

North Bay Public Library Board
Financial Statements
For the year ended December 31, 2019

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Independent Auditor's Report

To the Directors of North Bay Public Library Board

Opinion

We have audited the financial statements of North Bay Public Library Board, which comprise the statement of financial position as at December 31, 2019, the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of North Bay Public Library Board as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of North Bay Public Library Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing North Bay Public Library Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate North Bay Public Library Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing North Bay Public Library Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 North Bay Public Library Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on North Bay Public Library Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause North Bay Public Library Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
June 24, 2020

North Bay Public Library Board Statement of Financial Position

December 31	2019	2018
Financial assets		
Cash	\$ 200	\$ 200
Accounts receivable (Note 2)	23,459	8,386
Due from the Corporation of the City of North Bay	359,314	263,482
	382,973	272,068
Liabilities		
Accounts payable and accrued liabilities	111,375	106,670
Employee future benefits (Note 4)	291,634	295,381
Deferred revenue	13,326	13,326
	416,335	415,377
Net debt	(33,362)	(143,309)
Non-financial assets		
Tangible capital assets (Note 3)	2,610,428	2,181,488
Prepaid expenses	27,966	49,820
	2,638,394	2,231,308
Accumulated surplus (Note 7)	\$ 2,605,032	\$ 2,087,999

Subsequent Events (Note 10)

On behalf of the Board:

_____, Director

_____, Director

North Bay Public Library Board Statement of Operations and Accumulated Surplus

For the year ended December 31	2019 Budget	2019 Actual	2018 Actual
	(Note 6)		
Revenues			
City of North Bay levy	\$ 2,365,444	\$ 2,365,444	\$ 2,298,540
City of North Bay capital contributions	-	533,052	265,839
Provincial operating grants	108,211	112,043	108,323
Fees, service charges and donations	12,050	12,715	12,469
Facility rentals and other	32,300	32,763	29,415
Fines	40,000	31,391	34,999
Interest	-	1,883	1,794
	2,558,005	3,089,291	2,751,379
Expenses (Schedule 1)			
Salaries and employee benefits	1,994,718	1,983,196	2,021,946
Library building	111,833	128,928	336,086
Administration	139,194	122,598	121,650
Purchased services	69,760	67,131	65,909
Operating	73,000	35,349	43,752
Minor capital purchases	5,000	2,559	3,135
Other	2,500	1,458	1,206
Loss on disposal of capital assets	-	-	1,375
Amortization	162,000	231,039	220,057
	2,558,005	2,572,258	2,815,116
Annual surplus (deficit)	-	517,033	(63,737)
Accumulated surplus, beginning of the year	2,087,999	2,087,999	2,151,736
Accumulated surplus, end of the year	\$ 2,087,999	\$ 2,605,032	\$ 2,087,999

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

North Bay Public Library Board Statement of Changes in Net Debt

For the year ended December 31	2019 Budget	2019 Actual	2018 Actual
	(Note 6)		
Annual surplus (deficit)	\$ -	\$ 517,033	\$ (63,737)
Acquisition of tangible capital assets	(162,000)	(659,979)	(173,362)
Amortization of tangible capital assets	-	231,039	220,057
Loss on sale of tangible capital assets	-	-	1,374
	<u>(162,000)</u>	<u>88,093</u>	<u>(15,668)</u>
Acquisition of prepaid expenses	-	(27,966)	(49,820)
Use of prepaid expenses	-	49,820	35,659
	<u>-</u>	<u>21,854</u>	<u>(14,161)</u>
Change in net debt	(162,000)	109,947	(29,829)
Net debt, beginning of year	<u>(143,309)</u>	<u>(143,309)</u>	<u>(113,480)</u>
Net debt, end of year	<u>\$ (305,309)</u>	<u>\$ (33,362)</u>	<u>\$ (143,309)</u>

