

Financial Statements of

**THE LONDON PUBLIC LIBRARY
BOARD**

Year ended December 31, 2017



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To The London Public Library Board

We have audited the accompanying financial statements of The London Public Library Board, which comprise the statement of financial position as at December 31, 2017, the statements of operations, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory.

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 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 an 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 risks 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 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 audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The London Public Library Board as at December 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 26, 2018

THE LONDON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash	\$ 1,740,166	\$ 1,065,594
Accounts receivable:		
The Corporation of the City of London	2,924,888	689,808
Other	151,105	239,273
	<u>4,816,159</u>	<u>1,994,675</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,641,907	1,851,101
Deferred revenue	155,729	85,713
Payable to The Corporation of the City of London	20,273	6,631
Employee future benefits and other liabilities (note 2)	2,700,600	3,191,396
	<u>4,518,509</u>	<u>5,134,841</u>
Net financial assets (debt)	297,650	(3,140,166)
Non-financial assets:		
Tangible capital assets (note 6)	23,396,144	25,710,419
Prepaid expenses	149,159	301,649
	<u>23,545,303</u>	<u>26,012,068</u>
Commitments (note 4)		
Accumulated surplus (note 7)	<u>\$ 23,842,953</u>	<u>\$ 22,871,902</u>

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	Budget 2017 (note 8)	2017	2016
Revenue:			
User charges:			
Fines	\$ 337,000	\$ 286,720	\$ 336,514
Fee, rental, sundry	467,374	481,202	391,706
Grants:			
Federal	-	76,210	24,535
Ontario	598,829	653,910	644,302
The Corporation of the City of London:			
Current	19,835,207	19,835,207	19,518,426
Capital	1,078,873	1,078,873	2,574,400
Other	-	14,449	15,577
Investment income	10,440	19,811	15,549
Contributions from Trust Funds (note 3)	-	864,278	258,068
Total revenues	22,327,723	23,310,660	23,779,077
Expenses:			
Personnel	14,768,716	14,185,659	14,504,102
Amortization of tangible capital assets	-	3,279,580	3,284,522
Facility services	1,722,580	1,750,359	1,705,719
Utilities	1,060,000	930,293	977,129
Collections and lending services	2,217,200	900,781	796,477
Purchased services	584,049	616,552	674,518
Major repairs and maintenance	948,072	531,272	1,920,587
Technology	594,819	506,520	475,372
Trust fund expenditures (note 3)	-	445,336	235,488
Administrative	94,709	101,924	89,152
Contribution to self-insurance reserve	95,384	75,384	69,621
Program services	53,493	70,504	51,903
Equipment	51,900	9,292	5,908
General	6,000	6,855	60,908
New major facilities	130,801	-	136,218
Total expenses	22,327,723	23,410,311	24,987,624
Gain on disposal of tangible capital assets	-	1,070,702	-
Annual surplus (deficit)	-	971,051	(1,208,547)
Accumulated surplus, beginning of year	22,871,902	22,871,902	24,080,449
Accumulated surplus, end of year	\$ 22,871,902	\$ 23,842,953	\$ 22,871,902

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Annual surplus (deficit)	\$ 971,051	\$ (1,208,547)
Acquisition of tangible capital assets	(2,533,583)	(2,027,930)
Amortization of tangible capital assets	3,279,580	3,284,522
Proceeds on disposal of tangible capital assets	2,638,980	-
Gain on disposal of tangible capital assets	(1,070,702)	-
	3,285,326	48,045
Change in prepaid expenses	152,490	(24,235)
Increase in net financial assets	3,437,816	23,810
Net financial debt, beginning of year	(3,140,166)	(3,163,976)
Net financial assets (debt), end of year	\$ 297,650	\$ (3,140,166)

