

Mission Statement
Freedom to Discover

Strategic Priorities
A Community Beacon Relevant and Responsive
Learning and Innovative Organization

HAMILTON PUBLIC LIBRARY BOARD

Special Meeting
Wednesday, June 3, 2020
Central Library, Board Room

5:15 PM Meeting

AGENDA

Present: E. Bowen, R. Coruzzi, H. Dhaliwal, N. van Velzen, P. Takala, T. Del Monaco, S. Al-Rawee (KPMG), K. Dennie

1. **Acceptance of Agenda**
2. **Minutes from previous meeting approved at February 2020 Library Board Meeting**
3. **Audit Finding Report - TD - Attachment #3**
4. **Draft Financial Statements Hamilton Public Library Board December 31, 2019 - TD - Attachment #4**
5. **Auditor and Audit Committee Meet Without Staff**
6. **Adjournment**

Date: June 3, 2020
To: Chair and Members of the Board
From: Karen Dennie, Administrative Assistant
Subject: **Minutes from previous meeting approved at February 2020 Library Board Meeting**

BACKGROUND:

The minutes were approved at the February 2020 Library Board meeting.

ATTACHMENTS:

Description	Upload Date	Type
Minutes February 12, 2020 Audit Planning Meeting	6/3/2020	Cover Memo

Mission Statement

*Freedom to
Discover*

Strategic Priorities

*A Community Beacon Relevant and
Responsive Learning and Innovative
Organization*

HAMILTON PUBLIC LIBRARY BOARD

Special Meeting

**Wednesday February 12,
2020**

**Central Library, Admin
Committee Room**

Time: 5:00pm

**MINUTE
S**

Audit Planning Committee – Saman

Al-Rawee

1. **Present:** E. Bowen, R. Coruzzi, N. van Velzen, P. Takala, T. Del Monaco,
S. Al-Rawee, R. Francoeur

Regrets: H. Dhaliwal

2. **Acceptance of the Agenda**

MOVED by Nick van Velzen, Seconded by Rob Coruzzi.

THAT THE HAMILTON PUBLIC LIBRARY AUDIT COMMITTEE

ACCEPT THE AGENDA AS PRESENTED.

MOTION Passed.

3. **Appointment of Chair:** Chair: Elly Bowen

Moved by: Rob Coruzzi, Seconded by: Nick van Velzen

4. **HPL Audit Planning Report – Attachment #3 – TD/SA**

Tony Del Monaco introduced Saman Al-Rawee from KPMG. He

reviewed the audit

report with the Library Board's Audit Committee.

**THAT THE HAMILTON PUBLIC LIBRARY AUDIT
COMMITTEE RECEIVE THE HPL AUDIT PLANNING
REPORT FOR INFORMATION.**

MOTION Passed

5. Auditor and Audit Committee meet without Staff

Auditor and Audit Committee met without Staff.

6. Adjournment

The meeting was adjourned at 5:45pm.

MOVED by Nick van Velzen, seconded by Rob Coruzzi.

**THAT THE AUDIT COMMITTEE MEETING OF
WEDNESDAY FEBRUARY 12, 2020 BE ADJOURNED.**

MOTION Passed

Minutes recorded by Rosann Francoeur

Date: June 3, 2020
To: Chair and Members of the Board
From: Tony Del Monaco, Director, Finance & Facilities
Subject: **Audit Finding Report - TD - Attachment #3**

RECOMMENDATION:

That the Audit Committee receive the draft financial statements as presented by KPMG.

ATTACHMENTS:

Description	Upload Date	Type
Audit Findings Report	5/27/2020	Cover Memo

Hamilton Public Library Board

Audit Findings Report
for the year ended
2019

KPMG LLP

May 12, 2020

kpmg.ca/audit



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KPMG contacts

The contacts at KPMG in connection with this report are:



Lois Ouellette, CPA, CA

Lead Audit Engagement Partner

Tel: 905-687-3276

louellette@kpmg.ca



Saman Al-Rawee, CPA, CA

Audit Manager

Tel: 905-972-2108

salrawee@kpmg.ca

Executive summary

Purpose of this report¹

The purpose of this Audit Findings Report is to assist you, as a member of the audit committee, in your review of the results of our audit of the financial statements as at and for the year ended December 31, 2019.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

Finalizing the Audit

As of May 12, 2020 we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our discussions with the audit committee
- Completing our discussions with management regarding subsequent events
- Obtaining evidence of the Board's approval of the financial statements

We will update the audit committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Independence

We affirmed our independence in the Audit Planning Report presented to the Audit Committee on February 3, 2020.

