

Financial statements of

**Barrie Public Library Board**

December 31, 2013

# Barrie Public Library Board

December 31, 2013

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## **Independent Auditor's Report**

To the Board Members of the  
Barrie Public Library Board

We have audited the accompanying financial statements of the Barrie Public Library Board which comprise the statement of financial position as at December 31, 2013, 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 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 similar organizations, Barrie Public Library Board 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 Barrie Public Library Board and 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, 2013 and December 31, 2012, financial assets as at December 31, 2013 and December 31, 2012 and accumulated surplus as at January 1 and December 31 for both the 2013 and 2012 years. Our audit opinion on the financial statements for the year ended December 31, 2012 was modified accordingly, because of the possible effects of this scope limitation.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described on the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Barrie Public Library Board as at December 31, 2013 and the result of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Deloitte LLP*

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
May 22, 2014

# Barrie Public Library Board

## Statement of operations year ended December 31, 2013

	Budget (Note 8)	2013	2012
	\$	\$	\$
<b>Revenue</b>			
Municipal contribution (Note 2)	6,237,377	6,237,377	5,955,100
Development charges (Note 2)	225,000	225,000	254,597
Provincial grant	271,808	271,808	271,808
Miscellaneous grant	-	10,843	1,327
Contract receipt - Township of Oro-Medonte	142,041	142,041	135,277
Fines	120,000	121,252	119,581
Programs fees	41,000	46,083	40,525
Donations	-	112,536	206,127
Fundraising revenue, cafe and boutique sales	-	94,774	120,855
Interest	-	19,521	17,169
	<b>7,037,226</b>	<b>7,281,235</b>	<b>7,122,366</b>
<b>Expenses</b>			
Amortization	903,914	903,914	687,100
Fundraising, cafe and boutique expenses	-	64,265	41,383
Maintenance	277,000	287,272	233,094
Materials	-	78,699	45,432
Other supplies	122,108	75,126	139,747
Personnel	4,383,400	4,440,822	4,162,148
Processing, professional and other	488,116	435,055	351,105
Facility expenses (Note 2)	670,000	775,549	661,920
Contribution to Municipality (Note 2)	-	92,626	-
	<b>6,844,538</b>	<b>7,153,328</b>	<b>6,321,929</b>
Annual surplus	192,688	127,907	800,437
Accumulated surplus, beginning of year	5,190,419	5,190,419	4,389,982
<b>Accumulated surplus, end of year</b>	<b>5,383,107</b>	<b>5,318,326</b>	<b>5,190,419</b>

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

# Barrie Public Library Board

## Statement of change in net financial assets

### year ended December 31, 2013

	Budget (Note 8)	2013	2012
	\$	\$	\$
<b>Annual surplus</b>	<b>192,688</b>	<b>127,907</b>	800,437
Acquisition of tangible capital assets	(1,301,602)	(1,294,741)	(1,776,309)
Transfer of tangible capital assets under construction	-	-	484,756
Amortization of tangible capital assets	903,914	903,914	687,100
	(205,000)	(262,920)	195,984
Increase in prepaid expenses	-	(33,509)	(16,579)
Net change in net financial assets	(205,000)	(296,429)	179,405
Net financial assets, beginning of year	643,022	643,022	463,617
<b>Net financial assets, end of year</b>	<b>438,022</b>	<b>346,593</b>	643,022

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

# Barrie Public Library Board

## Statement of financial position as at December 31, 2013

	2013	2012
	\$	\$
<b>Financial assets</b>		
Cash	1,465	1,075
Accounts receivable	457,927	437,706
Due from The Corporation of the City of Barrie (Note 2)	813,813	1,061,019
	<b>1,273,205</b>	<b>1,499,800</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	265,021	242,614
Employee future benefits liability (Note 3)	604,659	557,232
Deferred revenue	56,932	56,932
	<b>926,612</b>	<b>856,778</b>
Net financial assets	<b>346,593</b>	643,022
<b>Non-financial assets</b>		
Tangible capital assets (Note 4)	4,895,198	4,504,371
Prepaid expenses	76,535	43,026
	<b>4,971,733</b>	<b>4,547,397</b>
<b>Accumulated surplus (Note 5)</b>	<b>5,318,326</b>	5,190,419

