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Financial statements of  
Burlington Public Library Board

December 31, 2018

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Draft

## Independent Auditor's Report

To the Members of Burlington Public  
Library Board and Members of Council  
of the Corporation of the City of Burlington

### Opinion

We have audited the financial statements of Burlington Public Library Board (the "Board"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (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 Board as at December 31, 2018, and the results of its operations 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 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 the 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 the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 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 the 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 the 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  
May 2, 2019

**Burlington Public Library Board****Statement of operations**

Year ended December 31, 2018

	<b>2018 Budget (Note 7)</b>	<b>2018 Actual</b>	2017 Actual
	\$	\$	\$
<b>Revenue</b>			
Municipal contribution	<b>11,404,757</b>	<b>11,404,757</b>	11,161,067
Province of Ontario grants	<b>229,403</b>	<b>229,403</b>	229,403
Fines	<b>103,210</b>	<b>91,997</b>	101,702
Photocopier and printer	<b>36,468</b>	<b>42,821</b>	43,530
Sundry	<b>105,317</b>	<b>193,125</b>	183,466
Grants and donations	-	<b>50,912</b>	94,055
Interest earned in reserves	-	<b>48,214</b>	51,790
	<b>11,879,155</b>	<b>12,061,229</b>	11,865,013
<b>Expenses</b>			
Employment costs	<b>8,670,318</b>	<b>8,567,720</b>	8,271,769
Amortization	<b>1,410,818</b>	<b>1,410,818</b>	1,324,916
Library materials and processing	<b>465,588</b>	<b>477,834</b>	419,734
Program costs	<b>36,690</b>	<b>81,394</b>	54,081
Operating costs	<b>371,118</b>	<b>386,718</b>	372,821
Building costs	<b>775,332</b>	<b>737,740</b>	756,370
Automated systems	<b>309,382</b>	<b>323,641</b>	294,481
Equipment repairs and maintenance	<b>38,224</b>	<b>40,955</b>	21,229
	<b>12,077,470</b>	<b>12,026,820</b>	11,515,401
Annual surplus	<b>(198,315)</b>	<b>34,409</b>	349,612
Accumulated surplus, beginning of year	<b>8,589,582</b>	<b>8,589,582</b>	8,239,970
<b>Accumulated surplus, end of year</b>	<b>8,391,267</b>	<b>8,623,991</b>	8,589,582

The accompanying notes are an integral part of the financial statements

**Burlington Public Library Board**  
**Statement of change in net financial assets**  
Year ended December 31, 2018

	Notes	<b>2018 Budget</b>	<b>2018 Actual</b>	2017 Actual
		\$	\$	\$
<b>Annual surplus</b>		<b>(148,315)</b>	<b>34,409</b>	349,612
Acquisition of tangible capital assets	9	<b>(1,039,090)</b>	<b>(1,546,870)</b>	(1,177,344)
Amortization of tangible capital assets	9	<b>1,410,818</b>	<b>1,410,818</b>	1,324,916
		<b>371,728</b>	<b>(136,052)</b>	147,572
Acquisition of prepaid expenses		-	<b>(353,630)</b>	(288,635)
Use of prepaid expenses		-	<b>288,635</b>	281,587
		-	<b>(64,995)</b>	(7,048)
Change in net financial assets		<b>223,413</b>	<b>(166,638)</b>	490,136
Net financial assets, beginning of year		<b>2,741,619</b>	<b>2,741,619</b>	2,251,483
<b>Net financial assets, end of year</b>		<b>2,965,032</b>	<b>2,574,981</b>	2,741,619

The accompanying notes are an integral part of the financial statements

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**Burlington Public Library Board****Statement of financial position**

As at December 31, 2018

	Notes	<b>2018</b>	2017
		\$	\$
<b>Assets</b>			
Cash		<b>317,161</b>	266,599
Accounts receivable		<b>238,638</b>	194,693
Due from City of Burlington		<b>2,594,682</b>	2,795,450
		<b>3,150,481</b>	3,256,742
<b>Liabilities</b>			
Accounts payable and accrued liabilities		<b>525,097</b>	452,351
Deferred revenue	4	<b>50,403</b>	62,772
		<b>575,500</b>	515,123
Net financial assets		<b>2,574,981</b>	2,741,619
Commitments	6		
<b>Non-financial assets</b>			
Prepaid expenses		<b>353,630</b>	288,635
Tangible capital assets	9	<b>5,695,380</b>	5,559,328
		<b>6,049,010</b>	5,847,963
<b>Accumulated surplus</b>	10	<b>8,623,991</b>	8,589,582

