

Financial statements of

Barrie Public Library Board

December 31, 2014

Barrie Public Library Board

December 31, 2014

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Independent Auditor's Report

To the Board of Trustees 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, 2014, 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, 2014 and December 31, 2013, financial assets as at December 31, 2014 and December 31, 2013 and accumulated surplus as at January 1 and December 31 for both the 2014 and 2013 years. Our audit opinion on the financial statements for the year ended December 31, 2013 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, 2014 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 28, 2015

Barrie Public Library Board

Statement of operations year ended December 31, 2014

	Budget (Note 8)	2014	2013
	\$	\$	\$
Revenue			
Municipal contribution (Note 2)	6,428,581	6,429,581	6,237,377
Development charges (Note 2)	172,000	172,000	225,000
Provincial grant	271,808	271,808	271,808
Miscellaneous grant	-	4,136	10,843
Contract receipt - Township of Oro-Medonte	149,143	149,143	142,041
Fines	100,000	111,789	121,252
Programs fees	46,000	41,462	46,083
Donations	-	25,761	112,536
Fundraising revenue, cafe and boutique sales	-	116,321	94,774
Interest	-	20,674	19,521
	7,167,532	7,342,675	7,281,235
Expenses			
Amortization	984,322	984,322	903,914
Fundraising, cafe and boutique expenses	-	63,647	64,265
Maintenance	322,847	283,958	287,272
Materials	-	238,509	78,699
Other supplies	99,018	89,423	75,126
Personnel	4,519,628	4,695,428	4,440,822
Processing, professional and other	481,344	362,167	435,055
Facility expenses (Note 2)	643,093	835,105	775,549
Contribution to Municipality (Note 2)	-	-	92,626
	7,050,252	7,552,559	7,153,328
Annual surplus (deficit)	117,280	(209,884)	127,907
Accumulated surplus, beginning of year	5,318,326	5,318,326	5,190,419
Accumulated surplus, end of year	5,435,606	5,108,442	5,318,326

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

Barrie Public Library Board

Statement of change in net financial assets

year ended December 31, 2014

	Budget (Note 8)	2014	2013
	\$	\$	\$
Annual surplus (deficit)	117,280	(209,884)	127,907
Acquisition of tangible capital assets	(1,271,113)	(895,438)	(1,294,741)
Amortization of tangible capital assets	984,322	984,322	903,914
	(169,511)	(121,000)	(262,920)
Increase in prepaid expenses	-	64,496	(33,509)
Net change in net financial assets	(169,511)	(56,504)	(296,429)
Net financial assets, beginning of year	346,593	346,593	643,022
Net financial assets, end of year	177,082	290,089	346,593

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

Barrie Public Library Board

Statement of financial position as at December 31, 2014

	2014	2013
	\$	\$
Financial assets		
Cash	1,360	1,465
Accounts receivable	143,004	457,927
Due from The Corporation of the City of Barrie (Note 2)	1,241,059	813,813
	1,385,423	1,273,205
Liabilities		
Accounts payable and accrued liabilities	297,539	265,021
Employee future benefits liability (Note 3)	747,522	604,659
Deferred revenue	50,273	56,932
	1,095,334	926,612
Net financial assets	290,089	346,593
Non-financial assets		
Tangible capital assets (Note 4)	4,806,314	4,895,198
Prepaid expenses	12,039	76,535
	4,818,353	4,971,733
Accumulated surplus (Note 5)	5,108,442	5,318,326

Approved on behalf of the Board

_____ Trustee

_____ Trustee

Barrie Public Library Board

Statement of cash flows year ended December 31, 2014

	2014	2013
	\$	\$
Operating activities		
Annual (deficit) surplus	(209,884)	127,907
Item not involving cash		
Amortization	984,322	903,914
	774,438	1,031,821
 Change in non-cash operating balances		
Accounts receivable	314,923	(20,221)
Due from The Corporation of the City of Barrie	(427,246)	247,206
Prepaid expenses	64,496	(33,509)
Accounts payable and accrued liabilities	32,518	22,407
Deferred revenue	(6,659)	-
Employee future benefits liability	142,863	47,427
	895,333	1,295,131
 Capital activity		
Acquisition of tangible capital assets (net of transfers)	(895,438)	(1,294,741)
Net change in cash	(105)	390
Cash, beginning of year	1,465	1,075
Cash, end of year	1,360	1,465

