

**Whitchurch-Stouffville Public Library
Financial Statements
For the year ended December 31, 2017**

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Financial Statements
For the year ended December 31, 2017

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Independent Auditor's Report

To the Board Members of the Whitchurch-Stouffville Public Library

We have audited the accompanying financial statements of the Whitchurch-Stouffville Public Library which comprise the statement of financial position as at December 31, 2017 and the statements of operations, change in net financial assets and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Whitchurch-Stouffville Public Library derives revenue from fines, donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore we were not able to determine whether any adjustments might be necessary to fines, donations and fundraising revenues, annual surplus, and cash flows from operations for the years ended December 31, 2017 and 2016, financial assets as at December 31, 2017 and 2016, and accumulated surplus as at January 1 and December 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the statement of financial position of Whitchurch-Stouffville Public Library as at December 31, 2017, and the results of operations, net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario
June 14, 2018

**Town of Whitchurch-Stouffville
Public Library Board
Statement of Financial Position
Year ended December 31**

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Financial assets | | |
| Cash | \$ <u>574,939</u> | \$ <u>563,571</u> |
| Liabilities | | |
| Deferred revenue | 779 | 2,400 |
| Due to the Town of Whitchurch-Stouffville (Note 7) | 105,521 | 188,169 |
| Employee benefits liability (Note 3) | <u>26,485</u> | <u>30,296</u> |
| | <u>132,785</u> | <u>220,865</u> |
| Net financial assets | 442,154 | 342,706 |
| Non-financial assets | | |
| Tangible capital assets (Note 8) | 1,181,808 | 921,591 |
| Accumulated surplus (Note 6) | \$ <u>1,623,962</u> | \$ <u>1,264,297</u> |

On behalf of the Board:

Library Board Chair

Library CEO/Secretary-Treasurer

Town of Whitchurch-Stouffville
Public Library Board
Statement of Operations
Year ended December 31

| | 2017 Budget (Note 5) | 2017 | 2016 |
|---|----------------------------|---------------------|---------------------|
| Revenues | | | |
| Municipal contribution (Note 7) | \$ 1,719,620 | \$ 1,719,620 | \$ 1,627,160 |
| Development charges and fees (Note 7) | 355,659 | 355,659 | 117,500 |
| Grants - Government of Canada | 6,000 | - | 6,102 |
| - Province of Ontario | 57,000 | 57,976 | 65,558 |
| User charges | - | 2,989 | 5,598 |
| Fines and penalties | 15,000 | 17,876 | 29,508 |
| Programs | 8,000 | 14,305 | 21,358 |
| Donations and fundraising | 5,000 | 28,013 | 36,253 |
| Other | 3,000 | 5,223 | 4,137 |
| | <u>2,169,279</u> | <u>2,201,661</u> | <u>1,913,174</u> |
| Expenses | | | |
| Advertising, promotions and fundraising | 9,500 | 6,274 | 6,079 |
| Amortization | 210,750 | 210,750 | 193,968 |
| Book and periodical purchases and processing | 103,050 | 86,470 | 97,560 |
| Computer rental | 15,280 | 15,280 | 15,280 |
| Conventions, training and travel | 13,000 | 12,873 | 13,505 |
| Equipment maintenance and rental | 38,000 | 29,883 | 26,473 |
| Insurance | 7,320 | 7,320 | 7,320 |
| Office and general | 25,520 | 14,922 | 18,918 |
| Professional fees | 81,500 | 81,500 | 82,282 |
| Program expense | 17,000 | 11,934 | 17,697 |
| Salaries and benefits | 1,213,740 | 1,091,101 | 1,115,443 |
| Utilities and maintenance | 264,710 | 273,689 | 262,012 |
| | <u>1,999,370</u> | <u>1,841,996</u> | <u>1,856,537</u> |
| Annual surplus | 169,909 | 359,665 | 56,637 |
| Accumulated surplus, beginning of year | <u>1,264,297</u> | <u>1,264,297</u> | <u>1,207,660</u> |
| Accumulated surplus, end of year | <u>\$ 1,434,206</u> | <u>\$ 1,623,962</u> | <u>\$ 1,264,297</u> |

The accompanying notes are an integral part of these financial statements.