The accompanying notes are an integral part of the financial statements

On behalf of the Board

\_\_\_\_\_ Board Chair

\_\_\_\_\_ Management

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

Year ended December 31, 2018

	Notes	<b>2018</b>	2017
		\$	\$
<b>Operating transactions</b>			
Annual surplus		<b>34,409</b>	349,612
Items not involving cash			
Amortization	9	<b>1,410,818</b>	1,324,916
Change in non-cash working capital balances			
Increase in accounts receivable		<b>(43,945)</b>	(37,712)
Decrease (increase) in due from City of Burlington		<b>200,768</b>	(473,503)
Increase in prepaid expenses		<b>(64,995)</b>	(7,048)
Increase in accounts payable and accrued liabilities		<b>72,746</b>	65,688
(Decrease) increase in deferred revenue	4	<b>(12,369)</b>	745
		<b>1,597,432</b>	1,222,698
<b>Capital transaction</b>			
Acquisitions of tangible capital assets	9	<b>(1,546,870)</b>	(1,177,344)
Net change in cash		<b>50,562</b>	45,354
Cash, beginning of year		<b>266,599</b>	221,244
<b>Cash, end of year</b>		<b>317,161</b>	266,599

The accompanying notes are an integral part of the financial statements



**Burlington Public Library Board**  
**Notes to the financial statements**  
 December 31, 2018

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**1. Summary of significant accounting policies**

*Basis of accounting*

The financial statements of the Burlington Public Library Board (the "Board") are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

*Revenue recognition*

Revenues are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable. Expenses are reported on the accrual basis of accounting which recognizes expenses as they are incurred and measurable as a result of a receipt of goods or services and the creation of a legal obligation to pay.

*Tangible capital assets*

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

Office furniture and equipment	15 years
Library collections	10 years
Communication equipment	10 years
Major computer applications	7 years
Multi-function devices	5 years
Computers	4 years
Leasehold improvements	10 years
Vehicles	5 years

*Leases*

Leases are classified as capital or operating 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 lease payments are charged to expenses as incurred.

*Deferred revenue*

Interest earned on the endowment funds held by the Burlington Community Foundation to be used for stipulated purposes are recorded as deferred revenue on the statement of financial position. These amounts are brought into income as the funds are expended.

*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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the financial statements requiring management to make estimates are the useful lives of tangible capital assets and certain accrued liabilities. Actual results could differ from those estimates.

**Burlington Public Library Board**  
**Notes to the financial statements**  
December 31, 2018

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**1. Summary of significant accounting policies (continued)**

*Special projects reserve fund*

The City of Burlington holds a special projects reserve fund in trust for the Board. These funds are internally restricted and on an annual basis the Board approves a plan and budget that directs how the funds will be disbursed.

*Government transfers*

Government transfers are recognized as revenues by the Board 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 as the stipulation has been met.

**2. Pension agreements**

The Board makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its full time and eligible part time 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.

Contributions to OMERS are made at rates ranging from 9% to 14.6% depending on the proposed retirement age and the level of earnings. During 2018, the Board contributed \$568,919 (\$526,143 in 2017) to OMERS.

**3. Development charges reserve funds**

At December 31, 2018, the portion of development charges reserve funds held by the City for future library development was approximately \$57,467 (\$27,000 in 2017). This reserve is not included in the Board's financial statements.

**4. Deferred revenue**

	Balance as at December 31, 2017	Externally and internally restricted revenue and investment income	Expenses incurred in the period	Balance as at December 31, 2018
	\$	\$	\$	\$
Bequest - McEwen	21,233	6,094	10,537	16,790
Bequest - Isbister	16,514	-	4,632	11,882
Bequest - Broadbent	9,986	-	-	9,986
Bequest - Bird	2,320	-	-	2,320
Bequest - Clay	-	8,859	2,318	6,541
Grants - Ontario	11,287	4,931	14,798	1,420
Other grants	1,432	1,600	1,568	1,464
	62,772	21,484	33,853	50,403

**Burlington Public Library Board**  
**Notes to the financial statements**  
December 31, 2018

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**4. Deferred revenue (continued)**

*a) Bequest - Special Projects Reserve Fund*

Funds are received and deferred for specific projects and are included in deferred revenue. At December 31, 2018, \$40,978 (\$50,051 in 2017) is held in deferred revenue for special projects.

**5. Endowment and estate funds**

*a) McEwen Endowment Fund*

During 2004, the Board established an endowment fund held by the Burlington Community Foundation ("BCF"). These funds are to be used to enhance library services and collections for people in our community with low or no vision. At December 31, 2018, the BCF is holding \$239,756 (\$252,035 in 2017) for the benefit of the Board. These funds are held in trust and are not reflected in these financial statements.