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 971,051	\$ (1,208,547)
Items not involving cash:		
Amortization of tangible capital assets	3,279,580	3,284,522
Change in employee future benefits and other liabilities	(490,796)	(190,388)
Gain on disposal of tangible capital assets	(1,070,702)	-
Changes in non-cash assets and liabilities:		
Receivable from The Corporation of the City of London	(2,235,080)	56,392
Accounts receivable	88,168	(61,943)
Accounts payable and accrued liabilities	(209,194)	6,446
Payable to The Corporation of the City of London	13,642	(12,277)
Deferred revenue	70,016	(1,111)
Prepaid expenses	152,490	(24,235)
	569,175	1,848,859
Capital activities:		
Proceeds on disposal of tangible capital assets	2,638,980	-
Cash used to acquire tangible capital assets	(2,533,583)	(2,027,930)
	105,397	(2,027,930)
Increase (decrease) in cash	674,572	(179,071)
Cash, beginning of year	1,065,594	1,244,665
Cash, end of year	\$ 1,740,166	\$ 1,065,594

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

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2017

1. Significant accounting policies:

The financial statements of The London Public Library Board (the "Board"), a registered charity and a local board of The Corporation of the City of London (the "City"), are prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the Board are as follows:

(a) Basis of accounting:

The Board 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.

(b) Municipal funding:

The City provides funding to the Board for both operating and capital expenditures such as refurbishment, replacement and major repairs and maintenance to the Library buildings. Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) Deferred revenue:

Deferred revenues represent grants and other designated funding which has been received but for which the service has yet to be performed. These amounts will be recognized as revenues in the fiscal year in which the services are performed.

(d) Investment income:

Investment income is reported as revenue in the period earned.

(e) Employee future benefits:

The Board provides certain employee benefits which will require funding in future periods. These benefits include life insurance, extended health and dental benefits for early retirees.

The costs of life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, long term inflation rates and discount rates.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(f) Pension contributions:

The Board has a pension agreement with the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer defined contribution benefit plan. The Board's costs are the contributions due to the plan in the period.

(g) Non-financial 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.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Buildings	15 - 60 years
Collections	7 years
Shelving	40 years
Computers	3 years
Furniture and equipment	7 years

Leasehold improvements are amortized over the related lease term.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive

(ii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(iii) Leased tangible capital assets:

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

(h) Budget data:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(i) Use of estimates:

The preparation of financial statements 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 revenue and expenses during the period. Significant estimates include the useful life of tangible capital assets and assumptions used in estimating provisions for accrued liabilities and in preparing actuarial valuations for employee future benefits.

Actual results could differ from those estimates.

(j) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Employee future benefits and other liabilities:

Employee future benefits and other liabilities are comprised of the following:

	2017	2016
Liability for vested sick leave benefits	\$ 144,549	\$ 249,329
Vacation pay liability	491,051	878,067
Employee future benefits obligation	2,065,000	2,064,000
	\$ 2,700,600	\$ 3,191,396

(a) Liability for vested sick leave benefits:

Under the sick leave benefit plan, employees hired prior to May 1, 1985 can accumulate unused sick leave and may become entitled to a cash payment when they leave the employment of the Board.

The liability of these accumulated days, to the extent that they have vested and could be taken in cash by an employee upon ceasing employment with the Board as at December 31, 2017, amounts to \$144,549 (2016 - \$249,329). This amount is fully funded by a reserve held by The City of London in the amount of \$157,727 (2016 - \$259,773).

(b) Retiree benefits:

The Board provides certain post-employment and post-retirement employee benefits which will require funding in future periods.

The Board pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age sixty-five. The Board recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was performed as at December 31, 2015.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Employee future benefits and other liabilities (continued):

(b) Retiree benefits (continued):

Detailed information about retiree benefits is as follows:

	2017	2016
Accrued employee future benefit obligation:		
Balance, beginning of year	\$ 1,392,000	\$ 1,339,000
Current period benefit cost	71,000	68,000
Interest	46,000	45,000
Benefits paid	(74,000)	(60,000)
Balance, end of year	1,435,000	1,392,000
Unamortized actuarial gain	630,000	672,000
Employee future benefits obligation	\$ 2,065,000	\$ 2,064,000

Post-employment and post-retirement benefit expenses included in total expenditures consist of the following:

	2017	2016
Current year benefit cost	\$ 71,000	\$ 68,000
Interest on accrued benefit obligation	46,000	45,000
Amortization of net actuarial gain	42,000	42,000
Total payments made during the year	\$ 159,000	\$ 155,000

Significant assumptions used in the actuarial valuation are as follows:

Discount rate	3.25%
Rate of compensation increase	1.90%
Healthcare cost increases	4.50%

The actuarial gain is amortized over the expected average remaining service life of the related employee group of thirteen years.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Trust funds:

Trust funds administered by the Board amounting to \$3,379,747 (2016 - \$3,510,114) have not been included in the statement of financial position nor have their operations been included in the statement of operations. They are reported separately on The London Public Library Board Trust Funds ("Trust Funds") statement of fund equity.