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

Barrie Public Library Board

Notes to the financial statements

December 31, 2014

1. Summary of significant accounting policies

Management's responsibility for the financial statements

The financial statements of the Barrie Public Library Board ("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 expenditures 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; expenditures are recognized in the period that 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, but not limited to transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at their fair value at the time of their 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 under construction

Tangible capital assets under construction are recorded at cost. When construction is completed, the tangible capital assets under construction will be transferred to capital assets and amortized based on classification.

Revenue recognition

Revenues are recognized as follows:

- (a) Development charges are recognized when required expenditures occur;
- (b) Revenue from the Contract receipt - Township of Oro-Medonte is recognized on a quarterly basis when due;
- (c) Fine revenue is recognized when collected;
- (d) Fees for programs and services are recognized over the period of service or when the related expenditures occur;
- (e) Donations and fundraising revenue are recognized when collected; and
- (f) Interest income is recognized as it is earned.

Barrie Public Library Board

Notes to the financial statements

December 31, 2014

1. Summary of significant accounting policies (continued)

Government transfers

The City provides funding to the Board for both operating and capital expenditures such as refurbishment, replacement and major repairs and maintenance to the Library buildings. Government transfer payments from the City of Barrie and Provincial grants are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

Pension plan

The Board is an employer member of the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is 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 employer contributions paid or payable in the year.

Other employee 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:

- (a) 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.

- (b) Vacation and lieu time entitlements are accrued for as entitlements are earned.

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 in the preparation of the financial statements are the employee future benefits payable and the useful life and valuation of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

Barrie Public Library Board

Notes to the financial statements

December 31, 2014

2. Due from the Corporation of the City of Barrie

The following table summarizes the transactions with the Corporation of the City of Barrie for the year:

	2014	2013
	\$	\$
Revenue		
Municipal operating grant	6,429,581	6,237,377
Development charges	172,000	225,000
	6,601,581	6,462,377
Expenses		
Rent	835,105	775,549
Contribution to municipality	-	92,626
	835,105	868,175

During the year, the Board transferred \$Nil (2013 - \$92,626) to the Corporation of the Barrie for the Painswick Library branch capital project.

The balance due from the Corporation of the City of Barrie in the amount of \$1,241,059 (2013 - \$813,813) is non-interest bearing, unsecured, with no fixed terms of repayment and has arisen from transactions listed above and amounts paid on behalf of the Barrie Public Library Board. The transactions are measured at the exchange amount.

Barrie Public Library Board

Notes to the financial statements

December 31, 2014

3. Employee future benefits liability

	2014	2013
	\$	\$
Retirement gratuity benefit accrued obligation	270,754	303,719
Post retirement benefits accrued benefit obligation	340,960	255,527
Sick leave benefits accrued benefit obligation	93,905	68,808
Unamortized net actuarial gain (loss)	41,903	(23,395)
Employee future benefits liability	747,522	604,659

Information about post retirement benefits is as follows:

	2014	2013
	\$	\$
Current year benefit cost	150,091	18,992
Interest on accrued benefit obligation	10,516	9,538
Employee future benefit expense	160,607	28,530

Information about compensated absences is as follows:

	2014	2013
	\$	\$
Current year benefit cost	19,828	18,996
Interest on accrued benefit obligation	14,308	14,206
Amortization of actuarial loss	2,250	2,250
Employee compensated absences expense	36,386	35,452

The Board has established reserves to mitigate the future impact of the sick leave obligation as detailed on the schedule of reserve in Note 5. The balance of the sick leave reserve is \$134,483 (2013 - \$129,483).

The amount of benefits paid during the year was \$49,483 (2013 - \$12,654) for compensated absence benefits and \$4,647 (2013 - \$3,901) for post-retirement benefits.

