

Financial statements of

**Richmond Hill Public
Library Board**

December 31, 2017

Richmond Hill Public Library Board

December 31, 2017

Table of contents

Independent auditor's report 1-2

Statement of financial position 3

Statement of operations 4

Statement of change in net financial assets 5

Statement of cash flows 6

Notes to the financial statements 7-11

Independent Auditor's Report

Grant Thornton LLP
Suite 200
15 Allstate Parkway
Markham, ON
L3R 5B4
T +1 416 366 0100
F +1 905 475 8906
www.GrantThornton.ca

To the members of the Board of Directors of the
Richmond Hill Public Library Board

We have audited the accompanying financial statements of the Richmond Hill Public Library Board, which comprise the statement of financial position as at December 31, 2017, and the statement of operations, statement of change in net financial assets and cash flow statement for the year then ended, and 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 control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 the 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 the auditor's 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, the auditor considers 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 Richmond Hill Public Library Board as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

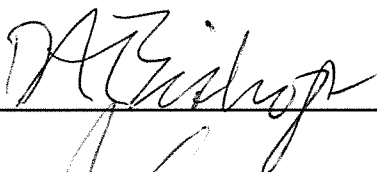
Markham, Canada
May 17, 2018

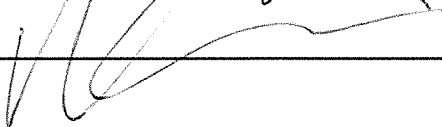
Chartered Professional Accountants
Licensed Public Accountants

RICHMOND HILL PUBLIC LIBRARY BOARD
Statement of Financial Position
December 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
FINANCIAL ASSETS		
Cash	7,810	17,318
Accounts receivable		
Town of Richmond Hill	1,704,057	1,508,801
Other	82,594	74,377
	<u>1,794,461</u>	<u>1,600,496</u>
LIABILITIES		
Accounts payable and accrued charges	1,035,130	973,824
Accrued vacation pay	86,544	79,851
Employee future benefits (Note 3)	159,671	157,877
	<u>1,281,345</u>	<u>1,211,552</u>
NET FINANCIAL ASSETS	<u>513,116</u>	<u>388,944</u>
NON - FINANCIAL ASSETS		
Tangible capital assets (Note 5)	6,085,516	5,729,294
Prepaid expenses	118,641	91,112
	<u>6,204,157</u>	<u>5,820,406</u>
Accumulated surplus (Note 6)	<u>6,717,273</u>	<u>6,209,350</u>

Approved by the Board of Directors


 _____ Chair


 _____ Chair, Finance Committee

RICHMOND HILL PUBLIC LIBRARY BOARD
Statement of Operations
Year ended December 31, 2017

	2017 <u>Budget</u> \$ (Note 8)	2017 <u>Actual</u> \$	2016 <u>Actual</u> \$
REVENUE			
Municipal contribution			
Operating	8,329,100	8,329,100	7,884,500
Contribution from Town for maintenance, utility and supply charges	1,188,500	1,026,455	1,025,966
Repairs and replacement	1,099,500	1,099,500	1,154,100
Contributed tangible capital assets	1,558,514	898,474	603,220
Grants			
Province of Ontario	118,500	118,499	118,499
Other	3,700	25,883	22,013
York Region District School Board	256,700	256,700	236,200
Fines	154,300	117,085	123,410
Fees	131,500	105,374	114,889
Sales	70,500	51,726	58,402
Other income	-	353	684
Interest income	20,437	20,437	22,007
Donations and bequests	-	672	1,238
	<u>12,931,251</u>	<u>12,050,258</u>	<u>11,365,128</u>
EXPENSES			
Maintenance, utility and supply charges	1,219,224	1,057,179	1,026,751
General administration	137,249	169,855	210,214
Salaries and benefits	7,449,700	7,190,547	6,972,050
Library materials	164,790	316,180	335,390
Supporting services	792,126	651,705	616,149
Special projects	-	20,407	54,203
Transfer to reserve of the Town of Richmond Hill	559,300	559,300	662,099
Amortization of tangible capital assets	1,577,162	1,577,162	1,556,493
	<u>11,899,551</u>	<u>11,542,335</u>	<u>11,433,349</u>
Annual surplus/(deficit)	1,031,700	507,923	(68,221)
Accumulated surplus, beginning of year	6,209,350	6,209,350	6,277,571
Accumulated surplus, end of year	<u>7,241,050</u>	<u>6,717,273</u>	<u>6,209,350</u>

RICHMOND HILL PUBLIC LIBRARY BOARD
Statement of Change in Net Financial Assets
Year ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual
	\$ (Note 8)	\$	\$
Annual surplus / (deficit)	1,031,700	507,923	(68,221)
Acquisition of tangible capital assets	(1,690,758)	(1,964,108)	(1,559,199)
Amortization of tangible capital assets	1,577,162	1,577,162	1,556,493
Loss on disposal of tangible capital assets	-	30,724	785
	(113,596)	(356,222)	(1,921)
Change in prepaid expenses	-	(27,529)	63,726
	(113,596)	(383,751)	61,805
Change in net financial assets	918,103	124,172	(6,416)
Net financial assets, beginning of year	388,944	388,944	395,360
Net financial assets, end of year	1,307,047	513,116	388,944

See accompanying notes to the financial statements.

