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## Library Board Report

To: Newmarket Public Library Board  
From: Todd Kyle, C.E.O.  
Date: June 17, 2020  
RE: **2019 Draft Audited Financial Statements**

### **Background:**

The Board is asked annually to approve the Library's Audited Financial Statements for the previous year. The audit has been completed by the Town's contracted firm, Deloitte, as part of the full audit of the Town and various entities. The Library's audited statements are approved independently by the Board, but are also "rolled up" into the Town's statements, which are approved by Council on recommendation of the Audit Committee. The Library C.E.O. attends Audit Committee meetings in order to provide any information requested by the Committee relating to Library-specific entries.

When the full statements are signed and released by Deloitte, the Library submits these to Canada Revenue Agency as part of its annual charitable tax return, as well as to the Ontario government as part of the Annual Survey of Public Libraries in order to satisfy the requirements of applying for the Public Library Operating Grant.

### **Discussion:**

The 2019 audit did not reveal any material concerns or errors related to the draft Financial Statements as prepared by staff, nor any significant concerns related to accountability practices or potential fraud. A small number of misstatements, related mainly to the application of expenses to the incorrect year, were noted by the auditors and subsequently corrected in the draft statements.

The following explanations might aid members in understanding the draft statements as presented:

- **SURPLUS/DEFICIT** (Statement of Operations, page 4). The amount recorded for 2019 is a deficit of \$238,333. This should not be interpreted as a deficit of spending over operating budget. Instead, this number represents the difference between the accumulated amortization of our Tangible Capital Assets and the acquisition of new

assets. As acquisitions in 2019 were lower than the accumulated value, it shows as a deficit. What some might refer to as the actual operating surplus/deficit is recorded in Note 11 General Reserve as Transfer from Operating fund. This amount is \$4,044 and represents the underspending of the operating budget (a “surplus”). As per Council motion, this amount is being transferred to a new reserve fund (under control of the Town so not accounted for here) for future Library building needs.

- **BOOKS/AUDIO VISUAL MATERIALS** (Statement of Operations, page 4): Note that the “zero” expenses for these two lines are always recorded as such because physical library materials are considered Tangible Capital Assets. The actual expenses are included in the total of “amortization of tangible capital assets” in the same section.
- **DUE TO OTHER GROUPS** (Statement of Financial Position, page 3, as well as Note 4). This refers to liabilities the Library had at the end of the year to a number of partnership agreements. For 2019, that refers to the York Info Community Information partnership (now dissolved, which will eventually see the Library receiving its share of the accumulated funds) and the Southlake Cinemania partnership with East Gwillimbury Public Library. Neither should be interpreted as negative liabilities.
- **VACATION PAY LIABILITY** (Note 4). This is the liability of the library of accumulated vacation pay in the event an employee leaves our employ. This year the auditors changed the wording from “Employee Future Benefits”.
- **OTHER RESERVES** (Note 10). Note that a decision was made to close out the small balance of the “Strategic Planning Reserve” and transfer it to the “Strategic Plan Implementation Reserve”. The consolidated reserve can be used both for future strategic planning and one-time capacity building expenses that come out of it.
- **GENERAL RESERVE** (note 11). Note that there is a transfer of \$75K from this to the “Unexpended Capital Fund”. This was in order to fulfill the Board motion that \$75K of the General Reserve be used for the final phase of carpet replacement.

## **Conclusion:**

**The following motion is recommended:**

**THAT the Library Board approve the draft audited 2019 Financial Statements as presented.**