

COMMUNICATION & COUNSEL

Subject: Ottawa Public Library 2011 Audit Report

Prepared by: Brenda Gorton
Account Manager, Ottawa Public Library
City Operations Financial Support Unit

Prepared for: Ottawa Public Library Board

Meeting of: September 10, 2012

Date: August 27, 2012

Reference

1. City of Ottawa Audit Schedule 2 Condensed Supplementary Information,
Ottawa Public Library Board – Appendix A
2. Ottawa Public Library Board Financial Statements December 31, 2011 – Appendix B

Background

As approved by the Board on November 20, 2006, the Library has been consolidated into the overall City of Ottawa audit and no longer completes a separate Library audit. It is acceptable for a library board to supply its financial information in a consolidated audited financial statement as noted in the *Municipal Act, 2001, s. 296 (11)*, provided that the financial information on the library board is provided in a separate schedule or appendix of the consolidated municipal financial statement.

Attached in Appendix A is a copy of the Ottawa Public Library schedule that was included in the

2011 City of Ottawa financial statements, forming part of the Consolidated Statements of the City. This schedule has been approved by the Province of Ontario and, upon receiving a copy of this schedule, the Province will release the 2012 Ottawa Public Library grant.

The Financial Support Unit responsible for the Library prepares the library statements for internal Board reporting. This includes the details of revenues, expenditures and reserves. These are unaudited statements and are used to provide the year end financial information for the Library schedule in the City's audited financial statements. The Financial Statements for the Ottawa Public Library for 2011 are attached in Appendix B to provide more detailed, supplemental information to the Board, supporting the Library schedule in the City of Ottawa audited financial statements.

SCHEDULE 2

APPENDIX A

CONDENSED SUPPLEMENTARY INFORMATION
OTTAWA PUBLIC LIBRARY BOARD
[dollars in thousands]

The Ottawa Public Library Board is consolidated with The City of Ottawa. The following table provides condensed supplementary information for the Ottawa Public Library Board.

Financial Position

	2011	2010
As at December 31	\$	\$
Financial assets	5,907	4,012
Financial liabilities	11,788	11,227
Net debt	(5,881)	(7,215)

Non-Financial Assets

Tangible capital assets	36,954	35,306
Prepaid expenses	-	157
Total non-financial assets	36,954	35,463
Accumulated surplus	31,073	28,248

Consolidated Statement of Operations

For the year ended December 31	2011	2010
	\$	\$

Revenues

City of Ottawa	39,808	37,986
Province of Ontario		-
Ministry of infrastructure	361	1,084
Ministry of tourism and culture	1,459	1,380
Other	3,274	3,968
Total revenues	44,902	44,418

Expenses

Operating expenditures	42,077	41,037
Total expenses	42,077	41,037

Annual surplus	2,825	3,381
Accumulated surplus, beginning of the year	28,248	24,867
Accumulated surplus, end of the year	31,073	28,248

APPENDIX B

Financial Statements

Ottawa Public Library Board

December 31, 2011

Ottawa Public Library Board

STATEMENT OF FINANCIAL POSITION

As at December 31

	2011 \$	2010 \$
FINANCIAL ASSETS		
Cash	7,475	7,275
Accounts receivable	133,973	229,342
Due from City of Ottawa <i>[note 2]</i>	5,765,956	3,776,251
Total financial assets	5,907,404	4,012,868
LIABILITIES		
Accounts payable and accrued liabilities	1,477,313	777,879
Accrued Liabilities	212,714	-
Deferred donations/grants	100,783	-
Employee future benefits payable <i>[notes 3 and 4]</i>	4,470,000	4,679,000
Net Long Term Debt	5,435,318	5,674,148
Accrued interest on debt	92,127	96,175
Total liabilities	11,788,255	11,227,202
Commitments <i>[note5]</i>		
Net financial assets	(5,880,851)	(7,214,335)
Non-financial assets		
Tangible Capital Assets	36,954,000	35,306,000
Prepaid expenses	-	156,492
Net assets	31,073,149	28,248,157
Fund position		
Operating fund <i>[schedule 1]</i>	-	-
Capital fund <i>[schedule 2]</i>	3,723,523	2,970,523
Reserve fund <i>[schedule 3]</i>	393,070	329,168
	4,116,593	3,391,480
Tangible Capital Assets	36,954,000	35,306,000
Amounts to be recovered <i>[note 4]</i>	(9,997,445)	(10,449,323)
Total fund position	31,073,149	28,248,157

