
Financial statements of
Town of Newmarket
Public Library Board

December 31, 2020

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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, 2020, 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, 2020, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 16, 2021

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Statement of Financial Position

As at December 31, 2020

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$15,234	\$93,225
Accounts receivable	13,085	15,124
Due from Town of Newmarket (Note 3)	656,684	400,045
	<u>685,003</u>	<u>508,394</u>
Liabilities		
Due to Other Groups (Note 4)	295	31,264
Accounts payable and accrued liabilities (Note 6)	202,049	155,721
Deferred revenue (Note 5)	-	1,256
	<u>202,344</u>	<u>188,241</u>
Net Financial Assets	<u>482,659</u>	<u>320,153</u>
Non-Financial Assets		
Prepaid expenses	91,095	83,891
Tangible capital assets, net (Note 15)	934,655	1,033,874
	<u>1,025,750</u>	<u>1,117,765</u>
Accumulated Surplus	<u>\$1,508,409</u>	<u>\$1,437,918</u>

APPROVED BY THE BOARD

.....
Board Chair: Darcy McNeill

.....
Board Secretary / Treasurer: Linda Peppiatt, Acting CEO

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2020

	2020		2019
	Budget	Actual	Actual
REVENUES			
Municipal operating grant	\$3,465,422	\$3,465,422	\$3,257,422
Municipal Contributions towards tangible capital assets (Note 8)	-	91,449	158,910
Provincial grants	64,401	70,159	69,878
Federal grants	-	-	10,679
Fines	38,070	7,401	27,164
Program fees	29,752	2,130	16,325
Financed from development charges (Note 9)	-	-	125,000
Other fees and miscellaneous revenues	71,250	15,632	66,398
	3,668,895	3,652,193	3,731,776
EXPENSES			
Library materials			
Books	164,664	-	-
Magazines, newspapers and periodicals	11,100	12,130	11,779
Electronic materials and subscriptions	157,530	191,520	144,019
Audio-visual materials	27,200	-	-
Book binding and processing	30,843	27,866	26,735
Amortization expense	-	319,272	323,671
	391,337	550,788	506,204
Operations			
Programs and projects	26,159	4,912	23,737
Other supplies	17,300	9,537	18,192
Building and property maintenance	79,793	58,715	177,055
Utilities	105,000	81,105	90,554
Equipment repairs and maintenance	90,007	65,703	66,468
Minor capital	5,656	1,188	10,606
Emergency management materials	-	19,059	-
	323,915	240,219	386,612
Administration			
Employee salaries	2,131,578	2,118,963	2,163,344
Employee benefits	444,000	389,322	380,489
Education, conferences, consulting and travel	45,005	20,217	23,808
Other sundry expenses	52,875	37,489	41,891
Telephone and internet	8,440	6,731	7,419
	2,681,898	2,572,722	2,616,951
	3,397,150	3,363,729	3,509,767
Transfers and other			
Fund for future capital replacements (Note 7)	(223,550)	(223,550)	(223,550)
Transfer to Long-term Disability Town of Newmarket Reserve	(48,195)	(47,220)	(40,114)
Transfer from Reserves (Note 13)	-	56,841	-
Transfer to Capital Financing (Note 11)	-	-	(75,000)
Transfer to Library Capital Needs Reserve (Note 9)	-	(4,044)	(121,678)
	(271,745)	(217,973)	(460,342)
Annual surplus (deficit)	-	70,491	(238,333)
Opening Accumulated Surplus	1,437,918	1,437,918	1,676,251
Ending Accumulated Surplus	\$1,437,918	\$1,508,409	\$1,437,918

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2020

	2020	2019
Increase (decrease) in cash and cash equivalents		
Operating Activities		
Annual surplus (deficit)	\$70,491	(\$238,333)
Amortization of tangible capital assets	319,272	323,671
<u>Changes in non-cash operating items</u>		
Accounts receivable	2,039	(4,488)
Due from Town of Newmarket	(256,639)	284,206
Due to Other Groups	(30,969)	9,408
Accounts payable and accrued liabilities	46,328	(110,297)
Deferred revenue	(1,256)	519
Prepaid expenses	(7,204)	(38,705)
	<u>142,062</u>	<u>225,981</u>
Capital Activity		
Acquisitions of tangible capital assets	(220,053)	(224,064)
(Decrease) increase in cash and cash equivalents	(77,991)	1,917
Cash and cash equivalents, beginning of year	93,225	91,308
Cash and cash equivalents, end of year	<u>\$15,234</u>	<u>\$93,225</u>
Cash and cash equivalents is comprised of:		
Cash balances	\$15,234	\$93,225
Short-term deposits	-	-
	<u>\$15,234</u>	<u>\$93,225</u>

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Assets

Year ended December 31, 2020

	2020		2019
	Budget	Actual	Actual
Annual (deficit) surplus	\$ -	\$70,491	(\$238,333)
Acquisition of tangible capital assets	(279,020)	(220,053)	(224,064)
Amortization of tangible capital assets	323,965	319,272	323,671
	44,945	169,710	(138,726)
Change in prepaid expenses	-	(7,204)	(38,705)
Change in net financial assets	44,945	162,506	(177,431)
Net financial assets, beginning of year	320,153	320,153	497,584
Net financial assets, end of the year	\$365,098	\$482,659	\$320,153

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2020

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, 2020

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, 2020 and 2019.

