

**The Corporation of the Town of
Newmarket
Public Library Board
Financial Statements
For the year ended December 31, 2016**

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Tel: 905 898 1221
Fax: 905 898 0028
Toll-Free: 866 275 8836
www.bdo.ca

BDO Canada LLP
The Gates of York Plaza
17310 Yonge Street, Unit 11
Newmarket ON L3Y 7R9 Canada

Independent Auditor's Report

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

We have audited the accompanying financial statements of **The Corporation of the Town of Newmarket Public Library Board**, which comprise the statement of financial position as at December 31, 2016, and the statements of financial activities, cash flows and changes in net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information

Management's Responsibility 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Corporation of the Town of Newmarket Public Library Board** as at December 31, 2016 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

May 17, 2017
Newmarket, Ontario

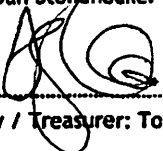
TOWN OF NEWMARKET PUBLIC LIBRARY BOARD
Statement of Financial Position

December 31, 2016

	2016	2015
ASSETS		
Cash and cash equivalents	\$30,983	\$93,115
Accounts receivable	5,175	7,346
Inventory-YRT tickets/passes	10,172	5,961
Due from Town of Newmarket (Note 3)	500,206	541,359
	546,536	647,781
LIABILITIES		
York North Community Info & Volunteer Assoc. (YNCIVA)	20,178	18,006
Accounts payable and accrued liabilities	74,716	73,080
Deferred revenue (Note 4)	2,657	10,895
Employee future benefits payable (Note 5)	50,370	49,350
	147,921	151,331
Net Financial Assets	398,615	496,450
NON-FINANCIAL ASSETS		
Prepaid expenses	76,636	27,010
Tangible capital assets, net (Note 2(b))	1,123,847	1,198,940
	1,200,483	1,225,950
Accumulated Surplus	\$1,599,098	\$1,722,400

APPROVED BY THE BOARD


 Board Chair: Joan Stonehocker


 Board Secretary / Treasurer: Todd Kyle

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

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Statement of Financial Activities

Year ended December 31, 2016

	2016		2015
	Budget	Actual	Actual
REVENUES			
Municipal operating grant	\$3,025,452	\$3,025,452	\$2,915,814
Municipal contributions towards capital assets	-	98,394	171,596
Provincial grants	64,401	80,121	78,477
Other grants	5,200	1,600	-
Fines	41,710	33,140	33,165
Program fees	34,306	24,902	26,011
Financed from development charges	125,000	125,000	125,000
Other fees and miscellaneous revenues	58,042	63,570	59,162
	3,354,111	3,452,179	3,409,225
EXPENSES			
Library materials			
Books	180,914	-	-
Magazines, newspapers & periodicals	13,200	11,505	11,222
Electronic materials & subscriptions	110,812	101,099	83,456
Audio-visual materials	27,800	-	-
Book binding and processing	27,925	26,857	21,360
Amortization expense	-	335,228	318,115
	360,651	474,689	434,153
Operations			
Programs and projects	28,198	25,465	29,003
Other supplies	17,800	17,061	17,183
Building and property maintenance	63,473	89,937	81,092
Utilities	84,597	104,941	100,088
Equipment repairs and maintenance	80,684	88,711	57,664
Minor capital from operations	4,156	12,640	31,634
	278,908	338,755	316,664
Administration			
Employee salaries	1,935,887	1,840,591	1,799,214
Employee benefits	411,364	365,425	374,219
Education, conferences, consulting & travel	43,900	34,416	25,482
Other sundry expenses	49,585	45,272	69,389
Telephone and internet	9,150	9,104	9,513
	2,449,886	2,294,808	2,277,817
	3,089,445	3,108,252	3,028,634
Transfers and other			
Fund for future capital replacements (Note 6)	(223,550)	(223,550)	(223,550)
Fund for future minor capital replacements (Note 8)	-	(30,000)	-
Transfer to Long-term Disability Reserve (Note 8)	(41,116)	(40,869)	(36,904)
Transfer to Town Reserve (Note 9)	-	(172,810)	-
	(264,666)	(467,229)	(260,454)
Annual surplus (deficit)	-	(123,302)	120,137
Opening Accumulated Surplus	1,722,400	1,722,400	1,602,263
Ending Accumulated Surplus	\$1,722,400	\$1,599,098	\$1,722,400

