Waterloo	211,111	(449,143)
Net change in cash from operating activities	735,832	1,035,811
Capital activities:		
Cash used to acquire tangible capital assets	(830,126)	(1,071,273)
Investing activities:		
Change in investments	-	(49)
Net change in cash	(94,294)	(35,511)
Cash and cash equivalents, beginning of year	1,984,222	2,019,733
Cash and cash equivalents, end of year	\$ 1,889,928	\$ 1,984,222

See accompanying notes to financial statements.

THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

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

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Year ended December 31, 2018

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, 2018 is \$220,954 (2017 - \$234,269).

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Year ended December 31, 2018

3. Tangible capital assets:

	2018						
	Books and audio visual resources	Shelving	Computer hardware	Computer software	Furniture, fixtures and equipment	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$
Cost:							
Balance, beginning of year	5,024,690	532,964	397,400	306,549	423,212	176,958	6,861,773
Additions	787,784	-	10,454	-	31,888	-	830,126
Disposals	(970,840)	-	(162,899)	(16,089)	(3,002)	-	(1,152,830)
Transfers from WIP	-	-	176,958	-	-	(176,958)	-
Balance, end of year	4,841,634	532,964	421,913	290,460	452,098	-	6,539,069
Accumulated amortization:							
Balance, beginning of year	2,596,705	254,563	301,047	270,056	292,291	-	3,714,662
Disposals	(970,840)	-	(162,899)	(16,089)	(3,002)	-	(1,152,830)
Amortization expense	721,509	17,198	72,097	13,480	34,521	-	858,805
Balance, end of year	2,347,374	271,761	210,245	267,447	323,810	-	3,420,637
Net book value, end of year	2,494,260	261,203	211,668	23,013	128,288	-	3,118,432

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Year ended December 31, 2018

3. Tangible capital assets (continued):

	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, 2018

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, 2018, has been completed for the year ended December 31, 2018, and forms the basis for the estimated liability reported in these financial statements.

	2018	2017
Accumulated sick leave benefit plan entitlements	\$ 154,605	\$ 193,538
Other liabilities	452,856	453,857
	\$ 607,461	\$ 647,395

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, 2018 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:	
2019	5.50
Declining in 2020 to	5.00

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

	2018	2017
Accrued benefit obligation:		
Balance, beginning of year	\$ (692,551)	\$ (683,649)
Current benefit cost	(29,317)	(28,300)
Interest	(24,995)	(24,834)
Benefits paid	55,155	44,232
Estimation adjustment gain	61,198	-
Balance, end of year	(630,510)	(692,551)
Unamortized actuarial loss	23,049	45,156
Liability for benefits	(607,461)	(647,395)
Amortization of actuarial loss (gain)	\$ (39,091)	\$ (39,091)

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Year ended December 31, 2018

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 \$10,364 (2017 - \$10,416).

(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 \$6,698 (2017 - \$27,002).

(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% (2017 - 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, 2018. At that time, the plan reported a \$4.2 billion actuarial deficit (2017 - \$5.4 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 2018 was \$287,579 (2017 - \$279,173) for current service and is included as an expenditure on the statement of revenue and expenses and accumulated surplus.

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Year ended December 31, 2018

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 2018 amounted to \$5,434,231 (2017 - \$5,434,231).

The City approves capital grants for the Board to purchase specific capital items. Capital grants for 2018 totaled \$228,454 (2017 - \$453,617).

6. Deferred revenue:

	2018	2017
City of Waterloo grant	\$ 463,268	\$ 452,853
Other programs	35,767	180,087
	\$ 499,035	\$ 632,940

During the year ended December 31, 2018, funding was received that pertains to the 2019 operating levy grant from the City of Waterloo. In addition, funding was received in 2018 related to programs to be offered in 2019.