

PETERBOROUGH PUBLIC LIBRARY BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2017

Draft June 20, 2018

PETERBOROUGH PUBLIC LIBRARY BOARD

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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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, 2017, 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, 2017 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 26, 2018

PETERBOROUGH PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION At December 31, 2017

	2017 \$	2016 \$
FINANCIAL ASSETS		
Cash	1,889,782	239,732
Accounts receivable		
City of Peterborough	570,705	2,130,821
Other	26,965	134,807
TOTAL FINANCIAL ASSETS	2,487,452	2,505,360
LIABILITIES		
Accounts payable and accrued liabilities	2,211,124	1,136,732
Deferred revenue (note 2)	10,902	-
Employee future benefits (note 3)	180,433	176,192
Long term debt (note 4)	8,291,225	2,963,500
TOTAL LIABILITIES	10,693,684	4,276,424
NET FINANCIAL ASSETS/(LIABILITIES)	(8,206,232)	(1,771,064)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 5)	12,171,595	4,941,827
Prepaid expenses	133,234	160,154
TOTAL NON-FINANCIAL ASSETS	12,304,829	5,101,981
ACCUMULATED SURPLUS (note 8)	4,098,597	3,330,917

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, 2017

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
REVENUES			
Grants			
City of Peterborough	3,004,992	3,489,752	2,701,913
Province of Ontario	132,806	141,802	145,166
User charges (note 9)	84,000	96,977	81,622
Interest	-	11,684	6,054
Donations	-	5,499	32,978
Peterborough Public Library Foundation capital donation	-	250,000	-
TOTAL REVENUES	3,221,798	3,995,714	2,967,733
EXPENSES			
Salaries and wages	2,228,661	2,040,337	2,087,184
Processing materials and supplies	69,500	37,822	83,288
Support services	69,400	71,483	85,668
Property	537,060	473,561	270,873
Environmental services	-	-	12,859
Amortization	478,348	488,608	478,348
Interest on long term debt	81,640	116,223	13,667
TOTAL EXPENSES	3,464,609	3,228,034	3,031,887
ANNUAL SURPLUS/(DEFICIT)	(242,811)	767,680	(64,154)
ACCUMULATED SURPLUS - beginning of year		3,330,917	3,395,071
ACCUMULATED SURPLUS - end of year		4,098,597	3,330,917

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, 2017

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
ANNUAL SURPLUS/(DEFICIT)	(242,811)	767,680	(64,154)
Amortization of tangible capital assets	478,348	488,608	478,348
Purchase of tangible capital assets	(4,439,053)	(7,718,376)	(3,165,712)
Change in prepaid expenses	-	26,920	(57,193)
CHANGE IN NET FINANCIAL ASSETS/(LIABILITIES)	(4,203,516)	(6,435,168)	(2,808,711)
NET FINANCIAL ASSETS/(LIABILITIES) - beginning of year	(1,771,064)	(1,771,064)	1,037,647
NET FINANCIAL ASSETS/(LIABILITIES) - end of year	(5,974,580)	(8,206,232)	(1,771,064)

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, 2017

	2017	2016
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	767,680	(64,154)
Items not involving cash		
Amortization of tangible capital assets	488,608	478,348
Change in employee future benefits	4,241	5,931
Change in non-cash assets and liabilities		
Accounts receivable		
City of Peterborough	1,560,116	102,555
Other accounts receivable	107,842	(129,358)
Prepaid expenses	26,920	(57,193)
Accounts payable and accrued liabilities	1,074,392	118,380
Deferred revenue	10,902	(12,980)
Net change in cash from operating activities	4,040,701	441,529
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(7,718,376)	(3,165,712)
FINANCING ACTIVITIES		
Proceeds of debenture issue	5,475,900	2,963,500
Debt principal repayments	(148,175)	-
Net change in cash from financing activities	5,327,725	2,963,500
NET CHANGE IN CASH	1,650,050	239,317
CASH - beginning of year	239,732	415
CASH - end of year	1,889,782	239,732

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, 2017

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. 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.

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.

Other revenue

User charges are recognized as revenue in the year the goods and services are provided.

Interest income is recorded when earned.

Donations are recognized as revenue as received.

