

Financial Statements of

**NORTH BAY PUBLIC
LIBRARY BOARD**

Year ended December 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Directors of the North Bay Public Library Board

We have audited the accompanying financial statements of North Bay Public Library Board, which comprise the statement of financial position as at December 31, 2015, the statements of operations, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation 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.

Auditors' 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 our judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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 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, the financial statements present fairly, in all material respects, the financial position of North Bay Public Library Board as at December 31, 2015, its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

June 13, 2016

North Bay, Canada

NORTH BAY PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Financial assets:		
Cash	\$ 200	\$ 200
Accounts receivable (note 3)	116,156	112,470
Receivable from The Corporation of the City of North Bay (note 2)	92,442	15,505
	<u>208,798</u>	<u>128,175</u>
Financial liabilities:		
Accounts payable and accrued liabilities	242,490	214,652
Deferred revenue	18,380	3,344
Employee future benefits (note 4)	101,000	87,167
	<u>361,870</u>	<u>305,163</u>
Net debt	(153,072)	(176,988)
Non-financial assets:		
Tangible capital assets (note 5)	2,266,009	2,182,482
Prepaid expenses	52,748	62,488
	<u>2,318,757</u>	<u>2,244,970</u>
Accumulated surplus (note 6)	<u>\$ 2,165,685</u>	<u>\$ 2,067,982</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

NORTH BAY PUBLIC LIBRARY BOARD

Statement of Operations and Retained Earnings

Year ended December 31, 2015, with comparative information for 2014

	2015 Budget	2015 Actual	2014 Actual
Revenue:			
Government transfers:			
The Corporation of the City of North Bay:			
Tax levy	\$ 2,138,920	\$ 2,138,920	\$ 2,067,518
Capital contribution	-	194,417	211,096
Province of Ontario:			
Operating grant	109,511	110,864	108,701
Fines	48,000	48,256	50,458
Fees, service charges and donations	12,350	11,624	11,937
Facility rentals and other	30,300	23,600	29,436
Interest	1,200	770	1,279
	<u>2,340,281</u>	<u>2,528,451</u>	<u>2,480,425</u>
Expenses (Schedule):			
Salaries and benefits	1,850,467	1,897,289	1,839,642
Library building	92,050	115,182	91,320
Administration	85,880	103,268	96,307
Purchased services	64,384	63,548	62,757
Operating	56,000	28,485	62,300
Minor capital purchases	15,000	-	41,999
Other	2,500	1,169	2,438
Amortization of tangible capital assets	174,000	221,807	222,553
	<u>2,340,281</u>	<u>2,430,748</u>	<u>2,419,316</u>
Annual surplus	-	97,703	61,109
Accumulated surplus, beginning of year	-	2,067,982	2,006,873
Accumulated surplus, end of year	<u>\$ -</u>	<u>\$ 2,165,685</u>	<u>\$ 2,067,982</u>

See accompanying notes to financial statements.

NORTH BAY PUBLIC LIBRARY BOARD

Statement of Change in Net Debt

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Annual surplus	\$ 97,703	\$ 61,109
Acquisition of tangible capital assets	(305,334)	(304,061)
Amortization of tangible capital assets	221,807	222,553
	14,176	(20,399)
Acquisition of prepaid expenses	-	(9,603)
Use of prepaid expenses	9,740	-
	9,740	(9,603)
Change in net debt	23,916	(30,002)
Net debt, beginning of year	(176,988)	(146,986)
Net debt, end of year	\$ (153,072)	\$ (176,988)

See accompanying notes to financial statements.

NORTH BAY PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 97,703	\$ 61,109
Item not involving cash:		
Amortization of tangible capital assets	221,807	222,553
	319,510	283,662
Change in non-cash assets and liabilities:		
Accounts receivable	(3,686)	(105,385)
Receivable from The Corporation of the City of North Bay	(76,938)	175,906
Prepaid expenses	9,740	(9,603)
Accounts payable and accrued liabilities	27,839	(29,493)
Deferred revenue	15,036	(4,074)
Employee future benefits	13,833	(6,952)
	305,334	304,061
Capital activities:		
Purchase of tangible capital assets	(305,334)	(304,061)
Cash during the year	-	-
Cash position, beginning of year	200	200
Cash position, end of year	\$ 200	\$ 200

See accompanying notes to financial statements.

