

Financial Report

City of Port Colborne

Public Library Board

December 31, 2015

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# Independent auditor's report

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To the Board Members, Members of Council, Inhabitants and Taxpayers  
of the Corporation of the City of Port Colborne

We have audited the statement of financial position of the **City of Port Colborne Public Library Board** as at December 31, 2015 and the statements of operations, changes 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 the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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**

The City of Port Colborne Public Library Board derives revenue from donations and cash sales, 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 the City of Port Colborne Public Library Board and we were not able to determine whether any adjustments might be necessary to donations and other revenue, financial assets and accumulated surplus.

#### **Qualified opinion**

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the City of Port Colborne Public Library Board as at December 31, 2015, and the results of its operations, changes in net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Port Colborne, Canada  
August 30, 2016

Chartered Professional Accountants  
Licensed Public Accountants

**City of Port Colborne  
Public Library Board  
Statement of Financial Position**

As at December 31	2015	2014
<b>Financial assets</b>		
Cash (Note 3)	\$ 200	\$ 200
Receivables	49,819	48,991
Due from City of Port Colborne	<u>226,858</u>	<u>207,018</u>
	<u>276,877</u>	<u>256,209</u>
<b>Liabilities</b>		
Payables and accruals	6,751	18,505
Deferred revenue	-	1,000
Capital lease obligation (Note 4)	3,528	4,607
Employee benefit obligations (Notes 5 and 11)	<u>201,600</u>	<u>205,594</u>
	<u>211,879</u>	<u>229,706</u>
<b>Net financial assets</b>	<u>64,998</u>	<u>26,503</u>
<b>Non-financial assets</b>		
Tangible capital assets (Page 14)	<u>347,980</u>	<u>342,994</u>
<b>Accumulated surplus</b> (Note 6)	<u>\$ 412,978</u>	<u>\$ 369,497</u>

On behalf of the Board

See accompanying notes and schedule to the financial statements.

**City of Port Colborne  
Public Library Board  
Statement of Operations**

For the Year Ended December 31, 2015

	Budget <u>2015</u>	Actual <u>2015</u>	Actual <u>2014</u>
<b>Revenue</b>			
Municipal contribution	\$ 671,670	\$ 671,670	\$ 660,052
Government transfers (Note 8)	40,142	45,779	41,205
Other (Note 9)	26,450	24,514	25,153
Program fees	3,500	1,841	3,956
Donations	-	14,080	5,093
Interest	-	3,000	1,702
Loss on disposal of tangible capital assets	<u>-</u>	<u>(83)</u>	<u>(501)</u>
	<u>741,762</u>	<u>760,801</u>	<u>736,660</u>
<b>Expenses</b>			
Administration	19,590	14,149	14,278
Amortization and write-downs of tangible capital assets	67,887	67,887	69,158
DVDs and periodicals	11,750	12,536	12,707
Electronic resources and maintenance	29,150	30,259	25,397
Insurance	2,144	2,144	2,100
Interest on capital lease	-	178	105
Non-print materials	2,600	1,755	2,599
Programming	4,500	4,010	4,383
Repairs and maintenance	51,050	48,240	44,095
Salaries, wages and benefits (Note 10)	511,092	500,320	494,829
Utilities	<u>35,386</u>	<u>35,842</u>	<u>34,652</u>
	<u>735,149</u>	<u>717,320</u>	<u>704,303</u>
<b>Annual surplus</b>	6,613	43,481	32,357
<b>Accumulated surplus (Note 6)</b>			
Beginning of year	<u>369,497</u>	<u>369,497</u>	<u>337,140</u>
End of year	<u>\$ 376,110</u>	<u>\$ 412,978</u>	<u>\$ 369,497</u>

See accompanying notes and schedule to the financial statements.

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**City of Port Colborne  
Public Library Board  
Statement of Changes in Net Financial Assets**

For the Year Ended December 31, 2015

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	Budget <u>2015</u>	<b>Actual <u>2015</u></b>	Actual <u>2014</u>
Annual surplus	\$ 6,613	<b>\$ 43,481</b>	\$ 32,357
Amortization of tangible capital assets	67,887	<b>67,887</b>	69,158
Acquisition of tangible capital assets	(74,500)	<b>(72,956)</b>	(53,085)
Loss on sale of tangible capital assets	<u>-</u>	<u>83</u>	<u>503</u>
	<u>(6,613)</u>	<u>(4,986)</u>	<u>16,576</u>
<b>Increase in net financial assets</b>	-	<b>38,495</b>	48,933
<b>Net financial assets (debt)</b>			
Beginning of year	<u>26,503</u>	<u>26,503</u>	<u>(22,430)</u>
End of year	<u>\$ 26,503</u>	<u>\$ 64,998</u>	<u>\$ 26,503</u>

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See accompanying notes and schedule to the financial statements.

