

Financial Statements of

**THE LONDON PUBLIC LIBRARY
BOARD**

Year ended December 31, 2013



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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 (the "Board") , which comprise the statement of financial position as at December 31, 2013, 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

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 consolidated 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 consolidated 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 consolidated 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, 2013, 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 17, 2014

London, Canada

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THE LONDON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Financial assets:		
Cash	\$ 990,971	\$ 899,905
Accounts receivable:		
The City of London	528,987	645,699
Other	166,290	128,278
	<u>1,686,248</u>	<u>1,673,882</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,422,183	1,367,696
Deferred revenue	54,622	171,536
Payable to The City of London	43,471	17,539
Employee future benefits and other liabilities (note 3)	3,361,100	3,244,832
	<u>4,881,376</u>	<u>4,801,603</u>
Net debt	(3,195,128)	(3,127,721)
Non-financial assets:		
Tangible capital assets (note 7)	29,785,957	31,586,158
Prepaid expenses	136,413	123,729
	<u>29,922,370</u>	<u>31,709,887</u>
Commitments (note 5)		
Accumulated surplus (note 8)	<u>\$ 26,727,242</u>	<u>\$ 28,582,166</u>

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

	Budget 2013 (note 8)	2013	2012
Revenue:			
User charges:			
Fines	\$ 515,000	\$ 463,986	\$ 500,400
Fee, rental, sundry	393,628	370,574	379,647
Grants:			
Federal	-	18,325	-
Ontario	598,829	716,699	1,161,967
The City of London:			
Current	18,455,000	18,455,000	18,045,000
Capital	201,693	201,694	345,326
Other	-	20,975	926
Investment income	20,000	24,015	23,354
Total revenues	20,184,150	20,271,268	20,456,620
Expenses:			
Personnel costs	14,146,747	14,293,258	14,285,747
Personnel services	102,177	100,648	99,704
Purchased services	546,735	570,944	547,919
Technology	566,426	407,737	366,107
Utilities	859,000	859,704	741,505
Facility services	1,491,017	1,531,592	1,517,598
Collections and lending services	2,060,000	650,748	562,682
Program services	59,800	73,175	64,698
General	6,000	14,856	213,942
Amortization of tangible capital assets	-	3,535,893	3,570,166
New major facilities	329,000	35,338	108,755
Equipment	44,055	3,849	9,829
Contribution to vehicle reserve	2,500	2,500	2,500
Contribution to self-insurance reserve	47,000	45,950	44,842
Total expenses	20,260,457	22,126,192	22,135,994
Annual deficit	(76,307)	(1,854,924)	(1,679,374)
Accumulated surplus, beginning of year	28,582,166	28,582,166	30,261,540
Accumulated surplus, end of year	\$ 28,505,859	\$ 26,727,242	\$ 28,582,166

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, 2013, with comparative information for 2012

	2013	2012
Annual deficit	\$ (1,854,924)	\$ (1,679,374)
Acquisition of tangible capital assets	(1,735,690)	(1,917,040)
Amortization of tangible capital assets	3,535,893	3,570,166
	(54,721)	(26,248)
Change in prepaid expenses	(12,686)	16,256
Change in net debt	(67,407)	(9,992)
Net debt, beginning of year	(3,127,721)	(3,117,729)
Net debt, end of year	\$ (3,195,128)	\$ (3,127,721)

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

THE LONDON PUBLIC LIBRARY BOARD

Statements of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (1,854,924)	\$ (1,679,374)
Items not involving cash:		
Amortization of tangible capital assets	3,535,893	3,570,165
Change in employee future benefits and other liabilities	116,269	76,686
Changes in non-cash assets and liabilities:		
Receivable from The City of London	116,712	(177,243)
Accounts receivable	(38,013)	94,356
Accounts payable and accrued liabilities	54,487	(27,111)
Payable to The City of London	25,932	5,969
Deferred revenue	(116,914)	(164,924)
Prepaid expenses	(12,686)	16,257
	1,826,756	1,714,781
Capital activities:		
Acquisition of tangible capital assets	(1,735,690)	(1,917,040)
Financing activities:		
Repayment of capital lease obligations	-	(13,020)
Increase (decrease) in cash	91,066	(215,279)
Cash, beginning of year	899,905	1,115,184
Cash, end of year	\$ 990,971	\$ 899,905

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

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2013

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 Canadian Institute of Chartered Accountants. 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, 2013

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, 2013

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.