RICHMOND HILL PUBLIC LIBRARY BOARD

Statement of cash flows

Year ended December 31, 2017

	2017	2016
	<u>Actual</u>	<u>Actual</u>
	\$	\$
Operating activities		
Annual surplus / (deficit)	507,923	(68,221)
Change in non-cash items		
Amortization of tangible capital assets	1,577,162	1,556,493
Revenue recognized on contributed capital assets	(898,474)	(603,220)
Loss on disposal of tangible capital assets	30,724	785
	<u>709,412</u>	<u>954,058</u>
Change in non-cash assets and liabilities		
Accounts receivable - Town of Richmond Hill	(195,256)	3,329
Accounts receivable - Other	(8,217)	57,426
Accounts payable and accrued liabilities	61,306	(62,289)
Accrued vacation pay	6,693	12,562
Employee future benefits liability	1,794	397
Prepaid expenses	(27,529)	63,726
	<u>(161,209)</u>	<u>75,151</u>
	<u>1,056,126</u>	<u>960,988</u>
Capital activities		
Acquisition of tangible capital assets	(1,065,634)	(955,979)
Net change in cash	(9,508)	5,009
Cash, beginning of year	17,318	12,309
Cash, end of year	<u>7,810</u>	<u>17,318</u>

See accompanying notes to the financial statements.

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2017

1. Nature of operations

The Richmond Hill Public Library Board (the "Library Board") is a local board of The Town of Richmond Hill (the "Town") and operates under the provision of the Public Libraries Act. The Library Board is a registered charity and is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

2. Significant accounting policies

The financial statements of the Richmond Hill Public Library Board (the "Library Board") are the representations of management prepared in accordance with accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants (CPA) Canada.

Significant accounting policies adopted by the Library Board are as follows:

i) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits and bankers acceptances, all of which are highly liquid, subject to insignificant risk of changes in value and have a short-term maturity of less than 90 days.

ii) Revenues and expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired, and a legal liability is incurred or transfers are due.

iii) 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 lives extending beyond the current year and are not intended for sale in the ordinary course of operations. Tangible capital assets and other non-financial assets are accounted for as assets by the Library Board because they can be used in the provision of services in future periods.

Tangible capital assets

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

Library collection	7 years
Information technology	4 - 15 years
Equipment	4 - 15 years
Furniture and fixtures	3 - 10 years
Other	15 years

Capital Work In Progress (WIP)

Tangible capital assets under construction are not amortized until the assets are available for productive use. The value of WIP at the end of the year is \$112,334 (2016 - \$nil)

Amortization

One half of the 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.

Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value as the date of receipt and also are recorded as revenue.

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2017

2. Significant accounting policies (continued)

Interest capitalization

The Library Board's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition of tangible capital assets.

iv) *Employee future benefits*

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs.

Any actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of all employees covered.

v) *Reserve and Reserve Funds*

The Richmond Hill Public Library Board Donation and Bequest Reserve Fund is to be used for such special purposes as may be approved by The Richmond Hill Public Library Board.

The reserve fund comprises:

- a) Donations and bequests to The Richmond Hill Public Library Board; and
- b) Earnings derived from investments held in this reserve fund.

Unrestricted donations and bequests are recorded as income in the statement of operations in the year of receipt and are transferred to the Donation and Bequest Reserve Fund. The Reserve Fund earns interest based on the rates earned through the investment portfolio managed by the Corporation of the Town of Richmond Hill. Expenses incurred will be recorded in the year the cost is incurred, with an annual offsetting transfer from the Reserve Fund.

The Special Purpose Reserve relates to grants and other monies which have been allocated by the Board for special purposes.

vi) *Investment income*

Investment income earned (other than on restricted funds) is reported as revenue in the period earned.

vii) *Government transfers*

Government transfers are recognized in the financial statements as revenue in the financial period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be determined.

viii) *Use of estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these amounts.

3. Employee future benefits liability

The accrued benefit liability as at December 31, 2017 of \$159,671 (2016 - \$157,877) was based on an actuarial update used for the December 31, 2014 valuation.

The significant actuarial assumptions employed in the actuarial valuations are as follows:

i) *General inflation*

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2017

Future general inflation levels were assumed to be 2.0% in 2017 and thereafter.

ii) Interest (discount) rate

The present value of the future benefits as at December 31, 2017 was determined using a discount rate of 4.50%. This corresponds to the assumed inflation rate plus an assumed rate of return of 2.50%.

iii) Health costs

Utilization weighted average health costs were assumed to increase at 4% for 2017 and by 4% per year over the next 5 years and remain at that level thereafter.

iv) Dental costs

Dental costs were assumed to increase at 4.0% for 2017 and thereafter.