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

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Statement of Cash Flow

Year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Increase (decrease) in cash and cash equivalents		
Operating Activities		
Annual surplus (deficit)	(\$123,302)	\$120,137
Amortization of tangible capital assets	335,228	318,115
Changes in non-cash operating capital		
Accounts receivable	2,171	(597)
Inventory-YRT tickets/passes	(4,211)	(595)
Due from Town of Newmarket	41,153	84,466
York North Community Info & Volunteer Assoc. (YNCIVA)	2,172	1,859
Accounts payable and accrued liabilities	1,636	(98,490)
Deferred revenue	(8,238)	5,993
Employee future benefits payable	1,020	1,250
Prepaid expenses	(49,626)	2,177
	<u>198,002</u>	<u>434,315</u>
Capital Activities		
Acquisitions of tangible capital assets	(260,135)	(355,447)
Increase (decrease) in cash and cash equivalents	(62,132)	78,868
Cash and cash equivalents, beginning of year	93,115	14,247
Cash and cash equivalents, end of year	<u>\$30,983</u>	<u>\$93,115</u>

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

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2016

	2016		2015
	Budget	Actual	Actual
Annual surplus (deficit)	\$ -	(\$123,302)	\$120,137
Acquisition of tangible capital assets	(462,370)	(260,135)	(355,447)
Amortization of tangible capital assets	361,850	335,228	318,115
	(100,520)	(48,209)	\$82,804
Change in prepaid expenses	-	(49,626)	2,177
Change in net financial assets	(100,520)	(97,835)	84,981
Net financial assets, beginning of year	496,450	496,450	411,468
Net financial assets, end of the year	\$395,930	\$398,615	\$496,450

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

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2016

1. NATURE OF OPERATIONS

The Town of Newmarket Public Library Board (the "Library") is a local board 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 local government accounting standards as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Significant aspects of the accounting policies adopted by the Library are as follows:

(a) *Basis of accounting*

Sources of financing 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*

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 capital asset threshold amount is pooled at \$10,000.

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

(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 recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of financial activities as the stipulation liabilities are settled.

Sales of service and other revenue is recognized on an accrual basis.

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2016

(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 principal 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. Bank borrowings are considered to be financing activities.

(h) *Pension Plan*

The Municipality is an employer member of the Ontario Municipal Employees 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 assets and administration of the benefits. The Municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Municipality 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. **DEFERRED REVENUE**

Deferred revenue consists of the following:

	2016	2015
Program fees, room rental fees, provincial grant and endowment	\$ 2,657	\$ 10,895

5. **EMPLOYEE FUTURE BENEFITS**

The Library provides vacation pay benefits that will require funding in future periods. Employees may become entitled to a cash payment when they leave the Library's employment. An estimate of employee future benefits was completed at December 31, 2016 and forms the basis for estimated employee future benefit liability reported in these financial statements.

	2016	2015
Vacation pay	\$ 50,370	\$ 49,350

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2016

6. 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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,138,136	\$ 1,072,433
Interest earned	12,903	12,252
Transfer from Operating Fund	223,550	223,550
Capital expenses - Library purposes	(98,394)	(170,099)
Transfer to Town of Newmarket Reserve Fund	(200,000)	-
Balance, end of year	\$ 1,076,195	\$ 1,138,136

7. UNEXPENDED CAPITAL 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 capital expenses:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,087,389	\$ 1,052,785
New capital allocations for the year	175,700	206,200
Rounding Adj.	(4)	-
Total Capital Budget	\$ 1,263,085	\$ 1,258,985
Financing expenses	(98,394)	(171,596)
Balance, end of year	\$ 1,164,691	\$ 1,087,389

8. OTHER RESERVE FUNDS

The following reserve 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>Long Term Disability (LTD)</u>	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ -	\$ 325,399
Interest earned	-	2,577
Transfer from Operating Fund	-	19,921
Transfer to Reserve Fund	-	(347,897)
Balance, end of year	\$ -	\$ -

Note: Town of Newmarket converted its LTD benefit from provider funded to fully self-funded program. The Library Board approved the closure and transfer of the Library LTD Reserve to the Town's equivalent reserve to participate in the self-funded LTD program through a corporate wide LTD Reserve as per motion 15.05.015.

