

Financial Statements

New Tecumseth Public Library

December 31, 2023

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of New Tecumseth Public Library ("the Board") are the responsibility of the Board's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Board's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by Management.

Members meet with Management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's financial statements.


Chair
Mel Pyper
TBD


Vice Chair
Doug Carr
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Independent Auditor's Report

To the Board of New Tecumseth Public Library

Opinion

We have audited the financial statements of the New Tecumseth Public Library (“the Entity”), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, cash flows and change in net financial assets 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 the Entity as at December 31, 2023, and its results of operations, change 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 *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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario
July 15, 2024

New Tecumseth Public Library Statement of Financial Position

December 31

2023

2022

Financial assets

Cash and cash equivalents (Note 4)	\$	598,959	\$	572,756
Restricted cash (Note 5)		145,653		144,574
Receivables		<u>66,429</u>		<u>13,362</u>
		<u>811,041</u>		<u>730,692</u>

Liabilities

Payables and accruals		83,850		68,501
Deferred revenue (Note 6)		153,858		126,791
Employee future benefits payable (Note 7)		<u>72,109</u>		<u>70,161</u>
		<u>309,817</u>		<u>265,453</u>

Net financial assets

501,224 465,239


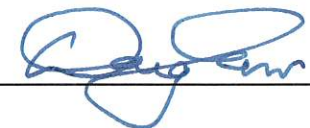
Non-financial assets

Prepaid expenses		1,904		1,285
Tangible capital assets (Note 8)		<u>311,604</u>		<u>319,032</u>
		<u>313,508</u>		<u>320,317</u>

Accumulated Surplus

\$ 814,732 \$ 785,556

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	2023		2022	
	Budget Note 3	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
Revenue				
Municipal grants	\$ 2,004,748	\$ 2,004,748	\$	1,822,466
Provincial grants	51,841	51,841		51,841
Fines, copying charges and fees	23,000	5,279		5,004
Interest	-	31,436		21,410
Library user levy contracts	22,791	31,085		31,213
Other revenue	10,000	14,557		10,694
Donations and other	<u>23,500</u>	<u>20,978</u>		<u>24,813</u>
	<u>2,135,880</u>	<u>2,159,924</u>		<u>1,967,441</u>
Expenses				
Salaries and payroll costs	1,727,779	1,811,514		1,689,221
Library materials and supplies	246,501	192,982		224,816
Amortization	<u>126,252</u>	<u>126,252</u>		<u>131,546</u>
	<u>2,100,532</u>	<u>2,130,748</u>		<u>2,045,582</u>
Annual surplus (deficit)	\$ <u>35,348</u>	<u>29,176</u>		<u>(78,141)</u>
Accumulated surplus, beginning of year		<u>785,556</u>		<u>863,697</u>
Accumulated surplus, end of year		\$ <u>814,732</u>	\$	<u>785,556</u>

See accompanying notes to the financial statements.

New Tecumseth Public Library
Statement of Change in Net Financial Assets

Year Ended December 31	2023	2022	
	Budget Note 3	Actual	Actual
Annual surplus (deficit)	\$ 35,348	\$ 29,176	\$ (78,141)
Acquisition of tangible capital assets	(178,100)	(118,824)	(116,305)
Amortization of tangible capital assets	-	126,252	131,546
Prepaid expenses	-	(619)	4,734
	<u>(178,100)</u>	<u>6,809</u>	<u>19,975</u>
Decrease (increase) in net financial assets	(142,752)	35,985	(58,166)
Net financial assets, beginning of year	<u>465,239</u>	<u>465,239</u>	<u>523,405</u>
Net financial assets, end of year	<u>\$ 322,487</u>	<u>\$ 501,224</u>	<u>\$ 465,239</u>

See accompanying notes to the financial statements.

