

Financial Statements of

**THE LONDON PUBLIC LIBRARY  
BOARD**

Year ended December 31, 2016



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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, 2016, 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 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, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

April 27, 2017

London, Canada

# THE LONDON PUBLIC LIBRARY BOARD

## Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash	\$ 1,065,594	\$ 1,244,665
Accounts receivable:		
The Corporation of the City of London	689,808	746,200
Other	239,273	177,330
	<u>1,994,675</u>	<u>2,168,195</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,851,101	1,844,655
Deferred revenue	85,713	86,824
Payable to The Corporation of the City of London	6,631	18,908
Employee future benefits and other liabilities (note 2)	3,191,396	3,381,784
	<u>5,134,841</u>	<u>5,332,171</u>
Net debt	(3,140,166)	(3,163,976)
Non-financial assets:		
Tangible capital assets (note 6)	25,689,452	26,967,011
Prepaid expenses	301,649	277,414
	<u>25,991,101</u>	<u>27,244,425</u>
Commitments (note 4)		
Accumulated surplus (note 7)	<u>\$ 22,850,935</u>	<u>\$ 24,080,449</u>

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

# THE LONDON PUBLIC LIBRARY BOARD

## Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	Budget 2016 (note 8)	2016	2015
<b>Revenue:</b>			
User charges:			
Fines	\$ 400,000	\$ 336,514	\$ 369,141
Fee, rental, sundry	454,688	391,706	474,654
Grants:			
Federal	-	24,535	6,637
Ontario	598,829	644,302	698,571
The Corporation of the City of London:			
Current	19,518,426	19,518,426	19,195,376
Capital	2,574,400	2,574,400	922,607
Other	-	15,577	1,500
Investment income	17,000	15,549	17,465
Other income (note 3)	80,470	80,470	-
<b>Total revenues</b>	<b>23,643,813</b>	<b>23,601,479</b>	<b>21,685,951</b>
<b>Expenses:</b>			
Personnel	14,688,621	14,504,102	14,410,018
Administrative	92,059	89,152	95,594
Purchased services	630,238	674,518	628,586
Technology	562,819	475,372	523,049
Utilities	1,059,466	977,129	931,228
Facility services	1,603,251	1,705,719	1,654,075
Collections and lending services	2,182,098	796,477	753,829
Program services	48,450	51,903	88,592
General	6,000	60,908	70,154
Amortization of tangible capital assets	-	3,282,909	3,377,845
New major facilities	136,218	136,218	175,912
Major repairs and maintenance	2,518,652	2,001,057	-
Equipment	45,669	5,908	2,060
Contribution to vehicle reserve	-	-	2,500
Contribution to self-insurance reserve	70,272	69,621	65,067
<b>Total expenses</b>	<b>23,643,813</b>	<b>24,830,993</b>	<b>22,778,509</b>
Annual deficit	-	(1,229,514)	(1,092,558)
Accumulated surplus, beginning of year	24,080,449	24,080,449	25,173,007
<b>Accumulated surplus, end of year</b>	<b>\$ 24,080,449</b>	<b>\$ 22,850,935</b>	<b>\$ 24,080,449</b>

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, 2016, with comparative information for 2015

	2016	2015
Annual deficit	\$ (1,229,514)	\$ (1,092,558)
Acquisition of tangible capital assets	(2,005,350)	(2,266,153)
Amortization of tangible capital assets	3,282,909	3,377,845
	48,045	19,134
Change in prepaid expenses	(24,235)	(117,110)
Change in net debt	23,810	(97,976)
Net debt, beginning of year	(3,163,976)	(3,066,000)
Net debt, end of year	\$ (3,140,166)	\$ (3,163,976)

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

# THE LONDON PUBLIC LIBRARY BOARD

## Statements of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (1,229,514)	\$ (1,092,558)
Items not involving cash:		
Amortization of tangible capital assets	3,282,909	3,377,845
Change in employee future benefits and other liabilities	(190,388)	4,036
Changes in non-cash assets and liabilities:		
Receivable from The Corporation of the City of London	56,392	(333,361)
Accounts receivable	(61,943)	36,457
Accounts payable and accrued liabilities	6,446	491,796
Payable to The Corporation of the City of London	(12,277)	(5,630)
Deferred revenue	(1,111)	36,131
Prepaid expenses	(24,235)	(117,110)
	1,826,279	2,397,606
Capital activities:		
Acquisition of tangible capital assets	(2,005,350)	(2,266,153)
Increase (decrease) in cash	(179,071)	131,453
Cash, beginning of year	1,244,665	1,113,212
Cash, end of year	\$ 1,065,594	\$ 1,244,665

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

# THE LONDON PUBLIC LIBRARY BOARD

## Notes to Financial Statements

Year ended December 31, 2016

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### 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, 2016

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## 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 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, 2016

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## 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 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, 2016

## 2. Employee future benefits and other liabilities:

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

	2016	2015
Liability for vested sick leave benefits	\$ 249,329	\$ 318,124
Vacation pay liability	878,067	1,010,660
Employee future benefits obligation	2,064,000	2,053,000
	<u>\$ 3,191,396</u>	<u>\$ 3,381,784</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, 2016, amounts to \$249,329 (2015 - \$318,124). This amount is fully funded by a reserve held by The Corporation of the City of London in the amount of \$259,773 (2015 - \$321,387).