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

¹ This Audit Findings Report should not be used for any other purpose or by anyone other than the audit committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit risks and results

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

1 Professional requirements	Fraud risk from revenue recognition
Risk	Why is it significant?
Fraud risk from revenue recognition	<p>This is a presumed fraud risk.</p> <p>We have not identified a fraudulent revenue recognition risk for each significant revenue account.</p> <p>We have not identified any specific additional risk of fraud with respect to revenue recognition relating to this audit.</p>

Our response and significant findings

- As part of our audit approach over revenue recognition, KPMG tested the library's revenue through substantive analytical procedures and substantive testing procedures, which included agreeing grants to the appropriate agreements.
- There were no significant differences found as a result of our audit work.

Audit risks and results

2 Professional requirements Fraud risk from management override of controls.

Risk	Why is it significant?
Fraud risk from management override of controls.	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our response and significant findings

Our audit approach incorporated the required procedures in professional standards to address this risk. These procedures include testing of journal entries and other adjustments and making inquiries of the appropriate individuals:

- whether they have been asked to record, or are aware of, unusual or otherwise inappropriate journal entries or adjustments without adequate support or explanation for the entries or adjustments;
- Inquire whether there have been any instances of overrides of controls through recording of journal entries or other adjustments;
- Inquire whether there have been any journal entries or other adjustments that have been initiated by management outside the normal course of business,

There were no significant findings as a result of our audit work.

Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

Operating Expenditures

Other Areas of Focus	Why are we focusing here?
Operating expenditures including salaries and benefits	Completeness, existence and accuracy of expenses and completeness of related accounts payable and accrued liabilities.

Our response and significant findings

We performed substantive procedures to address the relevant risk. This included reviewing significant accruals and vouching to supporting documentation, as well as a search for unrecorded liabilities to assess completeness and accuracy of accruals at year-end.

We performed substantive analytical procedures over payroll and non-payroll expenditures.

There were no significant differences found as a result of our audit work.

Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

Government Grants and Prepaid Expenses

Other Areas of Focus	Why are we focusing here?
Government Grants	Risk related to completeness and accuracy of timing of revenue recognition.
Prepaid expenses	Completeness and accuracy of prepaid subscriptions. The Library continues to introduce more digital media resulting in more subscriptions.

Our response and significant findings

We performed substantive procedures to address relevant risk. This included agreeing significant receivables to subsequent receipts and confirming significant grant balances as well as determining if the recognition criteria have been met. There were no significant differences found as a result of our audit work.

We performed a review of significant subscription agreements and assessed the prepaid portion as of the year end date, based on the period covered by the subscription agreements. There were no significant differences found as a result of our audit work.

Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

Tangible Capital Assets and Employee Future Benefits

Other Areas of Focus	Why are we focusing here?
Tangible capital assets	Completeness and accuracy of tangible capital assets. Risk also related to existence, presentation and disclosure of any commitments related to the capital projects that may be on the City's financial statements.
Employee future benefits	Completeness and accuracy of the post retirement liability and related expenses. Reliance is placed on the actuarial valuation and extrapolations performed by the actuaries in determining the accrued postemployment benefit liability at the end of the fiscal year. Actuarial determination of both post-employment benefits and sick leave benefits is required under PSAB standards.

Our response and significant findings

Tangible capital assets

We performed a review of significant capital additions including vouching to supporting documentation

We examined major capital projects and any commitments requiring disclosure in the audited financial statements.

There were no significant differences found as a result of our audit work.

Liability for future benefits

We obtained external confirmation from management's expert and evaluated the expert for competence and independence. We also reviewed the actuarial valuations performed on post-employment and retirement benefits to assess the estimates set up for the accrued benefit obligation.

There were no significant differences found as a result of our audit work.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Company's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

Form, arrangement, and content of the financial statements

The financial statements are, in all material respects, in accordance with the applicable financial accounting framework. The disclosures in the notes to the financial statements are adequate.

Application of accounting pronouncements issued but not yet effective

There are no concerns at this time regarding future implementations. See Page 11 for new standards that will impact the Library for the December 31, 2020 year-end and beyond.

Uncorrected differences and Corrected Adjustments

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of management and the audit committee that all identified differences be corrected. We have already made this request of management.

Uncorrected differences

We did not identify differences that remain uncorrected.

Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

COVID-19 Response and Resources

The rapid advancement of COVID-19 has left many businesses assessing cash flow requirements, resource capacity, staffing levels, and business continuity plans while adapting to new ways of work and managing customer and shareholder expectations. The immediate change in time-of-use pricing outside the usual timing for updating rates further highlight the ever-changing impact of COVID-19. This is no doubt an unprecedented and challenging time. We are here to help. Should you require any further information do not hesitate to reach out. Please visit [KPMG's COVID-19 Insights](#) for up-to-date information.