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

North Bay Public Library Board Statement of Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating transactions		
Annual surplus (deficit)	\$ 517,033	\$ (63,737)
Items not involving cash		
Amortization of tangible capital assets	231,039	220,057
Loss on disposal of capital assets	-	1,374
Employee future benefits expense	60,200	59,800
	808,272	217,494
Changes in non-cash working capital balances		
Accounts receivable	(15,073)	(442)
Due from the Corporation of the City of North Bay	(95,832)	16,197
Prepaid expenses	21,854	(14,161)
Accounts payable and accrued liabilities	4,705	(3,643)
Vacation payable	8,753	(2,283)
	732,679	213,162
Capital transactions		
Acquisition of tangible capital assets	(659,979)	(173,362)
Investing transactions		
Employee future benefits paid	(72,700)	(39,800)
Change in cash and cash equivalents during the year	-	-
Cash and cash equivalents, beginning of year	200	200
Cash and cash equivalents, end of year	\$ 200	\$ 200

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

North Bay Public Library Board Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies

Nature and Purpose of the Organization

The North Bay Public Library Board (Library) is a Board of the Corporation of the City of North Bay which is incorporated under the Ontario Public Library Act. The Board makes available a wide variety of reading, electronic and audio-visual materials to the citizens of North Bay and its surrounding area.

Management Responsibility

The financial statements of the Library are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting whereby revenue is recognized as it is earned and measurable; and expenses are recognized in the period that goods and services are acquired, a liability is incurred, or transfers are due.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Building	100 years
Building betterments	remaining service life of building
Equipment	4 to 15 years
Books, CDs, Videos	2 to 10 years

Deferred Revenue

Deferred revenue represents funds which have been applied for and collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

North Bay Public Library Board Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenues are recognized as follows:

- a. Municipal contributions are recognized in the period to which the related expenses are incurred.
- b. Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.
- c. Fine and user fee revenue is recognized in the period in which it is collected.
- d. Interest and other income is recognized in the period in which it is earned.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards 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 revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

North Bay Public Library Board Notes to Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Post-Employment Benefits The Library sponsors a defined benefit supplementary health plan for certain employees and retirees funded on a pay-as-you-go basis and a defined benefit pension plan. The Library has adopted the following policies:

- (i) The cost of the accrued benefit obligation for the post-employment supplementary health plan is actuarially determined using the projected benefit method prorated on service and management's estimate of retirement age and health costs.
- (ii) Actuarial gains (losses) on the accrued benefit obligation arise from the difference between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) are amortized over the average remaining service period of active employees.
- (iii) The Library is an employer member of the Ontario Municipal Employees Retirement Fund ("the Plan") which is a multi-employer, defined benefit pension plan. The Library has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles.

**North Bay Public Library Board
Notes to Financial Statements**

December 31, 2019

2. Accounts Receivable

	<u>2019</u>	<u>2018</u>
Government of Canada	\$ 13,307	\$ 6,929
Other	<u>10,152</u>	<u>1,457</u>
	<u>\$ 23,459</u>	<u>\$ 8,386</u>

**North Bay Public Library Board
Notes to Financial Statements**

December 31, 2019

3. Tangible Capital Assets

	2019					
	Land	Building	Equipment	Books, CD's Videos	Construction in Progress	Total
Cost, beginning of year	\$ 62,776	\$ 1,973,167	\$ 691,789	\$ 3,641,885	\$ 20,437	\$ 6,390,054
Additions	-	400,566	59,755	153,463	46,195	659,979
Disposals	-	-	-	(520,536)	-	(520,536)
Cost, end of year	62,776	2,373,733	751,544	3,274,812	66,632	6,529,497
Accumulated amortization, beginning of year	-	486,261	590,453	3,131,852	-	4,208,566
Amortization	-	39,648	54,094	137,297	-	231,039
Disposals	-	-	-	(520,536)	-	(520,536)
Accumulated amortization, end of year	-	525,909	644,547	2,748,613	-	3,919,069
Net carrying amount, end of year	\$ 62,776	\$ 1,847,824	\$ 106,997	\$ 526,199	\$ 66,632	\$ 2,610,428
	2018					
	Land	Building	Equipment	Books, CD's Videos	Construction in Progress	Total
Cost, beginning of year	\$ 62,776	\$ 1,973,167	\$ 664,408	\$ 3,798,977	\$ 12,210	\$ 6,511,538
Additions	-	-	27,381	137,754	8,227	173,362
Disposals	-	-	-	(294,846)	-	(294,846)
Cost, end of year	62,776	1,973,167	691,789	3,641,885	20,437	6,390,054
Accumulated amortization, beginning of year	-	454,625	539,624	3,287,732	-	4,281,981
Amortization	-	31,636	50,829	137,592	-	220,057
Disposals	-	-	-	(293,472)	-	(293,472)
Accumulated amortization, end of year	-	486,261	590,453	3,131,852	-	4,208,566
Net carrying amount, end of year	\$ 62,776	\$ 1,486,906	\$ 101,336	\$ 510,033	\$ 20,437	\$ 2,181,488