During the year, the Trust Funds transferred \$864,278 (2016 - \$258,068) to the Board for capital and operating expenses. This amount and the related expenditures have been included in the statement of operations. Included in accounts payable is \$40,379 (2016 - accounts receivable \$78,932) due to the Trust Funds.

4. Commitments:

The Board is committed under operating leases for the rental of premises and equipment. The minimum annual payments under these leases are as follows:

2018	\$	682,980
2019		601,828
2020		277,968
2021		209,933
	\$	1,772,709

5. Pension agreement:

The Board has a pension agreement with OMERS, which is a multi-employer plan, on behalf of its full and part-time staff. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2017 is \$1,018,213 (2016 - \$1,028,904) for current service and is included as an expenditure in the statement of operations.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

6. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$ 4,611,030	\$ -	\$ 706,865	\$ 3,904,165
Buildings	40,351,569	416,800	2,663,624	38,104,745
Leasehold improvements	349,083	-	-	349,083
Collections	10,214,562	1,275,970	1,869,133	9,621,399
Shelving	1,328,976	15,862	1,988	1,342,850
Computers	458,775	436,072	154,326	740,521
Computers under capital lease	615,244	-	-	615,244
Furniture and equipment	583,961	388,879	124,094	848,746
Total	\$ 58,513,200	\$ 2,533,583	\$ 5,520,030	\$ 55,526,753

Accumulated amortization	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Land	\$ -	\$ -	\$ -	\$ -
Buildings	25,301,871	1,524,453	1,802,211	25,024,113
Leasehold improvements	300,953	16,987	-	317,940
Collections	5,388,824	1,416,855	1,869,133	4,936,546
Shelving	690,445	33,334	1,988	721,791
Computers	211,631	191,590	154,326	248,895
Computers under capital lease	615,244	-	-	615,244
Furniture and equipment	293,813	96,361	124,094	266,080
Total	\$ 32,802,781	\$ 3,279,580	\$ 3,951,752	\$ 32,130,609

	Net book value December 31, 2016	Net book value December 31, 2017
Land	\$ 4,611,030	\$ 3,904,165
Buildings	15,049,698	13,080,632
Leasehold improvements	48,130	31,143
Collections	4,825,738	4,684,853
Shelving	638,531	621,059
Computers	247,144	491,626
Computers under capital lease	-	-
Furniture and equipment	290,148	582,666
Total	\$ 25,710,419	\$ 23,396,144

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. Accumulated surplus:

Accumulated surplus consists of surplus and reserve funds as follows:

	2017	2016
Surplus:		
Invested in tangible capital assets	\$ 23,396,144	\$ 25,710,419
Unfunded:		
Employee benefits, accrued sick and vacation	(635,600)	(1,127,396)
Employee benefits, future benefit liability	(2,065,000)	(2,064,000)
Other	(42,460)	(42,460)
Total surplus	20,653,084	22,476,563
Reserves set aside by the Board:		
Stabilization fund	340,442	102,044
Collections encumbrance fund	52,720	33,523
Total reserves	393,162	135,567
Reserve held by the City on behalf of the Board:		
Sick leave reserve	157,727	259,772
Facilities reserve (re SW)	2,638,980	-
	\$ 23,842,953	\$ 22,871,902

8. Budget data:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

	Budget amount
Revenues:	
Operating budget	\$ 21,248,850
Expenses:	
Operating budget	21,248,850
Annual surplus, per approved budgeted	\$ -
Capital funding from The City of London	\$ 1,078,873
New major facilities expense	(130,801)
Major repairs and maintenance	(948,072)
Annual surplus, revised	\$ -

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

9. Comparative information:

Certain comparative information has been reclassified to adjust for a change in accounting for contributions from the Trust Funds and related expenditures. This change did not have a material impact on the financial statements.