

## APPENDIX 2

Financial Statements: Unaudited

**Ottawa Public Library Board**

December 31, 2016

**OTTAWA PUBLIC LIBRARY BOARD**  
**STATEMENT OF FINANCIAL POSITION [UNAUDITED]**

As at December 31

	2016 \$	2015 \$
<b>FINANCIAL ASSETS</b>		
Cash	7,805	7,735
Accounts receivable	0	1,279,046
Due from City of Ottawa <i>[note 2]</i>	27,373,570	20,772,293
<b>Total financial assets</b>	<b>27,381,375</b>	<b>22,059,074</b>
<b>LIABILITIES</b>		
Accounts payable	944,354	2,807,118
Accrued liabilities	1,829,887	221,259
Deferred donations/grants	667,631	226,616
Deferred revenue - development charges	16,640,372	16,023,588
Employee future benefits <i>[note 3]</i>	6,119,350	5,093,000
Net long term debt	4,047,511	4,353,084
Accrued interest on debt	68,604	73,784
<b>Total liabilities</b>	<b>30,317,709</b>	<b>28,798,449</b>
<b>Net debt</b>	<b>(2,936,334)</b>	<b>(6,739,375)</b>
<b>Non-financial assets</b>		
Tangible capital assets <i>[note 4]</i>	44,355,451	43,181,902
Prepaid expenses	21,617	7,500
<b>Total non-financial assets</b>	<b>44,377,068</b>	<b>43,189,402</b>
<b>Accumulated surplus <i>[note 5]</i></b>	<b>41,440,734</b>	<b>36,450,027</b>

*See accompanying notes*

**OTTAWA PUBLIC LIBRARY BOARD**  
**STATEMENT OF OPERATIONS [UNAUDITED]**  
For the year ended December 31

	2016 \$	2015 \$
<b>REVENUE</b>		
City of Ottawa	49,642,528	45,068,551
Government of Canada	472,780	
Province of Ontario – Ministry of tourism, sport and culture	1,447,789	1,611,166
Development charges	2,242,666	934,000
Other	2,329,994	2,234,722
<b>Total revenue</b>	<b>56,135,757</b>	<b>49,848,439</b>
<b>EXPENSES</b>		
Salaries, wages and benefits	33,107,547	34,879,024
Library materials	5,405,317	5,170,494
Purchased services	4,976,919	4,887,333
Materials and supply	2,697,656	2,140,028
	46,187,439	47,076,879
Operating expenses in capital	2,297,767	2,574,586
Amortization	1,474,696	1,278,855
Loss on disposal	163,977	252,361
Employee future benefits	1,026,350	401,888
Accrued interest	(5,179)	(4,930)
<b>Total expenses</b>	<b>51,145,050</b>	<b>51,579,639</b>
<b>Annual surplus</b>	<b>4,990,707</b>	<b>(1,731,200)</b>
<b>Accumulated surplus, beginning of year</b>	<b>36,450,027</b>	<b>38,181,227</b>
<b>Accumulated surplus, end of year</b>	<b>41,440,734</b>	<b>36,450,027</b>

*See accompanying notes*

**OTTAWA PUBLIC LIBRARY BOARD  
NOTES TO THE FINANCIAL STATEMENTS [UNAUDITED]  
DECEMBER 31, 2016**

**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 Canadian public sector accounting standards established by the Public Sector Accounting Board [“PSAB”] of the Chartered Professional Accountants of Canada [“CPA Canada”]

**Reporting entity**

These financial statements reflect the assets, liabilities, revenues, and expenses for the Board. All inter-fund revenues and expenses 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 7].

**Basis of accounting**

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues, as they are earned and measurable; expenses are recognized, as they are incurred and measurable as a result of receipt of goods or services.

**Use of estimates and measurement uncertainty**

The preparation of financial statements in conformity with Canadian Public sector accounting standards 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.

**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.

**OTTAWA PUBLIC LIBRARY BOARD**  
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**Employee benefit plans**

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

[a] The costs of post-employment benefits are recognized as a liability 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.

[b] The costs of post-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.

[c] Past service costs for plan amendments related to prior-period employee services are accounted for in the period of the plan amendment. The effects of gain or loss from settlements or curtailments are expensed in the period during which they occur. Net actuarial gains and losses related to employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefits are discounted using current interest rates on long-term bonds.

[d] The cost of workplace safety and insurance obligations is actuarially determined and are expensed in the period they occur

[e] The costs 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.

**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 costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives, as follows:

<b>Asset type</b>	<b>Minimum years</b>	<b>Maximum years</b>
Buildings and Improvements	20	80
Machinery, Plant and Equipment	10	50
Vehicles	5	15

**OTTAWA PUBLIC LIBRARY BOARD  
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DECEMBER 31, 2016**

**Reserve fund**

Reserve fund is comprised of funds set aside for specific purposes by the Board and Council to accumulate monies for future capital projects [note 5].

**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 2016 the library reserve fund earned interest at a rate of 1.50% per annum on cash held by the City.