Thought Leadership	Overview	Links
COVID-19 Podcasts	KPMG is releasing a series of podcasts aimed at discussing relevant and important topics as COVID-19 continues to evolve on matters ranging from tax (HST), cash flow strategy and insurance considerations.	Please reach out to us and we would be happy to share the podcasts with you as they become available
Business Continuity Guide	For many businesses, a continuity plan to minimize disruption is just simply not available or adequate. KPMG has compiled a series of business continuity insights to help businesses across all sectors stay on course.	Link to report
Legal considerations	For everything employee, HR, contracts and credit discussions, KPMG's in-house legal counsel have summarized key information to consider in your decision making.	Link to report
The Board's perspective	COVID-19 response and assessment does not stop at management. The Board must be involved in assessing risks, impacts, and future operations. The Board must understand current implications while balancing long-term strategic goals and become more adaptive than ever.	Link to report

Current developments and audit trends

Standard	Summary and implications
Financial Instruments	<p>A standard has been issued, establishing a standard on accounting for and reporting all types of financial instruments including derivatives. This standard is effective for fiscal periods beginning on or after April 1, 2021 (the Library's December 31, 2022 year-end).</p> <p>Implications: This standard will require the Library to identify any contracts that have embedded derivatives and recognize these on the statement of financial position at fair value. Portfolio investments in equity instruments are required to be recorded at fair value. Changes in fair value will be reported in a new financial statement – statement of re-measurement gains and losses. This standard sets out a number of disclosures in the financial statements designed to give the user an understanding of the significance of financial instruments to the Library. These disclosures include classes of financial instruments and qualitative and quantitative risk disclosures describing the nature and extent of risk by type. The risks to be considered include credit, currency, interest rate, liquidity, and market risk.</p>
Revenue	<ul style="list-style-type: none"> – A new standard has been approved that is effective for fiscal years beginning on or after April 1, 2022 (<i>for the Library's 2023 year end</i>). – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. – The standard notes that unilateral revenues arise when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Employee Future Benefit Obligations	<ul style="list-style-type: none"> – PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. Given the complexity of issues involved and potential implications of any changes that may arise from this review, the project will be undertaken in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits. – Three Invitations to Comment were issued and have closed. The first Invitation to Comment sought guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets. The second Invitation to Comment sought guidance on the present value measurement of accrued benefit obligations. A third Invitation to Comment sought guidance on non-traditional pension plans. The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.

Our discussions with you and what KPMG is seeing in the marketplace—both from an audit and industry perspective—indicate the following is specific information that will be of particular interest to you. We would, of course, be happy to further discuss this information with you at your convenience.

Thought Leadership	Overview	Links
Accelerate	Accelerate is a KPMG trends report and video series that includes the perspective of subject matter leaders from across KPMG in Canada on seven key issues impacting organizations today that are disrupting the audit committee mandate.	Link to report
The Blockchain shift will be seismic	Blockchain technology is a focused disruptor of the very foundations of external and internal audit: financial recordkeeping and reporting. This Audit Point of View article offers insight on how blockchain technology is impacting business and what audit committees should be thinking about to prepare for certain risks.	Link to report
2019 Audit Quality and Transparency Report	Learn about KPMG's ongoing commitment to continuous audit quality improvement. We are investing in new innovative technologies and building strategic alliances with leading technology companies that will have a transformative impact on the auditing process and profession. How do we seek to make an impact on society through the work that we do?	Link to report

Appendices

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Appendix 1: Required communications

Appendix 2: Audit Quality and Risk Management



Appendix 1: Other Required Communications

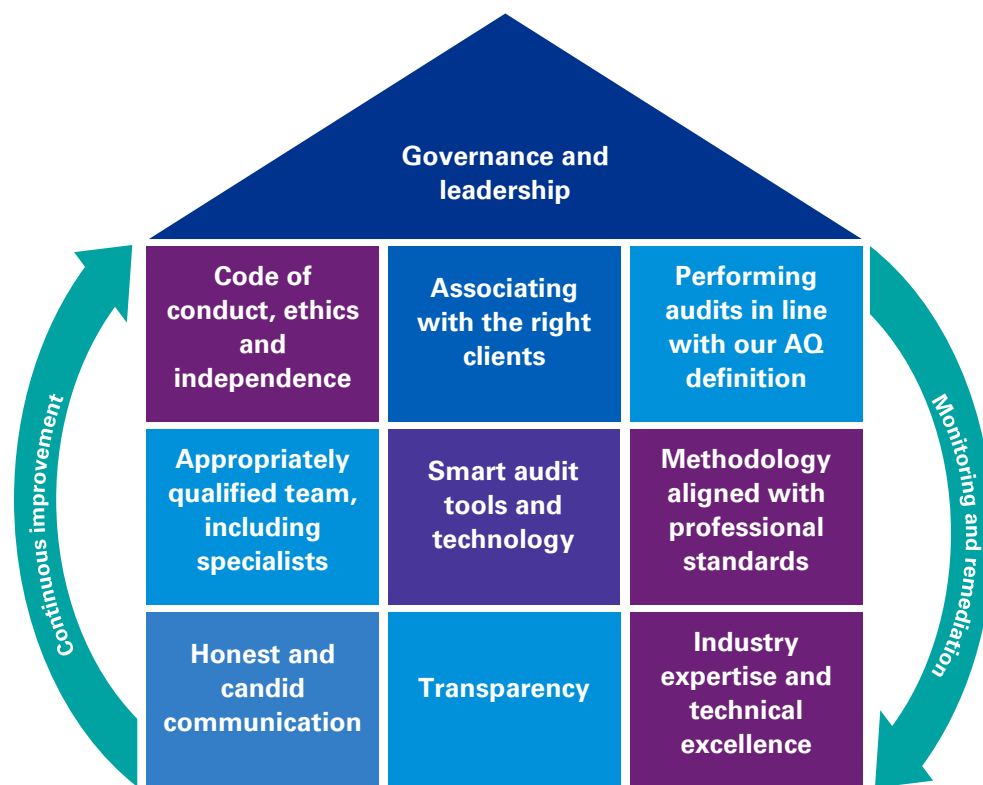
In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