(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, 2016

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

### (b) Retiree benefits (continued):

Detailed information about retiree benefits is as follows:

	2016	2015
Accrued employee future benefit obligation:		
Balance, beginning of year	\$ 1,339,000	\$ 2,126,000
Current period benefit cost	68,000	93,000
Interest	45,000	80,000
Benefits paid	(60,000)	(136,000)
Actuarial gain	-	(824,000)
Balance, end of year	1,392,000	1,339,000
Unamortized actuarial gain	672,000	714,000
Employee future benefits obligation	\$ 2,064,000	\$ 2,053,000

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

	2016	2015
Current year benefit cost	\$ 68,000	\$ 93,000
Interest on accrued benefit obligation	45,000	80,000
Amortization of net actuarial loss	42,000	18,000
Total payments made during the year	\$ 155,000	\$ 191,000

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.

# THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

### 3. Trust funds:

Trust funds administered by the Board amounting to \$3,510,114 (2015 - \$3,469,132) 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. During the year, the Trust funds transferred \$80,470 to the Board for capital purchases. This amount has been included in Other income on the Statement of Operations.

### 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:

2017	\$	648,480
2018		652,155
2019		615,905
2020		276,584
Thereafter		209,933
	\$	2,403,057

### 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 2016 is \$1,028,904 (2015 - \$1,010,628) for current service and is included as an expenditure in the statement of operations.

### 6. Tangible capital assets:

Cost	Balance at December 31, 2015	Additions	Disposals	Balance at December 31, 2016
Land	\$ 4,611,030	\$ -	\$ -	\$ 4,611,030
Buildings	39,945,843	405,726	-	40,351,569
Leasehold improvements	349,083	-	-	349,083
Collections	10,364,482	1,409,223	1,559,143	10,214,562
Shelving	1,330,964	-	1,988	1,328,976
Computers	454,879	136,189	132,293	458,775
Computers under capital lease	615,244	-	-	615,244
Furniture and equipment	598,495	54,212	91,326	561,381
Total	\$ 58,270,020	\$ 2,005,350	\$ 1,784,750	\$ 58,490,620

# THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 6. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2015	Additions	Disposals	Balance at December 31, 2016
Land	\$ -	\$ -	\$ -	-
Buildings	23,747,700	1,554,171	-	25,301,871
Leasehold improvements	283,966	16,987	-	300,953
Collections	5,478,035	1,469,932	1,559,143	5,388,824
Shelving	659,184	33,249	1,988	690,445
Computers	215,452	128,472	132,293	211,631
Computers under capital lease	615,244	-	-	615,244
Furniture and equipment	303,428	80,098	91,326	292,200
<b>Total</b>	<b>\$ 31,303,009</b>	<b>\$ 3,282,909</b>	<b>\$ 1,784,750</b>	<b>\$ 32,801,168</b>

	Net book value December 31, 2015	Net book value December 31, 2016
Land	\$ 4,611,030	\$ 4,611,030
Buildings	16,198,143	15,049,698
Leasehold improvements	65,117	48,130
Collections	4,886,447	4,825,738
Shelving	671,780	638,531
Computers	239,427	247,144
Computers under capital lease	-	-
Furniture and equipment	295,067	269,181
<b>Total</b>	<b>\$ 26,967,011</b>	<b>\$ 25,689,452</b>

# THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 7. Accumulated surplus:

Accumulated surplus consists of surplus and reserve funds as follows:

	2016	2015
Surplus:		
Invested in tangible capital assets	\$ 25,689,452	\$ 26,967,011
Unfunded:		
Employee benefits, accrued sick and vacation	(1,127,396)	(1,328,784)
Employee benefits, future benefit liability	(2,064,000)	(2,053,000)
Other	(42,460)	(42,460)
Total surplus	22,455,596	23,542,767
Reserves set aside by the Board:		
Stabilization fund	102,044	149,737
Collections encumbrance fund	33,523	66,558
Total reserves	135,567	216,295
Reserve held by the City on behalf of the Board:		
Sick leave reserve	259,772	321,387
	\$ 22,850,935	\$ 24,080,449

## 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	\$ 20,988,943
Expenses:	
Operating budget	20,988,943
Annual surplus, as budgeted	\$ -
Capital funding from The City of London	\$ 2,574,400
Other income	80,470
New major facilities expense	(2,654,870)
Annual surplus, revised	\$ -

# THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

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## 9. Subsequent events:

Subsequent to year end the Board has undertaken a process to sell the land and building located at 3200 Wonderland Road. The process is expected to be completed during fiscal 2017.