
Financial statements of Oshawa Public Library Board

December 31, 2021

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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, 2021, 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, 2021, 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

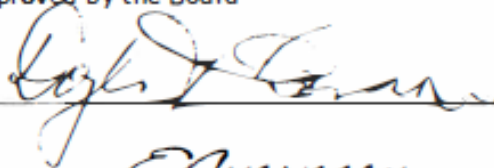
Chartered Professional Accountants
Licensed Public Accountants
June 16, 2022

Oshawa Public Library Board
Statement of financial position
As at December 31, 2021

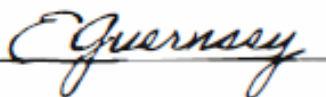
	Notes	2021 \$	2020 \$
Financial assets			
Cash		2,901,262	2,589,802
Due from City of Oshawa		3,467,013	3,212,508
Accounts receivable		103,420	101,262
		6,471,695	5,903,572
Liabilities			
Accounts payable and accrued liabilities		631,591	553,501
Employee future benefits	4	3,973,844	3,779,158
Deferred revenue	5		
Grants		—	757,421
Development charges		3,476,614	3,105,477
Jess Hann Branch		23,370	163,587
		8,105,419	8,359,144
Net debt		(1,633,724)	(2,455,572)
Non-financial assets			
Tangible capital assets	6	2,089,575	2,206,747
Prepaid expenses			
General		57,038	65,690
Jess Hann Branch		23,370	163,587
		2,169,983	2,436,024
Accumulated deficit	7	536,259	(19,548)

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, 2021

Notes	Budget \$	2021 Actual \$	2020 Actual \$
	(Note 8)		
Revenue			
Operating			
Municipal contribution	9,052,727	9,052,728	8,526,119
Provincial operating grants	215,400	215,441	215,441
Other government grants	15,000	52,569	24,857
Donations	148,000	150,526	156,333
Development charges earned	85,500	—	85,500
Interest	10,000	24,288	21,574
Fines	38,500	19,303	33,950
Service charges	24,000	18,725	23,791
	9,589,127	9,533,580	9,087,565
Expenses			
Salaries	5,524,400	4,778,186	5,035,563
Employee benefits	1,764,500	1,561,663	1,446,938
Digital media and periodicals	438,100	410,933	394,712
Utilities	296,715	196,181	212,556
Other supplies	106,538	98,203	82,017
Rents	195,000	187,195	190,741
Maintenance	290,000	300,941	278,662
General	456,485	497,734	365,138
Contribution to library renovations	200,000	294,873	311,848
Amortization	690,000	651,864	700,490
	9,961,738	8,977,773	9,018,665
Annual (deficit) surplus	(372,611)	555,807	68,900
Accumulated (deficit), beginning of year	(19,548)	(19,548)	(88,448)
Accumulated (deficit) surplus, end of year	(392,159)	536,259	(19,548)

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, 2021

	Budget	2021 Actual	2020 Actual
	\$	\$	\$
Annual (deficit) surplus	(372,611)	555,807	68,900
Acquisition of tangible capital assets	408,700	(534,692)	(474,700)
Amortization	690,000	651,864	700,490
	726,089	672,979	294,690
Decrease in prepaid expenses	—	148,869	151,050
Change in net debt	726,089	821,848	445,740
Net debt, beginning of year	(2,455,572)	(2,455,572)	(2,901,312)
Net debt, end of year	(1,729,483)	(1,633,724)	(2,455,572)

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

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

Year ended December 31, 2021

	2021	2020
	\$	\$
Operating activities		
Annual surplus	555,807	68,900
Items not involving cash		
Amortization	651,864	700,490
Changes in non-cash assets and liabilities		
Due from City of Oshawa	(254,505)	(56,068)
Accounts receivable	(2,158)	16,211
Accounts payable and accrued liabilities	78,090	(122,854)
Employee future benefits	194,686	117,469
Deferred revenue	(526,501)	736,709
Prepaid expense	148,869	151,050
	846,152	1,611,907
Capital activity		
Acquisition of tangible capital assets	(534,692)	(474,700)
Increase (decrease) in cash	311,460	1,137,207
Cash, beginning of year	2,589,802	1,452,595
Cash, end of year	2,901,262	2,589,802

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
Vehicles	10 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 \$294,873 (\$311,848 in 2020) 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 2021 were \$433,580 (\$458,820 in 2020).

