



Financial Statements

New Tecumseth Public Library

December 31, 2019

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Independent auditor's report

To the Board of New Tecumseth Public Library:

Opinion

We have audited the financial statements of New Tecumseth Public Library ("the Entity"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net debt and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New Tecumseth Public Library as at December 31, 2019, and the results of operations, its changes in its net debt, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our 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 these 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 a 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.

Auditor's 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 auditor's 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 these 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 auditor's 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 auditor's 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.

We 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.

Barrie, Canada
July 17, 2020

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Professional Accountants
Licensed Public Accountants

New Tecumseth Public Library Statement of Financial Position

December 31	2019	2018
Financial assets		
Cash and cash equivalents (Note 4)	\$ 648,226	\$ 662,847
Restricted cash (Note 5)	143,724	143,671
Receivables	<u>838</u>	<u>846</u>
	<u>792,788</u>	<u>807,364</u>
Liabilities		
Payables and accruals	78,158	130,186
Deferred revenue (Note 6)	126,300	128,497
Employee future benefits payable (Note 7)	<u>70,014</u>	<u>78,938</u>
	<u>274,472</u>	<u>337,621</u>
Net financial assets (Page 5)	518,316	469,743
Non-financial assets		
Prepaid expenses	7,824	-
Tangible capital assets (Note 8)	<u>356,335</u>	<u>345,952</u>
	<u>364,159</u>	<u>345,952</u>
Accumulated Surplus (Page 13)	\$ <u>882,475</u>	\$ <u>815,695</u>

On behalf of the Board


 Director
 
 Director

See accompanying notes to the financial statements.

New Tecumseth Public Library Statement of Operations

Year Ended December 31

2019

2018

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Municipal grants	\$ 1,645,026	\$ 1,645,026	\$ 1,597,999
Provincial grants	51,841	51,841	51,841
Fines, copying charges and fees	33,000	34,163	34,726
Interest	-	12,830	9,803
Library user levy contracts	20,880	21,053	20,472
Other revenue	15,000	9,046	6,981
Donations and other	3,000	24,239	39,821
	<u>1,768,747</u>	<u>1,798,198</u>	<u>1,761,643</u>
Expenditures			
Salaries and payroll costs	1,467,312	1,392,884	1,280,705
Library materials and supplies	159,835	202,523	178,636
Amortization	136,011	136,011	131,889
Transfer to Town of New Tecumseth	-	-	165,000
	<u>1,763,158</u>	<u>1,731,418</u>	<u>1,756,230</u>
Annual surplus	\$ <u>5,589</u>	<u>66,780</u>	<u>5,413</u>
Accumulated surplus, beginning of year		<u>815,695</u>	<u>810,282</u>
Accumulated surplus, end of year		\$ <u>882,475</u>	\$ <u>815,695</u>

See accompanying notes to the financial statements.

New Tecumseth Public Library

Statement of Change in Net Financial Assets

Year Ended December 31	2019	2018
Annual surplus	\$ <u>66,780</u>	\$ <u>5,413</u>
Acquisition of tangible capital assets	(146,394)	(143,788)
Amortization of tangible capital assets	136,011	131,889
Prepaid expenses	<u>(7,824)</u>	<u>9,729</u>
	<u>(18,207)</u>	<u>(2,170)</u>
Increase in net financial assets	48,573	3,243
Net financial assets, beginning of year	<u>469,743</u>	<u>466,500</u>
Net financial assets, end of year	\$ <u>518,316</u>	\$ <u>469,743</u>

See accompanying notes to the financial statements.