Town of Whitchurch-Stouffville
Public Library Board
Statement of Changes in Net Financial Assets
Year ended December 31

| | 2017 Budget (Note 5) | 2017 | 2016 |
|--|----------------------------|------------|------------|
| Annual surplus | \$ 169,909 | \$ 359,665 | \$ 56,637 |
| Acquisition of tangible capital assets | (470,967) | (470,967) | (233,952) |
| Amortization of tangible capital assets | 210,750 | 210,750 | 193,968 |
| | (260,217) | (260,217) | (39,984) |
| Acquisition of prepaid expenses | - | - | 3,958 |
| Change in net financial assets | (90,308) | 99,448 | 20,611 |
| Net financial assets, beginning of year | 342,706 | 342,706 | 322,095 |
| Net financial assets, end of year | \$ 252,398 | \$ 442,154 | \$ 342,706 |

The accompanying notes are an integral part of these financial statements.

Town of Whitchurch-Stouffville
Public Library Board
Statement of Cash Flows
Year ended December 31

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Operating transactions | | |
| Annual surplus | \$ 359,665 | \$ 56,637 |
| Amortization | 210,750 | 193,968 |
| | <u>570,415</u> | <u>250,605</u> |
| Changes in non-cash items: | | |
| Deferred revenue | (1,621) | (1,509) |
| Due to the Town of Whitchurch-Stouffville | (82,648) | (8,247) |
| Employee benefits payable | (3,811) | 3,602 |
| Prepaid expenses | - | 3,958 |
| | <u>482,335</u> | <u>248,409</u> |
| Capital transactions | | |
| Acquisition of tangible capital assets | <u>(470,967)</u> | <u>(233,952)</u> |
| Net change in cash | 11,368 | 14,457 |
| Cash, beginning of year | <u>563,571</u> | <u>549,114</u> |
| Cash, end of year | \$ 574,939 | \$ 563,571 |

The accompanying notes are an integral part of these financial statements.

**Town of Whitchurch-Stouffville
Public Library Board
Notes to the Financial Statements
Year ended December 31**

1. Purpose of the library

The Town of Whitchurch-Stouffville Public Library Board (the "Library") is a library controlled by a board representing the Town of Whitchurch-Stouffville (the "Town"). The Library provides library services to residents of the Town and neighbouring municipalities who have reciprocal borrowing understandings with the Library for library services. The Library is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada). The Board of Trustees of the Library is appointed by the council of the Town of Whitchurch-Stouffville and works under the authority of the Public Library Act R.S.O. 1990. c. P.44.

2. Significant accounting policies

The financial statements of the Library are the responsibility of management prepared in accordance with accounting principles for local governments 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 Library are as follows:

Basis of Accounting

(i) Accrual 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.

(ii) Deferred revenue

Deferred revenues represent amounts which have been collected but, for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(iii) Government transfers

Government transfers are recognized in the financial statements as revenues in the year 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 amount can be made.

(iv) Revenue recognition

- a) Municipal contributions are recognized in the period to which the related expenses are incurred.
- b) Development charges are recognized over the period of service or when required expenses occur if applicable.
- c) Grant revenue is recognized in the period to which the related expenses are incurred.
- d) Fine revenue is recognized when collected.
- e) Fees for programs and services are recognized over the period of service or when the related expenses occur.
- f) Donations and fundraising revenue are recognized when collected.
- g) Interest income is recognized as it is earned.

2. Significant accounting policies (continued)

(v) *Pension plan*

The Library is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The OMERS Board of Trustees, representing plan members and employers, are responsible for overseeing the management of the pension plan, including investment of assets and administration of the benefits. The Library has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Library records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

(vi) *Non-pension Post Retirement benefits & Compensated Absences*

The Library accrues its obligations under employee benefit plans as the employees render the services necessary to earn employee future benefits. The Library has adopted the following valuation methods and assumptions:

a) *Actuarial cost method:*

Accrued benefit obligations are computed using the projected benefit method prorated on service, as defined in PS 3250 and PS 3255. The objective under this method is to expense each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement. Under this method an equal portion of total estimated future benefit is attributed to each year of service.

b) *Funding policies:*

The non-pension post retirement benefits are funded on a pay-as-you-go basis. The Library funds on a cash basis as benefits are paid. No assets have been formally segregated and restricted to provide the non-pension retirement benefits.

c) *Accounting policies:*

Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life ("EARSL") of members expected to receive benefits under the plan, with amortization commencing in the period following the determination of the gain or loss. Obligations are attributed to the period beginning on the members' date of eligibility and ending on the expected date of termination, death or retirement depending on the benefit value. The Library's fiscal Year end is December 31 and the measurement date of the Library's obligation is as such.