2. Change in accounting policy:

The London Public Library Board has implemented Public Sector Accounting Board ("PSAB") section 3410 - Government Transfers at January 1, 2013. The standard discusses what the criteria are for a government transfer, recognition of the transferring and recipient government, eligibility criteria/stipulations within the transfer, and presentation and disclosure information related to the government transfer. In accordance with the transitional guidance included within the standard, this change has been applied prospectively. There were no changes to the financial statements as a result of the implementation of this standard.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

3. Employee future benefits and other liabilities:

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

	2013	2012
Liability for vested sick leave benefits	\$ 436,694	\$ 433,403
Vacation pay liability	995,406	960,429
Employee future benefits obligation	1,929,000	1,851,000
	<u>\$ 3,361,100</u>	<u>\$ 3,244,832</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 on terminating (as at December 31, 2013), amounts to \$436,694 (2012 - \$433,403). This amount is partially funded by a reserve held by The City of London in the amount of \$327,293 (2012 - \$271,906).

(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, 2013.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

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

(b) Retiree benefits (continued):

Detailed information about retiree benefits is as follows:

	2013	2012
Accrued employee future benefit obligation:		
Balance, beginning of year	\$ 1,851,000	\$ 1,713,000
Current period benefit cost	85,000	83,000
Interest	77,000	111,000
Benefits paid	(105,000)	(127,000)
Actuarial loss	170,000	241,000
Balance, end of year	2,078,000	2,021,000
Unamortized actuarial loss	(149,000)	(170,000)
Employee future benefits obligation	\$ 1,929,000	\$ 1,851,000

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

	2013	2012
Current year benefit cost	\$ 85,000	\$ 83,000
Interest on accrued benefit obligation	77,000	111,000
Amortization of net actuarial loss	21,000	35,000
Total payments made during the year	\$ 183,000	\$ 229,000

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, 2013

4. Trust funds:

Trust funds administered by the Board amounting to \$3,388,624 (2012 - \$3,095,958) 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.

5. 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:

2014	\$	541,539
2015		250,895
2016		211,687
	\$	1,004,121

6. 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 2013 is \$986,487 (2012 - \$875,463) for current service and is included as an expenditure in the statement of operations.

7. Tangible capital assets:

Cost	Balance at December 31, 2012	Additions	Disposals	Balance at December 31, 2013
Land	\$ 4,611,030	\$ -	\$ -	\$ 4,611,030
Buildings	38,975,578	189,852	-	39,165,430
Leasehold improvements	349,083	-	-	349,083
Collections	10,542,047	1,394,100	1,212,961	10,723,186
Shelving	1,328,253	-	-	1,328,253
Computers	1,045,791	132,293	335,745	842,339
Computers under capital lease	615,244	-	-	615,244
Furniture and equipment	645,648	19,445	119,380	545,713
Total	\$ 58,112,674	\$ 1,735,690	\$ 1,668,086	\$ 58,180,278

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

7. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2012	Additions	Disposals	Balance at December 31, 2013
Land	\$ -	\$ -	\$ -	\$ -
Buildings	19,164,044	1,568,709	-	20,732,753
Leasehold improvements	233,005	16,987	-	249,992
Collections	5,081,576	1,518,945	1,212,961	5,387,560
Shelving	559,464	33,206	-	592,670
Computers	498,039	314,688	335,745	476,982
Computers under capital lease	615,244	-	-	615,244
Furniture and equipment	375,144	83,358	119,382	339,120
Total	\$ 26,526,516	\$ 3,535,893	\$ 1,668,088	\$ 28,394,321

	Net book value December 31, 2012	Net book value December 31, 2013
Land	\$ 4,611,030	\$ 4,611,030
Buildings	19,811,534	18,432,677
Leasehold improvements	116,078	99,091
Collections	5,460,471	5,335,626
Shelving	768,789	735,583
Computers	547,752	365,357
Computers under capital lease	-	-
Furniture and equipment	270,504	206,593
Total	\$ 31,586,158	\$ 29,785,957

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

8. Accumulated surplus:

Accumulated surplus consists of surplus and reserve funds as follows:

	2013	2012
Surplus:		
Invested in tangible capital assets	\$ 29,785,957	\$ 31,586,161
Unfunded:		
Employee benefits, accrued sick and vacation	(1,432,100)	(1,393,832)
Employee benefits, future benefit liability	(1,929,000)	(1,851,000)
Other	(51,453)	(42,463)
Total surplus	26,373,404	28,298,866
Reserves set aside by the Board:		
Collections encumbrance fund	26,545	11,394
Total reserves	26,545	11,394
Reserve held by the City on behalf of the Board:		
Sick leave reserve	327,293	271,906
	\$ 26,727,242	\$ 28,582,166

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	\$ 19,983,000
Total revenue	19,983,000
Expenses:	
Operating budget	19,983,000
Total expenses	\$ 19,983,000
Annual surplus (deficit), as budgeted	\$ -
Contribution to reserve fund	51,000
Capital funding from The City of London	201,693
New major facilities expense	(329,000)
Annual deficit, revised	\$ (76,307)