New Tecumseth Public Library Statement of Cash Flows

Year Ended December 31

2019

2018

Increase (decrease) in cash and cash equivalents

Operating activities

Annual surplus	\$ 66,780	\$ 5,413
Amortization	136,011	131,889
Changes in non-cash item balances		
Receivables	8	45,207
Payables and accruals	(52,028)	88,371
Deferred revenue	(2,197)	(24,712)
Prepaid expenses	(7,824)	9,729
	<u>140,750</u>	<u>255,897</u>

Capital activities

Purchase of tangible capital assets	<u>(146,394)</u>	<u>(143,788)</u>
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Financing transactions

Change in employee future benefits payable	<u>(8,924)</u>	<u>(9,994)</u>
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Increase (decrease) in cash and cash equivalents	(14,568)	102,115
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Cash and cash equivalents, beginning of year	<u>806,518</u>	<u>704,403</u>
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Cash and cash equivalents, end of year	\$ <u>791,950</u>	\$ <u>806,518</u>
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See accompanying notes to the financial statements.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2019

1. Purpose of the Library Board

New Tecumseth Public Library (the “Board”) provides library services to residents of the Town of New Tecumseth and residents of other municipalities who have contracted with the Board for services.

2. Summary of significant accounting policies

The financial statements of the Board are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (“PSAB”) of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Board are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, revenue, expenditures and surplus of the Board.

Accrual accounting

Sources of financing 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 receipt of goods or services and the creation of a legal obligation to pay.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and guaranteed investment certificates.

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. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

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

Core Collection	7 years
Popular Material	4 years
Furniture and equipment	15 years
Information Technology	5 years

In the year of acquisition, a half year of amortization is taken on the new asset. Assets which are under the threshold established by the Board are not capitalized and are expensed as incurred.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2019

2. Summary of significant accounting policies (continued)

Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also as revenue.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Revenue recognition

Government grants are recognized when approved to the extent the related expenditures have been incurred and collection can be reasonable assured.

Donations are recognized as revenue when the amounts are received.

Fines, copying charges and fees, interest, library user levy contracts and other revenues are recognized when the services are performed, or goods are delivered and there is reasonable assurance of collection.

Deferred revenue

Receipts which are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenue. When qualifying expenditures are incurred, restricted revenues are brought into revenue at equal amounts. Revenue received in advance of expenditures, which will be incurred in a later period, are deferred until they are earned by being matched against those expenditures.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Board may undertake in the future. Significant accounting estimates include allowance for doubtful accounts and useful life of tangible capital assets. Actual results could differ from those estimates.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2019

3. Budget reconciliation

The budget approved differs from the budget in the statement of operations as the approved budget has not been adjusted to account for the material changes due to PSAB reporting requirements.

	(Unaudited)	
	<u>Revenues</u>	<u>Expenses</u>
Total approved budget	\$ 1,768,747	\$ 1,798,247
Less: Tangible capital asset purchases	-	(171,100)
Add: Amortization expense	-	136,011
Adjusted budget on the statement of operations	\$ <u>1,768,747</u>	\$ <u>1,763,158</u>

4. Cash and cash equivalents

	<u>2019</u>	<u>2018</u>
Cash	\$ 446,358	\$ 461,105
Guaranteed investment certificate	<u>201,868</u>	<u>201,742</u>
	\$ <u>648,226</u>	\$ <u>662,847</u>
Represented by cash held for:		
Reserves set aside by the Board	\$ 665,650	\$ 678,021
Externally restricted funds	<u>(17,424)</u>	<u>(15,174)</u>
	\$ <u>648,226</u>	\$ <u>662,847</u>

5. Restricted cash

Externally restricted contributions received by the Board are maintained in separate investment and bank accounts. The balances in these accounts have been reflected in the statement of financial position as restricted cash as their purpose is to finance future expenditures from the deferred revenue balance. Restricted cash is comprised of guaranteed investment certificates which are being carried at cost and amounts maintained in the bank account.

New Tecumseth Public Library Notes to the Financial Statements

December 31, 2019

6. Deferred revenue 2019 2018

A requirement of PSAB is that funds subject to an externally imposed restriction be reported as deferred revenue. Funds subject to external restrictions and other deferred revenue including the unspent portion of certain conditional grants are summarized below:

Jeffery	\$ 87,546	\$ 91,502
Knox Coulter	7,908	7,908
Pam Kirkpatrick (Tottenham) library	2,495	1,252
Somerville	<u>28,351</u>	<u>27,835</u>
	<u>\$ 126,300</u>	<u>\$ 128,497</u>

7. Employee future benefits payable 2019 2018

The Board provides certain employee benefits which will require funding in future periods:

Vacation entitlements	\$ 6,722	\$ 12,016
Sick day entitlements	29,572	31,114
Health and dental entitlements	<u>33,720</u>	<u>35,808</u>
	<u>\$ 70,014</u>	<u>\$ 78,938</u>

The Board pays 50% of the cost of the health and dental benefits on behalf of its retired employees until they reach the age of 65. The Board recognizes these post-retirement costs in the period in which the employees rendered the services.

