

PETERBOROUGH PUBLIC LIBRARY BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2016

PETERBOROUGH PUBLIC LIBRARY BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Peterborough Public Library Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Peterborough Public Library Board, which comprise the statement of financial position as at December 31, 2016, the statements of operations and accumulated surplus, change in net financial assets/(liabilities) 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 controls as management determines are 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 controls 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 controls. 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 library boards, the Board derives revenue from user charges and donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Board and we were not able to determine whether any adjustments might be necessary to revenue, annual surplus (deficit), assets and accumulated surplus.

Qualified Opinion

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the Peterborough Public Library Board as at December 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
June 27, 2017

PETERBOROUGH PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

At December 31, 2016

	2016 \$	2015 \$
FINANCIAL ASSETS		
Cash	239,732	415
Accounts receivable		
City of Peterborough	2,130,821	2,233,376
Other	134,807	5,449
TOTAL FINANCIAL ASSETS	2,505,360	2,239,240
LIABILITIES		
Accounts payable and accrued liabilities	1,136,732	1,018,352
Deferred revenue	-	12,980
Employee future benefits (note 2)	176,192	170,261
Long term debt (note 3)	2,963,500	-
TOTAL LIABILITIES	4,276,424	1,201,593
NET FINANCIAL ASSETS/(LIABILITIES)	(1,771,064)	1,037,647
NON-FINANCIAL ASSETS		
Tangible capital assets (note 5)	4,941,827	2,254,463
Prepaid expenses	160,154	102,961
TOTAL NON-FINANCIAL ASSETS	5,101,981	2,357,424
ACCUMULATED SURPLUS (note 7)	3,330,917	3,395,071

The accompanying notes are an integral part of these financial statements

PETERBOROUGH PUBLIC LIBRARY BOARD

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
REVENUES			
Grants			
City of Peterborough	2,701,913	2,701,913	3,062,962
Province of Ontario	132,806	145,166	140,341
User charges (note 11)	97,050	81,622	104,348
Interest	-	6,054	6,050
Donations	250,000	32,978	23,907
TOTAL REVENUES	3,181,769	2,967,733	3,337,608
EXPENSES			
Salaries and wages	2,169,283	2,087,184	2,575,607
Processing materials and supplies	69,550	83,288	70,232
Support services	63,800	85,668	96,383
Property	115,105	270,873	136,357
Environmental services	-	12,859	5,535
Amortization	486,592	478,348	495,706
Interest on long term debt	-	13,667	-
TOTAL EXPENSES	2,904,330	3,031,887	3,379,820
ANNUAL SURPLUS/(DEFICIT)	<u>277,439</u>	(64,154)	(42,212)
ACCUMULATED SURPLUS - beginning of year		3,395,071	3,437,283
ACCUMULATED SURPLUS - end of year		3,330,917	3,395,071

The accompanying notes are an integral part of these financial statements

PETERBOROUGH PUBLIC LIBRARY BOARD

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/(LIABILITIES)

For the Year Ended December 31, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
ANNUAL SURPLUS/(DEFICIT)	277,439	(64,154)	(42,212)
Amortization of tangible capital assets	486,592	478,348	495,706
Purchase of tangible capital assets	(2,300,100)	(3,165,712)	(687,509)
Change in prepaid expenses	-	(57,193)	(2,481)
CHANGE IN NET FINANCIAL ASSETS/(LIABILITIES)	(1,536,069)	(2,808,711)	(236,496)
NET FINANCIAL ASSETS - beginning of year	1,037,647	1,037,647	1,274,143
NET FINANCIAL ASSETS/(LIABILITIES) - end of year	(498,422)	(1,771,064)	1,037,647

The accompanying notes are an integral part of these financial statements

PETERBOROUGH PUBLIC LIBRARY BOARD

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

	2016	2015
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual deficit	(64,154)	(42,212)
Items not involving cash		
Amortization of tangible capital assets	478,348	495,706
Employee future benefits	5,931	1,882
Change in non-cash assets and liabilities		
Accounts receivable		
City of Peterborough	102,555	(662,772)
Other accounts receivable	(129,358)	140,710
Prepaid expenses	(57,193)	(2,481)
Accounts payable and accrued liabilities	118,380	744,442
Deferred revenue	(12,980)	12,234
Net change in cash from operating activities	441,529	687,509
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(3,165,712)	(687,509)
FINANCING ACTIVITIES		
Proceeds of debenture issue	2,963,500	-
NET CHANGE IN CASH	239,317	-
CASH - beginning of year	415	415
CASH - end of year	239,732	415

The accompanying notes are an integral part of these financial statements

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

NATURE OF ORGANIZATION

The Peterborough Public Library Board is a local board of the Corporation of the City of Peterborough. The organization provides library service to the residents of the City of Peterborough and surrounding areas.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies are as follows:

(a) Reporting Entity

These financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the Peterborough Public Library Board.

