



Committee of the Whole

Meeting Date: July 19, 2022

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

SUBJECT: 2021 LIBRARY FINANCIAL STATEMENTS

BACKGROUND:

In the agenda package is the 2021 Financial Statements for the Middlesex County Library Board.

ANALYSIS:

The 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 at December 31, 2021, \$30,778 is in the Library Trust fund, the interest from the fund is allocated each year towards the Strathroy Library Branch. In 2021, the amount transferred was \$231.

Expenditures were made during 2021 (and in 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.

However, there remains uncertainty over future cash flows and this could cause significant changes to the assets or liabilities and may 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, 2021 be approved and the 2021 surplus be allocated as follows: \$300,000 shall be applied towards the 2022 library operating costs; \$60,000 shall be applied to the County 2021 budget and the remaining \$280,336.51 shall be transferred to the County Tax Rate Stabilization reserve.

Attachments

Financial Statements

MIDDLESEX COUNTY LIBRARY BOARD

And Independent Auditors' Report thereon

Year ended December 31, 2021

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Financial Position
December 31, 2021, with comparative information for 2020

	2021	2020
Financial assets:		
Cash	\$ 140,766	\$ 8,429
Accounts receivable	3,235	21,746
Receivable from the County of Middlesex	1,465,855	2,405,653
	1,609,856	2,435,828
Financial liabilities:		
Accounts payable	184,441	253,651
Deferred revenue (note 9)	23,239	56,144
Employee future benefits (note 4)	124,500	103,400
Total liabilities	332,180	413,195
Net financial assets	1,277,676	2,022,633
Non-financial assets:		
Tangible capital assets (note 6)	1,984,015	1,950,527
Prepaid expenses	45,974	46,645
	2,029,989	1,997,172
Commitments (note 5)		
Effects of COVID-19 (note 10)		
Accumulated surplus (note 3)	\$ 3,307,665	\$ 4,019,805

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	2021	2020
Revenues:			
Grants:			
Province of Ontario	839,047	1,204,059	975,563
County of Middlesex, contribution	3,666,633	3,121,191	4,573,773
	4,505,680	4,325,250	5,549,336
User charges:			
Fines, fees, rentals and donations	121,500	110,674	111,348
Loss on disposal of tangible capital assets	–	(449)	(90)
	4,627,180	4,435,475	5,660,594
Expenditures:			
Salaries	2,369,890	2,085,760	1,699,398
Rent	700,290	690,584	699,355
Employee benefits (note 4)	581,534	502,659	468,637
Amortization	483,713	472,071	487,986
EarlyON (note 9)	350,000	409,290	481,620
CBCP (note 8)	–	279,568	735,888
Books	70,000	208,382	180,729
Development and automation	189,091	166,736	170,138
Non - print materials	173,844	125,326	68,108
COVID – 19 program (note 10)	–	94,105	100,757
Postage	40,000	54,583	37,991
Utilities and maintenance	34,981	30,835	29,813
Insurance	23,000	27,716	23,388
Legal services	5,000	–	611
	5,021,343	5,147,615	5,184,419
Annual surplus (deficit):	(394,163)	(712,140)	476,175
Accumulated surplus, beginning of year	4,019,805	4,019,805	3,543,630
Accumulated surplus, end of year	\$ 3,625,642	\$ 3,307,665	\$ 4,019,805

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Changes in Net Financial Assets
Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	2021	2020
Annual surplus (deficit)	\$ (394,163)	\$ (712,140)	\$ 476,175
Acquisition of tangible capital assets	(709,650)	(506,008)	(285,690)
Amortization of tangible capital assets	483,713	472,071	487,986
Loss on disposal of tangible capital assets	–	449	90
Prepaid expenses	–	671	11,960
Change in net financial assets (debt)	(620,100)	(744,957)	690,521
Net financial assets, beginning of year	2,022,633	2,022,633	1,332,112
Net financial assets, end of year	\$ 1,402,533	\$ 1,277,676	\$ 2,022,633

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus / (deficit)	\$ (712,140)	\$ 476,175
Items not involving cash:		
Amortization	472,071	487,986
Loss on disposal of tangible capital assets	449	90
Changes in non-cash operating working capital:		
Accounts receivable	18,511	(18,680)
Receivable from the County of Middlesex	939,798	(845,522)
Prepaid expenses	671	11,960
Accounts payable	(69,210)	56,708
Employee future benefits	21,100	21,100
	671,250	189,817
Investing activities:		
Acquisition of tangible capital assets	(506,008)	(285,690)
Financing activities:		
Deferred revenue	(32,905)	(39,089)
Increase (decrease) in cash	132,337	(134,962)
Cash, beginning of year	8,429	143,391
Cash, end of year	\$ 140,766	\$ 8,429

See accompanying notes to financial statements.

