
Financial statements of Town of Newmarket Public Library Board

December 31, 2019

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Independent Auditor's Report

To the Chair and Members of the Town of Newmarket Public Library Board, and
the Mayor and Members of Council of the Corporation of the Town of Newmarket

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Town of Newmarket Public Library Board (the "Library"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2019, and the results of its operations, 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 ("Canadian GAAS"). 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 Library 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 Library'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 Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library'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 GAAS 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 GAAS, 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 Library'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 Library'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 Library 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.

Chartered Professional Accountants
Licensed Public Accountants

, 2020

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Statement of Financial Position

As at December 31, 2019

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	2019	2018
Financial Assets		Note 14
Cash and cash equivalents	\$93,225	\$91,308
Accounts receivable	15,124	10,636
Due from Town of Newmarket (Note 3)	400,045	684,251
	508,394	786,195
Liabilities		
Due to Other Groups (Note 4)	31,264	21,856
Accounts payable and accrued liabilities (Note 6)	155,721	266,018
Deferred revenue (Note 5)	1,256	737
	188,241	288,611
Net Financial Assets	320,153	497,584
Non-Financial Assets		
Prepaid expenses	83,891	45,186
Tangible capital assets, net (Note 15)	1,033,874	1,133,481
	1,117,765	1,178,667
Accumulated Surplus	\$1,437,918	\$1,676,251

APPROVED BY THE BOARD OF DIRECTORS

.....
Board Chair: Darcy McNeill

.....
Board Secretary / Treasurer: Todd Kyle

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2019

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	2019		2018
	Budget	Actual	Actual Note 14
REVENUES			
Municipal operating grant	\$3,257,422	\$3,257,422	\$3,182,452
Municipal contributions towards tangible capital assets (Note 8)	-	158,910	275,422
Provincial grants	64,401	69,878	67,824
Federal grants	-	10,679	4,614
Fines	38,070	27,164	27,545
Program fees	33,706	16,325	23,291
Financed from development charges (Note 9)	125,000	125,000	125,000
Other fees and miscellaneous revenues	70,300	66,398	87,065
	3,588,899	3,731,776	3,793,213
EXPENSES			
Library materials			
Books	164,364	-	-
Magazines, newspapers and periodicals	13,200	11,779	10,106
Electronic materials and subscriptions	139,530	144,019	129,844
Audio-visual materials	27,400	-	-
Book binding and processing	30,843	26,735	25,753
Amortization of tangible capital assets	-	323,671	313,653
	375,337	506,204	479,356
Operations			
Programs and projects	28,759	23,737	23,921
Other supplies	18,300	18,192	16,419
Building and property maintenance	79,793	177,055	151,363
Utilities	105,000	90,554	90,908
Equipment repairs and maintenance	88,499	66,468	108,002
Minor capital	5,656	10,606	22,584
	326,007	386,612	413,197
Administration			
Employee salaries	2,085,826	2,163,344	2,097,276
Employee benefits	427,809	380,489	302,763
Education, conferences, consulting and travel	44,905	23,808	28,177
Other sundry expenses	50,825	41,891	45,370
Telephone and internet	10,550	7,419	7,745
	2,619,915	2,616,951	2,481,331
	3,321,259	3,509,767	3,373,884
Transfers and other			
Fund for future capital replacements (Note 7)	(223,550)	(223,550)	(223,550)
Fund for future minor capital replacements (Note 9)	-	-	(20,000)
Transfer to Long-term Disability Town of Newmarket Reserve	(44,090)	(40,114)	(42,372)
Transfer to Capital Financing (Note 11)	-	(75,000)	-
Transfer to Library Capital Needs Reserve fund (Note 9)	-	(121,678)	(45,597)
	(267,640)	(460,342)	(331,519)
Annual (deficit) surplus	-	(238,333)	87,810
Opening Accumulated Surplus	1,676,251	1,676,251	1,588,441
Ending Accumulated Surplus	\$1,676,251	\$1,437,918	\$1,676,251

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2019

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	2019	2018
		Note 14
Increase (decrease) in cash and cash equivalents		
Operating Activities		
Annual (deficit) surplus	(\$238,333)	\$87,810
Amortization of tangible capital assets	323,671	313,653
<u>Changes in non-cash operating items</u>		
Accounts receivable	(4,488)	(38)
Due from Town of Newmarket	284,206	(133,781)
Due to Other Groups	9,408	1,221
Accounts payable and accrued liabilities	(110,297)	107,663
Deferred revenue	519	(2,546)
Prepaid expenses	(38,705)	44,406
	225,981	418,388
Capital Activity		
Acquisitions of tangible capital assets	(224,064)	(347,380)
Increase in cash and cash equivalents	1,917	71,008
Cash and cash equivalents, beginning of year	91,308	20,300
Cash and cash equivalents, end of year	\$93,225	\$91,308
Cash and cash equivalents is comprised of:		
Cash balances	\$93,225	\$91,308
Short-term deposits	-	-
	\$93,225	\$91,308