See accompanying notes

Ottawa Public Library Board

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended December 31

	2011 \$	2010 \$
REVENUES		
Grants:		
City of Ottawa	39,808,127	37,985,720
Province of Ontario	1,819,795	2,463,931
Federal	441,914	1,268,916
Development charges	265,000	206,000
Fines and user charges	1,507,152	1,431,385
City Contribution	497,666	1,441,000
Rental income	468,059	470,650
Other	87,554	627,991
Total revenues	44,895,267	45,895,593
EXPENDITURES		
Operating		
Salaries, wages and benefits	31,134,688	28,505,613
Library materials	5,140,886	5,273,302
Purchased services	2,818,820	3,768,026
Materials and supply	1,679,371	1,496,006
Debt service costs	117	835
Other	-	-
Total operating	40,773,882	39,043,782
CAPITAL		
Information technology	641,258	875,212
Building and renovations	1,835,496	4,863,288
Library materials	300,975	132,399
Furniture and equipment	617,972	497,732
Other	(2,092,583)	96,779
Total capital	1,303,118	6,465,410
Total expenditures	42,077,000	45,509,192
Excess of revenues over expenditures (expenditures over revenues)	2,818,767	386,401
FINANCING		
Transfer to Reserve Fund	-	-
Transfer to/from capital and reserve	(120,000)	3,572
Employee future benefits	-	-
New Debt Issued	-	-
Debt Principal Repayment	-	-
Accrued interest on long-term liabilities	-	-
(Decrease) increase in amounts to be recovered	(120,000)	3,572
Change in the fund balance for the year	2,698,767	389,973
Fund balance, beginning of year	3,145,895	2,909,718
Fund balance, end of year	5,844,662	3,145,895

See accompanying notes

Ottawa Public Library Board

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31

	2011	2010
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenditures (expenditures over revenue)	852,684	386,401
Decrease (increase) in:		
Accounts receivable	61,145	32,880
Prepaid expenses	156,492	22,693
Due from the City of Ottawa	(369,519)	575,208
Long-term receivable		
Increase (decrease) in:		
Accounts payable and accrued liabilities	(5,030)	14,919
Deferred donations/grants	100,783	-
Employee future benefits payable	-	674,539
Interest on long-term debt	-	5,713
Cash provided from (used in) operating activities	796,555	1,712,353
FINANCING ACTIVITIES		
Repayment of long-term debt	-	-
Cash used in financing activities	-	-
Increase (decrease) in cash for the year	796,555	1,712,353
Cash, beginning of year	3,526,269	1,813,917
Cash, end of year	4,322,824	3,526,269

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Ottawa Public Library Board [the "Board"] are the representation of management prepared in accordance with accounting principles generally accepted for the public sector as prescribed by the Public Sector Accounting Board [PSAB] of the Canadian Institute of Chartered Accountants [CICA].

Basis of presentation

These financial statements reflect the assets, liabilities and operations of the operating fund, capital fund and reserve fund. All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

The assets, liabilities and results of operations of trust funds administered by the Board are not included in the accompanying financial statements [note 6].

Basis of accounting

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee future benefits. These estimates and assumptions are based on the Board's best information and judgment and may differ significantly based on actual results.

Capital assets

The historical cost and accumulated depreciation for capital assets are not recorded for Board reporting purposes. Capital assets are reported as an expenditure on the Statement of Financial Activities in the year of acquisition.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

Reserve funds

Reserve funds comprise funds set aside for specific purposes by the Board and Council to accumulate monies for future capital projects.

Employee benefit plans

The Board has adopted the following policies with respect to employee benefit plans:

- [a] The cost of post-employment benefits are recognized over the period earned; 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;
- [b] The cost of pensions and other retirement benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs and plan investment performance; and
- [c] The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.

Fines and user charges

Given the uncertainty of collection regarding fines and user charges, the Board recognizes revenue generated from these activities on a cash basis.

2. DUE FROM CITY OF OTTAWA

The City holds the cash balances and administers the cash disbursements and accounting functions on behalf of the Ottawa Public Library Board. In 2011 the library funds earned interest at a rate of 3.98% per annum on cash held by the City.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

3. EMPLOYEE BENEFITS AND PENSION AGREEMENTS

The Board provides certain benefits including retirement and other employment benefits to most of its employees.

[a] Employee benefits

Employee benefit liabilities of the Board as at December 31 are as follows:

	2011	2010
	\$	\$
Post-retirement benefits	1,365,000	1,470,000
Post-employment benefits	3,105,000	3,209,000
Vacation leave	-	-
	4,470,000	4,679,000

The defined benefit plans relating to post-retirement and post-employment provide a variety of benefits to retirees, active and long-term disabled employees, including income, medical, dental, life insurance, and Workers' Compensation and sick leave gratuity benefits.

