



Financial Statements

New Tecumseth Public Library

December 31, 2020

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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, 2020, 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, 2020, 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
June 17, 2021

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	2020	2019
Financial assets		
Cash and cash equivalents (Note 5)	\$ 805,793	\$ 648,226
Restricted cash (Note 6)	143,003	143,724
Receivables	<u>1,308</u>	<u>838</u>
	<u>950,104</u>	<u>792,788</u>
Liabilities		
Payables and accruals	227,989	78,158
Deferred revenue (Note 7)	123,430	126,300
Employee future benefits payable (Note 8)	<u>74,920</u>	<u>70,014</u>
	<u>426,339</u>	<u>274,472</u>
Net financial assets (Page 5)	523,765	518,316
Non-financial assets		
Prepaid expenses	2,350	7,824
Tangible capital assets (Note 9)	<u>336,914</u>	<u>356,335</u>
	<u>339,264</u>	<u>364,159</u>
Accumulated Surplus (Page 14)	\$ <u>863,029</u>	\$ <u>882,475</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

2020

2019

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Municipal grants	\$ 1,714,622	\$ 1,714,622	\$ 1,645,026
Provincial grants	51,841	51,841	51,841
Fines, copying charges and fees	33,000	3,215	34,163
Interest	-	8,209	12,830
Library user levy contracts	21,476	22,106	21,053
Other revenue	30,000	5,479	9,046
Donations and other	3,000	72,731	24,239
	<u>1,853,939</u>	<u>1,878,203</u>	<u>1,798,198</u>
Expenditures			
Salaries and payroll costs	1,452,567	1,526,806	1,392,884
Library materials and supplies	220,772	230,086	202,523
Amortization	140,757	140,757	136,011
	<u>1,814,096</u>	<u>1,897,649</u>	<u>1,731,418</u>
Annual surplus	\$ <u>39,843</u>	<u>(19,446)</u>	<u>66,780</u>
Accumulated surplus, beginning of year		<u>882,475</u>	<u>815,695</u>
Accumulated surplus, end of year		\$ <u>863,029</u>	\$ <u>882,475</u>

See accompanying notes to the financial statements.

New Tecumseth Public Library

Statement of Change in Net Financial Assets

Year Ended December 31	2020	2019
Annual surplus	\$ <u>(19,446)</u>	\$ <u>66,780</u>
Acquisition of tangible capital assets	(121,336)	(146,394)
Amortization of tangible capital assets	140,757	136,011
Prepaid expenses	<u>5,474</u>	<u>(7,824)</u>
	<u>24,895</u>	<u>(18,207)</u>
Increase in net financial assets	5,449	48,573
Net financial assets, beginning of year	<u>518,316</u>	<u>469,743</u>
Net financial assets, end of year	\$ <u>523,765</u>	\$ <u>518,316</u>

See accompanying notes to the financial statements.

New Tecumseth Public Library Statement of Cash Flows

Year Ended December 31

2020

2019

Increase (decrease) in cash and cash equivalents

Operating activities

Annual surplus	\$ (19,446)	\$ 66,780
Amortization	140,757	136,011
Changes in non-cash item balances		
Receivables	(470)	8
Payables and accruals	149,831	(52,028)
Deferred revenue	(2,870)	(2,197)
Prepaid expenses	5,474	(7,824)
	<u>273,276</u>	<u>140,750</u>

Capital activities

Purchase of tangible capital assets	<u>(121,336)</u>	<u>(146,394)</u>
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Financing transactions

Change in employee future benefits payable	<u>4,906</u>	<u>(8,924)</u>
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Increase (decrease) in cash and cash equivalents	156,846	(14,568)
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Cash and cash equivalents, beginning of year	<u>791,950</u>	<u>806,518</u>
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Cash and cash equivalents, end of year	\$ <u>948,796</u>	\$ <u>791,950</u>
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See accompanying notes to the financial statements.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2020

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. COVID-19

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long 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 been able to continue operating throughout the pandemic as an essential service provider even though COVID-19 closures have negatively impacted Library revenue, but the amount of Library funding received from a grant from the Town of New Tecumseth of \$1,714,622 has been used to cover costs associated with salaries and payroll costs. As at December 31, 2020 the Board has not suffered any significant impairment of assets or reduction in its cash flow.

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, 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 the consequences of COVID-19, as well as the impact on the consolidated financial position and results of the Board for future periods.

3. 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, expenditures and surplus of the Board.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2020

3. Summary of significant accounting policies (continued)

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.

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.