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2015

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

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements of the Library are prepared by management in accordance with Canadian public sector accounting standards. Significant policies adopted by the Library are as follows:

(b) Basis of accounting:

The Library follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Deferred revenue:

Deferred revenue represents funds which have been received but for which the related services have yet to be performed. These amounts will be recognized as revenues in the year the appropriate expenses are incurred.

(d) Government transfers:

Government transfers received relate to operating and capital expenditures. Transfers are recognized in the financial statements as revenues in the period in which 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.

(e) Tangible capital assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(e) Tangible capital assets: (continued)

Tangible capital assets are recorded at cost. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation and 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 useful life of the tangible capital asset commencing once the asset is available for use as follows:

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

(f) Employee future 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 pro-rated 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. The average remaining service period of active employees is 12 years.
- 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 (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements in conformity 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 year. Significant estimates include assumptions used in estimating useful lives for tangible capital assets, and in performing actuarial valuations of employee future benefits. Actual results could differ from these estimates.

2. Related party transactions and economic dependence:

Substantially all of the Library's revenue is received from The Corporation of the City of North Bay (the "City"). The continuation of the Library is dependent on this funding.

The expenditures noted in Schedule 1 for Purchased Services are paid to the City. These expenditures are measured at their exchange amounts which is the amount of consideration agreed to by the related parties.

The amounts due from the City are non-interest bearing, unsecured and have no fixed terms of repayment.

3. Accounts receivable:

	2015	2014
Government of Canada (sales taxes)	\$ 8,554	\$ 3,554
Provincial grant	106,611	108,847
Other	991	69
	<hr/> \$ 116,156	<hr/> \$ 112,470

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

4. Employee future benefits:

	2015	2014
Sick leave plan	\$ 48,700	\$ 37,663
Supplementary health care benefits	52,300	49,504
Total employee future benefits payable	\$ 101,000	\$ 87,167

Prior to August 31, 1987 the Library 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 Library'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.

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 2011 and the next required valuation will be as of December 2015.

Information about the Library's defined supplementary health benefit care and sick leave plan is as follows:

	2015	2014
Sick leave benefits:		
Accrued benefit, beginning of year	\$ 37,663	\$ 42,045
Amortization of unamortized actuarial gains/losses and other	7,337	13,621
Service cost for the year	17,900	21,125
Interest expense for the year	3,800	7,914
Benefits paid during the year	(18,000)	(47,042)
Accrued benefit liability and projected obligation, end of year	\$ 48,700	\$ 37,663

Supplementary health benefits:		
Accrued benefit, beginning of year	\$ 49,504	\$ 52,074
Amortization of unamortized actuarial gains/losses and other	6,996	4,921
Service cost for the year	3,200	2,507
Interest expense for the year	3,600	3,443
Benefit paid during the year	(11,000)	(13,441)
Accrued benefit liability and projected obligation, end of year	\$ 52,300	\$ 49,504

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

4. Employee future benefits: (continued)

A comprehensive actuarial valuation was completed as at December 31, 2015 by an actuarial firm. The next valuation date will be as at December 31, 2019. The main actuarial assumptions employed for the valuations are as follows:

- i) The discount rate for supplemental health benefits was assumed at 3.40% per annum for Accrued Benefit Obligation ("ABO") (2014 - 4.25%) and 3.40% per annum for the 2015 expense (2014 - 4.25%).
- ii) The discount rate for sick leave benefits was assumed at 3.10% per annum for Accrued Benefit Obligation ("ABO") (2014 - 4.25%) and 3.10% per annum for the 2015 expense (2014 - 4.25%).
- iii) Future general salary and wage levels were assumed to increase 3% per annum.
- iv) Health costs were assumed at 6.61% per annum for 2015, reducing by 0.13% annually to 4.00% in 2036.
- v) Dental costs were assumed to increase at 4% per annum.
- vi) The expected average remaining service life is 14 years for non-pension post retirement benefits and 11 years for post employment benefits.