Ottawa Public Library Board

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

The continuity for post-retirement and post-employment benefits for 2011 is as follows:

	Post-retirement \$	Post-employment \$	Total \$
Balance, beginning of year	1,470,000	3,209,000	4,679,000
Experience (gain) loss	(81,000)	(162,000)	(243,000)
Current service costs/cost of new claims	1,000	366,000	367,000
Interest cost	7,000	66,000	73,000
Benefits paid	(32,000)	(374,000)	(406,000)
Balance, end of year	1,470,000	3,105,000	4,470,000

Due to the complexities in valuating the plans, actuarial valuations are conducted on a periodic basis. The liabilities reported in these financial statements are based on a valuation as of December 31, 2011. The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations for post-retirement and post-employment benefits for 2011 are as follows:

Discount rate	3.25%
Inflation rate	2.5%
Health care inflation rate	7.02% initially grading down to 4.5% in and after 2030

[b] Pension agreements

Ontario Municipal Employees Retirement Fund

The Board makes contributions to the Ontario Municipal Employees Retirement System ["OMERS"], which is a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. The Library's contribution to the OMERS plan for 2011 was \$3,186,283 for current service and is included as an expenditure on the Statement of Financial Activities.

4. AMOUNTS TO BE RECOVERED

	2011 \$	2010 \$
Net Long Term Debt	5,435,318	5,674,148
Accrued Interest on Debt	92,127	96,175
Employee future benefits	4,470,000	4,679,000
	9,997,445	10,449,323

Ottawa Public Library Board

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

5. COMMITMENTS

- [a] The Board has capital commitments on behalf of the Library as at December 31, 2011 in the amount of \$1,162,101
- [b] The Board has operating lease commitments on behalf of the Library over the next two years as follows:

	\$
2010	731,850
2011	649,899

6. ACCOUNTING FOR TRUST FUNDS

Trust funds administered by the Board amounting to \$ [2011 - \$465,460] have not been included in the statement of financial position nor have its operations been included in the statement of financial activities.

7. BUDGET AMOUNTS

Budgets established for capital and reserve funds are project oriented and therefore, have not been shown on the financial statements.

OPERATING FUND

For the year ended December 31

	2011 Budget \$	2011 Actual \$	2010 Actual \$
<i>[Unaudited]</i>			
REVENUES			
Grants			
City of Ottawa	39,317,461	39,317,461	37,985,720
Province of Ontario	1,380,000	1,440,328	1,380,328
Federal	70,000	81,447	192,313
Fines and user charges	1,723,056	1,507,152	1,431,385
Interest income	-	-	
Rental income	470,640	468,059	470,650
Other	172,391	585,220	590,991
Total revenues	43,133,548	43,399,667	42,051,387
EXPENDITURES			
Salaries, wages and benefits	31,205,304	31,134,688	28,505,613
Library materials	5,072,807	5,140,886	5,273,302
Purchased services	2,818,619	2,818,820	3,768,026
Materials and supplies	1,344,818	1,679,371	1,496,006
Interest and Financing Fee	3,000	117	835
Total expenditures	40,444,548	40,773,882	39,043,782
Excess of revenues over expenditures	2,689,000	2,625,785	3,007,605
Financing and transfers			
Transfer to reserve fund	-	-	-
Transfer from reserve fund	(2,689,000)	(2,625,785)	(3,007,605)
Employee benefits	-	-	-
Debt principal repayment	-	-	-
Accrued interest on long term liabilities	-	-	-
Total financing and transfers	(2,689,000)	(2,625,785)	(3,007,605)
Change in operating fund balance	—	—	—
Fund balance, beginning of year	—	—	—
Fund balance, end of year	—	—	—

See accompanying notes

CAPITAL FUND

For the year ended December 31

	2011 \$	2010 \$
REVENUES		
Grants:		
Province of Ontario	379,467	1,083,603
Federal	360,467	1,076,603
Development charges	265,000	206,000
City Contribution	490,666	1,441,000
Other	-	37,000
Total revenues	1,495,600	3,844,206
EXPENDITURES		
Information technology	641,258	875,202
Building and renovations	1,835,496	4,863,288
Library materials	300,975	132,399
Furniture and equipment	617,972	497,732
Other	(2,092,583)	(148,796)
Total expenditures	1,303,118	6,219,825
Excess of expenditures over revenues	192,482	(2,375,619)
Interfund transfers		
Tax Supported Debt	-	-
Transfer from reserve fund	2,568,883	2,775,000
Total transfers	2,568,883	2,775,000
Change in capital fund balance	2,761,365	399,381
Fund balance, beginning of year	3,062,312	2,662,931
Fund balance, end the year	5,823,677	3,062,312

See accompanying notes

RESERVE FUND

For the year ended December 31

	2011 \$	2010 \$
REVENUES		
Interest income	7,000	-
Other	-	-
Total revenues	7,000	-
Interfund transfers		
Transfer from operating fund	2,745,785	3,007,605
Transfer to capital fund	(2,568,883)	(2,771,428)
Transfer to operating fund	(120,000)	-
Total transfers	56,902	236,177
Change in reserve fund balance	63,902	236,177
Balance, beginning of year	329,168	92,991
Balance, end of year	393,070	329,168

See accompanying notes