

Financial statements of

**Richmond Hill Public
Library Board**

December 31, 2019

Richmond Hill Public Library Board

December 31, 2019

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RICHMOND HILL PUBLIC LIBRARY BOARD**Statement of Financial Position****December 31, 2018**

	<u>2019</u>	<u>2018</u>
	\$	\$
FINANCIAL ASSETS		
Cash	8,093	9,365
Accounts receivable		
City of Richmond Hill	1,769,183	1,574,401
Other	85,104	181,791
	<u>1,862,380</u>	<u>1,765,557</u>
LIABILITIES		
Accounts payable and accrued charges	713,293	1,037,217
Accrued vacation pay	73,004	79,346
Employee future benefits (Note 3)	149,728	155,382
	<u>936,025</u>	<u>1,271,945</u>
NET FINANCIAL ASSETS	<u>926,355</u>	<u>493,612</u>
NON - FINANCIAL ASSETS		
Tangible capital assets (Note 5)	6,022,721	6,197,358
Prepaid expenses	115,433	122,411
	<u>6,138,154</u>	<u>6,319,769</u>
Accumulated Surplus (Note 6)	<u>7,064,509</u>	<u>6,813,381</u>

RICHMOND HILL PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2019

	2019	2019	2018
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	\$	\$	\$
REVENUE			
Municipal contribution			
Operating	9,264,600	9,264,600	9,047,500
Contribution from City for maintenance, utility and supply charges	1,247,000	1,380,014	1,177,025
Repairs and replacement	1,165,800	1,165,800	1,132,000
Contributed tangible capital assets	1,184,300	520,534	592,108
Grants			
Province of Ontario	118,500	118,499	118,499
Other	3,700	3,700	3,700
York Region District School Board	284,500	284,500	276,400
Fines	155,500	113,190	115,107
Fees	144,100	109,279	104,000
Sales	53,300	41,004	45,397
Other Income	-	116	297
Interest income	19,569	19,569	21,103
Donations and bequests	-	1,694	680
	13,640,869	13,022,499	12,633,816 -
EXPENSES			
Salaries and benefits	8,296,900	7,836,452	7,747,191
Amortization of tangible capital assets	1,655,932	1,655,932	1,615,333
Maintenance, utility and supply charges	1,302,960	1,435,974	1,179,827
Contracts & Services	1,077,200	1,100,811	884,431
Transfer to reserve of the Town of Richmond Hill	481,700	538,688	707,357
Collection Development	231,539	137,544	249,684
Materials & Supplies	88,939	58,963	110,561
Special projects	-	7,007	43,324
	13,135,170	12,771,371	12,537,708
Annual surplus	505,699	251,128	96,108
Accumulated surplus, beginning of year	6,813,381	6,813,381	6,717,274
Accumulated surplus, end of year	7,319,080	7,064,509	6,813,381

See accompanying notes to the financial statements.

RICHMOND HILL PUBLIC LIBRARY BOARD
Statement of Change in Net Financial Assets
Year ended December 31, 2019

	2019 Budget	2019 Actual	2018 Actual
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Annual Surplus	505,699	251,128	96,108
	505,699	251,128	96,108
Acquisition of tangible capital assets	(1,537,255)	(1,537,255)	(1,729,977)
Amortization of capital assets	1,655,932	1,655,932	1,615,333
Loss on disposal of tangible capital assets	-	55,960	2,802
	118,677	174,637	(111,842)
Change in prepaid expenses	-	6,978	(3,770)
	118,677	181,615	(115,612)
Change in net financial assets	624,376	432,743	(19,504)
Net Financial assets, beginning of year	493,612	493,612	513,116
Net Financial assets, end of year	1,117,988	926,355	493,612

See accompanying notes to the financial statements.

RICHMOND HILL PUBLIC LIBRARY BOARD

Statement of cash flows

Year ended December 31, 2019

	2019	2018
	<u>Actual</u>	<u>Actual</u>
		\$
Operating activities		
Annual Surplus	251,128	96,108
Change in non-cash items		
Amortization of tangible capital assets	1,655,932	1,615,333
Revenue recognized on contributed capital assets	(520,534)	(592,108)
Loss on disposal of tangible capital assets	55,960	2,802
	1,191,358	1,026,027
Change in non-cash assets and liabilities		
Change in accounts receivable - City of Richmond Hill	(194,782)	129,656
Change in accounts receivable - Other	96,687	(99,197)
Change in accounts payable and accrued charges	(323,924)	2,087
Change in accrued vacation pay	(6,342)	(7,198)
Change in employee future benefits liability	(5,654)	(4,289)
Change in prepaid expenses	6,978	(3,770)
	(427,037)	17,289
	1,015,449	1,139,423
Capital activities		
Acquisition of tangible capital assets	(1,016,721)	(1,137,867)
	(1,016,721)	(1,137,867)
Net change in cash	(1,272)	1,555
Cash, beginning of year	9,365	7,810
Cash, end of year	8,093	9,365

See accompanying notes to the financial statements.