*b) Wendy Schick Endowment Fund*

During 2009, the Board established an endowment fund in honour of the former Chief Librarian, Wendy Schick, held by the BCF. These funds are to be used to enhance librarian education. At December 31, 2018, the BCF is holding \$13,535 (\$13,880 in 2017) for the benefit of the Board. These funds are held in trust and are not reflected in these financial statements.

*c) Burlington Public Library Endowment Fund*

During 2008, the Burlington Public Library established an endowment fund held by the BCF. These funds are to be used to provide an ongoing source of revenue to support and enhance the library services. At December 31, 2018, the BCF is holding \$60,326 (\$61,766 in 2017) for the benefit of the Board. These funds are held in trust and are not reflected in these financial statements.

*d) Mae Beatrice Broadbent Fund*

During 2015, the Burlington Public Library established an endowment fund held by the BCF. These funds are to be used to enhance the large print collection. At December 31, 2018, the BCF is holding \$113,262 (\$116,152 in 2017) for the benefit of the Board. These funds are held in trust and are not reflected in these financial statements.

*e) John Isbister Estate*

In 2011, the Burlington Public Library Board was a beneficiary of an equal share of the Estate of John Isbister. The revenue earned on these funds is distributed equally to the recipients and is to be used to purchase non-fiction materials. In 2018, the Board received \$Nil (\$6,584 in 2017).

**Burlington Public Library Board**  
**Notes to the financial statements**  
December 31, 2018

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**5. Endowment and estate funds (continued)**

*f) Margaret Clay Endowment Fund*

In 2018, the Burlington Public Library Board established an endowment fund to be held by the BCF. These funds are to be used for media collections. At December 31, 2018, the balance of the endowment totalled \$55,000. These funds are held in trust and are not reflected in these financial statements.

**6. Commitments**

The Board is committed to payments under operating leases for equipment and branch locations through 2031. The minimum payments under these leases over the next five years are as follows:

	\$
2019	348,381
2020	373,247
2021	364,060
2022	303,176
2023	260,808

**7. Budget figures**

The budget figures presented in these financial statements are based upon the 2018 operating and capital budgets approved by Board of Directors. The chart below reconciles the approved budget figures reported in these financial statements.

	\$
Revenue	<b>11,190,155</b>
Revenue - capital	<b>689,000</b>
Total approved budgeted revenue	<b>11,879,155</b>
Expenses	<b>11,190,154</b>
Operating expenses from the capital fund	<b>50,000</b>
Total approved budgeted expenses	<b>11,240,154</b>
Less: tangible capital assets included in operating budget	<b>573,502</b>
Plus: amortization	<b>1,410,818</b>
Total budgeted expenses	<b>12,077,470</b>
Annual surplus	<b>(198,315)</b>

**8. Financial instruments**

The Board's financial instruments are comprised of cash, accounts receivable, due from City of Burlington and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of the Board's financial instruments approximates their carrying value due to their short-term nature.

**Burlington Public Library Board**  
**Notes to the financial statements**  
December 31, 2018

**9. Tangible capital assets**

	Office furniture and equipment	Library collections	Major computer applications	Technology hardware	Leasehold improve- ments	Vehicles	Work in Progress	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Opening Balance	2,015,021	8,222,832	253,022	971,707	1,053,545	-	-	12,516,127	12,440,738
Additions	202,067	616,318	29,917	543,046	112,010	3,902	39,610	1,546,870	1,177,344
Disposals	(2,000)	(844,170)	-	(169,666)	-	-	-	(1,015,836)	(1,101,955)
Closing Balance	2,215,088	7,994,980	282,939	1,345,087	1,165,555	3,902	39,610	13,047,161	12,516,127
Accumulated amortization									
Opening Balance	1,120,455	4,558,591	169,241	620,535	487,977	-	-	6,956,799	6,733,838
Current Year Amortization	147,672	799,498	42,129	306,179	114,560	780	-	1,410,818	1,324,916
Amortization on Disposals	(2,000)	(844,170)	-	(169,666)	-	-	-	(1,015,836)	(1,101,955)
Closing Balance	1,266,127	4,513,919	211,370	757,048	602,537	780	-	7,351,781	6,956,799
Net book value	948,961	3,481,061	71,569	588,039	563,018	3,122	39,610	5,695,380	5,559,328

**Burlington Public Library Board**  
**Notes to the financial statements**  
December 31, 2018

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**10. Accumulated surplus**

	<b>2018</b>	2017
	\$	\$
Consists of		
Reserves set aside by the board		
Library Projects Reserve Fund	<b>2,817,148</b>	2,862,615
Surpluses		
Invested in tangible capital assets	<b>5,695,380</b>	5,559,328
General fund reserve	<b>111,463</b>	167,639
Total surpluses	<b>5,806,843</b>	5,726,967
Accumulated surplus	<b>8,623,991</b>	8,589,582

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