

North Bay Public Library Board
Financial Statements
For the year ended December 31, 2018

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Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Accumulated Surplus	5
Statement of Changes in Net Debt	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 16
Schedule 1 - Detailed Schedule of Expenses	17



Tel: 705-495-2000
Fax: 705-495-2001
Toll-Free: 800-461-6324
www.bdo.ca

BDO Canada LLP
101 McIntyre Street W, Suite 301
North Bay ON P1B 2Y5 Canada

Independent Auditor's Report

To the Directors of North Bay Public Library Board

Opinion

We have audited the financial statements of North Bay Public Library Board, which comprise the statement of financial position as at December 31, 2018, the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of North Bay Public Library Board as at December 31, 2018, and its financial performance and 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of North Bay Public Library Board 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 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 North Bay Public Library Board'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 North Bay Public Library Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing North Bay Public Library Board's financial reporting process.

Auditor's 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 auditor's 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 these 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 North Bay Public Library Board'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 events or conditions that may cast significant doubt on North Bay Public Library Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause North Bay Public Library Board 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.

We 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.



Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
May 8, 2019

North Bay Public Library Board Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash	\$ 200	\$ 200
Accounts receivable (Note 2)	8,386	7,944
Due from the Corporation of the City of North Bay	263,482	279,679
	272,068	287,823
Liabilities		
Accounts payable and accrued liabilities	106,670	110,313
Employee future benefits (Note 4)	295,381	277,664
Deferred revenue	13,326	13,326
	415,377	401,303
Net debt	(143,309)	(113,480)
Non-financial assets		
Tangible capital assets (Note 3)	2,181,488	2,229,557
Prepaid expenses	49,820	35,659
	2,231,308	2,265,216
Accumulated surplus (Note 7)	\$ 2,087,999	\$ 2,151,736

On behalf of the Board:

_____, Director

_____, Director

North Bay Public Library Board Statement of Operations and Accumulated Surplus

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
	(Note 6)		
Revenues			
City of North Bay levy	\$ 2,298,540	\$ 2,298,540	\$ 2,253,662
City of North Bay capital contributions	-	265,839	132,627
Provincial operating grants	108,111	108,323	108,451
Fees, service charges and donations	12,550	12,469	16,415
Facility rentals and other	32,300	29,415	35,064
Fines	48,000	34,999	38,113
Interest	-	1,794	1,217
	2,499,501	2,751,379	2,585,549
Expenses (Schedule 1)			
Salaries and employee benefits	1,949,919	2,021,945	1,972,912
Library building	107,780	336,086	172,663
Administration	136,044	121,650	102,559
Purchased services	68,258	65,910	64,461
Operating	68,000	43,752	46,822
Minor capital purchases	5,000	3,135	5,250
Other	2,500	1,206	1,816
Loss on disposal of capital assets	-	1,375	562
Amortization	-	220,057	241,293
	2,337,501	2,815,116	2,608,338
Annual surplus (deficit)	162,000	(63,737)	(22,789)
Accumulated surplus, beginning of the year	2,151,736	2,151,736	2,174,525
Accumulated surplus, end of the year	\$ 2,313,736	\$ 2,087,999	\$ 2,151,736

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

North Bay Public Library Board Statement of Changes in Net Debt

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
	(Note 6)		
Annual (deficit) surplus	\$ 162,000	\$ (63,737)	\$ (22,789)
Acquisition of tangible capital assets	(162,000)	(173,362)	(208,472)
Amortization of tangible capital assets	-	220,057	241,293
Loss on sale of tangible capital assets	-	1,374	562
	-	(15,668)	10,594
Acquisition of prepaid expenses	-	(49,820)	(35,659)
Use of prepaid expenses	-	35,659	46,428
	-	(14,161)	10,769
Change in net debt	-	(29,829)	21,363
Net debt, beginning of year	(113,480)	(113,480)	(134,843)
Net debt, end of year	\$ (113,480)	\$ (143,309)	\$ (113,480)

