

Financial Statements of

**THE LONDON PUBLIC LIBRARY
BOARD**

Year ended December 31, 2015



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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, 2015, 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, 2015, 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 14, 2016

London, Canada

THE LONDON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Financial assets:		
Cash	\$ 1,244,665	\$ 1,113,212
Accounts receivable:		
The City of London	746,200	412,839
Other	177,330	213,787
	<u>2,168,195</u>	<u>1,739,838</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,844,655	1,352,859
Deferred revenue	86,824	50,693
Payable to The City of London	18,908	24,538
Employee future benefits and other liabilities (note 2)	3,381,784	3,377,748
	<u>5,332,171</u>	<u>4,805,838</u>
Net debt	(3,163,976)	(3,066,000)
Non-financial assets:		
Tangible capital assets (note 6)	26,967,011	28,078,703
Prepaid expenses	277,414	160,304
	<u>27,244,425</u>	<u>28,239,007</u>
Commitments (note 4)		
Accumulated surplus (note 7)	<u>\$ 24,080,449</u>	<u>\$ 25,173,007</u>

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Operations

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

	Budget 2015 (note 8)	2015	2014
Revenue:			
User charges:			
Fines	\$ 455,000	\$ 369,141	\$ 423,731
Fee, rental, sundry	424,268	474,654	395,739
Grants:			
Federal	-	6,637	115,909
Ontario	598,829	698,571	598,829
The City of London:			
Current	19,195,376	19,195,376	18,780,000
Capital	922,607	922,607	222,727
Other	-	1,500	20,019
Investment income	20,000	17,465	22,761
Other income	-	-	130,047
Total revenues	21,616,080	21,685,951	20,709,762
Expenses:			
Personnel costs	14,624,569	14,410,018	14,361,023
Administrative expenses	76,000	95,594	105,173
Purchased services	603,484	628,586	567,296
Technology	500,000	523,049	480,341
Utilities	1,048,485	931,228	915,537
Facility services	1,619,870	1,654,075	1,655,907
Collections and lending services	2,000,000	753,829	639,381
Program services	51,950	88,592	72,859
General	6,000	70,154	24,516
Amortization of tangible capital assets	-	3,377,845	3,455,181
New major facilities	922,607	175,912	-
Equipment	44,055	2,060	10,112
Contribution to vehicle reserve	2,500	2,500	2,500
Contribution to self-insurance reserve	66,560	65,067	48,248
Total expenses	21,566,080	22,778,509	22,338,074
Annual deficit	50,000	(1,092,558)	(1,628,312)
Accumulated surplus, beginning of year	25,173,007	25,173,007	26,801,319
Accumulated surplus, end of year	\$ 25,223,007	\$ 24,080,449	\$ 25,173,007

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, 2015, with comparative information for 2014

	2015	2014
Annual deficit	\$ (1,092,558)	\$ (1,628,312)
Acquisition of tangible capital assets	(2,266,153)	(1,673,850)
Amortization of tangible capital assets	3,377,845	3,455,181
	19,134	153,019
Change in prepaid expenses	(117,110)	(23,891)
Change in net debt	(97,976)	129,128
Net debt, beginning of year	(3,066,000)	(3,195,128)
Net debt, end of year	\$ (3,163,976)	\$ (3,066,000)

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

THE LONDON PUBLIC LIBRARY BOARD

Statements of Cash Flows

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

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (1,092,558)	\$ (1,628,312)
Items not involving cash:		
Amortization of tangible capital assets	3,377,845	3,455,181
Change in employee future benefits and other liabilities	4,036	16,648
Changes in non-cash assets and liabilities:		
Receivable from The City of London	(333,361)	116,148
Accounts receivable	36,457	(47,497)
Accounts payable and accrued liabilities	491,796	(69,324)
Payable to The City of London	(5,630)	(18,933)
Deferred revenue	36,131	(3,929)
Prepaid expenses	(117,110)	(23,891)
	2,397,606	1,796,091
Capital activities:		
Acquisition of tangible capital assets	(2,266,153)	(1,673,850)
Increase in cash	131,453	122,241
Cash, beginning of year	1,113,212	990,971
Cash, end of year	\$ 1,244,665	\$ 1,113,212

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

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2015

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, 2015

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, 2015

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.