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Assets

Year ended December 31, 2019

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	2019		2018
	Budget	Actual	Actual
Annual (deficit) surplus	\$ -	(\$238,333)	\$87,810
Acquisition of tangible capital assets	(225,820)	(224,064)	(347,380)
Amortization of tangible capital assets	329,284	323,671	313,653
	103,464	(138,726)	54,083
Change in prepaid expenses	-	(38,705)	44,406
Change in net financial assets	103,464	(177,431)	98,489
Net financial assets, beginning of year	497,584	497,584	399,095
Net financial assets, end of the year	\$601,048	\$320,153	\$497,584

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2019

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1. NATURE OF OPERATIONS

The Town of Newmarket Public Library Board (the "Library") is a local board of the Corporation of the Town of Newmarket (the "Town") deemed to be a public library established under the Public Libraries Act. The Library Board is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Library are the representation of management prepared in accordance with Canadian Public Sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Significant accounting policies adopted by the Library are as follows:

(a) Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable.

Expenses 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.

(b) 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 an asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Library collection	7 years
Equipment	8-10 years
Furniture	15 years
Shelving	15-25 years
Computer hardware	3-4 years

Tangible capital assets are amortized in the month following the purchase or in-service date. One half of the annual amortization is charged in the year of acquisition for pooled assets. The tangible capital asset threshold amount for capitalization is pooled at \$10,000.

(c) 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.

(d) Revenue Recognition

Government transfers are recognized in the financial statements as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recorded as deferred revenue when transfer stipulations give rise to a liability. Revenue is recognized in the statement of operations as stipulations related to the transfers are settled.

Fines are recognized when collected.

Fees for programs and services are recognized over the period of service or when related expenditures occur.

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Deferred revenue*

Deferred revenues represent amounts which have been collected but, for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(f) *Use of estimates*

The preparation of financial statements in conformity with Canadian 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 and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. The principle estimates used in the preparation of these financial statements include the useful life and valuation of tangible capital assets. Actual results could differ from these estimates.

(g) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, balances with the bank, net of overdrafts and short-term deposits with maturities of three months or less.

(h) *Pension Plan*

The Library makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan on behalf of eligible members of its staff. The OMERS Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of 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.

3. DUE FROM TOWN OF NEWMARKET

The amount receivable from the Town of Newmarket is non-interest bearing and has no set terms of repayment.

4. DUE TO OTHER GROUPS

The Library partners with other external parties, and as part of various agreements, holds the balance of unspent funds and records these unspent funds as a liability at December 31, 2019 and 2018.

5. DEFERRED REVENUE

Deferred revenue consists of the following:

	2019	2018
Program fees and room rental fees	\$ 1,256	\$ 737

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is the vacation pay liability. The Library provides vacation pay benefits to current employees. Employees may become entitled to a cash payment when they leave the Library's employment.

	2019	2018
Vacation pay liability	\$ 68,841	\$ 53,910

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2019

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7. RESERVE FUND FOR FUTURE CAPITAL REPLACEMENTS

The reserve fund, held by the Town of Newmarket on behalf of the Town of Newmarket Public Library Board, is designated for future Library capital expenses.

Changes during the year were as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1,124,211	\$ 1,165,609
Interest earned	48,832	10,474
Transfer from Operating Fund	223,550	223,550
Capital expenditures - Library purposes	(83,910)	(275,422)
Balance, end of year	<u>\$ 1,312,683</u>	<u>\$ 1,124,211</u>

8. UNEXPENDED CAPITAL FUND

The following fund, held by the Town of Newmarket on behalf of the Town of Newmarket Public Library Board, have been designated by the Town Council for future Library capital expenses:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 734,395	\$ 951,616
New capital allocations for the year	-	58,200
Transferred from General Reserve	75,000	-
Transferred to Town of Newmarket	(460,320)	-
Rounding Adj.	-	1
Total Capital Budget	<u>\$ 349,075</u>	<u>\$ 1,009,817</u>
Financing capital expenditures	\$ (158,910)	(275,422)
Deferred Funds	204,354	0
Balance, end of year	<u>\$ 394,519</u>	<u>\$ 734,395</u>

9. OTHER RESERVE FUNDS

The following funds, held by the Town of Newmarket on behalf of the Town of Newmarket Public Library Board, have been designated by the Town Council for future Library expenses:

<u>Development Charges</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 2,799,647	\$ 2,674,134
Interest earned	109,994	24,275
Developers contributions	59,736	226,238
Transfer to Operating Fund to finance expenditures	(125,000)	(125,000)
Balance, end of year	<u>\$ 2,844,377</u>	<u>\$ 2,799,647</u>

<u>Library Minor Capital Fund</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 50,987	\$ 30,627
Interest earned	2,030	360
Transfer from Reserve (Note 11)	-	20,000
Balance, end of year	<u>\$ 53,017</u>	<u>\$ 50,987</u>

<u>Library Capital Needs Fund</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ -	\$ -
Interest earned	2,617	-
Transfer from Reserve (Note 11)	121,678	-
Balance, end of year	<u>\$ 124,295</u>	<u>\$ -</u>