<u>Development Charges</u>	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 2,416,417	\$ 1,906,972
Interest earned	24,972	22,569
Developers contributions	90,244	613,373
Transfer to Capital	-	(1,497)
Transfer to Operating Fund to finance expenses	(125,000)	(125,000)
Balance, end of year	\$ 2,406,633	\$ 2,416,417

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2016

8. OTHER RESERVE FUNDS (continued)

<u>Library Minor Capital Fund</u>	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ -	\$ -
Interest earned	171	-
Transfer from Operating Fund	30,000	-
Transfer to Operating Fund to finance expenses	-	-
Balance, end of year	\$ 30,171	\$ -
<u>Library Fundraising</u>	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,760	\$ 1,665
From Operating	1,262	-
Other contributions	190	95
Transfer to Operating Fund	-	-
Balance, end of year	\$ 3,212	\$ 1,760
<u>Strategic Planning</u>	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 1,257	\$ 1,257
Transfer to Operating Fund	-	-
Balance, end of year	\$ 1,257	\$ 1,257
<u>Insurance Reserve</u>	<u>2016</u>	<u>2015</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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 42,021	\$ 42,021
Transfer to Operating Fund	-	-
Balance, end of year	\$ 42,021	\$ 42,021

9. GENERAL RESERVE

The Town of Newmarket Public Library Board set a target level of \$400k for the General Reserves for Library and once achieved any surplus is to be returned to the Town after Library Board approval of audited financial statements as per motion 15.11.69. In 2016 \$172,810 was transferred from the Library Board General Reserve to the Town of Newmarket.

10. PENSION AGREEMENTS

OMERS provides pension services to more than 470,000 active and retired members and approximately 1000 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, 2016. The results of this valuation disclosed total actuarial liabilities of \$87,554 million in respect of benefits accrued for service with actuarial assets at that date of \$81,834 million indicating an actuarial deficit of \$5,720 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, Library does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Library to OMERS for 2016 were \$155,466 (2015 - \$162,738).

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Schedule of Accumulated Surplus

Year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Consists of:		
Surpluses		
Invested in tangible capital assets	\$1,123,847	\$1,198,940
General fund revenue	525,621	572,810
Unfunded:		
Employee benefits / Post-employment liabilities	(50,370)	(49,350)
	<u>\$1,599,098</u>	<u>\$1,722,400</u>

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Schedule of Tangible Capital Assets

Year ended December 31, 2016

2016						
	Library Collection	Furniture	Equipment	Shelves	Computer Hardware	Total
Cost						
Balance, beginning of year	\$1,754,996	\$102,729	\$394,182	\$144,481	\$217,258	\$2,613,646
Add: Additions during the year	201,171	11,294	17,751	-	29,919	260,135
Less: Disposals during the year	(218,264)	-	(13,986)	-	(18,350)	(250,600)
Balance, end of year	1,737,903	114,023	397,947	144,481	228,827	2,623,181
Accumulated amortization						
Balance, beginning of year	1,006,990	35,249	176,642	101,015	94,810	1,414,706
Add: Amortization during the year	216,855	7,003	47,883	6,341	57,146	335,228
Less: Amortization on Disposals	(218,264)	-	(13,986)	-	(18,350)	(250,600)
Balance, end of year	1,005,581	42,252	210,539	107,356	133,606	1,499,334
Net book value of						
Tangible Capital Assets	\$732,322	\$71,771	\$187,408	\$37,125	\$95,221	\$1,123,847

2015						
	Library Collection	Furniture	Equipment	Shelves	Computer Hardware	Total
Cost						
Balance, beginning of year	\$1,766,906	\$102,729	\$346,641	\$144,481	\$167,876	\$2,528,633
Add: Additions during the year	207,507	-	71,939	-	76,001	355,447
Less: Disposals during the year	(219,417)	-	(24,398)	-	(26,619)	(270,434)
Balance, end of year	1,754,996	102,729	394,182	144,481	217,258	2,613,646
Accumulated amortization						
Balance, beginning of year	1,006,106	28,400	160,464	94,674	77,381	1,367,025
Add: Amortization during the year	220,301	6,849	40,576	6,341	44,047	318,115
Less: Amortization on Disposals	(219,417)	-	(24,398)	-	(26,619)	(270,434)
Balance, end of year	1,006,990	35,249	176,642	101,015	94,810	1,414,706
Net book value of						
Tangible Capital Assets	\$748,006	\$67,480	\$217,540	\$43,466	\$122,448	\$1,198,940

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