

Financial Report

Port Colborne Public Library

December 31, 2022

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Port Colborne Public Library Statement of Financial Position

As at December 31, 2022

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 218	\$ 215
Receivables	10,414	16,283
Due from City of Port Colborne	<u>346,187</u>	<u>463,535</u>
	<u>356,819</u>	<u>480,033</u>
Liabilities		
Payables and accruals	55,157	231,822
Employee benefit obligations (Note 3)	150,100	160,500
Capital lease obligation (Note 4)	<u>-</u>	<u>2,254</u>
	<u>205,257</u>	<u>394,576</u>
Net financial assets	<u>151,562</u>	<u>85,457</u>
Non-financial assets		
Tangible capital assets (Pages 17 and 18)	<u>646,216</u>	<u>556,389</u>
Accumulated surplus (Note 5)	<u>\$ 797,778</u>	<u>\$ 641,846</u>

Approved by

Susan Therrien

Duane Blais

See accompanying notes to the financial statements

Port Colborne Public Library Statement of Operations

For the Year Ended December 31, 2022

	Budget <u>2022</u> (Note 13)	Actual <u>2022</u>	Actual <u>2021</u>
Revenues			
Municipal contribution	\$ 917,000	\$ 917,000	\$ 828,600
Municipal contribution - Trillium	-	79,366	41,834
Government transfers (Note 9)	38,300	38,620	40,704
Other (Note 10)	<u>8,000</u>	<u>11,206</u>	<u>5,142</u>
	<u>963,300</u>	<u>1,046,192</u>	<u>916,280</u>
Expenses			
Salaries, wages and benefits (Notes 11 and 12)	668,652	641,037	612,605
Amortization	87,053	87,053	76,935
Repairs and maintenance	68,448	75,238	74,924
Administration	61,700	58,006	52,090
Utilities	12,500	11,119	27,707
Electronic resources, periodicals and newspapers	18,000	14,090	17,725
Programming	3,000	3,694	2,727
Interest on capital lease	<u>-</u>	<u>23</u>	<u>50</u>
	<u>919,353</u>	<u>890,260</u>	<u>864,763</u>
Annual surplus	43,947	155,932	51,517
Accumulated surplus (Note 5)			
Beginning of year	<u>641,846</u>	<u>641,846</u>	<u>590,329</u>
End of year	<u>\$ 685,793</u>	<u>\$ 797,778</u>	<u>\$ 641,846</u>

See accompanying notes to the financial statements.

Port Colborne Public Library

Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2022

	Budget <u>2022</u> (Note 13)	Actual <u>2022</u>	Actual <u>2021</u>
Annual surplus	\$ 43,947	\$ 155,932	\$ 51,517
Amortization of tangible capital assets	87,053	87,053	76,935
Acquisition of tangible capital assets	<u>(131,000)</u>	<u>(176,880)</u>	<u>(102,312)</u>
Increase in net financial assets	-	66,105	26,140
Net financial assets			
Beginning of year	<u>85,457</u>	<u>85,457</u>	<u>59,317</u>
End of year	<u>\$ 85,457</u>	<u>\$ 151,562</u>	<u>\$ 85,457</u>

See accompanying notes to the financial statements.

Port Colborne Public Library

Statement of Cash Flows

For the Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 155,932	\$ 51,517
Non-cash items:		
Amortization of tangible capital assets	87,053	76,935
Changes in:		
Receivables	5,869	(2,176)
Due from City of Port Colborne	117,348	(18,084)
Payables and accruals	(176,665)	3,684
Employee benefit obligations	(10,400)	(7,900)
	<u>179,137</u>	<u>103,976</u>
Capital activities		
Acquisition of tangible capital assets	<u>(176,880)</u>	<u>(102,312)</u>
Financing activities		
Repayment of capital lease obligation	<u>(2,254)</u>	<u>(1,660)</u>
Net increase in cash and cash equivalents	3	4
Cash and cash equivalents		
Beginning of year	<u>215</u>	<u>211</u>
End of year	<u>\$ 218</u>	<u>\$ 215</u>

See accompanying notes to the financial statements.