(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.

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) 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.

(e) 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.

(f) 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.

(g) Reserves

Certain amounts, as approved by the Board, 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.

(h) Trust Funds

Trust funds and their related operations administered by the Board are not included in these financial statements but are reported on separately on the Trust Funds Statement of Continuity and Statement of Financial Position.

2. DEFERRED REVENUE

Deferred revenue consists of the Improving Library Digital Services grant from the Province of Ontario in the amount of \$10,902 (2016 - \$Nil).

3. 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.

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

3. EMPLOYEE FUTURE AMOUNTS PAYABLE, continued

The following table sets out the results for the plans as at December 31, 2017:

	Retirement Benefits \$	Life Insurance \$	Total 2017 \$	Total 2016 \$
Accrued benefit obligation, beginning of year	101,106	61,292	162,398	160,509
Current cost	2,795	1,166	3,961	3,716
Interest cost	4,424	2,727	7,151	7,105
Benefit payments	(8,337)	(2,576)	(10,913)	(8,932)
Accrued benefit obligation, end of year	99,988	62,609	162,597	162,398
Unamortized actuarial gain (loss)	(5,884)	23,720	17,836	13,794
Accrued benefit liability, end of year	94,104	86,329	180,433	176,192

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% (2016 - 2%)	2% (2016 - 2%)
Expected level of salary increases	3% (2016 - 3%)	3% (2016 - 3%)
Interest discount rate	4.25% (2016 - 4.25%)	4.25% (2016 - 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, 2017

4. LONG TERM DEBT

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

	2017 \$	2016 \$
Debenture issued by the City of Peterborough on behalf of the Peterborough Public Library to OILC, matures November 1, 2036. The Library portion of this debenture is repayable in semi-annual instalments of \$74,087 plus interest at a rate of 2.79% per annum.	2,815,325	2,963,500
Debenture issued by the City of Peterborough on behalf of the Peterborough Public Library to OILC, matures October 16, 2027. The Library portion of this debenture is repayable in semi-annual instalments of \$332,760 plus interest at a rate of 2.99% per annum.	3,327,600	-
Debenture issued by the City of Peterborough on behalf of the Peterborough Public Library to OILC, matures October 16, 2032. The Library portion of this debenture is repayable in semi-annual instalments of \$143,220 plus interest at a rate of 3.27% per annum.	2,148,300	-
	8,291,225	2,963,500

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

	Principal \$	Interest \$	Total \$
2018	624,156	306,175	930,331
2019	624,156	280,987	905,143
2020	624,156	256,518	880,674
2021	624,156	230,612	854,768
2022	624,156	205,424	829,580
	3,120,780	1,279,716	4,400,496
2023 and subsequent years	5,170,445	891,028	6,061,473
	8,291,225	2,170,744	10,461,969

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

5. TANGIBLE CAPITAL ASSETS

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

	2017	2016
	\$	\$
General		
Land	11,119	11,119
Buildings	268,729	293,873
Land improvements	13,095	13,449
Books and other materials	1,593,484	1,545,539
Furniture, fixtures and equipment	101,183	92,590
	1,987,610	1,956,570
Assets under construction	10,183,985	2,985,257
	12,171,595	4,941,827

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

During the year there were no write-downs of assets (2016 - \$Nil) and no interest capitalized (2016 - \$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 2017 Annual Report disclosed total actuarial liabilities of \$94,431 million in respect of benefits accrued for service with actuarial assets of \$89,028 million indicating an actuarial deficit of \$5,403 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Board does not recognize any share of the OMERS pension surplus or deficit.

The board's required contributions to OMERS in 2017 were \$107,606 (2016 - \$195,398).

7. TRUST FUNDS

Trust funds administered by the Board amounting to \$20,353 (2016 - \$20,349) 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.

