

Financial Statements

MIDDLESEX COUNTY LIBRARY BOARD

And Independent Auditors' Report thereon

Year ended December 31, 2022

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position
December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 142,178	\$ 140,766
Accounts receivable	15,091	3,235
Receivable from the County of Middlesex	1,089,320	1,465,855
	1,246,589	1,609,856
Financial liabilities:		
Accounts payable	220,644	184,441
Deferred revenue (note 9)	23,576	23,239
Employee future benefits (note 4)	146,000	124,500
Total liabilities	390,220	332,180
Net financial assets	856,369	1,277,676
Non-financial assets:		
Tangible capital assets (note 6)	1,941,005	1,984,015
Prepaid expenses	68,092	45,974
	2,009,097	2,029,989
Commitments (note 5)		
Accumulated surplus (note 3)	\$ 2,865,466	\$ 3,307,665

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022	2022	2021
Revenues:			
Grants:			
Government of Canada	–	16,303	–
Province of Ontario	484,047	581,421	1,204,059
County of Middlesex, contribution	4,503,635	4,223,298	3,121,191
	4,987,682	4,821,022	4,325,250
User charges:			
Fines, fees, rentals and donations	147,877	309,651	110,674
Loss on disposal of tangible capital assets	–	(790)	(449)
	5,135,559	5,129,883	4,435,475
Expenditures:			
Salaries	2,735,879	2,674,147	2,085,760
Rent	714,990	712,147	690,584
Employee benefits (note 4)	634,339	628,025	502,659
Amortization	462,674	456,944	472,071
EarlyON (note 9)	350,000	399,835	409,290
Development and automation	189,091	243,419	166,736
Books	228,000	216,834	208,382
Non - print materials	163,700	114,800	125,326
Postage	40,000	50,865	54,583
Insurance	23,000	32,929	27,716
Utilities and maintenance	35,300	30,385	30,835
COVID – 19 program (note 10)	–	11,752	94,105
CBCP (note 8)	–	–	279,568
Legal services	5,000	–	–
	5,581,973	5,572,082	5,147,615
Annual deficit:	(446,414)	(442,199)	(712,140)
Accumulated surplus, beginning of year	3,307,665	3,307,665	4,019,805
Accumulated surplus, end of year	\$ 2,861,251	\$ 2,865,466	\$ 3,307,665

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Changes in Net Financial Assets
Year ended December 31, 2022, with comparative information for 2021

	Budget 2022	2022	2021
Annual deficit	\$ (446,414)	\$ (442,199)	\$ (712,140)
Acquisition of tangible capital assets	(397,760)	(414,724)	(506,008)
Amortization of tangible capital assets	462,674	456,944	472,071
Loss on disposal of tangible capital assets	–	790	449
Prepaid expenses	–	(22,118)	671
Change in net debt	(381,500)	(421,307)	(744,957)
Net financial assets, beginning of year	1,277,676	1,277,676	2,022,633
Net financial assets, end of year	\$ 896,176	\$ 856,369	\$ 1,277,676

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus / (deficit)	\$ (442,199)	\$ (712,140)
Items not involving cash:		
Amortization	456,944	472,071
Loss on disposal of tangible capital assets	790	449
Changes in non-cash operating working capital:		
Accounts receivable	(11,856)	18,511
Receivable from the County of Middlesex	376,535	939,798
Prepaid expenses	(22,118)	671
Accounts payable	36,203	(69,210)
Employee future benefits	21,500	21,100
	415,799	671,250
Investing activities:		
Acquisition of tangible capital assets	(414,724)	(506,008)
Financing activities:		
Deferred revenue	337	(32,905)
Increase (decrease) in cash	1,412	132,337
Cash, beginning of year	140,766	8,429
Cash, end of year	\$ 142,178	\$ 140,766

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements

December 31, 2022, with comparative information for 2021

1. Significant accounting policies:

The financial statements of the Middlesex County Library Board (the "Board") are prepared by management in accordance with generally accepted accounting principles for organizations operating in the local government sector as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Government transfers:

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) Employee future benefits:

The Board has adopted the following policies for future benefits provided to both active and retired employees:

(i) Post-employment benefits:

The cost of termination benefits and compensated absences are recognized when the event that obligates the Board occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefits are determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees and expected health costs

Employee future benefit costs are discounted using the Board's cost of long-term borrowing. The costs of workplace safety and insurance obligations are actuarially determined and are expensed.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

December 31, 2022, with comparative information for 2021

1. Significant accounting policies (continued):

(c) Employee future benefits (continued):

(ii) Pension benefits:

The Board provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi- employer pension plan which operates as the Ontario Municipal Employees Retirement Fund, and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The fund is a contributory defined benefit pension plan. As this is a multi-employer plan, no liability is recorded on the Board's books.

The employer's contributions to a multi-employer, defined benefit plan are expensed as the obligations arise.

(d) Use of estimates:

The preparation of financial statements 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 period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of employee future benefits.

In addition, the Board's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from these estimates.