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**City of Port Colborne  
Public Library Board  
Statement of Cash Flows**

For the Year Ended December 31

**2015**

**2014**

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**Increase (decrease) in cash and cash equivalents**

<b>Operating</b>		
Annual surplus	\$ 43,481	\$ 32,357
Non-cash items		
Amortization	67,887	69,158
Loss on disposal of tangible capital assets	83	503
Increase in receivables	(828)	(41,945)
Increase in due from City of Port Colborne	(19,840)	(15,528)
Decrease in payables and accruals	(11,754)	(2,386)
(Decrease) increase in deferred revenue	(1,000)	1,000
Decrease in employee benefit obligations	<u>(3,994)</u>	<u>(9,881)</u>
	<u>74,035</u>	<u>33,278</u>
<b>Capital</b>		
Acquisition of tangible capital assets	<u>(72,956)</u>	<u>(53,085)</u>
<b>Financing</b>		
(Decrease) increase of capital lease obligation	<u>(1,079)</u>	<u>3,647</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	-	(16,160)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>200</u>	<u>16,360</u>
End of year	<u>\$ 200</u>	<u>\$ 200</u>

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See accompanying notes and schedule to the financial statements.



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# **City of Port Colborne Public Library Board Notes to the Financial Statements**

For the Year Ended December 31, 2015

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## **1. Purpose of the Library Board**

The City of Port Colborne Public Library Board (“the Library”) provides library services to residents of the City of Port Colborne and residents of other municipalities who have contracted with the Library for services.

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## **2. Summary of significant accounting policies**

The financial statements are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates based on management’s judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

### **(a) Reporting entity**

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the Library.

### **(b) Basis of accounting**

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

### **(c) Tangible capital assets**

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition. The Library does not capitalize interest as part of the costs of its capital assets.

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# City of Port Colborne Public Library Board Notes to the Financial Statements

For the Year Ended December 31, 2015

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

### (c) Tangible capital assets (continued)

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the statement of operations as other revenue.

<u>Classification</u>	<u>Useful Lives</u>
Computers and office equipment	5-10 years
Library collection	7 years
Furniture and fixtures	7 years
Leasehold improvements	20-50 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal amortization is taken up to the month of disposal. Assets under construction are not amortized until the asset is available for productive use.

### (d) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

### (e) Deferred revenue

Deferred revenue is comprised of the unspent portion of grants and donations received.

### (f) Reserves for future expenses

Certain amounts, as approved by the Board, are set aside in reserves for future operating and capital expenditures.

### (g) Revenue recognition

Government transfers are recognized when approved to the extent the related expenses have been incurred and collection can be reasonably assured.

User fees, program fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

# City of Port Colborne Public Library Board Notes to the Financial Statements

For the Year Ended December 31, 2015

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

### (h) Employee future benefits

The City of Port Colborne Public Library Board pays certain benefits on behalf of its retired employees. These retirement costs are recognized in the period in which the employees rendered their services to the Library. The actuarial determination of the accrued benefit obligations for pension benefits earned by employees uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

### (i) 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. Actual results could differ from those estimates.

3. Cash	<u>2015</u>	<u>2014</u>
Cash on hand	\$ 200	\$ 200
Cash held in banks	<u>-</u>	<u>-</u>
	<u>\$ 200</u>	<u>\$ 200</u>

4. Capital lease obligation	<u>2015</u>	<u>2014</u>
Brock Office Automation 4.35% capital lease, due in 2018, payable in blended monthly payments of \$ 103 principal and interest. As security, the Library has pledged specific equipment	<u>\$ 3,528</u>	<u>\$ 4,607</u>

Principal repayments over the next three years are as follows:

2016	\$ 1,107
2017	1,156
2018	1,265

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# City of Port Colborne Public Library Board Notes to the Financial Statements

For the Year Ended December 31, 2015

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<b>5. Employee benefit obligations</b>	<u>2015</u>	<u>2014</u>
Retirement benefits	<u>\$ 201,600</u>	<u>\$ 205,594</u>

The Library pays certain retirement benefits on behalf of its retired employees. The Library recognizes these retirement costs in the period in which the employees rendered the services. The plan is substantially unfunded and requires no contributions from employees.

