
Financial statements of Oshawa Public Library Board

December 31, 2020

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Independent Auditor's Report

To the Board Members, Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Oshawa

Opinion

We have audited the financial statements of Oshawa Public Library Board (the "Library"), which comprise statement of financial position as at December 31, 2020, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2020, and the results of its operations, changes in net debt, and its 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 ("Canadian GAAS"). 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 the Library 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 the Library's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the Library'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 GAAS 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 GAAS, 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 the Library'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 the Library'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 the Library 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.

Deloitte LLP

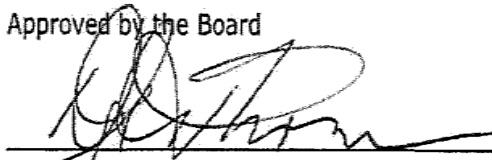
Chartered Professional Accountants
Licensed Public Accountants
May 20, 2021


Oshawa Public Library Board
Statement of financial position
As at December 31, 2020

	Notes	2020 \$	2019 \$
Financial assets			
Cash		2,589,802	1,452,595
Due from City of Oshawa		3,212,508	3,156,440
Accounts receivable		101,262	117,473
		5,903,572	4,726,508
Liabilities			
Accounts payable and accrued liabilities		553,501	676,355
Employee future benefits	4	3,779,158	3,661,689
Deferred revenue	5		
Grants		757,421	—
Development charges		3,105,477	2,985,972
Jess Hann Branch		163,587	303,804
		8,359,144	7,627,820
Net debt		(2,455,572)	(2,901,312)
Non-financial assets			
Tangible capital assets	6	2,206,747	2,432,537
Prepaid expenses			
General		65,690	76,523
Jess Hann Branch		163,587	303,804
		2,436,024	2,812,864
Accumulated deficit	7	(19,548)	(88,448)

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

Approved by the Board


_____, Director


_____, Director

Oshawa Public Library Board

Statement of operations

Year ended December 31, 2020

	Budget (Note 8) \$	2020 Actual \$	2019 Actual \$
Revenue			
Operating			
Municipal contribution	9,052,727	8,526,119	9,052,727
Provincial operating grants	215,400	215,441	215,441
Other government grants	20,000	24,857	100,060
Donations	142,500	156,333	182,388
Development charges earned	85,500	85,500	85,500
Interest	10,000	21,574	33,987
Fines	121,500	33,950	110,009
Service charges	60,000	23,791	62,274
	9,707,627	9,087,565	9,842,386
Expenses			
Salaries	5,621,550	5,035,563	5,462,502
Employee benefits	1,705,188	1,446,938	1,670,235
Digital media and periodicals	369,350	394,712	385,020
Utilities	275,700	212,556	249,065
Other supplies	97,600	82,017	108,005
Rents	195,000	190,741	193,674
Maintenance	285,000	278,662	279,631
General	486,900	365,138	468,349
Minor capital expenditures			
Contribution to library			
renovations	2	311,848	141,036
Amortization	700,000	700,490	756,463
	9,736,288	9,018,665	9,713,980
Annual (deficit) surplus	(28,661)	68,900	128,406
Accumulated (deficit) surplus, beginning of year	(19,548)	(88,448)	(216,854)
Accumulated (deficit) surplus, end of year	(48,209)	(19,548)	(88,448)

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

Oshawa Public Library Board
Statement of change in net debt
Year ended December 31, 2020

	Budget	2020	2019
	\$	Actual	Actual
	\$	\$	\$
Annual (deficit) surplus	(28,661)	68,900	128,406
Acquisition of tangible capital assets	(575,650)	(474,700)	(499,831)
Amortization	700,000	700,490	756,463
	95,689	294,690	385,038
Decrease in prepaid expenses	—	151,050	364,348
Change in net debt	95,689	445,740	749,386
Net debt, beginning of year	(2,455,572)	(2,901,312)	(3,650,698)
Net debt, end of year	(2,359,883)	(2,455,572)	(2,901,312)

