



Committee of the Whole

Meeting Date: September 14, 2021

Submitted by: Cindy Howard, General Manager Finance and Community Services/Treasurer

SUBJECT: 2020 LIBRARY FINANCIAL STATEMENTS

BACKGROUND:

In the agenda package is the 2020 Financial Statements for the Middlesex County Library Board.

ANALYSIS:

This report deals only with the Board's Library Budget which funds the delivery of library services to the citizens of Middlesex County.

The Trust Funds form part of the Trust Financial Report for the County of Middlesex. As of December 31, 2020, \$30,778 was in the Library Trust fund, the interest from the fund is allocated each year towards the Strathroy Library Branch. In 2020, the amount transferred was \$231.

Expenditures were made during 2020 for the two capital EarlyOn Child and Family Centres in Strathroy and Ilderton. These projects are funded under the Province of Ontario Community-Based Early Years and Child Care Capital Program funding (CBCP).

The Library was able to fund the pressures from COVID-19 predominantly from a variety of provincial and federal funding sources and cost containment strategies.

Note 10, Effects of COVID-19 was added in 2020. On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The County has undertaken the following activities in relation to the COVID-19 pandemic:

- The closure of a number of facilities to the general public;

- Revisions to the delivery of a number of municipal services in order to contribute toward social distancing and/or provincial public health and workplace safety measures and restrictions;
- The implementation of working from home requirements for certain municipal employees;
- Temporary staff layoffs for some part-time staff in the library branches.

However, there remains uncertainty over future cash flows and this could cause significant changes to the assets or liabilities that could have significant impact on future operations. An estimate of the financial effect is not practicable at this time.

RECOMMENDATION:

That the Middlesex County Library Board Financial Statements for the year ending December 31, 2020 be approved; and

That the 2020 surplus be applied as follows: \$335,000 towards the 2021 library operating costs, \$665,000 to the County 2021 budget and the remaining \$545,442 transferred to the County Tax Rate Stabilization reserve.

The Financial Statements and Independent Auditor's Report will be included in the next Library Board agenda.

Attachments

Financial Statements

MIDDLESEX COUNTY LIBRARY BOARD

And Independent Auditors' Report thereon

Year ended December 31, 2020

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position
December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash	\$ 8,429	\$ 143,391
Accounts receivable	21,746	3,066
Receivable from the County of Middlesex	2,405,653	1,560,131
	2,435,828	1,706,588
Financial liabilities:		
Accounts payable	253,651	196,943
Deferred revenue (note 9)	56,144	95,233
Employee future benefits (note 4)	103,400	82,300
Total liabilities	413,195	374,476
Net financial assets	2,022,633	1,332,112
Non-financial assets:		
Tangible capital assets (note 6)	1,950,527	2,152,913
Prepaid expenses	46,645	58,605
	1,997,172	2,211,518
Commitments (note 5)		
Effects of COVID-19 (note 10)		
Accumulated surplus (note 3)	\$ 4,019,805	\$ 3,543,630

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	2020	2019
Revenues:			
Grants:			
Government of Canada	\$ –	\$ –	\$ 3,384
Province of Ontario	484,047	975,563	870,090
County of Middlesex, contribution	4,553,773	4,573,773	4,042,513
	5,037,820	5,549,336	4,915,987
User charges:			
Fines, fees, rentals and donations	143,500	111,348	110,270
Loss on disposal of tangible capital assets	–	(90)	(1,314)
	5,181,320	5,660,594	5,024,943
Expenditures:			
Salaries	2,571,762	1,699,398	2,299,602
CBCP (note 8)	–	735,888	–
Rent	700,024	699,355	686,363
Amortization	476,787	487,986	514,882
EarlyON (note 9)	350,000	481,620	367,709
Employee benefits (note 4)	577,354	468,637	493,304
Books	96,000	180,729	147,707
Development and automation	194,643	170,138	180,854
COVID – 19 program (note 10)	–	100,757	–
Non - print materials	151,200	68,108	117,321
Postage	40,000	37,991	43,972
Utilities and maintenance	34,981	29,813	29,279
Insurance	20,000	23,388	19,133
Legal services	5,000	611	3,147
	5,217,751	5,184,419	4,903,273
Annual surplus (deficit):	(36,431)	476,175	121,670
Accumulated surplus, beginning of year	3,543,630	3,543,630	3,421,960
Accumulated surplus, end of year	\$ 3,507,199	\$ 4,019,805	\$ 3,543,630

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Changes in Net Financial Assets
Year ended December 31, 2020, with comparative information for 2019

	Budget 2020	2020	2019
Annual surplus (deficit)	\$ (36,431)	\$ 476,175	\$ 121,670
Acquisition of tangible capital assets	(189,680)	(285,690)	(378,279)
Amortization of tangible capital assets	476,787	487,986	514,882
Loss on disposal of tangible capital assets	–	90	1,314
Prepaid expenses	–	11,960	(45,423)
Change in net financial assets	250,676	690,521	214,164
Net financial assets, beginning of year	1,332,112	1,332,112	1,117,948
Net financial assets, end of year	\$ 1,582,788	\$ 2,022,633	\$ 1,332,112