Long-term disability benefits are available to employees as discussed in the significant accounting policies. As of December 31, 2014 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 actuarial valuation prepared by an independent firm. The date of the last actuarial valuation was as of December 31, 2014.

Barrie Public Library Board

Notes to the financial statements

December 31, 2014

3. Employee future benefits liability (continued)

Retirement benefits (continued)

Sick leave benefits

The Board provides paid sick leave that can be carried forward up to a maximum defined by the employee group. The benefit costs and liabilities recorded for these benefits in 2014 are based on an actuarial valuation prepared by an independent firm. The date of the last actuarial valuation was as of December 31, 2014.

The accrued benefit obligations for the Board's employee future benefit plans as at December 31, 2014 are based on actuarial valuations for accounting purposes as at December 31, 2014. 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:

	2014	2013
	%	%
Expected future inflation rates	2.0	2.0
Expected wage and salary increases	2.5	3.0
Discount on accrued benefit obligations	3.6	4.0
Health care costs escalation	4.0 to 8.5	4.0 to 10.5
Dental costs escalation	3.5 to 4.5	3.5 to 6.5

4. Tangible capital assets

	Collections	Computer equipment	Furniture and fixtures	2014 Total
	\$	\$	\$	\$
Cost, beginning of year	6,049,226	297,379	1,355,557	7,702,162
Additions	756,667	49,955	88,816	895,438
Less: disposals	532,405	106,512	13,477	652,394
Cost, end of year	6,273,488	240,822	1,430,896	7,945,206
Accumulated amortization, beginning of year	2,358,734	172,618	275,612	2,806,964
Amortization	791,232	61,559	131,531	984,322
Less: disposals	532,405	106,512	13,477	652,394
Accumulated amortization, end of year	2,617,561	127,665	393,666	3,138,892
Net carrying amount, end of year	3,655,927	113,157	1,037,230	4,806,314

Barrie Public Library Board

Notes to the financial statements

December 31, 2014

4. Tangible capital assets (continued)

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

The carrying amount of tangible capital assets not being amortized because they are under construction is \$Nil (2013 - \$Nil). These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of future benefits associated with such property cannot be made.

5. Accumulated surplus

The Board aggregates its accumulated surplus into the following categories:

	2014	2013
	\$	\$
Investment in tangible capital assets	4,806,314	4,895,198
Current funds	(1,541,701)	(1,276,730)
Reserves		
Vested sick leave benefits reserve	134,483	129,483
Future capital expenditures reserves	1,382,590	1,247,836
Future collection acquisitions reserve	326,756	322,539
	5,108,442	5,318,326

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.

The Corporation of the City of Barrie calculates interest on the reserve funds based on a variable interest rate. This interest is credited to the reserves on a monthly basis. The rate for 2014 was 1.28% (2013 - 1.28%).

Barrie Public Library Board

Notes to the financial statements

December 31, 2014

6. Pension agreement

OMERS provides pension services to more than 451,000 active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension (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, 2014. The accrued benefit obligation of the OMERS plan as shown in the OMERS financial statements as at December 31, 2014 is \$76,924 million, with a funding deficit of \$7,078 million. The funding deficit will result in future payments by the participating employers. 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 2014 were \$299,721 (2013 - \$275,196).

7. Endowment funds

The Barrie Community Foundation received endowment funds to benefit Barrie Public Library Board. The principal of the endowment fund at the beginning of fiscal 2014 was \$29,470 (2013 - \$29,342), interest earned during 2014 is \$971 (2013 - \$928); Grants issued are \$800 (2013 - \$800). The financial statements do not reflect the amounts held by The Barrie Community Foundation, the interest earned or related grants issued.

8. Budget

The Budget adopted by the Board for 2014 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. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$Nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, assets (debt) represent the budget adopted by the Board for 2014 with adjustments as follows:

	\$
Budget surplus for the year, as approved	-
Capital expenditures	1,271,113
Transfer to sick leave reserve	5,000
Contribution to technology reserve	40,000
Actual amortization	(984,322)
Budgeted transfer from reserves	(214,511)
Budget surplus per statement of operations	117,280