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

Oshawa Public Library Board**Statement of cash flows**

Year ended December 31, 2020

	2020	2019
	\$	\$
Operating activities		
Annual surplus	68,900	128,406
Items not involving cash		
Amortization	700,490	756,463
Changes in non-cash assets and liabilities		
Due from City of Oshawa	(56,068)	(177,272)
Accounts receivable	16,211	(51,709)
Accounts payable and accrued liabilities	(122,854)	(38,747)
Employee future benefits	117,469	190,106
Deferred revenue	736,709	(718,023)
Prepaid expense	151,050	364,348
	1,611,907	453,572
Capital activity		
Acquisition of tangible capital assets	(474,700)	(499,831)
Increase (decrease) in cash	1,137,207	(46,259)
Cash, beginning of year	1,452,595	1,498,854
Cash, end of year	2,589,802	1,452,595

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

1. Significant accounting policies

The financial statements of the Oshawa Public Library Board ("Library Board") are the representations of management prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

The significant accounting policies adopted by the Library Board are as follows:

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the year in which transactions or events occur that give rise to the revenue. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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.

(a) Tangible capital assets

Tangible capital assets are recorded at cost. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over their estimated useful lives as follows:

Collections	7 years
Furniture	10 years
Computer equipment	5 years

(b) Leases

Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(c) Prepaid expenses – Jess Hann Branch

The Library entered into an agreement with the lessor of the Jess Hann library branch. Under this agreement rent was prepaid for the term of the lease and an equivalent donation made to the Library Board. The prepaid rent is being expensed over the term of the lease. The donation was deferred and is being amortized to income over the term of the lease.

Post-employment benefits

The present value of providing employees with post-employment benefits is recognized as employees earn these entitlements through service.

1. Significant accounting policies (continued)

Deferred revenue

Certain grants contain conditions specifying the use of the funds received. Any unspent portion of conditional grants is reported as deferred revenue.

The Library Board receives development charge contributions under authority of provincial legislation and a by-law of the City of Oshawa. These funds by their nature are restricted in their use and until applied to applicable capital works are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal year the funds are expended.

Reserve and reserve funds

Certain amounts, as approved by the Board, are set aside in reserves for future operating and capital purposes. Transfers to/from reserves and reserve funds are recorded when approved.

Government transfers

Government transfers are recognized as revenues by the Library in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions or programs to be carried out in order to keep the transfer. For such transfers, revenue is recognized when the stipulation has been met.

Investment income

Investment income earned (other than development charge funds) are reported as revenue in the year earned. Investment income earned on unspent development charge funds is added to the deferred revenue balance.

Budget figures

The budget figures included in the statements of operations and change in net debt were derived from the original budget as approved by the Board with adjustments to present the information on a basis consistent with Public Sector Accounting Standards.

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 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 year. Actual results could differ from those estimates. Accounts subject to estimates include employee future benefits, certain accrued liabilities and net book value of tangible capital assets.

2. Contribution to Library renovations

During the year, the Library incurred costs of \$311,848 (\$141,036 in 2019) in respect of renovations to library branches. As the renovations pertain to buildings owned by the City and are not recorded as tangible capital assets in the Library's financial statements, the amount paid has been expensed in the Library's financial statements.

3. Pension agreement

The Library makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of eligible staff members. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employee based on the length of service and rates of pay. Contributions paid by the Library in 2020 were \$458,820 (\$454,517 in 2019).

As at December 31, 2020, the OMERS plan with over 526,000 active and retired members had a funding deficit of approximately \$3.2 billion. 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.

4. Employee future benefits

Employee future benefits are comprised as follows:

	2020	2019
	\$	\$
Accumulated sick leave benefit plan entitlements	875,418	861,517
Post-employment benefits	2,903,740	2,800,172
	3,779,158	3,661,689

(a) Accumulated sick leave benefit plan entitlements

Under the sick leave benefit plan, applicable only to employees hired prior to January 1, 1992, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Library's employment.

(b) Post-employment benefits

The Library makes available to qualifying employees certain non-pension post-employment benefits for extended health care and life insurance.

The significant actuarial assumptions adopted in estimating the Library's employee future benefits are as follows:

- Discount rate - 2.50% (Post-employment benefits),
2.00% (sick leave benefits)
- Future inflation rates - 3% for salary, 2% general inflation
- Medical benefit cost escalation - 5.8% (reducing yearly to 4.5% after 4 years)

The Library has established a reserve to mitigate the future impact of these obligations as detailed on the Schedule of Reserves and Reserve Funds. The balance of the sick leave reserve is \$107,034 (\$170,468 in 2019).

The date of the most recent actuarial valuation for accounting purposes was December 31, 2019.

