



MEMORANDUM

To: Newmarket Public Library Board

From: Todd Kyle

Date: June 22, 2016

Re: Review of library Asset Replacement Fund (ARF)

As per the instructions of the Board, the Library and the Town of Newmarket Financial Services Department have completed a review of the library's separate Asset Replacement Fund . As a result of our discussions we have mutually agreed on a course of action.

As mentioned in a preliminary verbal report, the Director, Finance Services had identified a shortfall of approximately \$340,000 in the Library's fund according to his testing. At the same time, he had noted that many building components had been assumed into the library's ARF schedule, while the building itself is on the Town's schedule, thereby creating a duplication. We have therefore resolved the shortfall by removing those items, and agreed to the following course of action:

- Building component assets will be maintained on the Town's books for TCA (Tangible Capital Assets) purposes and replacement funding will be from the Town's Building ARF – the Library does not need to provide for them in their ARF contribution.
 - As such, any unspent funding previously approved for building components will be transferred to the Town on December 31, 2016 – currently that is about \$200,000.
 - The Library will still put forward budget requests for replacement for Library building components but showing the Town's Building ARF as the funding source.
- The Library will remove non-TCA items from its ARF replacement list. These items will not be considered as capital and replacement/repair will be through the operating budget.
 - To facilitate this, the Library will create an equipment repair/replacement reserve at the end of the current fiscal year, to be used to balance out the wide variances in operating expenditure. Any related over expenditure would be transferred out of the reserve, and any savings transferred back into it.

The Library has made some further refinements to update replacement prices at a reasonable inflation rate, include all eligible inventory, and to reverse the assumption that annual interest would be accrued. As it now stands, the Library's annual ARF contributions and ARF reserve fund balances are sufficient.

The following motions are recommended:

That the Board approve the transfer to the Town's Building ARF of Library capital components identified as building infrastructure;

And that the Board approve the transfer to the Town of previously approved capital funding for Roofing and Dehumidification, such funding to continue to be available and approved should the Library require it;

And that the Board approve in principle the creation of an Equipment Repair/Replacement Reserve for those items identified as non-TCA capital equipment, with funding source to be identified for final approval by the Board to be enacted as part of 2016 year-end accounting.