The accrued benefit obligation at December 31, 2015 of \$ 182,800 (2014 - \$ 215,475) was determined by an actuarial valuation using a discount rate of 3.40%.

The Library's obligation under the retirement benefits provision of employment agreements will be funded out of current revenue. During the year, benefit payments of \$ 14,400 (2014 - \$ 22,852) were paid to retirees.

Actuarial valuations for accounting purposes are performed every three years using the projected benefit method, pro-rated on service. Under this method, the projected post-employment benefits are deemed to be earned on a pro-rata basis over the employee's years of service.

The most recent actuarial valuation for the post-employment benefits was prepared as at December 31, 2015.

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

**(i)** Interest (discount) rate

The obligations as at December 31, 2015 of the present value of future liabilities were determined using a discount rate of 3.40%.

**(ii)** Medical costs

Drug costs were assumed to be 8% in 2016 and decrease 0.175% per year until 2036 when the rate will be 4.50% and continue thereafter.

Vision costs were assumed to be 2.50% in 2016 and decrease 0.25% per year until 2026 when the rate will be 0% and continue thereafter.

Other health costs were assumed to be 4.50% in 2016 and continue thereafter.

**(iii)** Dental costs

Dental costs were assumed to be 6% in 2016 and decrease 0.1875% per year until 2024 when the rate will be 4.5% and continue thereafter.

**City of Port Colborne  
Public Library Board  
Notes to the Financial Statements**

For the Year Ended December 31, 2015

<b>5. Employee benefit obligations</b> (continued)	<u><b>2015</b></u>	<u><b>2014</b></u>
Accrued benefit obligation		
Balance, beginning of year	\$ 215,475	\$ 225,844
Benefit payments	(14,400)	(22,852)
Current service cost	6,100	3,948
Interest cost	6,100	8,535
Actuarial (gain) loss	<u>(30,475)</u>	<u>-</u>
Balance, end of year	<u><b>\$ 182,800</b></u>	<u><b>\$ 215,475</b></u>
Funded status		
Deficit	\$ 182,800	\$ 215,475
Unamortized actuarial gain (loss)	<u>18,800</u>	<u>(9,881)</u>
Balance, end of year	<u><b>\$ 201,600</b></u>	<u><b>\$ 205,594</b></u>
The net benefit expense for the employee benefit plan is as follows:		
Current year benefit cost	\$ 6,100	\$ 3,948
Interest cost	6,100	8,535
Amortization of actuarial (gain) loss	<u>(1,794)</u>	<u>488</u>
Net benefit expense	<u><b>\$ 10,406</b></u>	<u><b>\$ 12,971</b></u>
<b>6. Accumulated surplus</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Consists of:		
Operating surplus	\$ 1,426	\$ 1,426
Tangible capital assets (Page 14)	347,980	342,994
Reserves and reserve funds (Note 7)	268,700	235,278
Unfunded:		
Capital lease obligation	(3,528)	(4,607)
Employee benefit obligation	<u>(201,600)</u>	<u>(205,594)</u>
	<u><b>\$ 412,978</b></u>	<u><b>\$ 369,497</b></u>
<b>7. Reserves and reserve funds</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Workplace safety and insurance board	\$ 9,459	\$ 9,459
Capital	204,322	196,183
Donor plaques	25,798	22,410
Lions reserve	11,000	-
Budget stabilization	<u>18,121</u>	<u>7,226</u>
	<u><b>\$ 268,700</b></u>	<u><b>\$ 235,278</b></u>