MIDDLESEX COUNTY LIBRARY BOARD

Notes to Financial Statements

December 31, 2021, with comparative information for 2020

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, 2021, with comparative information for 2020

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, 2021, with comparative information for 2020

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 (2020 - \$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, 2021, with comparative information for 2020

3. Accumulated surplus:

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

	2021	2020
Murray Elliott reserve fund	\$ 69,608	\$ 69,090
Strathroy Library reserve fund	68,430	67,921
Library Technology Replacement reserve fund	150,563	–
	288,601	137,011
Surplus:		
Invested in tangible capital assets (note 6)	1,984,015	1,950,527
General revenue fund	640,337	1,545,442
Capital fund	535,240	521,146
Unfunded		
Future benefit cost liability	(124,500)	(103,400)
Vacation payable	(16,028)	(30,921)
Total surplus	3,019,064	3,882,794
Accumulated surplus	\$ 3,307,665	\$ 4,019,805

4. Employee future benefits:

(a) Pension plan:

During 2021, the Board contributed \$190,338 (2020 - \$174,698) 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, 2021, with comparative information for 2020

4. Employee future benefits (continued):

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

The benefit obligation continuity is as follows:

	2021	2020
Accrued benefit obligation, January 1	\$ 118,700	\$ 99,200
Current period benefit cost	23,300	22,700
Post-employment benefit interest expenditure	4,000	3,400
Benefits paid	(7,800)	(6,600)
Actuarial loss (gain) and amortization of losses	—	—
Accrued benefit obligation, December 31	138,200	118,700
Unamortized actuarial loss	(13,700)	(15,300)
Liability for benefits	\$ 124,500	\$ 103,400

Post retirement and sick leave benefits expenses are as follows:

Current period benefit cost	\$ 23,300	\$ 22,700
Amortization of actuarial loss (gain)	1,600	1,600
Post-employment benefit interest expenditure	4,000	3,400
	\$ 28,900	\$ 27,700

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

	2021	2020
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	5.59% for 2021 then reducing by 0.13% per year until 2036 when the ultimate rate of 3.66% is reached	5.72% for 2020 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, 2021, with comparative information for 2020

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:

2022	\$	208,882
2023		213,059
2024		217,320
2025		221,667
2026		188,649
Thereafter		1,758,856
	\$	2,808,433

6. Tangible capital assets:

			2021	2020
	Collections	Machine and equipment	Total	Total
Cost:				
Balance, beginning of year	\$ 3,438,080	\$ 799,605	\$ 4,237,685	\$ 4,344,176
Additions during the year	340,881	165,127	506,008	285,690
Disposals during the year	(359,726)	(39,662)	(399,388)	(392,181)
Total	3,419,235	925,070	4,344,305	4,237,685
Accumulated amortization:				
Balance, beginning of year	1,710,484	576,674	2,287,158	2,191,263
Amortization during the year	358,842	113,229	472,071	487,986
Disposals during the year	(359,726)	(39,213)	(398,939)	(392,091)
Total	1,709,600	650,690	2,360,290	2,287,158
Net book value	\$ 1,709,635	\$ 274,380	\$ 1,984,015	\$ 1,950,527

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, 2021, with comparative information for 2020

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 2021, the Board has provided \$275,000 (2020 - \$250,000) for the Strathroy EarlyON Child and Family Centre Library renovation and \$4,568 (2020 - \$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 2021, the Board received new funding of \$353,531 (2020 - \$440,132). At December 31, 2021, \$23,239 (2020 - \$56,144) was recorded as deferred revenue.

10. Effects of COVID-19:

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The pandemic has resulted in significant financial, market and societal impacts in Canada and around the world.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Corporation's operations and financial position is not known at this time.

These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated surpluses to sustain operations. An estimate of the financial effect of the pandemic on the Corporation is not practicable at this time.