Approved on behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

# Barrie Public Library Board

## Statement of cash flows year ended December 31, 2013

	2013	2012
	\$	\$
<b>Operating activities</b>		
Annual surplus	127,907	800,437
Item not involving cash		
Amortization	903,914	687,100
	<b>1,031,821</b>	<b>1,487,537</b>
Change in non-cash operating balances		
Accounts receivable	(20,221)	(230,094)
Due from The Corporation of the City of Barrie	247,206	(84,022)
Prepaid expenses	(33,509)	(16,579)
Accounts payable and accrued liabilities	22,407	99,408
Employee future benefits liability	47,427	35,443
	<b>1,295,131</b>	<b>1,291,693</b>
<b>Capital activities</b>		
Acquisition of tangible capital assets (net of transfers)	(1,294,741)	(1,291,553)
	<b>(1,294,741)</b>	<b>(1,291,553)</b>
Net change in cash	390	140
Cash, beginning of year	1,075	935
<b>Cash, end of year</b>	<b>1,465</b>	<b>1,075</b>

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

# Barrie Public Library Board

## Notes to the financial statements

December 31, 2013

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### 1. Summary of significant accounting policies

#### *Management's responsibility for the financial statements*

The financial statements of the Barrie Public Library Board ("the Board") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards. The Board is a registered charity and as such, is exempt from income tax under the Canadian Income Tax Act, and may issue income tax receipts to donors. Its primary role is to provide library services to the general public.

#### *Accrual basis of accounting*

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

#### *Deferred revenue*

Funds received for specific purposes which are externally restricted by agreement and are not available for general Board purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.

#### *Tangible capital assets*

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing in the year following that in which the asset is available for productive use as follows:

Collections	7 years
Computer equipment	3 to 5 years
Furniture and fixtures	5 to 10 years

Tangible capital assets not yet in service are recorded at cost. When put in service the tangible capital assets will be transferred to capital assets and amortized based on classification.

#### *Revenue recognition*

Revenues are recognized as follows:

- (a) Municipal contributions and other provincial grants are recognized in the period in which the transfer is authorized and any eligibility criteria are met unless restricted through stipulations that required specific actions to be carried out in order to keep the transfer. For such transfers, revenue is recognized as the stipulation has been met,
- (b) Development charges are recognized when required expenditures occur,
- (c) Revenue from the Contract receipt - Township of Oro-Medonte is recognized on a quarterly basis when due,
- (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, and
- (g) Interest income is recognized as it is earned.

# Barrie Public Library Board

## Notes to the financial statements

December 31, 2013

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### 1. Summary of significant accounting policies (continued)

#### *Pension plan*

The Board is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The 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 Board has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Board records, as pension expense, the employer contributions paid or payable in the year.

#### *Other employee future benefit plans*

The Board provides other future benefits to specified employee groups. These benefits include life insurance, health care benefits, sick days and worker's compensation benefits. The Board has adopted the following policies with respect to accounting for these employee benefits:

The costs of self-insured sick days and other employee future benefit plans are actuarially determined using management's best estimates of salary escalation, retirement ages of employees, accumulated sick days at retirement, insurance and health care cost trends, disability recovery rates, long-term inflation rates and discount rates.

For self-insured other employee benefits that vest or accumulate over the periods of service provided by employees such as insurance, dental and medical benefits for retirees, or certain sick leave amounts, the cost is actuarially determined using the projected benefit method prorated on services. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For self-insured benefit obligations that arise from specific events that occur from time to time, such as long-term disability, the cost is recognized in the year in which it occurs.