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2022

1. Purpose of the Library

The Port Colborne Public Library (“the Library”) provides library services to residents of the City of Port Colborne and residents of other municipalities who have contracted with the Library for services.

2. Significant accounting policies

Management responsibility

The financial statements of the Library are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

(a) Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the Library.

(b) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

(c) Cash and cash equivalents

Cash and temporary investments include cash on hand, balances with banks and guaranteed investment certificates that mature within three months.

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2022

2. Significant accounting policies (continued)

(d) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition. The Library does not capitalize interest as part of the costs of its capital assets.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership 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.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Consolidated Statement of Operations.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Computers and office equipment	5-10 years
Library collection	7 years
Furniture and fixtures	7 years
Building improvements	20-50 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal amortization is taken up to the month of disposal. Assets under construction are not amortized until the asset is available for productive use.

(e) Deferred revenue

Resources restricted by agreement with an external party are recognized as revenue in the entity's financial statements in the period in which the resources are used for the purpose or purposes specified. An externally restricted inflow received before this criterion has been met is recorded as a liability until the resources are used for the purpose or purposes specified.

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2022

2. Significant accounting policies (continued)

(f) Employee future benefits

The Library pays certain benefits on behalf of its retired employees. These retirement costs are recognized in the period in which the employees rendered their services to the Library. The actuarial determination of the accrued benefit obligations for pension benefits earned by employees uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

(g) Revenue recognition

i) User charges

User charges are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

ii) Government transfers

Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers to individuals and other entities are recognized as an expense when the transfers are authorized and all eligibility criteria have been met.

iii) Other

Other revenue is recorded when it is earned and collection is reasonably assured.

(h) Reserves for future expenses

Certain amounts, as approved by the Library, are set aside in reserves for future operating and capital expenses.

(i) Use of estimates

The preparation of the 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. Actual results could differ from those estimates. Areas in which management make estimates are with regards to an allowance for doubtful accounts.

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2022

3. Employee benefit obligations	<u>2022</u>	<u>2021</u>
Post-employment benefits	<u>\$ 150,100</u>	<u>\$ 160,500</u>

The Library pays certain benefits on behalf of its retired employees. These retirement costs are recognized in the period in which the employees rendered their services to the Library. The plan is substantially unfunded and requires no contributions from employees.

The accrued benefit obligation at December 31, 2022 of \$ 150,100 (2021 - \$ 160,500) was determined by actuarial valuation using a discount rate of 4.60% (2021 - 2.90%). The Library's obligation will be funded out of current revenue. During the year, benefit payments of \$ 20,200 (2021 - \$ 23,700) were paid to retirees.

Actuarial valuations for accounting purposes are performed every three years using the projected benefit method, pro-rated on service. Under this method, the projected post-employment benefits are deemed to be earned on a pro-rata basis over the employee's years of service.

The most recent actuarial valuation was prepared at December 31, 2022. The main actuarial assumptions employed for the valuation are as follows:

Interest (discount) rate - the obligations as at December 31, 2022 of the present value of future liabilities were determined using a discount rate of 4.60%.

Dental costs - dental costs were assumed to be 4.50% per annum.

Health care costs - extended health care costs were assumed to be 4.50% per annum.

Drug costs - drug costs were assumed to be 8.18% for 2022 grading down 0.18% per year until 2043 when the rate will be 4.50% and continue thereafter.

