

Financial Statements of

**THE HAMILTON PUBLIC LIBRARY  
BOARD**

Year ended December 31, 2013

# THE HAMILTON PUBLIC LIBRARY BOARD

## Financial Statements

December 31, 2013, with comparative figures for 2012

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Hamilton Public Library Board, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Hamilton Public Library Board as at December 31, 2013, and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are bold and slanted. A horizontal line is drawn underneath the signature, starting from the 'K' and extending to the right.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada  
June 3, 2014

# THE HAMILTON PUBLIC LIBRARY BOARD

## Statement of Financial Position

December 31, 2013, with comparative figures for 2012

	2013	2012
<b>Financial assets</b>		
Cash	\$ 30,631	\$ 24,927
Accounts receivable	74,355	49,727
Due from City of Hamilton (note 3)	8,653,462	9,345,611
	<b>\$ 8,758,448</b>	<b>\$ 9,420,265</b>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	\$ 635,667	\$ 825,137
Due to trust funds	367,461	366,669
Liability for future benefits (note 4)	2,168,505	2,166,433
	<b>3,171,633</b>	<b>3,358,239</b>
Net financial assets	<b>5,586,815</b>	<b>6,062,026</b>
<b>Non-financial assets</b>		
Prepaid expenses	98,966	113,531
Tangible capital assets (net) (Schedule)	12,741,239	12,789,410
	<b>12,840,205</b>	<b>12,902,941</b>
Commitments (note 7)		
Accumulated surplus (note 9)	<b>\$ 18,427,020</b>	<b>\$ 18,964,967</b>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# THE HAMILTON PUBLIC LIBRARY BOARD

## Statement of Operations

Year ended December 31, 2013, with comparative figures for 2012

	Budget 2013	Actual 2013	Actual 2012
	(note 10)		
Revenues:			
Municipal contribution	\$ 28,103,080	\$ 28,103,080	\$ 28,108,160
Province of Ontario Grants	949,450	949,451	949,451
Other grant revenue	216,860	344,832	468,570
Fines	476,070	512,806	522,615
Photocopier revenue	48,370	81,869	67,650
Other – rentals, sales and recoveries	81,110	88,288	77,194
Interest	-	199,534	173,137
Contributions from Municipal reserves	281,490	293,444	294,851
Contributions from Capital	-	-	123,540
Donations	-	18,710	11,885
	30,156,430	30,592,014	30,797,053
Expenditures:			
Employee related expenses	20,084,480	19,134,401	18,615,435
Capital financing (note 5)	345,970	345,295	287,892
Financial	87,770	532,760	86,915
Materials and supplies	4,010,600	624,452	970,429
Vehicle expenses	64,890	43,697	34,856
Building and grounds	1,563,400	1,431,178	1,428,884
Consulting	-	33,401	-
Contractual	2,086,890	1,343,286	1,736,969
Reserves/recoveries	1,906,370	1,696,397	1,546,520
Cost allocations	-	2,131	3,634
Amortization	-	3,563,649	3,477,735
Change in employee benefits	-	2,072	34,197
Contribution to Municipal vehicle replacement reserve	6,060	6,058	68,880
Contribution to Municipal capital	-	-	162,357
	30,156,430	28,758,777	28,454,703
Net revenue	-	1,833,237	2,342,350
Contributions to reserves of Municipality (note 11)	-	2,371,184	945,487
Annual surplus (deficit)	-	(537,947)	1,396,863
Accumulated surplus, beginning of year	18,964,967	18,964,967	17,568,104
Accumulated surplus, end of year	\$ 18,964,967	\$ 18,427,020	\$ 18,964,967

See accompanying notes to financial statements.

# THE HAMILTON PUBLIC LIBRARY BOARD

## Statement of Changes in Net Financial Assets

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Annual surplus (deficit)	\$ (537,947)	\$ 1,396,863
Acquisition of tangible capital assets	(3,515,478)	(3,537,551)
Amortization of tangible capital assets	3,563,649	3,477,735
	48,171	(59,816)
Acquisition of prepaid expenses	(98,966)	(113,531)
Use of prepaid expenses	113,531	35,113
	14,565	(78,418)
Change in net financial assets	(475,211)	1,258,629
Net financial assets, beginning of year	6,062,026	4,803,397
Net financial assets, end of year	\$ 5,586,815	\$ 6,062,026

See accompanying notes to financial statements.