5. Tangible capital assets:

	2015				
	Land	Building	Equipment	Books, CD's Videos	Total
Cost, beginning of year	\$ 62,776	\$ 1,835,509	\$ 488,646	\$ 4,373,324	\$ 6,760,255
Additions	-	131,038	40,083	134,213	305,334
Disposals	-	-	-	(280,199)	(280,199)
Cost, end of year	62,776	1,966,547	528,729	4,227,338	6,785,390
Accumulated amortization, beginning of year	-	359,849	380,081	3,837,843	4,577,773
Amortization	-	31,504	41,173	149,130	221,807
Disposals	-	-	-	(280,199)	(280,199)
Accumulated amortization, end of year	-	391,353	421,254	3,706,774	4,519,381
Net carrying amount, end of year	\$ 62,776	\$ 1,575,194	\$ 107,475	\$ 520,564	\$ 2,266,009

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

5. Tangible capital assets (continued):

	2014					
	Land	Building	Equipment	Books, CD's Videos	Construction in progress	Total
Cost, beginning of year	\$ 62,776	\$1,735,759	\$ 413,965	\$4,445,180	\$ -	\$6,657,680
Additions	-	99,750	74,681	129,630	-	304,061
Transfers	-	-	-	(201,486)	-	(201,486)
Disposals	-	-	-	-	-	-
Cost, end of year	62,776	1,835,509	488,646	4,373,324	-	6,760,255
Accumulated amortization, beginning of year	-	330,914	340,387	3,885,405	-	4,556,706
Amortization	-	28,935	39,694	153,924	-	222,553
Disposals	-	-	-	(201,486)	-	(201,486)
Accumulated amortization, end of year	-	359,849	380,081	3,837,843	-	4,577,773
Net carrying amount, end of year	\$ 62,776	\$1,475,660	\$ 108,565	\$ 535,481	\$ -	\$2,182,482

6. Accumulated surplus:

	2015	2014
Invested in tangible capital assets	\$ 2,266,009	\$ 2,182,482
Internally restricted reserve fund	71,730	72,474
Amounts to be funded from future revenues (note 4)	(101,000)	(87,167)
Capital reserve fund	13,605	2,105
Current fund	(84,659)	(101,912)
Accumulated surplus, end of year	\$ 2,165,685	\$ 2,067,982

7. Budget figures:

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

The Board completes a separate budget review for its Operating and Capital Budgets each year. The approved budget for 2015 is reflected on the statement of operations and detailed schedule of expenses.

NORTH BAY PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

8. Segment reporting:

The Chartered Professional Accountants Canada Handbook Section PS2700 - *Segment Disclosures* establishes 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 and related services as presented in these financial statements.

9. Comparative information:

Certain 2014 comparative information have been reclassified to conform with the financial statement presentation adopted for the current year.

NORTH BAY PUBLIC LIBRARY BOARD

Schedule 1 - Detailed Schedule of Expenses

Year ended December 31, 2015, with comparative information for 2014

	2015 Budget	2015 Actual	2014 Actual
Salaries and benefits:			
Salaries	\$ 1,461,262	\$ 1,495,610	\$ 1,440,464
Overtime	15,500	14,410	16,657
Benefits	368,705	367,269	377,521
Vested sick leave payouts	5,000	20,000	5,000
	<u>1,850,467</u>	<u>1,897,289</u>	<u>1,839,642</u>
Operating:			
Book repairs and processing	20,000	11,375	24,996
Electronic materials	36,000	17,110	37,304
	<u>56,000</u>	<u>28,485</u>	<u>62,300</u>
Library building:			
Building maintenance costs	20,550	43,454	20,005
Utility costs	59,000	58,952	59,154
Insurance costs	12,500	12,776	12,161
	<u>92,050</u>	<u>115,182</u>	<u>91,320</u>
Administration:			
Office supplies	10,500	9,171	10,286
Telephone	7,300	4,407	7,207
Postage/courier	6,000	4,751	5,573
Membership fees	1,500	1,098	1,389
Promotion costs	4,500	3,221	3,219
Professional development	4,500	5,324	4,503
Audit/Treasurer fees	6,000	6,172	5,871
Collection agency fees	1,100	866	1,017
Photocopy costs	8,800	10,550	9,334
Systems maintenance contract	28,000	46,006	37,050
Other contracts and miscellaneous costs	1,680	6,090	4,853
Employee parking	6,000	5,612	6,005
	<u>85,880</u>	<u>103,268</u>	<u>96,307</u>
Purchased services:			
Purchased services (note 2)	64,384	63,548	62,757
Minor capital purchases and other:			
Furniture and equipment	15,000	-	41,999
One-time costs	2,500	1,169	2,438
Amortization of tangible capital assets	174,000	221,807	222,553
	<u>191,500</u>	<u>222,976</u>	<u>266,990</u>
	<u>\$ 2,340,281</u>	<u>\$ 2,430,748</u>	<u>\$ 2,419,316</u>