New Tecumseth Public Library Statement of Cash Flows

Year Ended December 31	2023	2022
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus (deficit)	\$ 29,176	\$ (78,141)
Amortization	126,252	131,546
Change in employee future benefits payable	1,948	4,702
Changes in non-cash item balances		
Receivables	(53,067)	(12,992)
Payables and accruals	15,349	(289,328)
Deferred revenue	27,067	2,427
Prepaid expenses	(619)	4,734
	<u>146,106</u>	<u>(237,052)</u>
Capital activities		
Purchase of tangible capital assets	<u>(118,824)</u>	<u>(116,305)</u>
Increase (decrease) in cash and cash equivalents	27,282	(353,357)
Cash and cash equivalents, beginning of year	<u>717,330</u>	<u>1,070,687</u>
Cash and cash equivalents, end of year	\$ <u>744,612</u>	\$ <u>717,330</u>

Comprised of:

Cash and cash equivalents	\$ 598,959	\$ 572,756
Restricted cash	<u>145,653</u>	<u>144,574</u>
	\$ <u>744,612</u>	\$ <u>717,330</u>

See accompanying notes to the financial statements.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2023

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 Chartered Professional Accountants of Canada ("CPA Canada"). Significant aspects of the accounting policies adopted by the Board are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, revenue, expenses 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 fully redeemable guaranteed investments certificates. Guaranteed investments certificates can be redeemed prior to maturity date with penalty. Penalty amount varies depending on timing of redemption relative to maturity date and is insignificant to overall operations of the Board.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all 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.

Deferred revenue

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.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2023

2. Summary of significant accounting policies (continued)

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:

Collections and materials	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.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Board's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

Revenue recognition

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

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.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2023

2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Public Sector Accounting Standards 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, useful life of tangible capital assets and employee future benefits. Actual results could differ from those estimates.

Retirement Benefits and Other Employee Benefits Plans

The Public Library is an employer member of the Ontario Municipal Employee Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Library has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Library records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Asset retirement obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed. The Board has determined that it does not have any asset retirement obligations and as such have not recorded a liability related to these costs.

New Tecumseth Public Library Notes to the Financial Statements

December 31, 2023

3. Budget reconciliation

The Financial Plan (Budget) was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipate the use of accumulated surpluses in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan with adjustments as follows:

	<u>Revenues</u>	<u>Expenses</u>
Total approved budget	\$ 2,152,380	\$ 2,152,380
Less: Tangible capital asset purchases	(5,500)	(178,100)
Less: Transfer from reserve	(11,000)	-
Add: Amortization expense	-	126,252
Adjusted budget on the statement of operations	\$ 2,135,880	\$ 2,100,532

4. Cash and cash equivalents

	<u>2023</u>	<u>2022</u>
Cash	\$ 394,068	\$ 369,616
Guaranteed Investment Certificate	204,891	203,140
	\$ 598,959	\$ 572,756
Represented by cash held for:		
Reserves set aside by the Board	\$ 590,755	\$ 590,539
Externally restricted funds	8,204	(17,783)
	\$ 598,959	\$ 572,756

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, 2023

6. Deferred revenue 2023 2022

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

Jeffrey Foundation	\$ 107,757	\$ 84,537
Knox Coulter	7,908	7,908
Pam Kirkpatrick (Tottenham) library	7,682	4,966
Somerville	<u>30,511</u>	<u>29,380</u>
	<u>\$ 153,858</u>	<u>\$ 126,791</u>

7. Employee future benefits payable 2023 2022

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

Vacation entitlements	\$ 17,857	\$ 15,191
Sick day entitlements	28,718	27,398
Health and dental entitlements	<u>25,534</u>	<u>27,572</u>
	<u>\$ 72,109</u>	<u>\$ 70,161</u>

The Board pays 40% 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 3.25%, inflationary rate 1.75%, future dental escalation at 3.75%, future health costs escalation at 5.09% for 2023 and reduced by 0.333% per year to 3.75% in 2027.
- c) Sick leave utilization 58.5% of annual additions and 10.2% of prior year accumulation
- d) Amortization period of actuarial gain is 19 years

New Tecumseth Public Library Notes to the Financial Statements

December 31, 2023

7. Employee future benefits payable (continued)

Accrued benefit liability, beginning of year	\$	27,572	\$	29,613
Expenses for the year		60		57
Employer contributions		-		-
Amortization of actuarial gain		(2,098)		(2,098)
	\$	25,534	\$	27,572