4. Employee future benefits (continued)

Information about the Library's employee future benefits is as follows:

Continuity of accrued benefit liability

	2020	2019
	\$	\$
Accrued benefit liability, beginning of year	3,661,689	3,471,583
Expenses for the year	261,490	327,998
Benefits paid	(144,021)	(137,892)
Accrued benefit liability, end of year	3,779,158	3,661,689

Reconciliation of accrued benefit obligation

	2020	2019
	\$	\$
Accrued benefit obligation at December 31	4,098,522	3,488,044
Unamortized actuarial (loss) gain	(319,364)	173,645
	3,779,158	3,661,689

Expense

	2020	2019
	\$	\$
Current service cost	159,522	173,814
Amortization of actuarial (gain) loss	(10,424)	11,490
Interest on accrued benefit obligations	112,392	142,694
	261,490	327,998

5. Deferred revenue

Deferred revenue represents development charges, donations, charges and municipal contributions which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the related services are performed. The following is the current status of the deferred revenue:

	2020	2019
	\$	\$
Obligation Reserve Fund - development charges	3,105,477	2,985,972
Deferred revenue		
Jess Hann Branch	163,587	303,804
Municipal contribution, and other grants	757,421	—
	4,026,485	3,289,776

5. Deferred revenue (continued)

Continuity of deferred revenue is as follows:

	2020 \$	2019 \$
Balance, beginning of year	3,289,776	4,007,800
Developer contributions collected	183,274	195,507
Interest earned	21,731	66,580
Other contributions	757,421	—
	962,426	262,087
Less		
Developer contributions earned	85,500	85,500
General deferred revenues earned	140,217	140,217
Other contributions earned	—	754,394
	225,717	980,111
	4,026,485	3,289,776

6. Tangible capital assets

	Collections \$	Furniture \$	Computer equipment \$	2020 Total \$	2019 Total \$
Cost					
Balance, beginning of year	5,463,214	783,275	150,904	6,397,393	6,822,006
Additions	461,321	11,082	2,297	474,700	499,831
Write-offs	(764,777)	—	—	(764,777)	(924,444)
	5,159,758	794,357	153,201	6,107,316	6,397,393
Accumulated amortization					
Balance, beginning of year	3,195,918	625,985	142,953	3,964,856	4,132,837
Amortization expense	650,043	44,217	6,230	700,490	756,463
Write-offs	(764,777)	—	—	(764,777)	(924,444)
Balance, end of year	3,081,184	670,202	149,183	3,900,569	3,964,856
Net book value, end of year	2,078,574	124,155	4,018	2,206,747	2,432,537

7. Accumulated surplus

Accumulated surplus consists of the following:

	2020 \$	2019 \$
Operating fund	67,729	67,729
Capital fund	(118,371)	(118,371)
Unfunded liabilities	(3,779,158)	(3,661,689)
Reserves and reserve funds (Schedule)	1,603,505	1,191,346
Invested in capital assets	2,206,747	2,432,537
	(19,548)	(88,448)

8. Budget

The budget adopted by the Library Board was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. The budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net debt represent the budget adopted by Council February 1, 2019 with adjustments as follows:

	2020	2019
	\$	\$
Budgeted deficit for the year	—	—
Add		
Tangible capital asset additions	575,650	550,250
Interfund transfers	212,689	130,141
Less		
Estimated amortization	(700,000)	(760,000)
Employee future benefits	(117,000)	(190,000)
	(28,661)	(269,609)

9. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

10. Significant event

On March 11, 2020 the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("Covid-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Library in future periods.

Oshawa Public Library Board

Schedule – Schedule of reserves and reserve funds

Year ended December 31, 2020

	Balance, beginning of year	Interest earned	Donations	Appropriations to (from)	2020 Balance, end of year	2019 Balance, end of year
	\$	\$	\$	\$	\$	\$
Reserves						
Capital	816,020	605	—	500,201	1,316,826	816,020
Friends of the Library	65,644	727	13,304	(26,490)	53,185	65,644
South Oshawa Library Reserve	117,602	1,285	—	(14,297)	104,590	117,602
	999,266	2,617	13,304	459,414	1,474,601	999,266
Bequest reserve funds	21,611	259	—	—	21,870	21,611
Sick leave reserve – held by City of Oshawa	170,469	1,117	—	(64,552)	107,034	170,469
	1,191,346	3,993	13,304	394,862	1,603,505	1,191,346