(e) 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 change in non-financial assets during the year, together with the excess of revenues over expenses, provides the change in net financial assets for the year.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

December 31, 2022, with comparative information for 2021

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(i) Tangible capital assets:

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

Asset	Rate
Machine and equipment	3 – 5 years
Collections	5 – 15 years

(f) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the funding model and generally accepted accounting principles for local governments established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

2. Trust funds:

Trust funds and their related operations administered by the Board amounting to \$30,778 (2021 - \$30,778) are not consolidated, but are reported separately on the trust fund statement of continuity. They have not been included in the Statements of Financial Position or Operations.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

December 31, 2022, with comparative information for 2021

3. Accumulated surplus:

Accumulated surplus consists of individual fund surpluses, reserves, and reserve funds as follows:

	2022	2021
Library Technology Replacement reserve fund	\$ 153,198	\$ 150,563
Murray Elliott reserve fund	70,826	69,608
Strathroy Library reserve fund	69,628	68,430
Friends of Strathroy Library reserve fund	34,358	–
	328,010	288,601
Surplus:		
Invested in tangible capital assets (note 6)	1,941,005	1,984,015
General revenue fund	199,812	640,337
Capital fund	567,956	535,240
Unfunded		
Future benefit cost liability	(146,000)	(124,500)
Vacation payable	(25,317)	(16,028)
Total surplus	2,537,456	3,019,064
Accumulated surplus	\$ 2,865,466	\$ 3,307,665

4. Employee future benefits:

(a) Pension plan:

During 2022, the Board contributed \$217,089 (2021 - \$190,338) to OMERS on behalf of its employees for current service. Contributions are included as an expenditure on the Statement of Operations.

(b) Health, dental and life insurance:

The Board provides certain employee future benefits such as health, dental and life insurance that will require funding in future periods.

The Board pays certain health care benefits on behalf of the retired employees. The Board recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was undertaken as at December 31, 2019, and it provided projected expense and liability disclosure information for the fiscal periods 2020, 2021 and 2022.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

December 31, 2022, with comparative information for 2021

4. Employee future benefits (continued):

(b) Health, dental and life insurance (continued):

The benefit obligation continuity is as follows:

	2022	2021
Accrued benefit obligation, January 1	\$ 138,200	\$ 118,700
Current period benefit cost	23,900	23,300
Post-employment benefit interest expenditure	4,600	4,000
Benefits paid	(8,600)	(7,800)
Accrued benefit obligation, December 31	158,100	138,200
Unamortized actuarial loss	(12,100)	(13,700)
Liability for benefits	\$ 146,000	\$ 124,500

Post retirement and sick leave benefits expenses are as follows:

Current period benefit cost	\$ 23,900	\$ 23,300
Amortization of actuarial loss (gain)	1,600	1,600
Post-employment benefit interest expenditure	4,600	4,000
	\$ 30,100	\$ 28,900

The significant assumptions used in the actuarial valuation are as follows:

	2022	2021
Discount rate	2.9%	2.9%
Rate of compensation increase	3.0%	3.0%
Dental & other Extended Health Care cost increases	4.0%	4.0%
Extended Health Care cost increases	5.46% for 2022 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached	5.59% for 2021 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

December 31, 2022, with comparative information for 2021

5. Commitments:

The Board has entered into commitments for rent and leases expiring at various dates prior to 2036. The future minimum annual payments are estimated to be as follows:

2023	\$	223,171
2024		227,634
2025		232,187
2026		197,622
2027		201,575
Thereafter		1,640,941
	\$	2,723,130

6. Tangible capital assets:

			2022	2021
	Collections	Machine and equipment	Total	Total
Cost:				
Balance, beginning of year	\$ 3,419,235	\$ 925,070	\$ 4,344,305	\$ 4,237,685
Additions during the year	336,066	78,658	414,724	506,008
Disposals during the year	(367,739)	(87,023)	(454,762)	(399,388)
Total	3,387,562	916,705	4,304,267	4,344,305
Accumulated amortization:				
Balance, beginning of year	1,709,600	650,690	2,360,290	2,287,158
Amortization during the year	342,609	114,335	456,944	472,071
Disposals during the year	(367,739)	(86,233)	(453,972)	(398,939)
Total	1,684,470	678,792	2,363,262	2,360,290
Net book value	\$ 1,703,092	\$ 237,913	\$ 1,941,005	\$ 1,984,015

7. Financial instruments:

The carrying value of cash, accounts receivable, receivable from the County of Middlesex and accounts payable approximate their fair value due to the relatively short periods to maturity of these instruments. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements (continued)

December 31, 2022, with comparative information for 2021

8. Community-Based Early Years and Child Care Capital Program funding (CBCP):

Community-Based Early Years and Child Care Capital Program (CBCP) funding was funding issued by the Ministry of Education. The CBCP project was designed to address capital costs related to the creation of Ministry approved child care or EarlyON rooms and this project was completed in 2021.

9. EarlyON Child and Family Centres funding:

Ontario's EarlyON Child and Family Centres funding (EarlyON) is a funding issued by the Ministry of Education. The EarlyON programs and services provide opportunities for children from birth to 6 years of age to participate in play and inquiry-based programs, and support parents and caregivers in their roles. EarlyON centres offer free, high-quality drop-in programs, support families seeking convenient, accessible, play-based learning activities with their children.

During 2022, the Board received new funding of \$377,604 (2021 - \$353,531). At December 31, 2022, \$23,576 (2021 - \$23,239) was recorded as deferred revenue.