Auditor's report	Management representation letter
The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements	In accordance with professional standards, a copy of the management representation letter are provided to the audit committee.
Annual independence letter	
In accordance with professional standards, we have confirmed our independence.	

Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the key elements of our quality control system.



Audit Quality Framework

What do we mean by audit quality?

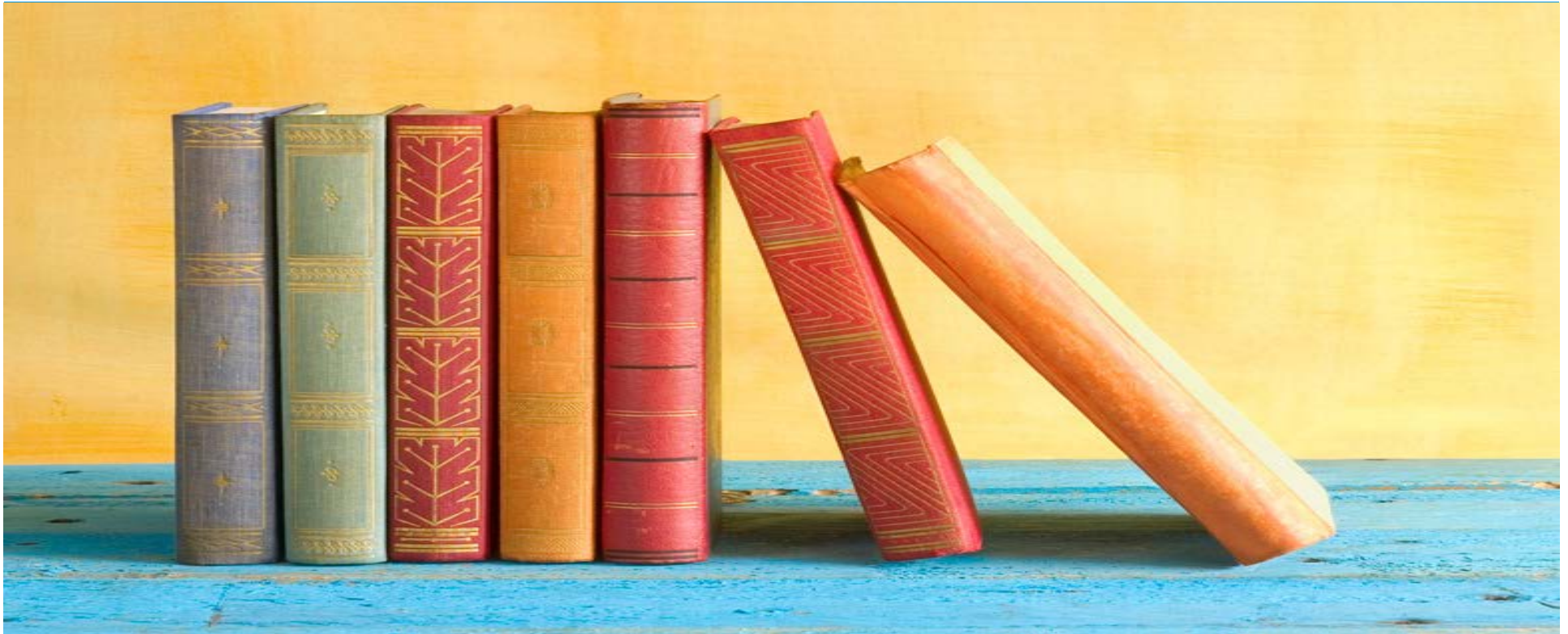
Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency report](#).



kpmg.ca/audit



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Date: June 3, 2020
To: Chair and Members of the Board
From: Tony Del Monaco, Director, Finance and Facilities
Subject: **Draft Financial Statements Hamilton Public Library Board December 31, 2019 - TD - Attachment #4**

RECOMMENDATION:

That the Audit Committee receive the draft financial statements as presented by KPMG.