(j) Change in Accounting Policy:

The Board adopted Public Sector Accounting Board Standard PS 3260 *Liability for Contaminated Sites* effective as of January 1, 2015. Under PS 3260, 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 Board adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

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Notes to Financial Statements (continued)

Year ended December 31, 2015

2. Employee future benefits and other liabilities:

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

	2015	2014
Liability for vested sick leave benefits	\$ 318,124	\$ 386,468
Vacation pay liability	1,010,660	993,280
Employee future benefits obligation	2,053,000	1,998,000
	<u>\$ 3,381,784</u>	<u>\$ 3,377,748</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, 2015, amounts to \$318,124 (2014 - \$386,469). This amount is fully funded by a reserve held by The City of London in the amount of \$321,387 (2014 - \$331,249).

(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, 2015

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

(b) Retiree benefits (continued):

Detailed information about retiree benefits is as follows:

	2015	2014
Accrued employee future benefit obligation:		
Balance, beginning of year	\$ 2,126,000	\$ 2,078,000
Current period benefit cost	93,000	89,000
Interest	80,000	79,000
Benefits paid	(136,000)	(120,000)
Actuarial (gain) loss	(824,000)	-
Balance, end of year	1,339,000	2,126,000
Unamortized actuarial gain (loss)	714,000	(128,000)
Employee future benefits obligation	\$ 2,053,000	\$ 1,998,000

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

	2015	2014
Current year benefit cost	\$ 93,000	\$ 89,000
Interest on accrued benefit obligation	80,000	77,000
Amortization of net actuarial loss	18,000	21,000
Total payments made during the year	\$ 191,000	\$ 187,000

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

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Notes to Financial Statements (continued)

Year ended December 31, 2015

3. Trust funds:

Trust funds administered by the Board amounting to \$3,469,132 (2014 - \$3,470,568) 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:

2016	\$	589,666
2017		405,271
2018		408,513
2019		369,510
Thereafter		26,832
	\$	1,799,792

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 2015 is \$1,010,628 (2014 - \$1,008,214) for current service and is included as an expenditure in the statement of operations.

6. Tangible capital assets:

Cost	Balance at December 31, 2014	Additions	Disposals	Balance at December 31, 2015
Land	\$ 4,611,030	\$ -	\$ -	\$ 4,611,030
Buildings	39,339,238	606,605	-	39,945,843
Leasehold improvements	349,083	-	-	349,083
Collections	10,706,437	1,243,569	1,585,524	10,364,482
Shelving	1,330,964	-	-	1,330,964
Computers	695,645	168,258	409,024	454,879
Computers under capital lease	615,244	-	-	615,244
Furniture and equipment	453,731	247,721	102,957	598,495
Total	\$ 58,101,372	\$ 2,266,153	\$ 2,097,505	\$ 58,270,020

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

6. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2014	Additions	Disposals	Balance at December 31, 2015
Land	\$ -	\$ -	\$ -	-
Buildings	22,236,605	1,511,095	-	23,747,700
Leasehold improvements	266,979	16,987	-	283,966
Collections	5,558,493	1,505,066	1,585,524	5,478,035
Shelving	625,910	33,274	-	659,184
Computers	403,156	221,320	409,024	215,452
Computers under capital lease	615,244	-	-	615,244
Furniture and equipment	316,282	90,103	102,957	303,428
Total	\$ 30,022,669	\$ 3,377,845	\$ 2,097,505	\$ 31,303,009

	Net book value December 31, 2014	Net book value December 31, 2015
Land	\$ 4,611,030	\$ 4,611,030
Buildings	17,102,633	16,198,143
Leasehold improvements	82,104	65,117
Collections	5,147,944	4,886,447
Shelving	705,054	671,780
Computers	292,489	239,427
Computers under capital lease	-	-
Furniture and equipment	137,449	295,067
Total	\$ 28,078,703	\$ 26,967,011

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

7. Accumulated surplus:

Accumulated surplus consists of surplus and reserve funds as follows:

	2015	2014
Surplus:		
Invested in tangible capital assets	\$ 26,967,011	\$ 28,078,703
Unfunded:		
Employee benefits, accrued sick and vacation	(1,328,784)	(1,379,748)
Employee benefits, future benefit liability	(2,053,000)	(1,998,000)
Other	(42,460)	(42,460)
Total surplus	23,542,767	24,658,495
Reserves set aside by the Board:		
Stabilization fund	149,737	114,103
Collections encumbrance fund	66,558	69,160
Total reserves	216,295	183,263
Reserve held by the City on behalf of the Board:		
Sick leave reserve	321,387	331,249
	\$ 24,080,449	\$ 25,173,007

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	\$ 20,693,473
Expenses:	
Operating budget	20,693,473
Annual surplus, as budgeted	\$ -
Contribution to reserve fund	50,000
Capital funding from The City of London	922,607
New major facilities expense	(922,607)
Annual surplus, revised	\$ 50,000