The main actuarial assumptions employed for the valuation are as follows:

- a) Retirement age – all active employees were assumed to retire at an average age of 61
- b) Actuary rates – discount rate 4%, inflationary rate 1.75%, future dental escalation at 3.75%, future health costs escalation at 6.4167% for 2019 and reduced by 0.333% per year to 3.75% in 2027.
- c) Sick leave utilization 65.8% of annual additions and 7.6% of prior year accumulation
- d) Amortization period of actuarial gain is 19 years

Accrued benefit liability, beginning of year	\$ 35,808	\$ 37,897
Expenses for the year	16	15
Employer contributions	-	-
Amortization of actuarial gain	<u>(2,104)</u>	<u>(2,104)</u>
	<u>\$ 33,720</u>	<u>\$ 35,808</u>

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2019

8. Tangible capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net Book Value</u>	<u>2018 Net Book Value</u>
Core Collection	\$ 263,624	\$ 131,333	\$ 132,291	\$ 120,609
Popular Material	457,506	255,391	202,115	193,187
Furniture and equipment	35,013	28,578	6,435	8,317
Information Technology	45,943	30,449	15,494	23,839
	<u>\$ 802,086</u>	<u>\$ 445,751</u>	<u>\$ 356,335</u>	<u>\$ 345,952</u>

9. Reserve funds held by the Town

The Town of New Tecumseth maintains a Library and Cultural Development Charge Reserve Fund in the amount of \$2,197,427 (2018 - \$2,109,577) for the Board. This reserve fund does not appear in these accounts. It has been set aside for the specific purpose indicated by legislation.

10. Pension agreement

The Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf 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.

Contribution rates during the year ranged from 9% to 15.8% (2018 – 9% to 14.6%) depending on the proposed retirement age and level of earnings. As a result, \$74,295 (2018 - \$70,314) was contributed to OMERS, during the year.

11. Utilities, maintenance, insurance and leasing costs

The Council of the Town of New Tecumseth has directed the Town to assume the costs of utilities, maintenance, insurance and lease expenditures for the library facilities. Costs totalling \$145,991 were incurred by the Town during the year (2018 - \$129,224). As these costs are reported by the Town they were not budgeted by the Board and are not reported in these financial statements.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2019

12. Related party transactions 2019 2018

The Board had the following related party transactions:

With the Town of New Tecumseth, valued at cost:

Municipal funding	\$ 1,645,026	\$ 1,597,999
Library staff wages and benefit expense	1,401,914	1,303,150
Transfers to the Town of New Tecumseth for capital construction project	-	165,000

Included in the receivables is \$Nil (2018 – \$Nil) due from the Town of New Tecumseth. Included in the payables and accruals is \$40,091 (2018 - \$91,223) due to the Town of New Tecumseth.

13. Financial instruments

Financial instruments consist of cash, restricted cash, receivables and payables and accruals. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

14. Subsequent Events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Board has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Board for future periods

New Tecumseth Public Library

Schedule of Accumulated Surplus

December 31

2019

2018

Consists of:

Reserves set aside by the Board

Burton Ford	\$	1,625	\$	1,625
Bellamy		7,826		7,826
Wilde-Robinson		12,090		11,990
D.A. Jones (Beeton) library		8,227		8,227
Security		33,920		33,920
Computer		21,754		24,929
Capital		66,163		66,163
General		444,549		394,001
Total reserves		<u>596,154</u>		<u>548,681</u>

Surpluses

Invested in tangible capital assets		356,335		345,952
Operating Surplus		-		-
Unfunded:				
Employee benefits and post-employment liabilities		(70,014)		(78,938)
Total surpluses		<u>286,321</u>		<u>267,014</u>

Accumulated surplus	\$	<u>882,475</u>	\$	<u>815,695</u>
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