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

North Bay Public Library Board Statement of Cash Flows

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating transactions		
Annual (deficit) surplus	\$ (63,737)	\$ (22,789)
Items not involving cash		
Amortization of tangible capital assets	220,057	241,293
Loss on disposal of capital assets	1,374	562
	157,694	219,066
Changes in non-cash working capital balances		
Accounts receivable	(442)	3,224
Due from the Corporation of the City of North Bay	16,197	(16,100)
Prepaid expenses	(14,161)	10,769
Accounts payable and accrued liabilities	(3,643)	(20,216)
Employee future benefits	17,717	1,747
Deferred revenue	-	9,982
	173,362	208,472
Capital transactions		
Acquisition of tangible capital assets	(173,362)	(208,472)
Change in cash and cash equivalents during the year	-	-
Cash and cash equivalents, beginning of year	200	200
Cash and cash equivalents, end of year	\$ 200	\$ 200

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

North Bay Public Library Board Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies

Nature and Purpose of the Organization

The North Bay Public Library Board (Library) is a Board of the Corporation of the City of North Bay which is incorporated under the Ontario Public Library Act. The Board makes available a wide variety of reading, electronic and audio-visual materials to the citizens of North Bay and its surrounding area.

Management Responsibility

The financial statements of the Library are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting whereby revenue is recognized as it is earned and measurable; and expenses are recognized in the period that goods and services are acquired, a liability is incurred, or transfers are due.

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 once the asset is available for productive use as follows:

Building	100 years
Building betterments	remaining service life of building
Equipment	4 to 15 years
Books, CDs, Videos	2 to 10 years

Deferred Revenue

Deferred revenue represents funds which have been applied for and 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.

North Bay Public Library Board Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenues are recognized as follows:

- a. Municipal contributions are recognized in the period to which the related expenses are incurred.
- b. Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.
- c. Fine and user fee revenue is recognized in the period in which it is collected.
- d. Interest and other income is recognized in the period in which it is 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

North Bay Public Library Board Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies (continued)

Post-Employment Benefits The Library sponsors a defined benefit supplementary health plan for certain employees and retirees funded on a pay-as-you-go basis and a defined benefit pension plan. The Library has adopted the following policies:

- (i) The cost of the accrued benefit obligation for the post-employment supplementary health plan is actuarially determined using the projected benefit method prorated on service and management's estimate of retirement age and health costs.
- (ii) Actuarial gains (losses) on the accrued benefit obligation arise from the difference between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) are amortized over the average remaining service period of active employees.
- (iii) The Library is an employer member of the Ontario Municipal Employees Retirement Fund ("the Plan") which is a multi-employer, defined benefit pension plan. The Library has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

**North Bay Public Library Board
Notes to Financial Statements**

December 31, 2018

2. Accounts Receivable

	<u>2018</u>	<u>2017</u>
Government of Canada	\$ 6,929	\$ 3,039
Other	<u>1,457</u>	<u>4,905</u>
	<u>\$ 8,386</u>	<u>\$ 7,944</u>