**City of Port Colborne  
Public Library Board  
Notes to the Financial Statements**

For the Year Ended December 31, 2015

<b>8. Government transfers</b>	Budget <u>2015</u>	<b>Actual <u>2015</u></b>	Actual <u>2014</u>
<b>Province of Ontario</b>			
Conditional grant	\$ 38,328	<b>\$ 40,828</b>	\$ 38,328
SOLS connectivity	<u>1,814</u>	<u><b>4,951</b></u>	<u>2,877</u>
	<b><u>\$ 40,142</u></b>	<b><u>\$ 45,779</u></b>	<b><u>\$ 41,205</u></b>
<hr/>			
<b>9. Other revenue</b>	Budget <u>2015</u>	<b>Actual <u>2015</u></b>	Actual <u>2014</u>
Fines	\$ 15,000	<b>\$ 11,383</b>	\$ 13,796
Other	50	<b>70</b>	40
Photocopier	400	<b>624</b>	442
Print server revenue	1,500	<b>1,781</b>	1,798
Room rentals	300	<b>390</b>	365
Sale of books	4,500	<b>5,932</b>	4,687
Sign rentals	4,500	<b>4,015</b>	3,630
Vending machine	<u>200</u>	<u><b>319</b></u>	<u>395</u>
	<b><u>\$ 26,450</u></b>	<b><u>\$ 24,514</u></b>	<b><u>\$ 25,153</u></b>
<hr/>			
<b>10. Salaries, wages and benefits</b>	Budget <u>2015</u>	<b>Actual <u>2015</u></b>	Actual <u>2014</u>
Salaries and wages	\$ 382,379	<b>\$ 377,348</b>	\$ 376,938
Benefits	128,713	<b>126,966</b>	127,772
Change in future employee benefit obligation	<u>-</u>	<u><b>(3,994)</b></u>	<u>(9,881)</u>
	<b><u>\$ 511,092</u></b>	<b><u>\$ 500,320</u></b>	<b><u>\$ 494,829</u></b>

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# City of Port Colborne Public Library Board Notes to the Financial Statements

For the Year Ended December 31, 2015

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## 11. Pension agreements

The Library makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Library does not recognize any share of the pension plan deficit of \$ 5.3 billion (2014 - \$ 5.3 billion) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2015 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the statement of operations. Employer contributions to OMERS for 2015 current and past service was \$ 35,587 (2014 - \$ 32,389) and were matched by employee contributions in a similar amount.

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## 12. Budget

The budget was not prepared on a basis consistent with that used to report actual results in accordance with Canadian public sector accounting standards. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. As a result, the budget figures presented in the statement of operations and statement of changes in net financial assets represent the budget adopted with the following adjustments:

Budgeted annual surplus (deficit)	\$ -
Add: acquisition of tangible capital assets	74,500
Less: amortization of tangible capital assets	<u>(67,887)</u>
Budgeted surplus per statement of operations	<u>\$ 6,613</u>

# City of Port Colborne Public Library Board Schedule of Tangible Capital Assets

As at December 31, 2015

	Computers and Office Equipment	Library Collection	Furniture and Fixtures	Leasehold Improvements	Work in Process	<b>2015</b>	<b>2014</b>
<b>Cost</b>							
Balance, beginning of year	\$ 96,216	\$ 291,623	\$ 63,327	\$ 224,064	\$ -	\$ <b>675,230</b>	\$ 675,898
Add: additions during the year	12,474	38,876	-	21,606	-	<b>72,956</b>	53,245
Less: disposals during the year	(3,743)	(40,269)	(11,645)	-	-	<b>(55,657)</b>	(53,913)
Less: write-downs	-	-	-	-	-	-	-
Balance, end of year	<u>104,947</u>	<u>290,230</u>	<u>51,682</u>	<u>245,670</u>	<u>-</u>	<b><u>692,529</u></b>	<u>675,230</u>
<b>Accumulated amortization</b>							
Balance, beginning of year	63,193	151,878	53,064	64,101	-	<b>332,236</b>	316,328
Add: amortization during the year	12,398	41,561	5,014	8,914	-	<b>67,887</b>	69,158
Less: amortization on disposals	<u>(3,660)</u>	<u>(40,269)</u>	<u>(11,645)</u>	<u>-</u>	<u>-</u>	<b><u>(55,574)</u></b>	<u>(53,250)</u>
Balance, end of year	<u>71,931</u>	<u>153,170</u>	<u>46,433</u>	<u>73,015</u>	<u>-</u>	<b><u>344,549</u></b>	<u>332,236</u>
Net book value of tangible capital assets	<u>\$ 33,016</u>	<u>\$ 137,060</u>	<u>\$ 5,249</u>	<u>\$ 172,655</u>	<u>\$ -</u>	<b><u>\$ 347,980</u></b>	<u>\$ 342,994</u>

The net book value of equipment under capital leases is \$ 3,592 (2014 - \$ 4,617)