ATTACHMENTS:

Description	Upload Date	Type
Draft Financial Statements as of December 31, 2019	5/27/2020	Cover Memo

Financial Statements of

**THE HAMILTON PUBLIC
LIBRARY BOARD**

Year ended December 31, 2019

DRAFT

THE HAMILTON PUBLIC LIBRARY BOARD

Financial Statements

Year ended December 31, 2019

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Independent Auditors' Report

Financial Statements

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KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton ON L8P 4W7
Canada
Telephone 905-523-8200
Fax 905-523-2222

INDEPENDENT AUDITORS' REPORT

To the Board Members, Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Hamilton

Opinion

We have audited the financial statements of The Hamilton Public Library Board (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for



the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

(date)

THE HAMILTON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Financial assets		
Cash	\$ 677,606	\$ 348,645
Accounts receivable	94,982	90,493
Investments held with the Hamilton Community Foundation (note 2)	2,234,185	2,225,110
Due from City of Hamilton (note 3)	7,159,747	7,235,337
	10,166,520	9,899,585
Liabilities		
Accounts payable and accrued liabilities	749,447	639,548
Liability for future benefits (note 4)	2,409,800	2,434,000
Deferred revenue (note 5)	1,018,126	966,593
	4,177,373	4,040,141
Net financial assets	5,989,147	5,859,444
Non-financial assets		
Prepaid expenses	728,509	620,869
Tangible capital assets (Schedule)	10,908,752	11,501,008
	11,637,261	12,121,877
Commitments (note 8)		
Accumulated surplus (note 9)	\$ 17,626,408	\$ 17,981,321

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

THE HAMILTON PUBLIC LIBRARY BOARD

Statement of Operations and Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Budget 2019 (note 10)	Actual 2019	Actual 2018
Revenue:			
Municipal contribution (note 3)	\$ 30,891,430	\$ 30,891,430	\$ 30,166,680
Province of Ontario grants	949,450	949,451	949,451
Fines	330,000	192,546	339,942
Photocopier revenue	145,000	170,785	160,136
Donations	—	10,299	12,994
Other grant revenue	243,000	482,402	432,700
Other – rentals, sales and recoveries	145,470	119,501	122,252
Interest	—	269,326	288,842
Contributions from Municipal reserves (note 3)	281,490	282,852	287,428
	32,985,840	33,368,592	32,760,425
Expenditures:			
Employee related expenses	22,005,410	21,304,624	21,095,234
Contractual	1,827,060	1,970,864	2,013,389
Building and grounds	1,695,700	1,653,280	1,482,779
Materials and supplies	1,083,230	1,149,459	1,037,996
Financial	387,220	270,032	343,870
Capital Financing (note 6)	472,730	280,663	280,701
Vehicle expenses	82,790	106,779	68,658
Other	—	41,004	39,884
Consulting	—	37,486	28,041
Amortization	—	3,249,540	3,335,490
Municipal cost recoveries (note 3)	2,348,660	2,353,604	2,128,806
	29,902,800	32,417,335	31,854,848
Annual surplus before reserve transfers	3,083,040	951,257	905,577
Reserves transfer to Municipal capital fund (notes 3 and 11)	—	1,092,125	1,734,897
Contribution to Municipal reserves (note 3)	14,350	214,045	194,745
Contribution to Municipal capital fund (note 3)	—	—	30,000
Annual surplus (deficit)	3,068,690	(354,913)	(1,054,065)
Accumulated surplus, beginning of year	17,981,321	17,981,321	19,035,386
Accumulated surplus, end of year	\$ 21,050,011	\$ 17,626,408	\$ 17,981,321

See accompanying notes to financial statements.

THE HAMILTON PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Annual deficit	\$ (354,913)	\$ (1,054,065)
Purchase of tangible capital assets	(2,657,284)	(3,154,391)
Amortization of tangible capital assets	3,249,540	3,335,490
	237,343	(872,966)
Net (increase) decrease in prepaid expenses	(107,640)	(280,075)
Change in net financial assets	129,703	(1,153,041)
Net financial assets, beginning of year	5,859,444	7,012,485
Net financial assets, end of year	\$ 5,989,147	\$ 5,859,444

See accompanying notes to financial statements.