**North Bay Public Library Board
Notes to Financial Statements**

December 31, 2018

3. Tangible Capital Assets

	2018					
	Land	Building	Equipment	Books, CD's Videos	Construction in Progress	Total
Cost, beginning of year	\$ 62,776	\$ 1,973,167	\$ 664,408	\$ 3,798,977	\$ 12,210	\$ 6,511,538
Additions	-	-	27,381	137,754	8,227	173,362
Disposals	-	-	-	(294,846)	-	(294,846)
Cost, end of year	<u>62,776</u>	<u>1,973,167</u>	<u>691,789</u>	<u>3,641,885</u>	<u>20,437</u>	<u>6,390,054</u>
Accumulated amortization, beginning of year	-	454,625	539,624	3,287,732	-	4,281,981
Amortization	-	31,636	50,829	137,592	-	220,057
Disposals	-	-	-	(293,472)	-	(293,472)
Accumulated amortization, end of year	<u>-</u>	<u>486,261</u>	<u>590,453</u>	<u>3,131,852</u>	<u>-</u>	<u>4,208,566</u>
Net carrying amount, end of year	<u>\$ 62,776</u>	<u>\$ 1,486,906</u>	<u>\$ 101,336</u>	<u>\$ 510,033</u>	<u>\$ 20,437</u>	<u>\$ 2,181,488</u>
	2017					
	Land	Building	Equipment	Books, CD's Videos	Construction in Progress	Total
Cost, beginning of year	\$ 62,776	\$ 1,973,167	\$ 594,967	\$ 4,248,766	\$ 11,031	\$ 6,890,707
Additions	-	-	69,441	137,853	1,179	208,473
Disposals	-	-	-	(587,642)	-	(587,642)
Cost, end of year	<u>62,776</u>	<u>1,973,167</u>	<u>664,408</u>	<u>3,798,977</u>	<u>12,210</u>	<u>6,511,538</u>
Accumulated amortization, beginning of year	-	422,989	473,933	3,730,845	-	4,627,767
Amortization	-	31,636	65,691	143,966	-	241,293
Disposals	-	-	-	(587,079)	-	(587,079)
Accumulated amortization, end of year	<u>-</u>	<u>454,625</u>	<u>539,624</u>	<u>3,287,732</u>	<u>-</u>	<u>4,281,981</u>
Net carrying amount, end of year	<u>\$ 62,776</u>	<u>\$ 1,518,542</u>	<u>\$ 124,784</u>	<u>\$ 511,245</u>	<u>\$ 12,210</u>	<u>\$ 2,229,557</u>

North Bay Public Library Board Notes to Financial Statements

December 31, 2018

4. Post-Employment Benefits

Post-employment benefits are comprised of the following balances:

	2018	2017
Sick leave plan (i)	\$ 59,200	\$ 44,000
Supplementary health benefits	111,300	90,100
Vacation and other	124,881	143,564
	\$ 295,381	\$ 277,664

(i)

	2018	2017
Accrued benefit obligation, end of year	\$ 166,300	\$ 96,600
Unamortized net actuarial losses	(107,100)	(52,600)
	\$ 59,200	\$ 44,000

Prior to August 31, 1987 the Board provided its employees with a sick leave plan whereby employees could accumulate sick leave credits and be entitled to a cash payment when they left the Board's employment. With the introduction of a long-term disability plan on August 31, 1987 this sick leave plan was discontinued and as such no sick leave credits have accumulated since. The outstanding accrued liability is to cover sick leave credits accumulated prior to August 31, 1987.

In addition, the library has a defined supplementary health benefit plan that provides medical, dental and life insurance to certain eligible Library employees who retire from current employment. The supplementary health benefit liability estimates the expense of each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement up to the age of 65.

North Bay Public Library Board Notes to Financial Statements

December 31, 2018

4. Post-Employment Benefits (continued)

The Library measures its accrued benefit obligations for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the plan for funding purposes was December 31, 2018 and the next valuation date will be as at January 1, 2022. Information about the Library's defined supplementary health benefit and sick leave plan is as follows:

	2018	2017
Sick leave benefits:		
Accrued benefit liability, beginning of year	\$ 44,000	\$ 52,100
Amortization of unamortized actuarial gains/losses and other	12,900	7,400
Service cost for the year	22,600	19,000
Interest expense for the year	5,400	3,500
Benefits paid during the year	(25,700)	(38,000)
Accrued benefit liability, end of year	\$ 59,200	\$ 44,000
	2018	2017
Supplementary health benefits:		
Accrued benefit liability, beginning of year	\$ 90,100	\$ 90,900
Amortization of unamortized actuarial gains/losses and other	25,400	7,000
Service cost for the year	6,000	3,500
Interest expense for the year	3,900	3,200
Benefit paid during the year	(14,100)	(14,500)
Accrued benefit liability, end of year	\$ 111,300	\$ 90,100

The main actuarial assumptions employed for the valuations are as follows:

- i) The discount rate for supplemental health benefits was assumed at 3.50% per annum for Accrued Benefit Obligation ("ABO") (2017 - 3.40%) and 3.40% per annum for the 2018 expense (2017 - 3.40%).
- ii) The discount rate for sick leave benefits was assumed at 3.30% per annum for Accrued Benefit Obligation ("ABO") (2017 - 3.10%) and 3.10% per annum for the 2018 expense (2017 - 3.10%).
- iii) Future general salary and wage levels were assumed to increase 3% per annum.
- iv) Health costs were assumed at 6.60% per annum for 2018, reducing by 0.14% annually to 3.62% in 2039
- v) Dental costs were assumed to increase at 4% per annum.
- vi) The expected average remaining service life is 13 years for the supplemental health benefits and 11 years for the sick leave benefits.