5. DEFERRED REVENUE

Deferred revenue consists of the following:

	2020	2019
Program fees and room rental fees	\$ -	\$ 1,256

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.

	2020	2019
Vacation pay liability	\$ 70,246	\$ 68,841

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2020

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>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,312,683	\$ 1,124,211
Interest earned	29,831	48,832
Transfer from Operating Fund	223,550	223,550
Capital expenditures - Library purposes	(91,449)	(83,910)
Balance, end of year	\$ 1,474,615	\$ 1,312,683

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>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 394,519	\$ 734,395
New capital allocations for the year	28,800	-
Transferred from Town of Newmarket	26,281	-
Transferred from General Reserve	-	75,000
Transferred to Town of Newmarket	(180,800)	(460,320)
Total Capital Budget	\$ 268,800	\$ 349,075
Financing expenditures	(91,449)	(158,910)
Deferred Funds	-	204,354
Balance, end of year	\$ 177,351	\$ 394,519

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>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 2,844,377	\$ 2,799,647
Interest earned	63,060	109,994
Developers contributions	375,358	59,736
Transfer to Operating Fund to finance expenditures	-	(125,000)
Balance, end of year	\$ 3,282,795	\$ 2,844,377

<u>Library Minor Capital Fund</u>	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 53,017	\$ 50,987
Interest earned	1,100	2,030
Balance, end of year	\$ 54,117	\$ 53,017

<u>Library Capital Needs Fund</u>	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 124,295	\$ -
Interest earned	2,645	2,617
Transfer from Reserve (Note 11)	4,044	121,678
Balance, end of year	\$ 130,984	\$ 124,295

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2020

10. OTHER RESERVES

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>Library Fundraising</u>	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 24,419	\$ 13,255
Other contributions	2,369	-
Transfer to Operating Fund	(2,170)	11,164
Balance, end of year	\$ 24,618	\$ 24,419

<u>Strategic Planning</u>	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ -	\$ 1,257
Transfer to Strategic Plan Implementation Reserve	-	(1,257)
Balance, end of year	\$ -	\$ -

<u>Insurance Reserve</u>	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 10,000	\$ 10,000
Balance, end of year	\$ 10,000	\$ 10,000

<u>Strategic Plan Implementation Reserve</u>	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 168,899	\$ 167,642
Other contributions	11,656	-
Transfer from Strategic Planning Reserve	-	1,257
Balance, end of year	\$ 180,555	\$ 168,899

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 Library Board motion 15.11.69. In 2020, the 2019 operating surplus (\$4,044) was transferred to the new Library Reserve Fund for Capital Needs, (2019: surplus of (\$121,678) from 2018), per Town of Newmarket Council motion 9.4.17.

<u>General Reserve</u>	<u>2020</u>	<u>2019</u>
Opening Balance	\$ 404,044	\$ 596,678
Transfer from Operating Fund	173,753	4,044
Transfer to Library Capital Needs Reserve Fund (Note 9)	(4,044)	(121,678)
Transfer to Unexpended Capital Fund	-	(75,000)
Closing Balance	\$ 573,753	\$ 404,044

12. PENSION AGREEMENTS

The Library makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer 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, \$175,693 (2019: \$166,270) was recorded as an operating expense of the Library.

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2020

13. TRANSFER FROM RESERVE

Due to expenditures related to the COVID-19 pandemic the Town of Newmarket received and recognized a total of \$1,819,600 from the Safe Restart grant and transferred the Library's allocation \$54,671 (2019- Nil) directly into the Library's Operating Fund as the fund is unrestricted. In addition, \$2,169 is recognized during the year in relation to the reconciliation of Cinemania Partnership profit sharing transfer.

14. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of 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 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.

TOWN OF NEWMARKET PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2020

15. TANGIBLE CAPITAL ASSETS

2020						
	Library Collection	Furniture	Equipment	Shelving	Computer Hardware	Total
Cost						
Balance, beginning of year	\$1,620,883	\$124,490	\$297,879	\$144,481	\$311,440	\$2,499,173
Add: Additions during the year	120,749	-	67,657	-	31,647	220,053
Less: Disposals during the year	(215,840)	-	-	-	(25,722)	(241,562)
Balance, end of year	1,525,792	124,490	365,536	144,481	317,365	2,477,664
Accumulated amortization						
Balance, beginning of year	932,910	65,514	151,431	126,378	189,066	1,465,299
Add: Amortization during the year	194,231	8,299	39,483	6,340	70,919	319,272
Less: Amortization on Disposals	(215,840)	-	-	-	(25,722)	(241,562)
Balance, end of year	911,301	73,813	190,914	132,718	234,263	1,543,009
Net book value of Tangible Capital Assets	\$614,491	\$50,677	\$174,622	\$11,763	\$83,102	\$934,655
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