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2019

1. Nature of operations

The Richmond Hill Public Library Board (the "Library Board") is a local board of The City of Richmond Hill (the "City") 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
Machinery and equipment	4 - 15 years
Furniture and fixtures	3 - 10 years
Other	15 years

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, 2019

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 City 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, 2019 of \$149,728 (2018 - \$155,382) was based on an actuarial update used for the December 31, 2018 valuation.

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

i) *General inflation*

Future general inflation levels were assumed to be 1.75% in 2019 and thereafter.

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2019

3. Employee future benefits liability (continued)

ii) Interest (discount) rate

The present value of the future benefits as at December 31, 2019 was determined using a discount rate of 3.75%.

iii) Health costs

Utilization weighted average health costs were assumed to increase at a 4.42% rate for 2019 and gradually reduce to a 2.75% in 2025, and remain at that level thereafter.

iv) Dental costs

Dental costs were assumed to increase at 2.75 % for 2019 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, 2019. The results of this valuation disclosed total actuarial liabilities of \$107,687 million with respect to 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 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 \$57,400 (2018 - 9%) and 14.6% for wages in excess of CPP earning limit \$57,400 (2018 – 14.6%). The amount contributed to OMERS for 2019 was \$606,476 (2018 - \$601,224) for current services and is included as an expense on the statement of operations.

5. Tangible capital assets

	Library Collections	Machinery and Equipment	Furniture and Fixtures	Other	W.I.P.	Total 2019	Total 2018
Cost							
Balance, beginning of year	10,008,842	2,686,802	2,529,962	55,000	123,322	15,403,928	15,117,865
Add: Additions during the year	1,130,955	357,983	39,355		8,962	1,537,255	1,729,975
Less: Disposals during the year	2,395,962	93,399	100,395	55,000		2,644,756	1,443,913
Balance, end of year	8,743,835	2,951,386	2,468,922	-	132,284	14,296,427	15,403,927
Accumulated amortization							
Balance, beginning of year	5,531,473	1,728,921	1,933,616	12,559	-	9,206,569	9,032,348
Add: Amortization	1,248,675	302,881	104,376			1,655,932	1,615,333
Less: Accum amortization on disposals	2,395,961	87,038	93,237	12,559		2,588,795	1,441,112
Balance, end of year	4,384,187	1,944,764	1,944,755	-	-	8,273,706	9,206,569
Net Book Value	4,359,648	1,006,622	524,167	-	132,284	6,022,721	6,197,358

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2019

6. Accumulated surplus

Accumulated surplus consists of the following:

	2019	2018
	\$	\$
Invested in tangible capital assets	6,022,721	6,197,358
Unfunded employees future benefits	(149,728)	(155,382)
Unfunded vacation pay	(73,004)	(79,346)
Special Purpose Reserve Fund	665,981	261,775
Donation and Bequest Reserve Fund	598,539	588,977
	7,064,509	6,813,381

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:

	2019	2018
	\$	\$
Special Purpose Reserve	665,981	261,775
Oak Ridges Library	1,000	1,000
Art Purchase	650	650
Books for Babies	353	7,361
Local History Digitization	123,000	123,000
Sculpture New OR Library	4,000	4,000
Undesignated	469,536	452,966
	1,264,520	850,752

DC Reserve Fund

The City 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 City is reflecting a deficit of \$1,000,988 (2018 - \$1,718,215) 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, 2019

7. Related party transactions

The City 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 City for maintenance, utility and supply charges which are provided for nil consideration.

The Library Board operates from buildings owned by the City of Richmond Hill. The cost of these buildings are not included in these financial statements.

Additionally, the City 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 2019, 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	2019
	\$
Budgeted annual surplus	-
Adjustments to the adopted budget	-
Increase in the Reserves and Reserve Funds	16,569
Amortization of tangible capital assets	(1,655,932)
Acquisition of contributed tangible assets	2,145,062
Budgeted deficit per statement of operator	505,699

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2019

9. Subsequent event

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Library Board has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Library Board for future periods.