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 476,175	\$ 121,670
Items not involving cash:		
Amortization	487,986	514,882
Loss on disposal of tangible capital assets	90	1,314
Changes in non-cash operating working capital:		
Accounts receivable	(18,680)	(1,234)
Receivable from the County of Middlesex	(845,522)	(151,867)
Prepaid expenses	11,960	(45,423)
Accounts payable	56,708	31,429
Employee future benefits	21,100	(51,245)
	189,817	419,526
Investing activities:		
Acquisition of tangible capital assets	(285,690)	(378,279)
Financing activities:		
Deferred revenue	(39,089)	94,851
Increase (decrease) in cash	(134,962)	136,098
Cash, beginning of year	143,391	7,293
Cash, end of year	\$ 8,429	\$ 143,391

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements

December 31, 2020, with comparative information for 2019

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, 2020, with comparative information for 2019

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, 2020, with comparative information for 2019

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 (2019 - \$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, 2020, with comparative information for 2019

3. Accumulated surplus:

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

	2020	2019
Murray Elliott reserve fund	\$ 69,090	\$ 68,576
Strathroy Library reserve fund	67,921	67,415
	137,011	135,991
Surplus:		
Invested in tangible capital assets (note 6)	1,950,527	2,152,913
General revenue fund	1,545,442	160,034
Capital fund	521,146	1,189,768
Unfunded		
Future benefit cost liability	(103,400)	(82,300)
Vacation payable	(30,921)	(12,776)
Total surplus	3,882,794	3,407,639
Accumulated surplus	\$ 4,019,805	\$ 3,543,630

4. Employee future benefits:

(a) Pension plan:

During 2020, the Board contributed \$174,698 (2019 - \$179,575) 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, 2020, with comparative information for 2019

4. Employee future benefits (continued):

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

The benefit obligation continuity is as follows:

	2020	2019
Accrued benefit obligation, January 1	\$ 99,200	\$ 152,264
Current period benefit cost	22,700	(8,126)
Post-employment benefit interest expenditure	3,400	(684)
Benefits paid	(6,600)	(483)
Actuarial loss (gain) and amortization of losses	–	(43,771)
Accrued benefit obligation, December 31	118,700	99,200
Unamortized actuarial loss	(15,300)	(16,900)
Liability for benefits	\$ 103,400	\$ 82,300

Post retirement and sick leave benefits expenses are as follows:

Current period benefit cost	\$ 22,700	\$ (8,126)
Amortization of actuarial loss (gain)	1,600	(41,952)
Post-employment benefit interest expenditure	3,400	(684)
	\$ 27,700	\$ (50,762)

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

	2020	2019
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	5.72% for 2020 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached	5.85% for 2019 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, 2020, with comparative information for 2019

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:

2021	\$	168,535
2022		171,906
2023		175,344
2024		178,851
2025		182,428
Thereafter		1,920,949
	\$	2,798,013

6. Tangible capital assets:

			2020	2019
	Collections	Machine and equipment	Total	Total
Cost:				
Balance, beginning of year	\$ 3,623,648	\$ 720,528	\$ 4,344,176	\$ 4,343,105
Additions during the year	185,601	100,089	285,690	378,279
Disposals during the year	(371,169)	(21,012)	(392,181)	(377,208)
Total	3,438,080	799,605	4,237,685	4,344,176
Accumulated amortization:				
Balance, beginning of year	1,701,153	490,110	2,191,263	2,052,275
Amortization during the year	380,500	107,486	487,986	514,882
Disposals during the year	(371,169)	(20,922)	(392,091)	(375,894)
Total	1,710,484	576,674	2,287,158	2,191,263
Net book value	\$ 1,727,596	\$ 222,931	\$ 1,950,527	\$ 2,152,913

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, 2020, with comparative information for 2019

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

Community-Based Early Years and Child Care Capital Program (CBCP) funding (CBCP) is funding issued by the Ministry of Education. The CBCP project is designed to address capital costs related to the creation of Ministry approved child care or EarlyON rooms. During 2020, the Board has provided \$250,000 for the Strathroy EarlyON Child and Family Centre Library renovation and \$485,888 for the Ilderton EarlyON Child and Family Centre Library addition.

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 2020, the Board received new funding of \$440,132 (2019 - \$736,043). At December 31, 2020, \$56,144 was recorded as deferred revenue.

10. Effects of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. This has resulted in Governments worldwide enacting emergency measures to combat the spread of the virus. Several measures were put in place which include the implementation of travel bans, self-imposed quarantine periods and social distancing. These measures have caused material disruption to individuals, businesses, and organizations globally which has resulted in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. However, the success of these interventions is not currently determinable.

At the time of approval of these financial statements, the Corporation, which conducts business in communities impacted by COVID-19, has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- The closure of a number of facilities to the general public;
- Revisions to the delivery of a number of municipal services in order to contribute toward social distancing and/or provincial public health and workplace safety measures and restrictions;
- The implementation of working from home requirements for certain municipal employees;
- Temporary staff layoffs for some part-time staff in the library branches.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.