North Bay Public Library Board Notes to Financial Statements

December 31, 2018

5. Related Party Transactions / Economic Dependence

The expenditures noted in Schedule 1 for Purchased Services are paid to the Corporation of the City of North Bay. These expenditures are measured at exchange amounts and consist of financial services, human resources, legal, information technology, telephone and internet.

Substantially all of the Board's revenue is received from the City of North Bay. The continuation of the Board is dependent on this funding.

6. Budget

The budgeted figures presented for comparative purposes are those approved by the Board of Directors. They have been reclassified to conform with these statements.

7. Accumulated Surplus

The Library's accumulated surplus balance at year end consists of the following:

	<u>2018</u>	<u>2017</u>
Invested in tangible capital assets	\$ 2,181,488	\$ 2,229,557
Reserve funds	201,892	199,843
Amounts to be funded from future revenues (Note 4)	<u>(295,381)</u>	<u>(277,664)</u>
	<u>\$ 2,087,999</u>	<u>\$ 2,151,736</u>

8. Segment Reporting

The Chartered Professional Accountants of Canada Handbook Section PS2700 - Segment Disclosures established standards on defining and disclosing segments in a government's financial statements. Government organizations that apply these standards are encouraged to provide the disclosures established by this section when their operations are diverse enough to warrant such disclosures. The Library has only one identifiable segment, considered to be public access to information related services as presented in these financial statements.

North Bay Public Library Board Notes to Financial Statements

December 31, 2018

9. Pension Agreements

The Library makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension 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. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration benefits. OMERS provides pension services to more than 496,000 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, 2018. The results of this valuation disclosed total actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 million indicating an actuarial deficit of \$4,191 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 2018 were \$124,532 (2017 - \$117,750).

North Bay Public Library Board Schedule 1 - Detailed Schedule of Expenses

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Salaries and benefits			
Salaries	\$ 1,567,773	\$ 1,607,877	\$ 1,584,847
Overtime	15,500	16,551	16,587
Benefits	366,646	397,517	371,478
	<u>1,949,919</u>	<u>2,021,945</u>	<u>1,972,912</u>
Operating			
Book repairs and processing	20,000	15,312	22,986
Electronic materials	48,000	28,440	23,836
	<u>68,000</u>	<u>43,752</u>	<u>46,822</u>
Library building			
Building maintenance costs	24,400	258,569	92,814
Utility costs	68,880	66,253	69,145
Insurance costs	14,500	11,264	10,704
	<u>107,780</u>	<u>336,086</u>	<u>172,663</u>
Administration			
Office supplies	10,500	10,675	10,895
Telephone and communications	5,300	4,209	4,479
Postage/courier	6,000	5,580	4,472
Membership fees	1,500	1,228	1,236
Promotion costs	4,500	2,570	2,951
Professional development	4,900	6,094	5,658
Audit/Treasurer fees	4,544	5,837	4,544
Collection agency fees	1,000	759	404
Photocopy costs	9,800	10,659	11,282
System maintenance contract	37,000	24,842	26,114
Other contracts and miscellaneous costs	45,000	39,503	22,781
Employee parking	6,000	9,694	7,743
	<u>136,044</u>	<u>121,650</u>	<u>102,559</u>
Purchased services			
Purchased services	68,258	65,910	64,461
Minor capital purchases and other			
Furniture and equipment	5,000	3,135	5,250
One-time costs	2,500	1,206	1,816
Amortization of tangible capital assets	162,000	220,057	241,293
Loss on disposal of capital assets	-	1,375	562
	<u>169,500</u>	<u>225,773</u>	<u>248,921</u>
	<u>\$ 2,499,501</u>	<u>\$ 2,815,116</u>	<u>\$ 2,608,338</u>