

Financial Statements of

**THE LONDON PUBLIC LIBRARY
BOARD**

Year ended December 31, 2014



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AUDITORS' REPORT TO THE LONDON PUBLIC LIBRARY BOARD

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, 2014, the statements of operations, change 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 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 consolidated 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, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

April 23, 2015

London, Canada

THE LONDON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash	\$ 1,113,212	\$ 990,971
Accounts receivable:		
The City of London	412,839	528,987
Other	213,787	166,290
	<u>1,739,838</u>	<u>1,686,248</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,352,859	1,422,183
Deferred revenue	50,693	54,622
Payable to The City of London	24,538	43,471
Employee future benefits and other liabilities (note 2)	3,377,748	3,361,100
	<u>4,805,838</u>	<u>4,881,376</u>
Net debt	(3,066,000)	(3,195,128)
Non-financial assets:		
Tangible capital assets (note 6)	28,078,703	29,860,034
Prepaid expenses	160,304	136,413
	<u>28,239,007</u>	<u>29,996,447</u>
Commitments (note 4)		
Accumulated surplus (note 7)	<u>\$ 25,173,007</u>	<u>\$ 26,801,319</u>

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	Budget 2014 (note 8)	2014	2013
Revenue:			
User charges:			
Fines	\$ 500,000	\$ 423,731	\$ 463,986
Fee, rental, sundry	383,928	395,739	370,574
Grants:			
Federal	-	115,909	18,325
Ontario	598,829	598,829	716,699
The City of London:			
Current	18,780,000	18,780,000	18,455,000
Capital	222,727	222,727	201,694
Other	-	20,019	20,975
Investment income	20,000	22,761	24,015
Other income	-	130,047	-
Total revenues	20,505,484	20,709,762	20,271,268
Expenses:			
Personnel costs	14,424,866	14,361,023	14,293,258
Administrative expenses	92,177	105,173	100,648
Purchased services	582,538	567,296	570,944
Technology	509,926	480,341	407,737
Utilities	891,500	915,537	859,704
Facility services	1,542,815	1,655,907	1,531,592
Collections and lending services	2,025,000	639,381	650,748
Program services	58,100	72,859	73,175
General	6,000	24,516	14,856
Amortization of tangible capital assets	-	3,455,181	3,535,893
New major facilities	222,727	-	35,338
Equipment	44,055	10,112	3,849
Contribution to vehicle reserve	2,500	2,500	2,500
Contribution to self-insurance reserve	53,280	48,248	45,950
Total expenses	20,455,484	22,338,074	22,126,192
Annual deficit	50,000	(1,628,312)	(1,854,924)
Accumulated surplus, beginning of year	26,801,319	26,801,319	28,656,243
Accumulated surplus, end of year	\$ 26,851,319	\$ 25,173,007	\$ 26,801,319

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Change in Net Debt

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Annual deficit	\$ (1,628,312)	\$ (1,854,924)
Acquisition of tangible capital assets	(1,673,850)	(1,735,690)
Amortization of tangible capital assets	3,455,181	3,535,893
	153,019	(54,721)
Change in prepaid expenses	(23,891)	(12,686)
Change in net debt	129,128	(67,407)
Net debt, beginning of year	(3,195,128)	(3,127,721)
Net debt, end of year	\$ (3,066,000)	\$ (3,195,128)

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

THE LONDON PUBLIC LIBRARY BOARD

Statements of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (1,628,312)	\$ (1,854,924)
Items not involving cash:		
Amortization of tangible capital assets	3,455,181	3,535,893
Change in employee future benefits and other liabilities	16,648	116,269
Changes in non-cash assets and liabilities:		
Receivable from The City of London	116,148	116,712
Accounts receivable	(47,497)	(38,013)
Accounts payable and accrued liabilities	(69,324)	54,487
Payable to The City of London	(18,933)	25,932
Deferred revenue	(3,929)	(116,914)
Prepaid expenses	(23,891)	(12,686)
	1,796,091	1,826,756
Capital activities:		
Acquisition of tangible capital assets	(1,673,850)	(1,735,690)
Increase in cash	122,241	91,066
Cash, beginning of year	990,971	899,905
Cash, end of year	\$ 1,113,212	\$ 990,971

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

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2014

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 of London 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, 2014

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
Computers	3 years
Collections	7 years
Library shelving	40 years
Motor vehicles	5 years
Furniture and equipment	7 years

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 use.

(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.

(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.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(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 assumptions used in estimating provisions for accrued liabilities and in preparing actuarial valuations for employee future benefits.

In addition, the Board's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from those estimates.