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2022

3. Employee benefit obligations (continued)	<u>2022</u>	<u>2021</u>
Accrued benefit obligation		
Beginning of year	\$ 160,500	\$ 168,400
Current service cost	10,500	8,600
Interest cost	4,600	5,300
Benefits paid	(20,200)	(23,700)
Amortization of actuarial loss	<u>(5,300)</u>	<u>1,900</u>
	<u>\$ 150,100</u>	<u>\$ 160,500</u>
Funded status		
Deficit	\$ 133,900	\$ 174,900
Unamortized actuarial loss	<u>16,200</u>	<u>(14,400)</u>
	<u>\$ 150,100</u>	<u>\$ 160,500</u>

The net benefit expense for the employee benefit plan is as follows:

Current service cost	\$ 10,500	\$ 8,600
Interest cost	4,600	5,300
Amortization of actuarial loss	<u>(5,300)</u>	<u>1,900</u>
	<u>\$ 9,800</u>	<u>\$ 15,800</u>

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2022

4. Capital lease obligation 2022 2021

(a) The Library has assumed responsibility for the payment of principal and interest charges on certain leases issued by Sharp Direct. The lease was repaid in 2022. \$ - \$ 2,254

(b) The net long term debt reported on the Statement of Financial Position is made up of the following:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2022</u>	<u>2021</u>
Photocopier	1.58%	2022	\$ <u> -</u>	\$ <u> 2,254</u>

(c) Total charges for interest, which are reported on the Statement of Operations amounts to \$ 46 (2021 - \$ 50).

5. Accumulated surplus 2022 2021

Operating surplus	\$	-	\$	-
Investment in tangible capital assets		646,216		556,389
Reserves and reserve funds (Note 6)		301,662		248,211
Unfunded liabilities (Note 7)		<u>(150,100)</u>		<u>(162,754)</u>
	\$	<u>797,778</u>	\$	<u>641,846</u>

Port Colborne Public Library Notes to the Financial Statements

For the Year Ended December 31, 2022

6. Reserves and reserve funds	<u>2022</u>	<u>2021</u>
Reserves set aside by the Library for specific purposes:		
Future liabilities	\$ 70,384	\$ 54,129
Capital	106,519	135,519
Bequests	4,188	4,188
Stabilization	<u>58,400</u>	<u>45,416</u>
	239,491	239,252
 Allocated capital and related projects	 <u>62,171</u>	 <u>8,959</u>
 Total reserves and reserve funds	 <u>\$ 301,662</u>	 <u>\$ 248,211</u>

7. Unfunded liabilities	<u>2022</u>	<u>2021</u>
Employee benefit obligation	\$ 150,100	\$ 160,500
Capital lease obligation	<u>-</u>	<u>2,254</u>
	<u>\$ 150,100</u>	<u>\$ 162,754</u>

8. Development charges

Development charges are fees collected by the City of Port Colborne from developers at the time a building permit is issued to help pay for municipal services, including Library services, required to meet the needs of community growth. Development charges allocated for Library purposes are collected, administered, and held by the City of Port Colborne are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 2,721	\$ 1,464
Add: contributions during the year	974	1,236
Add: interest income	<u>121</u>	<u>21</u>
Balance, end of year	<u>\$ 3,816</u>	<u>\$ 2,721</u>

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2022

9. Government transfers	Budget <u>2022</u>	Actual <u>2022</u>	Actual <u>2021</u>
Operating			
Province of Ontario			
Unconditional	\$ 38,300	\$ 38,328	\$ 38,328
SOLS - Capacity Building grant	<u>-</u>	<u>292</u>	<u>2,376</u>
	<u>\$ 38,300</u>	<u>\$ 38,620</u>	<u>\$ 40,704</u>

10. Other revenues	Budget <u>2022</u>	Actual <u>2022</u>	Actual <u>2021</u>
Operating			
Donations	\$ 4,600	\$ 5,753	\$ 2,445
Fines and fees	3,100	965	639
Miscellaneous	-	191	60
Photocopier	-	273	74
Printing	-	2,156	706
Programming	-	608	210
Room rentals	300	140	-
Sale of books	-	1,021	958
Sign rentals	<u>-</u>	<u>99</u>	<u>50</u>
	<u>\$ 8,000</u>	<u>\$ 11,206</u>	<u>\$ 5,142</u>

11. Salaries, wages and benefits	Budget <u>2022</u>	Actual <u>2022</u>	Actual <u>2021</u>
Salaries and wages	\$ 502,952	\$ 485,974	\$ 474,887
Benefits	<u>165,700</u>	<u>155,063</u>	<u>137,718</u>
	<u>\$ 668,652</u>	<u>\$ 641,037</u>	<u>\$ 612,605</u>

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2022

12. Pension agreements

The Library makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employees and employers contribute jointly to the plan.