4. Pension agreements

The Library Board makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS). OMERS is a multi-employer defined benefit pension plan which provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The pension plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The most recent actuarial valuation of the Plan was conducted at December 31, 2015. The results of this valuation disclosed total actuarial liabilities of \$86,959 million with respect to benefits accrued for service with actuarial assets at that date of \$81,239 million indicating an actuarial deficit of \$5,720 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are joint responsibility of Ontario municipal organizations and their employees. As a result The Library does not recognize any share of the Plan surplus or deficit.

The Library Board recognizes the expense related to this plan as contributions are made. The contribution rate was 9% for wages up to \$ 55,300 (2016 - 9%) and 14.6% for wages in excess of CPP earning limit \$ 55,300 (2016 - 14.6%). The amount contributed to OMERS for 2017 was \$537,854 (2016 - \$516,016) for current services and is included as an expense on the statement of operations.

5. Tangible capital assets

	Library collections	Information technology	Equipment	Furniture and fixtures	Other	WIP	2017 Total	2016 Total
Cost	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	9,725,253	2,216,403	392,875	2,388,060	55,000	-	14,777,591	14,293,442
Add: additions during the year	1,344,653	345,507	15,136	146,480	-	112,334	1,964,110	1,559,199
Less: disposals during the year	1,244,340	301,267	18,994	59,236	-	-	1,623,837	1,075,050
Balance, end of year	9,825,566	2,260,643	389,017	2,475,304	55,000	112,334	15,117,864	14,777,591
Accumulated amortization								
Balance, beginning of year	5,477,188	1,455,675	315,773	1,794,436	5,225	-	9,048,297	8,566,069
Add: amortization	1,214,884	240,421	19,416	98,774	3,667	-	1,577,162	1,556,493
Less: accumulated amortization on disposals	1,244,340	275,766	18,717	54,288	-	-	1,593,111	1,074,265
Balance, end of year	5,447,732	1,420,330	316,472	1,838,922	8,892	-	9,032,348	9,048,297
Net book value	4,377,834	840,313	72,545	636,382	46,108	112,334	6,085,516	5,729,294

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2017

6. Accumulated surplus

Accumulated surplus consists of the following:

	2017	2016
	\$	\$
Invested in tangible capital assets	6,085,516	5,729,293
Unfunded employees future benefits	(159,671)	(157,877)
Unfunded vacation pay	(86,544)	(79,851)
Special Purpose Reserve Fund	283,958	135,708
Donation and Bequest Reserve Fund	594,014	582,077
	6,717,273	6,209,350

Reserves and Reserve Fund

The Richmond Hill Public Library Board Donation and Bequest Reserve Fund is comprised of the following funds designated for projects as approved by the Library Board:

	2017	2016
	\$	\$
Special Purpose Reserve	283,958	135,708
Oak Ridges Library	1,000	1,000
Writer in Residence	16,000	-
Art Purchase	650	650
Books for Babies	11,501	-
Undesignated	564,862	580,426
	877,972	717,784

DC Reserve Fund

The Town of Richmond Hill levies, collects and holds development charges, a component of which is specifically to fund expansion of library services to accommodate growth. Allocations from these funds are approved by the Library Board as part of the annual budget process. Currently, the Town is reflecting a deficit of \$1,347,422 (2016 - \$1,417,687) of the Library Board's related Development Charges in their segregated Development Charges accounts. This reserve fund is not reflected in these statements.

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2017

7. Related party transactions

The Town of Richmond Hill provides contributions to the operations and capital projects of the Library Board through Municipal Contributions as noted on the statement of operations.

The Statement of Operations reflects the fair value of the contribution from the Town for maintenance, utility and supply charges which are provided for nil consideration.

Additionally, The Town provides accounting services to the Library Board and no fees are charged for these services.

8. Budget figures

The budgets originally approved by the Richmond Hill Public Library Board for 2017, adjusted as noted below, are reflected on the statement of operations and of change in net financial assets.

- a) An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original Library Board approved budget.
- b) Amounts for the cost of contributed tangible capital assets and the related revenue have been added and are based on management's best estimate of the value of contributed tangible capital assets determined at the beginning of the year. Neither the cost of the contributed tangible capital assets nor the revenue was included in the original Library Board approved budget.
- c) Amounts included in the original Library Board approved capital budget which are not recognized as tangible capital assets are included in statement of operations under the appropriate functional expense category, while those recognized as tangible capital assets are include in the consolidated statement of change in net financial assets.

Adopted budget	2017
	\$
Budgeted annual surplus	
Adjustments to the adopted budget	
Increase in the Reserves and Reserve Funds	15,437
Amortization of tangible capital assets	(1,577,162)
Acquisition of contributed tangible assets	2,593,425
Budgeted surplus per statement of operations:	1,031,700

9. Commitments

The term of The Public Library Board lease of library space expires June 30, 2018. The fixed annual obligations over the next year is as follows:

2018	\$ 82,310
	<u>\$ 82,310</u>