#### *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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the employee future benefits payable, the estimated useful life of 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.

#### *Adoption of new accounting standards*

As at January 1, 2013, the Board adopted the revised Canadian Public Sector Accounting Handbook Section PS 3410 "Government Transfers" on a prospective basis. There was no impact on the financial statements as a result of the adoption of this revised standard.

# Barrie Public Library Board

## Notes to the financial statements

December 31, 2013

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### 2. Due from The Corporation of the City of Barrie

The Corporation of the City of Barrie controls the Barrie Public Library Board due to the fact that the Council for the City of Barrie approves the Board's budget and has representation on the Board of Directors. The following table summarizes the transactions with the Corporation of the City of Barrie for the year:

	2013	2012
	\$	\$
Revenue		
Municipal operating grant	6,237,377	5,766,781
Municipal capital grant	-	188,319
Development charges	225,000	254,597
Expenditures		
Facility expenses	775,549	661,920
Contribution to municipality	92,626	-

During the year the Board transferred \$92,626 (2012 - \$Nil) to the Corporation of the City of Barrie for the remaining portion of the Library Board's contribution relating to the funding of the Painswick Library Branch project.

At the end of the year, the amount due from the Corporation of the City of Barrie is \$813,813 (2012 - \$1,061,019). The balance is non-interest bearing, unsecured, with no fixed terms of repayment, and has arisen from the transactions listed above less expenditures paid on behalf of the Barrie Public Library Board. The transactions are measured at the exchange amount.

The Budget for Facility expenses is provided for and controlled by City of Barrie Transit and Facilities Department. The Barrie Public Library Board acts as a tenant in a building owned and maintained by the City of Barrie.

### 3. Employee future benefits liability

	2013	2012
	\$	\$
Retirement gratuity benefit - accrued benefit obligation	303,719	283,831
Post-retirement benefits - accrued benefit obligation	255,527	230,898
Sick leave benefits - accrued benefit obligation	68,808	68,148
Unamortized net actuarial loss	(23,395)	(25,645)
Employee future benefits plan liability	604,659	557,232

Information about post-retirement benefits is as follows:

	2013	2012
	\$	\$
Current year benefit cost	18,992	18,382
Interest on accrued benefit obligation	9,538	8,527
Employee future benefit expense	28,530	26,909

# Barrie Public Library Board

## Notes to the financial statements

December 31, 2013

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### 3. Employee future benefits liability (continued)

Information about compensated absences is as follows:

	2013	2012
	\$	\$
Current year benefit cost	18,996	19,968
Interest on accrued benefit obligation	14,206	12,630
Amortization of actuarial loss	2,250	-
<b>Employee compensated absences expense</b>	<b>35,452</b>	<b>32,598</b>

The Board has established reserves to mitigate the future impact of the sick leave obligation as detailed on the schedule of reserves in Note 5. The balance of the sick leave reserve is \$129,483 (2012 - \$124,483).

The amount of benefits paid during the year was \$12,654 (2012 - \$24,064) for compensated absence benefits.

Long-term disability benefits are available to employees as disclosed in Note 1. As of December 31, 2013 there is no liability recorded as the benefits are event driven and there have not been any events which would indicate a liability is required.

#### *Retirement benefits*

##### *Retirement pay*

Certain groups of employees who retire under the provisions of OMERS are entitled to retirement gratuities. The amount of the gratuities paid at retirement is based on their salary, accumulated sick days, and years of service at retirement. The benefit costs and liabilities recorded are based on an extrapolation from an actuarial valuation prepared by an independent firm. The date of the last actuarial valuation was as of December 31, 2011.

##### *Sick leave benefits*

The Board provides paid sick leave that can be carried forward up to a maximum defined by each employee group. The benefit costs and liabilities recorded for this benefit in 2013 are based on an actuarial valuation prepared by an Independent firm. The date of the last actuarial valuation was as of December 31, 2011.