THE HAMILTON PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (354,913)	\$ (1,054,065)
Items not involving cash:		
Amortization	3,249,540	3,335,490
Liability for future benefits	(24,200)	(44,900)
Change in non-cash assets and other liabilities:		
Accounts receivable	(4,489)	16,414
Prepaid expenses	(107,640)	(280,075)
Accounts payable and accrued liabilities	109,899	270,054
Change in Due from City of Hamilton	75,590	564,782
Deferred revenue	51,533	(87,189)
	2,995,320	2,720,511
Capital activities:		
Purchase of tangible capital assets	(2,657,284)	(3,154,391)
Investing activities:		
Change in investments	(9,075)	418,868
Net change in cash	328,961	(15,012)
Cash, beginning of year	348,645	363,657
Cash, end of year	\$ 677,606	\$ 348,645

See accompanying notes to financial statements.

THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2019

The financial statements of the Hamilton Public Library Board (the "Board") are prepared by management in accordance with Canadian public sector accounting standards.

1. Significant accounting policies:

Significant accounting policies adopted by the Board are as follows:

(a) Basis of accounting:

The Library follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of a receipt of goods or services and the creation of a legal obligation to pay.

(b) Government transfers:

Government transfers received are from federal and provincial governments and the City of Hamilton. Government transfers paid relate to surplus repayment and future reserves to the City of Hamilton. Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(c) Investment income:

Investment income is reported as revenue in the period earned.

(d) Other income:

Other income is reported as revenue in the period earned.

(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.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed or donated tangible capital assets are recorded at their fair value at the date of receipt.

THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(ii) Amortization

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing library services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives as follows:

Asset	Number of years
Collections (asset pool)	7 years
Furniture and equipment	10 years
Computer hardware	3 years
Computer software	5 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Library land and buildings are owned and controlled by the City of Hamilton and are therefore not reflected in these financial statements.

(f) Liability for future benefits:

The Library provides certain employee benefits which will require funding in future periods. The cost of self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by the employees, such as retirement health and dental benefits for retirees, is actuarially determined using the project benefit method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System (OMERS) pensions, are the employer's contributions due to the plan in the period. These contributions are recognized in the period in which the contributions are earned.

(g) Deferred revenue:

Deferred revenue represents funds collected for which related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year in which the related services are performed.

THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(h) Investments held with the Hamilton Community Foundation:

Investments held with the Hamilton Community Foundation are stated at cost. When the investments incur a loss in value that is other than temporary, the investments are written down to their fair value and the loss is recognized in the statement of operations.

(i) Use of estimates:

The preparation of financial statements in accordance with public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Significant estimates include assumptions used in performing actuarial valuations of liability for future benefits. Actual results could differ from those estimates.

2. Investments held with the Hamilton Community Foundation:

Investments of \$2,234,185 (2018 - \$2,225,110) are carried at cost. The investments have a market value of \$2,826,000 at the end of the year. The market value represents the realizable value of the investments if they were to be sold at December 31, 2019.

3. Related party transactions:

(a) Transaction with related parties:

The Board had the following transactions with the City of Hamilton, its controlling party.

	2019	2018
Revenue:		
Municipal contribution	\$ 30,891,430	\$ 30,166,680
Contribution from municipal reserves	282,852	287,428
	<u>\$ 31,174,282</u>	<u>\$ 30,454,108</u>
Expenses:		
Municipal cost recoveries	\$ 2,353,604	\$ 2,128,806
Reserves transfer to municipal capital fund	1,092,125	1,734,897
Contribution to municipal reserves	214,045	194,745
Contribution to municipal capital fund	—	30,000
	<u>\$ 3,659,774</u>	<u>\$ 4,088,448</u>

THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Related party transactions (continued):

(a) Transaction with related parties (continued):

The City of Hamilton does not charge the Board rent for the use of its buildings.

These transactions have been reflected in annual surplus for the current year and were measured at the exchange amount of consideration established and agreed to be the related parties.

(b) Outstanding balances due from related parties:

	2019	2018
City of Hamilton	\$ 7,159,747	\$ 7,235,337

These balances are non-interest bearing with no fixed repayment terms.

4. Liability for future benefits:

In accordance with Canadian public sector accounting standards, the Board is required to report obligations for retirement benefits earned over the employment period of its employees. Retirement benefits have been determined by an actuarial valuation completed December 31, 2017.

Employees who have retired either under the OMERS early retirement provisions or otherwise are eligible to receive drug, extended health services and dental benefits for the lifetime of the retiree. Effective January 1, 2002 new retirees only receive benefits until age sixty-five.

The Board recognizes the post employment benefits costs as they are earned during the year. The Board's obligation under the post-employment provisions of employment agreements will be funded out of current revenue.