As at December 31, 2021, the OMERS plan had a funding deficit of approximately \$3.1 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:

	2021	2020
	\$	\$
Accumulated sick leave benefit plan entitlements	930,683	875,418
Post-employment benefits	3,042,980	2,903,740
	<u>3,973,663</u>	<u>3,779,158</u>

(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	- 3.0% (Post-employment benefits), 2.75% (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 \$107,302 (\$107,034 in 2020).

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

	2021	2020
	\$	\$
Accrued benefit liability, beginning of year	3,779,158	3,661,689
Expenses for the year	311,095	261,490
Benefits paid	(116,409)	(144,021)
Accrued benefit liability, end of year	3,973,844	3,779,158

Reconciliation of accrued benefit obligation

	2021	2020
	\$	\$
Accrued benefit obligation at December 31	3,930,026	4,098,522
Unamortized actuarial (loss) gain	43,818	(319,364)
	3,973,844	3,779,158

Expense

	2021	2020
	\$	\$
Current service cost	187,638	159,522
Amortization of actuarial (gain) loss	23,101	(10,424)
Interest on accrued benefit obligations	100,356	112,392
	311,095	261,490

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:

	2021	2020
	\$	\$
Obligation Reserve Fund - development charges	3,476,614	3,105,477
Deferred revenue		
Jess Hann Branch	23,370	163,587
Municipal contribution, and other grants	—	757,421
	3,499,984	4,026,485

5. Deferred revenue (continued)

Continuity of deferred revenue is as follows:

	2021 \$	2020 \$
Balance, beginning of year	4,026,485	3,289,776
Developer contributions collected	363,452	183,274
Interest earned	7,685	21,731
Other contributions	—	757,421
	371,137	962,426
Less		
Developer contributions earned	—	85,500
General deferred revenues earned	143,244	140,217
Other contributions earned	754,394	—
	897,638	225,717
	3,499,984	4,026,485

6. Tangible capital assets

	Collections \$	Furniture \$	Computer equipment \$	Vehicles \$	2021 Total \$
Cost					
Balance, beginning of year	5,159,758	794,357	153,201	—	6,107,316
Additions	453,621	7,293	—	73,778	534,692
Write-offs	(712,108)	—	—	—	(712,108)
	4,901,271	801,650	153,201	73,778	5,929,900
Accumulated amortization					
Balance, beginning of year	3,081,184	670,202	149,183	—	3,900,569
Amortization expense	610,821	34,944	2,410	3,689	651,864
Write-offs	(712,108)	—	—	—	(712,108)
Balance, end of year	2,979,897	705,146	151,593	3,689	3,840,325
Net book value, end of year	1,921,374	96,504	1,608	70,089	2,089,575

7. Accumulated surplus

Accumulated surplus consists of the following:

	2021 \$	2020 \$
Operating fund	67,729	67,729
Capital fund	(118,371)	(118,371)
Unfunded liabilities	(3,973,844)	(3,779,158)
Reserves and reserve funds (Schedule)	2,471,170	1,603,505
Invested in capital assets	2,089,575	2,206,747
	536,259	(19,548)

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:

	2021	2020
	\$	\$
Budgeted deficit for the year	—	—
Add		
Tangible capital asset additions	522,600	575,650
Interfund transfers	212,689	212,689
Less		
Library renovations	(200,000)	
Estimated amortization	(690,000)	(700,000)
Employee future benefits	(195,000)	(117,000)
	(349,711)	(28,661)

9. Contractual obligations

Contractual obligations for library renovation work in progress total approximately \$380,000 (nil in 2020). Financing for these commitments has been approved by the Library Board.

Oshawa Public Library Board
Schedule – Schedule of reserves and reserve funds
Year ended December 31, 2021

	Balance, beginning of year	Interest earned	Donations	Appropriations to (from)	2021 Balance, end of year	2020 Balance, end of year
	\$	\$	\$	\$	\$	\$
Reserves						
Capital	1,316,826	7,253	—	878,061	2,202,140	1,316,826
Friends of the Library	53,185	349	1,580	(20,795)	34,319	53,185
South Oshawa Library Reserve	104,590	785	—	—	105,375	104,590
	1,474,601	8,387	1,580	857,266	2,341,834	1,474,601
Bequest reserve funds	21,870	164	—	—	22,034	21,870
Sick leave reserve – held by City of Oshawa	107,034	268	—	—	107,302	107,034
	1,603,505	8,819	1,580	857,266	2,471,170	1,603,505