The accrued benefit obligations for the Board's employee future benefit plans as at December 31, 2013 are based on an extrapolation of the actuarial valuations for accounting purposes as at December 31, 2011. 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:

	2013	2012
	%	%
Expected future inflation rates	2.0	2.0
Expected wage and salary increases	3.0	3.0
Discount on accrued benefit obligations	4.0	4.0
Health care costs escalation	4.0 to 12.0	4.0 to 12.0
Dental costs escalation	3.5 to 8.0	3.5 to 8.0

# Barrie Public Library Board

## Notes to the financial statements

December 31, 2013

### 4. Tangible capital assets

	Collections	Computer equipment	Furniture and fixtures	2013 total	2012 total
	\$	\$	\$	\$	\$
Cost, beginning of year	5,510,058	265,006	1,123,432	6,898,496	7,639,243
Additions and transfers	986,995	54,469	253,277	1,294,741	1,776,309
Less disposals	447,827	22,096	21,152	491,075	2,517,056
Cost, end of year	6,049,226	297,379	1,355,557	7,702,162	6,898,496
Accumulated amortization, beginning of year	2,080,272	124,641	189,212	2,394,125	4,224,081
Amortization	726,289	70,073	107,552	903,914	687,100
Less disposals	447,827	22,096	21,152	491,075	2,517,056
Accumulated amortization, end of year	2,358,734	172,618	275,612	2,806,964	2,394,125
Net carrying amount, end of year	3,690,492	124,761	1,079,945	4,895,198	4,504,371

### 5. Accumulated surplus

The Board segregates its accumulated surplus in the following categories:

	2013	2012
	\$	\$
Investment in tangible capital assets	4,895,198	4,504,371
Current funds	(1,276,730)	(1,058,733)
Reserves		
Vested sick leave benefits reserve	129,483	124,483
Future capital expenditures reserves	1,247,836	1,158,764
Future collection acquisitions reserve	322,539	461,534
	5,318,326	5,190,419

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other tangible capital assets, net of accumulated amortization.

The Corporation of the City of Barrie calculates interest on the library capital and collection reserves based on a variable Interest rate. This interest is credited to the reserves on a monthly basis. The rate for 2013 was 1.28% - 1.3% (2012 - 1.28%).

### 6. Pension agreement

OMERS provides pension services to more than 440,000 active and retired members and approximately 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, 2013. The results of this valuation disclosed total actuarial liabilities of \$73,004 million in respect of benefits accrued for service with actuarial assets at that date of \$64,363 million indicating an actuarial deficit of \$8,641 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 Board does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Board to OMERS for 2013 were \$275,196 (2012 - \$239,040).

# Barrie Public Library Board

## Notes to the financial statements

December 31, 2013

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### 7. Endowment Funds

The Barrie Community Foundation received endowment funds to benefit the Barrie Public Library Board. The principal of the endowment fund at the beginning of fiscal 2013 was \$29,342 (2012 - \$29,477), interest earned during 2013 is \$928 (2012 - \$959); Grants issued and operating fees incurred are \$800 (2012 - \$800) and nil (2012 - \$295) respectively. The financial statements do not reflect the amounts held by The Barrie Community Foundation, the interest earned, operating fee or related grants issued.

### 8. Budget

The Budget adopted by Board for 2013 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 requires a full accrual basis. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. Actual amortization for the year has been added to the budget in the statement of operations for presentation purposes, as indicated below. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget adopted by the Board for 2013 with adjustments as follows:

	<b>2013</b>
	<b>\$</b>
Budget surplus for the year, as approved	-
Capital expenditures	<b>1,301,602</b>
Transfer to Vested Sick Leave	<b>5,000</b>
Contribution to Technology Reserve	<b>40,000</b>
Actual amortization	<b>(903,914)</b>
Budgeted transfer from reserves	<b>(250,000)</b>
<b>Budget surplus per statement of operations</b>	<b>192,688</b>