Accrued benefit obligation:

	2019	2018
Vested sick leave liability	\$ 10,400	\$ 17,200
Retirement benefits	2,972,500	3,057,500
	2,982,900	3,074,700
Net unamortized actuarial loss	(573,100)	(640,700)
Accrued liability	\$ 2,409,800	\$ 2,434,000

THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Liability for future benefits (continued):

The continuity of employee benefits and other obligations are summarized as follows:

	2019	2018
Liability for employee future benefits and other obligations		
balance at beginning of the year	\$ 2,434,000	\$ 2,478,900
Benefit expenditure	101,300	97,700
Interest expenditure	113,300	116,900
Amortization of actuarial loss	67,600	67,600
Benefit payments	(306,400)	(327,100)
Liability for employee benefits and other obligations		
balance at end of the year	\$ 2,409,800	\$ 2,434,000

Actuarial valuations are performed on post-employment and retirement benefits to provide estimates of the accrued benefit obligations. These estimates are based on a number of assumptions about future events including interest rates, inflation rates, salary and wage increases, medical and dental cost increases and mortality. The assumptions are determined at the time of the actuarial valuations and are reviewed annually.

	Discount Rate	Return on Assets	Inflation Rate	Salary Increases	Dental Increases	Life Expectancy (years)
Vested sick leave	3.50%	NA	2.0%	3.0%	NA	13.0
Retirement Benefits - Health and Dental	3.75%	NA	2.0%	3.0%	4.0% ⁽¹⁾	13.0

⁽¹⁾ Medical costs are assumed to increase at a rate of 7.8% in 2019 (2018 – 8.0%), decreasing 0.2% per annum to 4.0% in 2038.

(a) Liability for vested sick leave:

Effective May 1, 1982 the Income Protection Plan was adopted and sick leave credits earned under the Sick Leave Benefit Plan were frozen. Under the Sick Leave Benefit Plan unused sick leave would accumulate and employees were entitled to cash payment upon termination of services after ten continuous years. Entitlement to cash payment continues to apply to those employees who accumulated days prior to May 1, 1982, to the extent that they have vested and could be taken in cash by an employee on termination. The estimated accrued benefit obligation at December 31, 2019 is \$10,400 (2018 - \$17,200). The Board expects the liability to be paid out by 2024.

THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Liability for future benefits (continued):

(b) Liability for retirement benefits:

The Board provides certain health, dental and life insurance benefits between the time an employee retires under OMERS or the normal retirement age and up to the age of 65 years. The estimated accrued benefit obligation at December 31, 2019 is \$2,972,500 (2018 - \$3,057,500).

5. Deferred revenue:

Deferred revenue consists of grants and funds received in advance which are expected to be earned in future periods. Continuity of deferred revenue is as follows:

Balances	2019	2018
Grants and donations	\$ 63,156	\$ 30,279
M. Waldon Thompson estate	23,558	22,832
Permanent fund	861,827	845,408
F. Waldon Library bequest	69,585	68,074
	\$ 1,018,126	\$ 966,593
Continuity	2019	2018
Balance, beginning of year	\$ 966,593	\$ 1,053,782
Add:		
Transfers in – grants and donations	48,156	30,279
Transfers in – estate donations	33,017	41,279
Less:		
Amounts recognized in revenue – grants and donations	(15,279)	(81,787)
Amounts recognized in revenue – estate donations	(14,361)	(76,960)
	\$ 1,018,126	\$ 966,593

THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Long term debt held by the City of Hamilton:

The City charges the Board principal and interest for long term debt related to Library facilities and other capital. These charges are funded by the City through its annual contributions. The debt is not disclosed on the statement of financial position as the City of Hamilton is legally responsible for the repayment of the debt.

(a) The net long term debt to which these charges are related is as follows:

Debenture number	Purpose	Interest rates	Maturity date	2019	2018
08-120	South Mtn Complex	4.728%	2023	\$ 898,298	\$ 1,129,103

(b) Principal charges in each of the next four years are as follows:

2020	\$ 241,847
2021	253,416
2022	265,539
2023	137,496
	\$ 898,298

(c) The Board was charged \$280,663 (2018 - \$280,701) for long term debt charges during the year as follows:

	2019	2018
Principal	\$ 230,805	\$ 220,268
Interest	49,858	60,433
	\$ 280,663	\$ 280,701

7. Pension agreements:

The Hamilton Public Library makes contributions to OMERS, which is a multi-employer plan, on behalf of 255 members of its staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The latest actuarial valuation as at December 31, 2019 reported a funding deficit of \$3.4 billion (2018 - \$4.2 billion). OMERS expects the contributions and policy changes made in response to the deficit to return the plan to a fully funded position by 2025. Contributions were made in the 2019 calendar year at rates ranging from 9.0% to 14.6% depending on the level of earnings. As a result, \$1,287,937 was contributed to OMERS (2018 - \$1,292,006) for current service.

THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Commitments:

Minimum future lease payments for various premises are as follows:

2020	\$	756,294
2021		314,385
2022		320,364
2023		325,903
2024		293,582
2025 and thereafter		3,909,586
	\$	5,920,114

The City of Hamilton is ultimately responsible for the Board's lease obligations.