2. Significant accounting policies (continued)

(vii) *Tangible Capital Assets*

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing in the year following that which the asset is available for productive use.

| | |
|------------------------|-----------|
| IT equipment | 3-5 years |
| Collections | 2-7 years |
| Furniture and fixtures | 20 years |

(viii) *Leases*

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risk incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(ix) *Use of estimates*

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards 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 expenditures during the period. The principal estimates used in the preparation of these financial statements are employee benefits payable, estimated useful life of tangible capital assets and valuation of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

Town of Whitchurch-Stouffville
Public Library Board
Notes to the Financial Statements
Year ended December 31

3. Employee benefits liability

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| Accumulated post retirement benefits - accrued obligation | \$ 25,072 | \$ 31,019 |
| Unamortized net actuarial loss | <u>(15,576)</u> | <u>(24,395)</u> |
| Post retirement benefits - accrued liability | 9,496 | 6,624 |
| | | |
| Vacation and overtime payable | 3,430 | 11,538 |
| Accrued payroll | <u>13,559</u> | <u>12,134</u> |
| | <u>\$ 26,485</u> | <u>\$ 30,296</u> |

Information about past retirement benefits is as follows:

| | | |
|--|-----------------|-----------------|
| Current year benefit cost | \$ 1,546 | \$ 1,337 |
| Interest on accrued benefit obligation | <u>1,021</u> | <u>1,063</u> |
| Employee benefit expense | <u>\$ 2,567</u> | <u>\$ 2,400</u> |

The amount of employee benefits paid during the year were \$7,114 for post retirement benefits.

The Library budgets for part-time pay, vacation and overtime banks as they are expected to be paid out. The balances above were earned by employees prior to year-end, but would normally be funded in future periods when they are paid out. The Library has chosen to fund these balances as the expenditures are incurred.

Retirement benefits

The accrued benefit obligations for the Library's employee future benefit plans as at December 31, 2017 are based on actuarial valuations for accounting purposes as at December 31, 2016. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

| | <u>2017</u> | <u>2016</u> |
|---|----------------|----------------|
| Expected future inflation rates | 1.75% | 1.75% |
| Expected wage and salary increases | 2.75% | 2.75% |
| Discount on accrued benefit obligations | 4.25% | 4.25% |
| Health care cost escalation | 3.75% to 4.40% | 3.75% to 4.40% |
| Dental costs escalation | 3.75% | 3.75% |

4. Pension Agreement

OMERS provides pension services to more than 482,000 active and retired members and almost 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2017. The results of this valuation disclosed total actuarial liabilities of \$94,431 million in respect of benefits accrued for service with actuarial assets at that date of \$89,028 million indicating an actuarial deficit of \$5,403 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Library does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Library to OMERS for 2017 were \$84,200 (2016 - \$83,747).

5. Budget amounts

The Budget adopted by the Library on January 24, 2017 for 2017 was not prepared on a basis consistent with that used to report actual results (Canadian public sector accounting standards). The budget was prepared on a modified accrual basis while Canadian public sector accounting standards now require a full accrual basis. The budget figures anticipated the use of surpluses accumulated in previous years to reduce current year expenses in excess of current year revenues to \$NIL. In addition, the budget expensed all tangible capital expenses rather than including amortization expense. As a result, the budget figures presented in the statements of operations and changes in net financial assets represent the budget adopted by the Library for 2017 with adjustments as follows:

| | | |
|--|----|----------------|
| Budgeted surplus for the year, as approved | \$ | NIL |
| Add: | | |
| Capital expenses | | 355,659 |
| Transfers to reserve funds | | 25,000 |
| Less: | | |
| Amortization | | (210,750) |
| Budgeted surplus for the year, per statement of operations | \$ | <u>169,909</u> |

Town of Whitchurch-Stouffville
Public Library Board
Notes to the Financial Statements
Year ended December 31

6. Accumulated surplus

The Library segregates its accumulated surplus in the following categories:

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|----------------------------|----------------------------|
| Investment in tangible capital assets | \$ 1,181,808 | \$ 921,591 |
| General fund | 15,828 | 15,828 |
| Reserve funds | | |
| Contingencies | 147,908 | 67,964 |
| Future capital expenditures | 278,418 | 258,914 |
| Accumulated surplus | \$ <u>1,623,962</u> | \$ <u>1,264,297</u> |

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by resolution of the Board of Trustees for specific purposes.