# THE HAMILTON PUBLIC LIBRARY BOARD

## Statement of Cash Flows

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (537,947)	\$ 1,396,863
Items not involving cash:		
Amortization	3,563,649	3,477,735
Decrease in future benefits	2,072	34,197
Changes in non-cash assets and other liabilities:		
Accounts receivable	(24,628)	18,055
Due from City of Hamilton	692,149	(1,446,677)
Prepaid expenses	14,565	(78,418)
Accounts payable and accrued liabilities	(189,470)	127,465
Due to trust funds	792	1,026
	3,521,182	3,530,246
Capital activities:		
Purchase of tangible capital assets	(3,515,478)	(3,537,551)
Net change in cash	5,704	(7,305)
Cash, beginning of year	24,927	32,232
Cash, end of year	\$ 30,631	\$ 24,927

See accompanying notes to financial statements.



# THE HAMILTON PUBLIC LIBRARY BOARD

## Notes to Financial Statements

Year ended December 31, 2013, with comparative figures for 2012

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

The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenditures. The Board does not budget actively within reserves or reserve funds, with the exception being those transactions which affect either operations or capital investments. Budget figures do not include amounts for tangible capital asset amortization.

### 1. Significant account policies:

#### (a) Basis of accounting:

Revenues are recorded on the accrual basis of accounting which recognizes revenues as they become available and measurable, with the exception of fines and other desk receipts which are reported on the cash basis of accounting. Expenditures are reported on the accrual basis of accounting which recognizes expenditures 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.

#### (b) Tangible capital assets:

##### (i) Determination of costs:

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed or donated tangible capital assets are recorded at their fair value at the date of receipt.

##### (ii) Amortization:

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing Library services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives as follows:

Asset	Number of years
Collections (asset pool)	7 years
Furniture, equipment and shelving	10 years
Computer hardware	3 years
Software	5 years

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# THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013, with comparative figures for 2012

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## 1. Significant account policies (continued):

### (b) Tangible capital assets (continued):

#### (ii) Amortization (continued):

One half of the annual 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.

Library land and buildings are owned and controlled by the City of Hamilton and are therefore not reflected in these financial statements.

### (c) Trust Funds:

Trust Funds and their related operations administered by the Library are not included in these financial statements, but are reported separately.

### (d) Municipal contributions:

Municipal contributions received relate to library operations. Municipal contributions paid relate to surplus repayment and future reserves. Contributions are recognized in the financial statements as revenues in the period in which events giving rise to the contribution occur, providing the contributions are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

### (e) Employee future benefits:

The Library provides certain employee benefits which will require funding in future periods. The cost of self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement health and dental benefits for retirees, is actuarially determined using the project benefit method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

### (f) 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.

# THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013, with comparative figures for 2012

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## 1. Significant account policies (continued):

### (g) Government transfers:

Government transfers received are from federal and provincial governments. Transfers are recognized in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, eligibility criteria are met, and reasonable estimates of the amounts can be made.

### (h) Use of estimates:

The preparation of financial statements in accordance with 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 expenditures during the reporting period. Actual results could differ from those estimates.

## 2. Change in accounting policy:

### Government transfers

On January 1, 2013 the Board adopted Public Sector Accounting Standards PS 3410, *Government Transfers*. This standard was adopted on a prospective basis from the date of adoption. Under PS3410, government transfers received or receivable are recognized in revenue once the eligibility criteria, if any, are met unless they meet the definition of a liability. Government transfers paid are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient. There were no adjustments as a result of the adoption of this standard.

## 3. Due from City of Hamilton:

The balance due from the City of Hamilton is non-interest bearing and has no set terms of repayment.

## 4. Liability for future benefits:

In accordance with PSAB guidelines the Board is required to report obligations for retirement benefits earned over the employment period of its employees.

Employees who have retired either under the OMERS early retirement provisions or otherwise are eligible to receive drug, extended health services and dental benefits for the lifetime of the retiree. Effective January 1, 2002 new retirees only receive benefits until age sixty-five.

The Board recognizes the post employment benefits costs as they are earned during the year. The Board's obligation under the post employment provisions of employment agreements will be funded out of current revenue.

# THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013, with comparative figures for 2012

## 4. Liability for future benefits (continued):

Accrued benefit obligation:

	2013	2012
Vested sick leave liability	\$ 90,784	\$ 101,306
Retirement benefits	2,521,051	2,573,195
	2,611,835	2,674,501
Net unamortized actuarial loss	(443,330)	(508,068)
Accrued liability	\$ 2,168,505	\$ 2,166,433

The continuity of employee benefits and other obligations are summarized as follows:

	2013	2012
Liability for employee benefits and other obligations balance at beginning of the year	\$ 2,166,433	\$ 2,132,236
Benefit expenditure	66,076	63,231
Interest expenditure	116,326	118,377
Amortization of actuarial loss	64,737	64,737
Benefit payments	(245,067)	(212,148)
Liability for employee benefits and other obligations balance at end of the year	\$ 2,168,505	\$ 2,166,433

Actuarial valuations are performed on post employment and retirement benefits to provide estimates of the accrued benefit obligations. These estimates are based on a number of assumptions about future events including interest rates, inflation rates, salary and wage increases, medical and dental cost increases and mortality. The assumptions are determined at the time of the actuarial valuations and are reviewed annually. Consequently, different assumptions are used as follows:

	Discount rate	Return on assets	Inflation rate	Salary increases	Dental increases	Life expectancy (years)
Vested sick leave	4.5%	NA	2%	4%	NA	12
Retirement benefits - health and dental	4.5%	NA	2%	4%	3.5% (1)	12

Note (1) – Medical costs are assumed to increase at a rate of 5.5% in 2013 and reduce 0.5% annually until 2017.

# THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013, with comparative figures for 2012

## 4. Liability for future benefits (continued):

### (a) Liability for vested sick leave:

Effective May 1, 1982 the Income Protection Plan was adopted and sick leave credits earned under the Sick Leave Benefit Plan were frozen. Under the Sick Leave Benefit Plan unused sick leave would accumulate and employees were entitled to cash payment upon termination of services after ten continuous years. Entitlement to cash payment continues to apply to those employees who accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination. The estimated accrued benefit obligation at December 31, 2013 is \$90,784 (2012 - \$101,306).

### (b) Liability for retirement benefits:

The Board provides certain health, dental and life insurance benefits between the time an employee retires under the Ontario Municipal Employees Retirement System (OMERS) or the normal retirement age and up to the age of 65 years. The estimated accrued benefit obligation at December 31, 2013 is \$2,521,051 (2012 - \$2,573,195).

## 5. Long term debt:

The City charges the Library principal and interest for long term debt, as well as sinking fund charges, related to Library facilities and other capital. These charges are funded by the City through its annual contributions. The debt is not disclosed on the statement of financial position as the City of Hamilton is legally responsible for the repayment of the debt.

### (a) The net long term debt to which these charges are related is as follows:

Debenture number	Purpose	Interest rates	Maturity date	2013	2012
12-094	Westdale Branch	2.13%	2017	\$ 68,314	\$ 85,392
12-094	Barton Branch	2.13%	2017	156,095	195,119
01-162	Central Library	4.65% to 6.75%	2016	8,415	10,885
06-120	South Mtn Complex	4.728%	2023	2,134,367	2,308,739
				<b>\$ 2,367,191</b>	<b>\$ 2,600,135</b>

### (b) Principal charges in each of the next five years are as follows:

2014	\$ 241,447
2015	250,359
2016	259,700
2017	266,314
2018	220,268
2019 and thereafter	1,129,103
<b>\$ 2,367,191</b>	

# THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013, with comparative figures for 2012

## 5. Long term debt (continued):

(c) The Board was charged \$345,295 (2012 - \$287,892) for long term debt charges during the year as follows:

	2013	2012
Principal	\$ 232,944	\$ 168,731
Interest	112,351	119,161
	<u>\$ 345,295</u>	<u>\$ 287,892</u>

## 6. Pension agreements:

The Hamilton Public Library makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of 273 members of its 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.

The latest actuarial valuation as at December 31, 2013 reported a funding deficit of \$8.6 billion in 2013. In response, OMERS increased contributions for both employees and employers by .9% in 2013, made benefit reductions to plan members who leave their employment prior to retirement, and implemented a revised investment strategy. OMERS expects these contributions and policy changes to return the plan to a fully funded position by 2025. Contributions were made in the 2013 calendar year at rates ranging from 9.0% to 14.6% depending on the level of earnings. As a result, \$1,259,227 was contributed to OMERS (2012 - \$1,140,311) for current service.

## 7. Commitments:

Minimum future lease payments for various premises and equipments are as follows:

2014	\$ 509,400
2015	484,400
2016	504,800
2017	504,800
2018	504,800
2019 and thereafter	825,267
	<u>\$ 3,333,467</u>

# THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013, with comparative figures for 2012

## 8. Trust funds:

Trust funds administered by the Board amounting to \$3,283,754 (2012 – \$2,863,263) have not been included in the statement of financial position nor have these operations been included in the statement of operations.