(b) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. Investment income is recognized as revenue when earned. User charges are recognized in the period in which the transaction or events occurred that give rise to the revenue. Donations are recognized as revenue as received. Expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Land improvements	30 to 50 years
Buildings	10 to 50 years
Books and other materials	7 years
Furniture and fixtures	4 to 15 years

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

(d) Government Funding

Government funding is recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the organization's best information and judgment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The Board's significant estimates include:

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates; and
- The values of employee future benefits depend on certain actuarial and economic assumptions.

(f) Non-financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the Board because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Board unless they are sold.

(g) Deferred Revenue

Deferred revenue represents grants, user charges and fees 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.

(h) Reserves

Certain amounts, as approved by Council, are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective fund when approved.

2. EMPLOYEE FUTURE AMOUNTS PAYABLE

The Board provides certain employee benefits which will require payment in future periods. An actuarial valuation of these liabilities has been performed and the amounts are recorded in the Statement of Financial Position.

The following table sets out the extrapolated results for the plans as at December 31, 2016:

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

2. EMPLOYEE FUTURE AMOUNTS PAYABLE, continued

	Retirement Benefits \$	Life Insurance \$	Total 2016 \$	Total 2015 \$
Accrued benefit obligation, beginning of year	100,253	60,256	160,509	183,515
Actuarial loss	-	-	-	(20,846)
Current cost	2,622	1,094	3,716	3,436
Interest cost	4,431	2,674	7,105	7,112
Benefit payments	(6,200)	(2,732)	(8,932)	(12,758)
Accrued benefit obligation, end of year	101,106	61,292	162,398	160,509
Unamortized actuarial gain (loss)	(11,695)	25,489	13,794	9,752
Accrued benefit liability, end of year	89,411	86,781	176,192	170,261

The actuarial valuations of the plans were based upon a number of assumptions about future events, which reflect management's best estimate. The following represents the more significant actuarial assumptions made:

	Benefits Payable Early Retirees %	Life Insurance %
Expected inflation rate	2% (2015 - 2%)	2% (2015 - 2%)
Expected level of salary increases	3% (2015 - 3%)	3% (2015 - 3%)
Interest discount rate	4.25% (2015 - 4.25%)	4.25% (2015 - 4.25%)

Retirement Benefits

Full-time employees of the Board are provided with Health Care and Dental Benefits. Certain benefits are also provided in early retirement if the retiree is eligible to receive an OMERS pension. The benefits cease on the retiree's 65th birthday.

Life Insurance

Full-time employees of the Board are provided with Life Insurance of two times their salary while they are active employees. The coverage terminates at retirement. However, the member is provided with the option to continue the Life Insurance at a reduced amount until death and the member pays the required premium.

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

3. LONG TERM DEBT

- (a) The balance of long term debt reported on the Statement of Financial Position is made up of the following:

	2016	2015
	\$	\$
Debt issued by the City of Peterborough on behalf of the Peterborough Public Library to OILC matures November 1, 2036. The Library portion of this debt is repayable in semi-annual instalments of \$74,087 plus interest at a rate of 2.79% per annum.	2,963,500	-

- (b) The long term debt reported in (a) of this note is repayable as follows:

	Principal \$	Interest \$	Total \$
2017	148,175	81,640	229,815
2018	148,175	77,506	225,681
2019	148,175	73,371	221,546
2020	148,175	69,430	217,605
2021	148,175	65,103	213,278
2022 and subsequent years	740,875	367,050	1,107,925
	2,222,625	480,777	2,703,402
	2,963,500	847,827	3,811,327

4. CONTINGENT LIABILITIES

The Peterborough Public Library, in the course of its operations, has been named in a lawsuit the outcome of which is indeterminable at this time. No amounts in connection with this item has been reflected in these financial statements.

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

5. TANGIBLE CAPITAL ASSETS

The net book value of the organization's tangible capital assets are:

	2016 \$	2015 \$
General		
Land improvements	13,449	13,803
Books and other materials	1,545,539	1,480,931
Furniture, fixtures and equipment	92,590	60,899
Infrastructure		
Land	11,119	11,119
Buildings	293,873	319,017
	1,956,570	1,885,769
Assets under construction	2,985,257	368,694
	4,941,827	2,254,463

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2015- \$Nil) and no interest capitalized (2015 - \$Nil).

6. PENSION AGREEMENTS

Certain employees of the Board are eligible members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan.

The Actuarial Opinion contained in the 2016 Annual Report disclosed total actuarial liabilities of \$87,554 million in respect of benefits accrued for service with actuarial assets of \$81,834 million indicating an actuarial deficit of \$5,720 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.

The organization's required contributions to OMERS in 2016 were \$195,398 (2015 - \$116,338).