North Bay Public Library Board Notes to Financial Statements

December 31, 2019

4. Post-Employment Benefits

Post-employment benefits are comprised of the following balances:

	2019	2018
Sick leave plan (i)	\$ 42,900	\$ 59,200
Supplementary health benefits	106,200	111,300
Vacation and other	142,534	124,881
	\$ 291,634	\$ 295,381

(i)

	2019	2018
Accrued benefit obligation, end of year	\$ 137,300	\$ 166,300
Unamortized net actuarial losses	(94,400)	(107,100)
	\$ 42,900	\$ 59,200

Prior to August 31, 1987 the Board provided its employees with a sick leave plan whereby employees could accumulate sick leave credits and be entitled to a cash payment when they left the Board's employment. With the introduction of a long-term disability plan on August 31, 1987 this sick leave plan was discontinued and as such no sick leave credits have accumulated since. The outstanding accrued liability is to cover sick leave credits accumulated prior to August 31, 1987.

In addition, the library has a defined supplementary health benefit plan that provides medical, dental and life insurance to certain eligible Library employees who retire from current employment. The supplementary health benefit liability estimates the expense of each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement up to the age of 65.

North Bay Public Library Board Notes to Financial Statements

December 31, 2019

4. Post-Employment Benefits (continued)

The Library measures its accrued benefit obligations for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the plan for funding purposes was December 31, 2018 and the next valuation date will be as at January 1, 2022. Information about the Library's defined supplementary health benefit and sick leave plan is as follows:

	2019	2018
Sick leave benefits:		
Accrued benefit liability, beginning of year	\$ 59,200	\$ 44,000
Amortization of unamortized actuarial gains/losses	12,700	12,900
Service cost for the year	23,300	22,600
Interest expense for the year	5,300	5,400
Benefits paid during the year	(57,600)	(25,700)
Accrued benefit liability, end of year	\$ 42,900	\$ 59,200
	2019	2018
Supplementary health benefits:		
Accrued benefit liability, beginning of year	\$ 111,300	\$ 90,100
Amortization of unamortized actuarial gains/losses and other	-	25,400
Service cost for the year	6,200	6,000
Interest expense for the year	3,800	3,900
Benefit paid during the year	(15,100)	(14,100)
Accrued benefit liability, end of year	\$ 106,200	\$ 111,300

The main actuarial assumptions employed for the valuations are as follows:

- i) The discount rate for supplemental health benefits was assumed at 3.50% per annum for Accrued Benefit Obligation ("ABO") (2018 - 3.50%) and 3.50% per annum for the 2019 expense (2018 - 3.40%).
- ii) The discount rate for sick leave benefits was assumed at 3.30% per annum for Accrued Benefit Obligation ("ABO") (2018 - 3.10%) and 3.10% per annum for the expense (2018 - 3.10%).
- iii) Future general salary and wage levels were assumed to increase 3% per annum.
- iv) Health costs were assumed at 6.20% per annum for 2019 (2018 - 6.40%), reducing by 0.14% annually to 3.62% in 2039.
- v) Dental costs were assumed to increase at 4% per annum.
- vi) The expected average remaining service life is 12 years for the supplemental health benefits and 10 years for the sick leave benefits.

North Bay Public Library Board Notes to Financial Statements

December 31, 2019

5. Related Party Transactions / Economic Dependence

The expenditures noted in Schedule 1 for Purchased Services are paid to the Corporation of the City of North Bay. These expenditures are measured at exchange amounts and consist of financial services, human resources, legal, information technology, telephone and internet.

Substantially all of the Board's revenue is received from the City of North Bay. The continuation of the Board is dependent on this funding.

6. Budget

The budgeted figures presented for comparative purposes are those approved by the Board of Directors. They have been reclassified to conform with these statements.