7. Due to the Corporation of the Town of Whitchurch-Stouffville

The Corporation of the Town of Whitchurch-Stouffville supports the Library as evidenced by Council for the Town of Whitchurch-Stouffville approving a grant based on the Library's budget and having representation on the Board of Trustees. The following table summarizes the transactions with the Corporation of the Town of Whitchurch-Stouffville for the year:

| | <u>2017</u> | <u>2016</u> |
|------------------------------|-------------------|-------------------|
| Revenue | | |
| Operating grant | \$ 1,360,810 | \$ 1,269,050 |
| Grants in-kind | 358,810 | 358,110 |
| Total municipal grant | <u>1,719,620</u> | <u>1,627,160</u> |
| Development charges and fees | <u>\$ 355,659</u> | <u>\$ 117,500</u> |

At the end of the year, the amount due to the Corporation of the Town of Whitchurch-Stouffville is as follows:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Due to the Town of Whitchurch-Stouffville | <u>\$ 105,521</u> | <u>\$ 188,169</u> |

The balance is unsecured, with no fixed terms of repayment and has arisen from the transactions listed above less expenses paid on behalf of the Library. The transactions are measured at the exchange amount.

Town of Whitchurch-Stouffville
Public Library Board
Notes to the Financial Statements
Year ended December 31

8. Tangible capital assets

| | IT Equipment | Collections | Furniture and Fixtures | 2017 |
|-----------------------------------|------------------|---------------------|---------------------------|---------------------|
| Cost | | | | |
| Balance, beginning of year | \$ 8,922 | \$ 1,419,366 | \$ 123,963 | \$ 1,552,251 |
| Add: Additions during the year | 3,198 | 138,317 | - | 141,515 |
| Less: Disposals during the year | (718) | (136,867) | - | (137,585) |
| Balance, end of year | <u>11,402</u> | <u>1,420,816</u> | <u>123,963</u> | <u>1,556,181</u> |
| Accumulated amortization | | | | |
| Balance, beginning of year | 2,765 | 537,493 | 90,402 | 630,660 |
| Add: Amortization during the year | 1,785 | 202,766 | 6,199 | 210,750 |
| Less: Amortization on disposals | (718) | (136,867) | - | (137,585) |
| Balance, end of year | <u>3,832</u> | <u>603,392</u> | <u>96,601</u> | <u>703,825</u> |
| | <u>7,570</u> | <u>817,424</u> | <u>27,362</u> | <u>852,356</u> |
| Work in progress | <u>78,819</u> | <u>250,633</u> | <u>-</u> | <u>329,452</u> |
| Net book value | <u>\$ 86,389</u> | <u>\$ 1,068,057</u> | <u>\$ 27,362</u> | <u>\$ 1,181,808</u> |
| 2016 | | | | |
| | IT Equipment | Collections | Furniture and Fixtures | 2016 |
| Cost | | | | |
| Balance, beginning of year | \$ 11,859 | \$ 1,296,092 | \$ 123,963 | \$ 1,431,914 |
| Add: Additions during the year | - | 233,952 | - | 233,952 |
| Less: Disposals during the year | (2,937) | (110,678) | - | (113,615) |
| Balance, end of year | <u>8,922</u> | <u>1,419,366</u> | <u>123,963</u> | <u>1,552,251</u> |
| Accumulated amortization | | | | |
| Balance, beginning of year | 3,088 | 463,015 | 84,204 | 550,307 |
| Add: Amortization during the year | 2,614 | 185,156 | 6,198 | 193,968 |
| Less: Amortization on disposals | (2,937) | (110,678) | - | (113,615) |
| Balance, end of year | <u>2,765</u> | <u>537,493</u> | <u>90,402</u> | <u>630,660</u> |
| Net book value | <u>\$ 6,157</u> | <u>\$ 881,873</u> | <u>\$ 33,561</u> | <u>\$ 921,591</u> |