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

7. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2016 \$	2015 \$
Surplus/(Deficit)		
Unfunded employee future benefits	(176,192)	(170,261)
Invested In Capital Assets		
Tangible capital assets - net book value	4,941,827	2,254,463
Long term debt	(2,963,500)	-
Unexpended capital	444,552	402,493
	2,422,879	2,656,956
Surplus	2,246,687	2,486,695
Reserves		
Library system	563,585	552,952
Friends of library	7,822	7,822
Innovation	30,546	30,258
Building maintenance	113,107	30,195
Materials acquisition	67,653	62,625
Peterborough collection	42,357	49,200
Healthy families	4,794	4,794
ESL program	2,885	2,885
Contingency	81,692	21,230
Library friends	31,211	13,634
Other donations	133,578	132,781
Total Reserves	1,084,230	908,376
	3,330,917	3,395,071

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

7. ACCUMULATED SURPLUS, continued

	Operating Fund \$	Unfunded Employee Future Benefits \$	Equity in Capital Assets \$	Reserve Funds \$	2016 Total \$
BALANCE - beginning of year	-	(170,261)	2,656,956	908,376	3,395,071
Annual Surplus/(Deficit)	(580,882)	(5,931)	178,006	344,653	(64,154)
Transfers between funds	580,882	-	(412,083)	(168,799)	-
BALANCE - end of year	-	(176,192)	2,422,879	1,084,230	3,330,917

8. TRUST FUNDS

Trust funds administered by the Board amounting to \$20,349 (2015 - \$20,347) have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations and Accumulated Surplus. As such balances are held in trust by the Board for the benefit of others, they are not presented as part of the organization's financial position or operations.

9. BUDGET FIGURES

The budget, approved by the Board, for 2016 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets/(Liabilities). The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

10. COMMITMENT

On May 1, 2016, the Peterborough Public Library main branch moved to a temporary location in order to accommodate renovations to their main location. Total estimated cost of this renovation is \$7,544,000 plus HST. Total expenditures on this renovation at December 31, 2016 amounted to \$2,985,257. There was a lease signed for the temporary location which expires September 30, 2017. Lease payments are \$30,402 plus HST per month.

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2016

11. USER CHARGES

User charges are comprised of:

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
Fines	69,700	53,599	63,329
Equipment and facility rentals	14,800	8,997	28,571
Photocopier charges	1,500	3,549	2,583
Memberships	10,000	8,441	9,106
Internet charges	200	197	110
Microfilm fees	150	169	221
Program revenue	500	468	50
Other	200	1,202	378
	97,050	81,622	104,348

PETERBOROUGH PUBLIC LIBRARY BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2016

	General			Infrastructure			Totals
	Land improvements	Books	Furniture, fixtures and equipment	Land	Buildings	Assets Under Construction	
	\$	\$	\$	\$	\$	\$	\$
COST							
Balance, beginning of year	32,517	3,347,766	279,902	11,119	2,241,595	368,694	6,281,593
Add: additions during the year	-	495,109	54,040	-	-	2,616,563	3,165,712
Less: disposals during the year	-	381,434	-	-	-	-	381,434
Balance, end of year	32,517	3,461,441	333,942	11,119	2,241,595	2,985,257	9,065,871
ACCUMULATED AMORTIZATION							
Balance, beginning of year	18,714	1,866,835	219,003	-	1,922,578	-	4,027,130
Add: additions during the year	354	430,501	22,349	-	25,144	-	478,348
Less: disposals during the year	-	381,434	-	-	-	-	381,434
Balance, end of year	19,068	1,915,902	241,352	-	1,947,722	-	4,124,044
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	13,449	1,545,539	92,590	11,119	293,873	2,985,257	4,941,827

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Peterborough Public Library Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Trust Funds of the Peterborough Public Library Board, which comprise the statement of financial position as at December 31, 2016, the statement of continuity 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 controls as management determines are 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 controls 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 controls. 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 audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust Funds of the Peterborough Public Library Board as at December 31, 2016 and the continuity of the Trust Funds for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
June 27, 2017

PETERBOROUGH PUBLIC LIBRARY BOARD

TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2016

	Nichols Endowment \$	Morrow Trust \$	2016 Total \$	2015 Total \$
FINANCIAL ASSETS				
Cash	15,405	5,135	20,540	20,556
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to revenue fund	143	48	191	209
FUND BALANCES				
	15,262	5,087	20,349	20,347
	15,405	5,135	20,540	20,556

The accompanying notes are an integral part of these financial statements

PETERBOROUGH PUBLIC LIBRARY BOARD

TRUST FUNDS

STATEMENT OF CONTINUITY

For the Year Ended December 31, 2016

	Nichols Endowment \$	Morrow Trust \$	2016 Total \$	2015 Total \$
BALANCES - beginning of year	15,260	5,087	20,347	20,344
RECEIPTS				
Interest earned	145	48	193	212
EXPENSES				
Transfer to current operations	143	48	191	209
BALANCES - end of year	15,262	5,087	20,349	20,347

The accompanying notes are an integral part of these financial statements

PETERBOROUGH PUBLIC LIBRARY BOARD

TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the standards in the Chartered Professional Accountants Canada Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable; expenses 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.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the period and are based on management's best information and judgment. Actual results could differ from these estimates.