7. Accumulated Surplus

The Library's accumulated surplus balance at year end consists of the following:

	<u>2019</u>	<u>2018</u>
Invested in tangible capital assets	\$ 2,610,428	\$ 2,181,488
Reserve funds	286,238	201,892
Amounts to be funded from future revenues (Note 4)	<u>(291,634)</u>	<u>(295,381)</u>
	<u>\$ 2,605,032</u>	<u>\$ 2,087,999</u>

8. Segment Reporting

The Chartered Professional Accountants of Canada Handbook Section PS2700 - Segment Disclosures established standards on defining and disclosing segments in a government's financial statements. Government organizations that apply these standards are encouraged to provide the disclosures established by this section when their operations are diverse enough to warrant such disclosures. The Library has only one identifiable segment, considered to be public access to information related services as presented in these financial statements.

North Bay Public Library Board Notes to Financial Statements

December 31, 2019

9. Pension Agreements

The Library makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of all permanent, full-time and qualifying part-time members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration benefits. OMERS provides pension services to more than 496,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ("the Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2019. The results of this valuation disclosed total actuarial liabilities of \$107,687 million in respect of benefits accrued for service with actuarial assets at that date of \$104,290 million indicating an actuarial deficit of \$3,397 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Library does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Library to OMERS for 2019 were \$122,475 (2018 - \$124,532).

10. Subsequent Events

Subsequent to year-end, the impact of the COVID-19 pandemic in Canada and on the global economy increased significantly. The Library's revenues received from the City of North Bay and the Province of Ontario have not been impacted to date, however there has been a reduction in user fees and memberships as a result of the Library closing services during the pandemic. The Library has not reduced regular staff but has seen reductions in expenses related to security costs, material purchases and utilities. The Library is exploring options for increased cash flows in the 2020 fiscal year in order to help facilitate a phased in approach to re-opening services that will meet all Provincial and local Health Unit guidelines and requirements.

In addition, if the impacts of COVID-19 continue there could be a further impact on the Library and its major customers, suppliers and other third parties that could impact the timing and amounts realized on the Library's assets. At this time, the full potential impact of COVID-19 on the Library is not known.

North Bay Public Library Board Schedule 1 - Detailed Schedule of Expenses

For the year ended December 31	2019 Budget	2019 Actual	2018 Actual
Salaries and benefits			
Salaries	\$ 1,596,808	\$ 1,598,136	\$ 1,607,877
Overtime	15,500	11,770	16,552
Benefits	382,410	373,290	397,516
	<u>1,994,718</u>	<u>1,983,196</u>	<u>2,021,945</u>
Operating			
Book repairs and processing	20,000	16,090	15,312
Electronic materials	53,000	19,259	28,441
	<u>73,000</u>	<u>35,349</u>	<u>43,753</u>
Library building			
Building maintenance costs	24,400	62,233	258,569
Utility costs	72,933	52,976	66,253
Insurance costs	14,500	13,719	11,264
	<u>111,833</u>	<u>128,928</u>	<u>336,086</u>
Administration			
Office supplies	10,500	10,738	10,675
Telephone and communications	5,300	4,443	4,209
Postage/courier	6,000	4,853	5,580
Membership fees	1,500	1,169	1,228
Promotion costs	4,500	3,856	2,570
Professional development	4,900	6,505	6,094
Audit/Treasurer fees	5,644	5,706	5,837
Collection agency fees	750	435	759
Photocopy costs	10,600	3,405	10,659
System maintenance contract	37,000	25,847	24,842
Other contracts and miscellaneous costs	45,000	45,199	39,504
Employee parking	7,500	10,442	9,694
	<u>139,194</u>	<u>122,598</u>	<u>121,651</u>
Purchased services			
Purchased services	69,760	67,131	65,909
Minor capital purchases and other			
Furniture and equipment	5,000	2,559	3,135
One-time costs	2,500	1,458	1,206
Amortization of tangible capital assets	162,000	231,039	220,057
Loss on disposal of capital assets	-	-	1,375
	<u>169,500</u>	<u>235,056</u>	<u>225,773</u>
	<u>\$ 2,558,005</u>	<u>\$ 2,572,258</u>	<u>\$ 2,815,117</u>