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2019

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10. OTHER RESERVES

The following reserves, held by the Town of Newmarket on behalf of the Town of Newmarket Public Library Board, have been designated by the Town Council for future Library expenses:

<u>Library Fundraising</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 13,255	\$ 9,247
Other contributions	11,164	4,008
Balance, end of year	\$ 24,419	\$ 13,255
<u>Strategic Planning</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1,257	\$ 1,257
Transfer to Strategic Plan Implementation Reserve	(1,257)	-
Balance, end of year	\$ -	\$ 1,257
<u>Insurance Reserve</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 10,000	\$ 10,000
Transfer to Operating Fund	-	-
Balance, end of year	\$ 10,000	\$ 10,000
<u>Strategic Plan Implementation Reserve</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 167,642	\$ 167,642
Transfer from Strategic Planning Reserve	1,257	-
Balance, end of year	\$ 168,899	\$ 167,642

11. GENERAL RESERVE

The Town of Newmarket Public Library Board set a target level of \$400,000 for the General Reserves for the Library held by the Town of Newmarket and once achieved any surplus is to be returned to the Town after Library Board approval of audited financial statements, per motion 15.11.69. In 2019, the 2018 operating surplus (\$121,678) was transferred to a new Library Reserve Fund for Capital Needs. In 2018 the 2017 operating surplus (\$140,597) was partially transferred to the Minor Capital Fund (\$20,000) and (\$45,597) transferred to the Town of Newmarket. The balance of the surplus from 2017 (\$75,000) remained in the Reserve for carpet replacement as per Library Board motion 18.03.273 and was transferred to Capital for that purpose in 2019.

<u>General Reserve</u>	<u>2019</u>	<u>2018</u>
Opening Balance	\$ 596,678	\$ 540,597
Transfer from Operating Fund	4,044	121,678
Transfer to Library Capital Needs Reserve Fund	(121,678)	(45,597)
Transfer to Other Reserves	-	(20,000)
Transfer to Unexpended Capital Fund	(75,000)	-
Closing Balance	\$ 404,044	\$ 596,678

12. PENSION AGREEMENTS

The Library makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer defined benefit plan, on behalf of all permanent, full-time 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 credited service and average earnings. During the year, \$166,270 (2018: \$145,647) was recorded as an operating expense of the Library.

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2019

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13 SUBSEQUENT EVENT

Subsequent to the year-end, on March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Library in future periods.

14 COMPARATIVE FIGURES

Certain prior year comparative figures have been reclassified to conform to the current year's financial statement presentation. The reclassification primarily relates to a previously presented employee future benefits liability balance consisting of the vacation pay liability regrouped and is now included as part of accounts payable and accrued liabilities. In addition, this balance has also been reclassified from employee benefits to employee salaries in the statement of operations.

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TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2019

15. TANGIBLE CAPITAL ASSETS

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2019						
	Library Collection	Furniture	Equipment	Shelving	Computer Hardware	Total
Cost						
Balance, beginning of year	\$1,658,121	\$114,023	\$439,881	\$144,481	\$317,474	\$2,673,980
Add: Additions during the year	196,476	10,467	-	-	17,121	224,064
Less: Disposals during the year	(233,714)	-	(142,002)	-	(23,155)	(398,871)
Balance, end of year	1,620,883	124,490	297,879	144,481	311,440	2,499,173
Accumulated amortization						
Balance, beginning of year	964,521	57,455	256,198	120,038	142,287	1,540,499
Add: Amortization during the year	202,103	8,059	37,235	6,340	69,934	323,671
Less: Amortization on Disposals	(233,714)	-	(142,002)	-	(23,155)	(398,871)
Balance, end of year	932,910	65,514	151,431	126,378	189,066	1,465,299
Net book value of Tangible Capital Assets	\$687,973	\$58,976	\$146,448	\$18,103	\$122,374	\$1,033,874

2018						
	Library Collection	Furniture	Equipment	Shelving	Computer Hardware	Total
Cost						
Balance, beginning of year	\$1,693,070	\$114,023	\$401,726	\$144,481	\$261,756	\$2,615,056
Add: Additions during the year	186,529	-	61,722	-	99,129	347,380
Less: Disposals during the year	(221,478)	-	(23,567)	-	(43,411)	(288,456)
Balance, end of year	1,658,121	114,023	439,881	144,481	317,474	2,673,980
Accumulated amortization						
Balance, beginning of year	979,143	49,854	242,988	113,697	129,620	1,515,302
Add: Amortization during the year	206,856	7,601	36,777	6,341	56,078	313,653
Less: Amortization on Disposals	(221,478)	-	(23,567)	-	(43,411)	(288,456)
Balance, end of year	964,521	57,455	256,198	120,038	142,287	1,540,499
Net book value of Tangible Capital Assets	\$693,600	\$56,568	\$183,683	\$24,443	\$175,188	\$1,133,481

The accompanying notes are an integral part of these financial statements.