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Notes to Financial Statements (continued)

Year ended December 31, 2014

2. Employee future benefits and other liabilities:

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

	2014	2013
Liability for vested sick leave benefits	\$ 386,468	\$ 436,694
Vacation pay liability	993,280	995,406
Employee future benefits obligation	1,998,000	1,929,000
	<u>\$ 3,377,748</u>	<u>\$ 3,361,100</u>

(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, 2014), amounts to \$386,469 (2013 -\$436,694). This amount is partially funded by a reserve held by The City of London in the amount of \$331,249 (2013 - \$327,293).

(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, 2012.

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Notes to Financial Statements (continued)

Year ended December 31, 2014

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

(b) Retiree benefits (continued):

Detailed information about retiree benefits is as follows:

	2014	2013
Accrued employee future benefit obligation:		
Balance, beginning of year	\$ 1,929,000	\$ 1,851,000
Current period benefit cost	89,000	85,000
Interest	79,000	77,000
Benefits paid	(120,000)	(105,000)
Actuarial loss	149,000	170,000
Balance, end of year	2,126,000	2,078,000
Unamortized actuarial loss	(128,000)	(149,000)
Employee future benefits obligation	\$ 1,998,000	\$ 1,929,000

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

	2014	2013
Current year benefit cost	\$ 89,000	\$ 85,000
Interest on accrued benefit obligation	77,000	77,000
Amortization of net actuarial loss	21,000	21,000
Total payments made during the year	\$ 187,000	\$ 183,000

Significant assumptions used in the actuarial valuation are as follows:

Discount rate	3.75%
Rate of compensation increase	3.00%
Healthcare cost increases	4.50%

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

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

3. Trust funds:

Trust funds administered by the Board amounting to \$3,470,568 (2013 - \$3,388,624) 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 trust fund statement of continuity.

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:

2015	\$	604,839
2016		597,228
2017		392,108
2018		395,350
Thereafter		382,886
	\$	2,372,411

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 2014 is \$1,008,214 (2013 - \$986,487) for current service and is included as an expenditure in the statement of operations.

6. Tangible capital assets:

Cost	Balance at December 31, 2013	Additions	Disposals	Balance at December 31, 2014
Land	\$ 4,611,030	\$ -	\$ -	\$ 4,611,030
Buildings	39,165,430	173,808	-	39,339,238
Leasehold improvements	349,083	-	-	349,083
Collections	10,723,186	1,343,005	1,359,754	10,706,437
Shelving	1,328,253	2,711	-	1,330,964
Computers	842,339	154,326	301,020	695,645
Computers under capital lease	615,244	-	-	615,244
Furniture and equipment	545,713	-	91,982	453,731
Total	\$ 58,180,278	\$ 1,673,850	\$ 1,752,756	\$ 58,101,372

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Notes to Financial Statements (continued)

Year ended December 31, 2014

6. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2013	Additions	Disposals	Balance at December 31, 2014
Land	\$ -	\$ -	\$ -	-
Buildings	20,658,676	1,577,929	-	22,236,605
Leasehold improvements	249,992	16,987	-	266,979
Collections	5,387,560	1,530,687	1,359,754	5,558,493
Shelving	592,670	33,240	-	625,910
Computers	476,982	227,194	301,020	403,156
Computers under capital lease	615,244	-	-	615,244
Furniture and equipment	339,120	69,144	91,982	316,282
Total	\$ 28,320,244	\$ 3,455,181	\$ 1,752,756	\$ 30,022,669

	Net book value December 31, 2013	Net book value December 31, 2014
Land	\$ 4,611,030	\$ 4,611,030
Buildings	18,506,754	17,102,633
Leasehold improvements	99,091	82,104
Collections	5,335,626	5,147,944
Shelving	735,583	705,054
Computers	365,357	292,489
Computers under capital lease	-	-
Furniture and equipment	206,593	137,449
Total	\$ 29,860,034	\$ 28,078,703

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

7. Accumulated surplus:

Accumulated surplus consists of surplus and reserve funds as follows:

	2014	2013
Surplus:		
Invested in tangible capital assets	\$ 28,078,703	\$ 29,860,034
Unfunded:		
Employee benefits, accrued sick and vacation	(1,379,748)	(1,432,100)
Employee benefits, future benefit liability	(1,998,000)	(1,929,000)
Other	(42,460)	(51,453)
Total surplus	24,658,495	26,447,481
Reserves set aside by the Board:		
Stabilization fund	114,103	-
Collections encumbrance fund	69,160	26,545
Total reserves	183,263	26,545
Reserve held by the City on behalf of the Board:		
Sick leave reserve	331,249	327,293
	\$ 25,173,007	\$ 26,801,319

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	\$ 20,282,757
Total revenue	20,282,757
Expenses:	
Operating budget	20,282,757
Total expenses	\$ 20,282,757
Annual surplus (deficit), as budgeted	\$ -
Contribution to reserve fund	50,000
Capital funding from The City of London	222,727
New major facilities expense	(222,727)
Annual surplus (deficit), revised	\$ 50,000