Contributions of tangible capital assets

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

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.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2020

3. Summary of significant accounting policies (continued)

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, useful life of tangible capital assets and employee future benefits. Actual results could differ from those estimates.

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2020

4. 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	\$ 1,864,439	\$ 1,864,439
Less: Tangible capital asset purchases	(5,500)	(191,100)
Less: Transfer from reserve	(5,000)	-
Add: Amortization expense	-	140,757
Adjusted budget on the statement of operations	\$ <u>1,853,939</u>	\$ <u>1,814,096</u>

5. Cash and cash equivalents

	<u>2020</u>	<u>2019</u>
Cash	\$ 605,079	\$ 446,358
Guaranteed investment certificate	<u>200,714</u>	<u>201,868</u>
	\$ <u>805,793</u>	\$ <u>648,226</u>
Represented by cash held for:		
Reserves set aside by the Board	\$ 825,365	\$ 665,650
Externally restricted funds	<u>(19,572)</u>	<u>(17,424)</u>
	\$ <u>805,793</u>	\$ <u>648,226</u>

6. 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, 2020

7. Deferred revenue 2020 2019

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	\$ 83,346	\$ 87,546
Knox Coulter	7,908	7,908
Pam Kirkpatrick (Tottenham) library	3,434	2,495
Somerville	<u>28,742</u>	<u>28,351</u>
	<u>\$ 123,430</u>	<u>\$ 126,300</u>

8. Employee future benefits payable 2020 2019

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

Vacation entitlements	\$ 11,440	\$ 6,722
Sick day entitlements	31,820	29,572
Health and dental entitlements	<u>31,660</u>	<u>33,720</u>
	<u>\$ 74,920</u>	<u>\$ 70,014</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 3.25%, inflationary rate 1.75%, future dental escalation at 3.75%, future health costs escalation at 5.75% for 2021 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

Accrued benefit liability, beginning of year	\$ 33,720	\$ 35,808
Expenses for the year	44	16
Employer contributions	-	-
Amortization of actuarial gain	<u>(2,104)</u>	<u>(2,104)</u>
	<u>\$ 31,660</u>	<u>\$ 33,720</u>

New Tecumseth Public Library

Notes to the Financial Statements

December 31, 2020

9. Tangible capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net Book Value</u>	<u>2019 Net Book Value</u>
Core Collection	\$ 264,840	\$ 132,960	\$ 131,880	\$ 132,291
Popular Material	470,910	289,439	181,471	202,115
Furniture and equipment	21,449	16,444	5,005	6,435
Information Technology	<u>48,044</u>	<u>29,486</u>	<u>18,558</u>	<u>15,494</u>
	\$ <u>805,243</u>	\$ <u>468,329</u>	\$ <u>336,914</u>	\$ <u>356,335</u>

10. Reserve funds held by the Town

The Town of New Tecumseth maintains a Library and Cultural Development Charge Reserve Fund in the amount of \$2,047,086 (2019 - \$2,197,427) for the Board. This reserve fund does not appear in these accounts. It has been set aside for the specific purpose indicated by legislation.

11. 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, 2020. The results of this valuation disclosed total actuarial liabilities of \$111,820 million in respect of benefits accrued for service with actuarial assets at that date of \$108,165 million indicating an actuarial deficit of \$3,211 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 2020 were \$73,850 (2019 - \$74,295).

12. 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 \$93,413 were incurred by the Town during the year (2019 - \$145,991). 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, 2020

13. Related party transactions 2020 2019

The Board had the following related party transactions:

With the Town of New Tecumseth, valued at cost:

Municipal funding	\$ 1,714,622	\$ 1,645,026
Library staff wages and benefit expense	1,504,838	1,401,914

Included in the payables and accruals is \$151,007 (2019 - \$40,091) due to the Town of New Tecumseth.

14. 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.

New Tecumseth Public Library

Schedule of Accumulated Surplus

December 31

2020

2019

Consists of:

Reserves set aside by the Board

Burton Ford	\$	1,625	\$	1,625
Bellamy		7,826		7,826
Wilde-Robinson		7,090		12,090
D.A. Jones (Beeton) library		8,227		8,227
Security		21,759		33,920
Computer		21,754		21,754
Capital		66,163		66,163
General		466,591		444,549
Total reserves		601,035		596,154

Surpluses

Invested in tangible capital assets		336,914		356,335
Operating Surplus		-		-
Unfunded:				
Employee benefits and post-employment liabilities		(74,920)		(70,014)
Total surpluses		261,994		286,321

Accumulated surplus	\$	863,029	\$	882,475
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