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

8. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2017 \$	2016 \$
Surplus/(Deficit)		
Unfunded employee future benefits	(180,433)	(176,192)
Invested In Capital Assets		
Tangible capital assets - net book value	12,171,595	4,941,827
Long term debt	(8,291,225)	(2,963,500)
Unexpended/(unfunded) capital	(945,745)	444,552
	2,934,625	2,422,879
Surplus	2,754,192	2,246,687
Reserves		
Library system	586,570	563,585
Friends of library	7,822	7,822
Innovation	30,895	30,546
Building maintenance	119,452	118,107
Materials acquisition	89,149	67,653
Peterborough collection	42,357	42,357
Healthy families	4,794	4,794
ESL program	2,885	2,885
Contingency	321,608	81,692
Library friends	22,717	31,211
Other donations	116,156	133,578
Total Reserves	1,344,405	1,084,230
	4,098,597	3,330,917

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

8. ACCUMULATED SURPLUS, continued

	Operating Fund \$	Unfunded Employee Future Benefits \$	Equity in Capital Assets \$	Reserve Funds \$	2017 Total \$
BALANCE - beginning of year	-	(176,192)	2,422,879	1,084,230	3,330,917
Annual Surplus/(Deficit)	1,233,503	(4,241)	(470,094)	8,512	767,680
Transfers between funds	(1,233,503)	-	981,840	251,663	-
BALANCE - end of year	-	(180,433)	2,934,625	1,344,405	4,098,597

9. USER CHARGES

User charges are comprised of:

	Budget 2017 \$ (Unaudited)	Actual 2017 \$	Actual 2016 \$
Fines	63,700	60,659	58,599
Other	700	17,579	1,202
Memberships	10,000	8,380	8,441
Photocopier charges	2,000	4,902	3,549
Equipment and facility rentals	6,800	4,897	8,997
Microfilm fees	100	316	169
Internet charges	200	200	197
Program revenue	500	44	468
	84,000	96,977	81,622

10. BUDGET FIGURES

The budget, approved by the Board, for 2017 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.

PETERBOROUGH PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

11. COMMITMENT

During 2016, the Peterborough Public Library committed to renovate their main branch location. Total estimated cost of this renovation is \$12,026,800 plus HST. Total expenditures on this renovation at December 31, 2017 amounted to \$10,183,984. The remaining commitment is expected to be funded from future debt and development charges from the City of Peterborough.

Draft June 20, 2018

PETERBOROUGH PUBLIC LIBRARY BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended December 31, 2017

	General					Assets Under Construction	Totals
	Land	Buildings	Land improvements	Books and other materials	Furniture, fixtures and equipment	\$	\$
COST							
Balance, beginning of year	11,119	2,241,595	32,517	3,461,441	333,942	2,985,257	9,065,871
Add: additions during the year	-	-	-	489,124	30,524	7,198,728	7,718,376
Less: disposals during the year	-	-	-	400,748	-	-	400,748
Balance, end of year	11,119	2,241,595	32,517	3,549,817	364,466	10,183,985	16,383,499
ACCUMULATED AMORTIZATION							
Balance, beginning of year	-	1,947,722	19,068	1,915,902	241,352	-	4,124,044
Add: additions during the year	-	25,144	354	441,179	21,931	-	488,608
Less: disposals during the year	-	-	-	400,748	-	-	400,748
Balance, end of year	-	1,972,866	19,422	1,956,333	263,283	-	4,211,904
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	11,119	268,729	13,095	1,593,484	101,183	10,183,985	12,171,595

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, 2017, 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, 2017 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 26, 2018

PETERBOROUGH PUBLIC LIBRARY BOARD

TRUST FUNDS STATEMENT OF FINANCIAL POSITION At December 31, 2017

	Nichols Endowment \$	Morrow Trust \$	2017 Total \$	2016 Total \$
FINANCIAL ASSETS				
Cash	15,437	5,146	20,583	20,540
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to Peterborough Public Library	172	58	230	191
FUND BALANCES	15,265	5,088	20,353	20,349
	15,437	5,146	20,583	20,540

TRUST FUNDS STATEMENT OF CONTINUITY For the Year Ended December 31, 2017

	Nichols Endowment \$	Morrow Trust \$	2017 Total \$	2016 Total \$
BALANCES - beginning of year	15,262	5,087	20,349	20,347
RECEIPTS				
Interest earned	175	58	233	193
EXPENSES				
Transfer to current operations	172	57	229	191
BALANCES - end of year	15,265	5,088	20,353	20,349

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, 2017

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.