**3. EMPLOYEE FUTURE BENEFITS**

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

[a] Employee future benefits

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

<b>Employee future benefit liabilities</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Post -retirement benefits	<b>1,385,000</b>	<b>1,199,000</b>
Post-employment benefits	<b>4,148,000</b>	<b>3,894,000</b>
WSIB	<b>586,350</b>	
<b>Total</b>	<b>6,119,350</b>	<b>5,093,000</b>

The defined benefit plans relating to post-retirement, post-employment and WSIB 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 THE FINANCIAL STATEMENTS [UNAUDITED]**  
**DECEMBER 31, 2016**

The continuity for post-retirement and post-employment benefits for 2016 is as follows:

<b>Employee future benefit liabilities</b>	<b>Post-retirement \$</b>	<b>Post-employment \$</b>	<b>WSIB \$</b>	<b>Total \$</b>
Balance, beginning of year	1,199,000	3,894,000	0	<b>5,093,000</b>
Current service costs/cost of new claims	157,000	617,000	618,616	<b>1,392,616</b>
Interest cost	69,000	107,000	16,503	<b>192,503</b>
Amortization of actuarial gain	86,000	(95,000)	0	<b>(9,000)</b>
Benefits paid	(126,000)	(375,000)	(48,769)	<b>(549,769)</b>
<b>Balance, end of year</b>	<b>1,385 000</b>	<b>4,148,000</b>	<b>586,350</b>	<b>6,119,350</b>

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 September 30, 2016, with an extrapolation to December 31, 2016. The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations for post-retirement and post-employment benefits for 2016 are as follows:

Discount rate	<b>3.00%</b>
Inflation rate	<b>2.00%</b>
Health care inflation rate	<b>5.18% initially</b> Grading down to <b>4.5%</b> in and after 2029

**[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 2016 was \$2,195,436 (2015- \$2,334,048) for current service and is included as an expense on the statement of operations.

**OTTAWA PUBLIC LIBRARY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS [UNAUDITED]**  
**DECEMBER 31, 2016**

**4. TANGIBLE CAPITAL ASSETS**

<b>Cost</b>	<b>Buildings and Leasehold Improvements</b>	<b>Land</b>	<b>Machinery Plant and Equipment</b>	<b>Vehicles</b>	<b>Assets Under Construction</b>	<b>Total 2016</b>	<b>Total 2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance, beginning of year</b>	48,404,119	2,681,362	6,228,061	818,253	76,320	<b>58,208,115</b>	<b>56,911,538</b>
Additions	71,110		577,157	543,870	1,620,085	<b>2,812,222</b>	<b>1,730,839</b>
Disposals			(298,624)		(76,320)	<b>(374,944)</b>	<b>(434,262)</b>
<b>Balance, end of year</b>	48,475,229	2,681,362	6,506,594	1,362,123	1,620,085	<b>60,645,393</b>	<b>58,208,115</b>

<b>Accumulated Amortization</b>	<b>Buildings and Leasehold Improvements</b>	<b>Land</b>	<b>Machinery Plant and Equipment</b>	<b>Vehicles</b>	<b>Assets Under Construction</b>	<b>Total 2016</b>	<b>Total 2015</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance, beginning of year</b>	13,353,179		1,099,347	573,687		<b>15,026,213</b>	<b>13,929,259</b>
Disposals			(210,967)			<b>(210,967)</b>	<b>(181,901)</b>
Amortization expense	828,907		577,831	67,958		<b>1,474,696</b>	<b>1,278,855</b>
<b>Balance, end of year</b>	14,182,086		1,466,211	641,645		<b>16,289,942</b>	<b>15,026,213</b>
<b>Net book value, end of year</b>	<b>34,293,143</b>	<b>2,681,362</b>	<b>5,040,383</b>	<b>720,478</b>	<b>1,620,085</b>	<b>44,355,451</b>	<b>43,181,902</b>

**OTTAWA PUBLIC LIBRARY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS [UNAUDITED]**  
**DECEMBER 31, 2016**

**5. ACCUMULATED SURPLUS**

Accumulated surplus consists of individual fund surpluses and reserve fund.

	<b>2016</b>	<b>2015</b>
<b>Accumulated Surplus</b>	<b>\$</b>	<b>\$</b>
Invested in tangible capital assets	<b>40,239,336</b>	38,755,034
Capital fund - Unexpended capital financing	<b>3,699,810</b>	557,539
Unfunded – Employee future benefits	<b>(6,119,350)</b>	(5,093,000)
<b>Total surplus</b>	<b>37,819,796</b>	34,219,573
<b>Reserve fund</b>	<b>3,620,938</b>	2,230,454
<b>Accumulated Surplus</b>	<b>41,440,734</b>	36,450,027

**6. COMMITMENTS**

[a] The Board has capital commitments on behalf of the Library as at December 31, 2016 in the amount of \$924,683 (2015 - \$1,128,782)

[b] The Board has operating lease commitments on behalf of the Library over the next 5 years as follows:

	<b>\$</b>
2017	934,702
2018	965,332
2019	983,234
2020	981,187
2021	858,355

**7. ACCOUNTING FOR TRUST FUNDS**

Trust funds administered by the Board amounting to \$754,762 [2015 - \$720,752] have not been included in the statement of financial position nor have its operations been included in the statement of operations.