8. Tangible capital assets

	Collections & Materials	Popular Materials	Furniture & Equipment	Information Technology	Total 2023	Total 2022
Cost						
Balance, beginning of year	\$ 272,845	\$ 406,325	\$ 37,528	\$ 73,372	\$ 790,070	\$ 824,955
Add: Additions during the year	30,151	70,351	10,731	7,591	118,824	116,305
Less: Disposals during the year	(22,438)	(92,079)	-	(7,600)	(122,117)	(151,190)
Balance, end of year	\$280,558	\$384,597	\$48,259	\$73,363	\$786,777	\$790,070
Accumulated Amortization						
Balance, beginning of year	\$ 153,110	\$ 262,934	\$ 20,700	\$ 34,294	\$ 471,038	\$ 490,682
Amortization	36,158	74,546	2,860	12,688	126,252	131,546
Disposals	(22,438)	(92,079)	-	(7,600)	(122,117)	(151,190)
Balance, end of year	\$ 166,830	\$ 245,401	\$ 23,560	\$ 39,382	\$ 475,173	\$ 471,038
Net book value, end of year	\$ 113,728	\$ 139,196	\$ 24,699	\$ 33,981	\$ 311,604	\$ 319,032

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 \$1,451,274 (2022 - \$1,700,628) for the Board. This reserve fund does not appear in these accounts. It has been set aside for the specific purpose indicated by legislation.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2023

10. Pension agreement

OMERS provides pension services to almost half a million active and retired members and approximately 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2023. The results of this valuation disclosed total actuarial liabilities of \$136,185 million in respect of benefits accrued for service with actuarial assets at that date of \$131,983 million indicating an actuarial deficit of \$4,202 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Board does not recognize any share of the OMERS pension surplus or deficit. Contributions made to OMERS for 2023 were \$107,403 (2022 - \$77,314).

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 \$101,510 were incurred by the Town during the year (2022 - \$112,920). As these costs are reported by the Town they were not budgeted by the Board and are not reported in these financial statements.

12. Related party transactions

	<u>2023</u>	<u>2022</u>
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The Board had the following related party transactions:

With the Town of New Tecumseth, valued at cost:

Municipal funding	\$ 2,004,748	\$ 1,822,466
Library staff wages and benefit expense	1,805,064	1,679,689
Operating & Capital Purchases	307,426	341,779

Included in the receivable is \$57,249 (2022 - \$2,245) owing from the Town of New Tecumseth.

13. Contractual Obligations

In April 2022, the Board has entered into a three-year contract for janitorial services with annual payments of \$25,200.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2023

14. Financial instruments

The Board is exposed to credit risk, liquidity risk and interest rate risk from its financial instruments. This note describes the Board's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board is exposed to credit risk resulting from the possibility that a counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Board's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Board will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Board will not have sufficient funds to settle a transaction on the due date. The Board is exposed to this risk mainly in respect of its accounts payable, and short-term and long-term liabilities. The Board mitigates this risk by ensuring that it always has sufficient cash to allow it to meet its liabilities when they become due.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Board is mainly exposed to interest rate risk.

The Board's risk management strategies are described below.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Board is exposed to interest rate risk through its guaranteed investment certificates that bears interest at a fixed rate. Fluctuations in the banks prime interest rates will result in increases or decreases in the cash flow requirements of this financial instruments via increases or decreases in the related interest expense as the loans are renewed.

New Tecumseth Public Library Schedule of Accumulated Surplus

December 31	2023	2022
Consists of:		
Reserves set aside by the Board		
Burton Ford	\$ 1,625	\$ 1,625
Bellamy	7,826	7,826
Wilde-Robinson	7,090	7,090
D.A. Jones (Beeton) library	2,018	8,227
Security	17,943	21,759
Computer	21,754	21,754
Capital	66,163	66,163
General	412,646	384,234
Fundraising	2,158	-
Pay Equity	<u>36,014</u>	<u>18,007</u>
Total reserves	<u>575,237</u>	<u>536,685</u>
Surpluses		
Invested in tangible capital assets	311,604	319,032
Operating Surplus	-	-
Unfunded:		
Employee benefits and post-employment liabilities	<u>(72,109)</u>	<u>(70,161)</u>
Total surpluses	<u>239,495</u>	<u>248,871</u>
Accumulated surplus	<u>\$ 814,732</u>	<u>\$ 785,556</u>