Since OMERS is a multi-employer pension plan, the Library does not recognize any share of the pension plan deficit of \$ 6.1 billion (2021 - \$ 70 million deficit) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2022 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Statement of Operations. Employer contributions to OMERS for 2022 current and past service was \$ 41,964 (2021 - \$ 35,675) and were matched by employee contributions in a similar amount.

13. Budget

The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. As a result, the budget figures presented in the Statement of Operations and Statement of Changes in Net Financial Assets represent the budget adopted by the Library with the following adjustments:

Budgeted annual surplus	\$	-
Add:		
Acquisition of tangible capital assets		131,000
Less:		
Amortization of tangible capital assets		<u>(87,053)</u>
Budgeted surplus per Statement of Operations	\$	<u>43,947</u>

Port Colborne Public Library

Schedule of Tangible Capital Assets

For the Year Ended December 31, 2022

	<u>Computers and Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Library Collection</u>	<u>Building Improvements</u>	<u>Construction in Process</u>	<u>2022</u>
Cost						
Beginning of year	\$ 128,531	\$ 158,505	\$ 271,336	\$ 464,677	\$ -	\$ 1,023,049
Additions	10,190	19,053	46,472	94,571	6,594	176,880
Disposals	<u>(4,856)</u>	<u>-</u>	<u>(38,876)</u>	<u>-</u>	<u>-</u>	<u>(43,732)</u>
End of year	<u>133,865</u>	<u>177,558</u>	<u>278,932</u>	<u>559,248</u>	<u>6,594</u>	<u>1,156,197</u>
Accumulated amortization						
Beginning of year	106,821	43,123	137,094	179,622	-	466,660
Amortization	8,472	13,298	39,305	25,978	-	87,053
Amortization on disposals	<u>(4,856)</u>	<u>-</u>	<u>(38,876)</u>	<u>-</u>	<u>-</u>	<u>(43,732)</u>
End of year	<u>110,437</u>	<u>56,421</u>	<u>137,523</u>	<u>205,600</u>	<u>-</u>	<u>509,981</u>
Net book value	<u>\$ 23,428</u>	<u>\$ 121,137</u>	<u>\$ 141,409</u>	<u>\$ 353,648</u>	<u>\$ 6,594</u>	<u>\$ 646,216</u>

Port Colborne Public Library Schedule of Tangible Capital Assets

For the Year Ended December 31, 2021

	<u>Computers and Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Library Collection</u>	<u>Building Improvements</u>	<u>Construction in Process</u>	<u>2021</u>
Cost						
Beginning of year	\$ 124,423	\$ 116,183	\$ 261,674	\$ 458,902	\$ -	\$ 961,182
Additions	6,037	42,322	48,178	5,775	-	102,312
Disposals	<u>(1,929)</u>	<u>-</u>	<u>(38,516)</u>	<u>-</u>	<u>-</u>	<u>(40,445)</u>
End of year	<u>128,531</u>	<u>158,505</u>	<u>271,336</u>	<u>464,677</u>	<u>-</u>	<u>1,023,049</u>
Accumulated amortization						
Beginning of year	100,539	33,625	137,538	158,468	-	430,170
Amortization	8,211	9,498	38,072	21,154	-	76,935
Amortization on disposals	<u>(1,929)</u>	<u>-</u>	<u>(38,516)</u>	<u>-</u>	<u>-</u>	<u>(40,445)</u>
End of year	<u>106,821</u>	<u>43,123</u>	<u>137,094</u>	<u>179,622</u>	<u>-</u>	<u>466,660</u>
Net book value	<u>\$ 21,710</u>	<u>\$ 115,382</u>	<u>\$ 134,242</u>	<u>\$ 285,055</u>	<u>\$ -</u>	<u>\$ 556,389</u>

The net book value of equipment under capital leases is \$ 1,800.