9. Accumulated surplus:

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

	2019	2018
Reserves and reserve funds	\$ 9,127,456	\$ 8,914,313
Unfunded liability for future benefits	(2,409,800)	(2,434,000)
Tangible capital assets	10,908,752	11,501,008
	\$ 17,626,408	\$ 17,981,321

Reserves and reserve funds:

	2019	2018
Library general development	\$ 1,674,491	\$ 916,690
Library major capital projects	1,412,281	1,829,814
Capital enhancement	1,018,624	974,122
Library collections	994,204	1,011,193
Redevelopment, training and restructuring	405,037	394,982
Youth literacy	522,688	507,913
Computer reserve	436,836	642,308
Mobile equipment	583,559	539,383
Youth programming	70,551	82,908
Special gift fund	1,888,258	1,900,425
Ketha McLaren fund	43,706	42,095
Waterdown Library fundraising	49,940	48,701
Donations	27,281	23,779
	\$ 9,127,456	\$ 8,914,313

THE HAMILTON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Budget data:

The budgets originally approved by the Library for 2019 are reflected on the statement of operations and do not include amounts related to public sector accounting standards reporting requirements such as amortization of tangible capital assets.

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

	2019
Revenues:	
Operating budget	\$ 32,985,840
Capital budget	—
Total revenue	32,985,840
Expenses:	
Operating budget	29,917,150
Capital budget	3,068,690
Less:	
Capital expenses	(3,068,690)
Total Expenses	29,917,150
Annual surplus	\$ 3,068,690

11. Contribution to Reserves of Municipality:

Historically, there has been no budgeted amount for transfers to the Municipality. This is due to the fact that impending projects are not necessarily known or approved at the time of the budget preparation.

THE HAMILTON PUBLIC LIBRARY BOARD

Schedule of Tangible Capital Assets

Year ended December 31, 2019, with comparative information for 2018

December 31, 2019

Cost	Computer hardware	Computer software	Collections	Furniture and equipment	Total
Beginning of year	\$ 461,710	\$ 186,007	\$ 20,005,611	\$ 2,520,350	\$ 23,173,678
Add: Additions during the year	124,990	3,794	2,281,144	304,403	2,714,331
Less: disposals during the year	(185,743)	(4,569)	(2,975,569)	(139,199)	(3,305,080)
End of year	\$ 400,957	\$ 185,232	\$ 19,311,186	\$ 2,685,554	\$ 22,582,929
Accumulated Amortization	Computer hardware	Computer software	Collections	Furniture and Equipment	Total
Beginning of year	\$ 242,631	\$ 106,268	\$ 10,116,602	\$ 1,264,216	\$ 11,729,717
Add: amortization during the year	143,779	37,124	2,808,342	260,295	3,249,540
Less: amortization on disposals	(185,744)	(4,569)	(2,975,569)	(139,199)	(3,305,081)
End of year	\$ 200,666	\$ 138,823	\$ 9,949,375	\$ 1,385,312	\$ 11,674,176
Net book value	\$ 200,291	\$ 46,409	\$ 9,361,811	\$ 1,300,241	\$ 10,908,752

December 31, 2018

Cost	Computer hardware	Computer software	Collections	Furniture and equipment	Total
Beginning of year	\$ 407,252	\$ 278,604	\$ 20,424,868	\$ 2,605,872	\$ 23,716,596
Add: Additions during the year	150,416	19,657	2,781,627	145,644	3,097,344
Less: disposals during the year	(95,958)	(112,254)	(3,200,884)	(231,166)	(3,640,262)
End of year	\$ 461,710	\$ 186,007	\$ 20,005,611	\$ 2,520,350	\$ 23,173,678
Accumulated Amortization	Computer hardware	Computer software	Collections	Furniture and Equipment	Total
Beginning of year	\$ 193,762	\$ 172,061	\$ 10,429,595	\$ 1,239,071	\$ 12,034,489
Add: amortization during the year	144,827	46,461	2,887,891	256,311	3,335,490
Less: amortization on disposals	(95,958)	(112,254)	(3,200,884)	(231,166)	(3,640,262)
End of year	\$ 242,631	\$ 106,268	\$ 10,116,602	\$ 1,264,216	\$ 11,729,717
Net book value	\$ 219,079	\$ 79,739	\$ 9,889,009	\$ 1,256,134	\$ 11,443,961
Works-in-progress	—	—	—	57,047	57,047
Total	\$ 219,079	\$ 79,739	\$ 9,889,009	\$ 1,313,181	\$ 11,501,008

The Library has no contributed assets and no tangible capital assets recognized at nominal value. The Library has works of art, historical treasures, sculptures, and murals that are preserved by the Library but are not recorded as tangible capital assets.