## 9. Accumulated surplus:

Consists of:

	2013	2012
Reserves and reserve funds	\$ 7,854,286	\$ 8,341,990
Amounts to be recovered in the future	(2,168,505)	(2,166,433)
Tangible capital assets	12,741,239	12,789,410
Balance, end of year	\$ 18,427,020	\$ 18,964,967

Reserves and reserve funds:

	2013	2012
Mobile equipment	\$ 226,936	\$ 175,445
Library collections	800,255	1,110,710
Library general development	1,812,184	1,952,411
Library major capital projects	2,646,563	2,993,361
Summer reading	394,617	349,856
Redevelopment, training & restructuring	494,239	482,624
Youth programming	116,390	113,655
Accessibility health & safety	638,806	428,495
Computer reserve	724,296	735,433
	\$ 7,854,286	\$ 8,341,990

# THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013, with comparative figures for 2012

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## 10. Budget figures:

The budgets originally approved by the Library for 2013 are reflected on the statement of operations and the statement of changes in net financial assets and do not include amounts related to PSAB reporting requirements.

- The budget reflects anticipated expenditures for collection purchases, whereas actual results have been adjusted to move capital-related collection items to tangible capital assets. An amount for amortization expense has not been included in the budget, but is reflected in actual results.
- Amounts included in the original council approved capital budget which are not recognized as tangible capital assets are included in the statement of operations under the appropriate functional expense category, while those recognized as tangible capital assets are included in the statement of change in net financial assets.

## 11. Contribution from Reserves to the Municipality:

The contribution from reserves to the Municipality does not include any transfers to the operating budget.

Net transfer to Municipality	\$2,371,184
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Historically, there has been no budgeted amount for transfers to the Municipality. This is due to the fact that impending projects are not necessarily known or approved at the time of the budget preparation.



# THE HAMILTON PUBLIC LIBRARY BOARD

## Schedule of Tangible Capital Assets

Year ended December 31, 2013 with comparative figures for 2012

<b>December 31, 2013</b>					
Cost	Computer hardware	Computer software	Collections	Furniture and equipment	Total
Beginning of year	\$ 306,251	\$ 144,897	\$ 22,201,840	\$ 2,066,399	\$ 24,719,387
Add: additions during the year	135,056	112,254	2,898,311	369,857	3,515,478
Less: disposals during the year	-	-	(2,737,703)	(188,907)	(2,926,610)
End of year	\$ 441,307	\$ 257,151	\$ 22,362,448	\$ 2,247,349	\$ 25,308,255
Accumulated amortization	Computer hardware	Computer software	Collections	Furniture and equipment	Total
Beginning of year	\$ 127,033	\$ 34,280	\$ 10,890,440	\$ 878,224	\$ 11,929,977
Add: amortization during the year	124,593	40,205	3,183,163	215,688	3,563,649
Less: amortization on disposals	-	-	(2,737,703)	(188,907)	(2,926,610)
End of year	\$ 251,626	\$ 74,485	\$ 11,335,900	\$ 905,005	\$ 12,567,016
Net book value	\$ 189,681	\$ 182,666	\$ 11,026,548	\$ 1,342,344	\$ 12,741,239

### December 31, 2012

Cost	Computer hardware	Computer software	Collections	Furniture and equipment	Total
Beginning of year	\$ 227,974	\$ 98,985	\$ 22,181,291	\$ 1,815,331	\$ 24,323,581
Add: additions during the year	78,277	45,912	2,975,569	437,793	3,537,551
Less: disposals during the year	-	-	(2,955,020)	(186,725)	(3,141,745)
End of year	\$ 306,251	\$ 144,897	\$ 22,201,840	\$ 2,066,399	\$ 24,719,387
Accumulated amortization	Computer hardware	Computer software	Collections	Furniture and equipment	Total
Beginning of year	\$ 37,996	\$ 9,892	\$ 10,675,236	\$ 870,863	\$ 11,593,987
Add: amortization during the year	89,037	24,388	3,170,224	194,086	3,477,735
Less: amortization on disposals	-	-	(2,955,020)	(186,725)	(3,141,745)
End of year	\$ 127,033	\$ 34,280	\$ 10,890,440	\$ 878,224	\$ 11,929,977
Net book value	\$ 179,218	\$ 110,617	\$ 11,311,400	\$ 1,188,175	\$ 12,789,410