

Aurora Public Library Board
Financial Statements
For the year ended December 31, 2019

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Independent Auditor's Report

To the Members of the Aurora Public Library Board:

Qualified Opinion

We have audited the accompanying financial statements of the Aurora Public Library Board (the Entity), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus, changes 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.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations, its change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from fines and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to fines revenue, donations revenue, annual surplus, and cash flows from operations for the years ended December 31, 2019 and 2018, financial assets as at December 31, 2019 and 2018, and accumulated surplus as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Entity 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance 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 for not-for-profit organizations, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Entity'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 Entity'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 Entity 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario
June 17, 2020

Aurora Public Library Board
Statement of Financial Position

December 31	2019	2018
Financial assets		
Cash	\$ 7,392	\$ 5,428
Receivable from the Corporation of the Town of Aurora (note 2)	218,469	2,080,892
Other receivables	18,860	9
	<u>244,721</u>	<u>2,086,329</u>
Liabilities		
Accounts payable and accrued liabilities	312,035	677,255
Employee benefits liabilities (note 4)	82,500	66,200
	<u>394,535</u>	<u>743,455</u>
Net financial assets (debt)	<u>(149,814)</u>	<u>1,342,874</u>
Non-financial assets		
Tangible capital assets (note 5)	3,750,035	2,259,669
Prepaid expenses	280	-
	<u>3,750,315</u>	<u>2,259,669</u>
Accumulated surplus (note 6)	<u>\$ 3,600,501</u>	<u>\$ 3,602,543</u>

On behalf of the Board

_____ Aurora Public Library Board Chair

_____ Chief Executive Officer

Aurora Public Library Board
Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget 2019	2019	2018
	(note 7)		
Revenue			
Town of Aurora funding	\$ 3,943,095	\$ 3,943,095	\$ 3,843,100
Provincial operating grants	45,425	45,422	45,422
Grants and other	-	6,075	6,026
Fines and user fees	68,800	64,223	71,154
Interest and other	24,400	37,811	42,240
	4,081,720	4,096,626	4,007,942
Expenses			
Salaries and employee benefits	3,071,965	2,866,119	2,751,141
Services and rent	232,225	182,032	178,091
Materials and supplies	782,530	600,347	295,217
Amortization	450,170	450,170	460,166
	4,536,890	4,098,668	3,684,615
Annual surplus (deficit)	(455,170)	(2,042)	323,327
Accumulated surplus, beginning of year		3,602,543	3,279,216
Accumulated surplus, end of year		\$ 3,600,501	\$ 3,602,543

Aurora Public Library Board
Statement of Change in Net Financial Assets (Debt)

For the year ended December 31	Budget 2019	2019	2018
	(note 7)		
Annual surplus (deficit)	\$ (455,170)	\$ (2,042)	\$ 323,327
Amortization of tangible capital assets	450,170	450,170	460,166
Acquisition of tangible capital assets	(1,940,536)	(1,940,536)	(1,069,032)
Change in prepaid expenses	(280)	(280)	-
Change in net financial assets (debt)	(1,945,816)	(1,492,688)	(285,539)
Net financial assets, beginning of year	1,342,874	1,342,874	1,628,413
Net financial assets (debt), end of year	\$ (602,942)	\$ (149,814)	\$ 1,342,874

Aurora Public Library Board
Statement of Cash Flows

For the year ended December 31	2019	2018
Operating transactions		
Annual surplus	\$ (2,042)	\$ 323,327
Non-cash charges to operations:		
Amortization	450,170	460,166
Changes in non-cash operating working capital:		
Receivable from the Corporation of the Town of Aurora	1,862,423	(389,687)
Other receivables	(18,851)	2
Accounts payable and accrued liabilities	(365,220)	652,042
Employee benefits liabilities	16,300	15,900
Prepaid expenses	(280)	-
Total Operating Transactions	1,942,500	1,061,750
Capital transactions		
Acquisition of tangible capital assets	(1,940,536)	(1,069,032)
Increase (decrease) in cash	1,964	(7,282)
Cash, beginning of year	5,428	12,710
Cash, end of year	\$ 7,392	\$ 5,428

December 31, 2019

1. Summary of Significant Accounting Policies

Management's Responsibility

The financial statements of the Aurora Public Library Board (the "Board") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. The Board is a registered charity and as such, is exempt from income tax under the Canadian Income Tax Act, and may issue income tax receipts to donors. Its primary role is to provide library services to the general public.

Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting whereby revenue is recognized as it is earned and measurable; and expenses are recognized in the period that goods and services are acquired, a liability is incurred, or transfers are due.

Revenue Recognition

Revenues are recognized as follows:

- a) Municipal contributions are recognized in the period to which the related expenses are incurred.
- b) Development charges, included in municipal contributions, are recognized over the period of services or when required expenses occur if applicable.
- c) Grants
 - Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled.
 - Unconditional grant revenue is recognized when monies are receivable.
- d) Fine and user fee revenue is recognized in the period in which it is collected.
- e) Interest and other income is recognized in the period it is earned.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the employee benefits liabilities, the estimated useful lives of tangible capital assets and valuation of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

Government Transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Tangible Capital Assets

Tangible capital assets are recorded at cost, less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset using the following rates:

Library collection	7 years
Equipment	4 - 10 years
Furniture	10 - 20 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Tangible capital assets under construction are not amortized until such time that they are available to be put into service.

Non-pension Post-employment Benefits, Compensated Absences & Termination Benefits

The Board accrues its obligations under employee benefit plans as the employees render the services necessary to earn employee future benefits. The Board has adopted the following valuation methods and assumptions:

- a) Actuarial cost method:
Accrued benefit obligations are computed using the projected benefit method prorated on service, as defined in PSAB 3250 and PSAB 3255. The objective under this method is to expense each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement. Under this method an equal portion of total estimated future benefit is attributed to each year of service.
- b) Accounting policies:
Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life ("EARSLS") (expected remaining payment period in respect of the retiring allowance) of members expected to receive benefits under the plan, with amortization commencing in the period following the determination of the gain or loss. Obligations are attributed to the period beginning on the member's date of hire and ending on the expected date of termination, death or retirement, depending on the benefit value.

Pension agreements

The Board makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), a multi-employer public sector pension fund, based on the principles of a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees on the basis of predefined retirement age, length of eligible service and rates of remuneration over a fixed period of time.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all participating Ontario employers and their employees. As a result, the Board does not recognize any share of the OMERS pension surplus or deficit. Accordingly, contributions made during the year are expensed.

Aurora Public Library Board
Notes to the Financial Statements

December 31, 2019

2. Receivable from the Corporation of the Town of Aurora

At the end of the year, the amount due from the Corporation of the Town of Aurora ("the Town") is as follows:

	<u>2019</u>	<u>2018</u>
Receivable from the Town	<u>\$ 218,469</u>	<u>\$ 2,080,892</u>

The amount receivable from the Town is non-interest bearing and has no fixed terms of repayment. This balance is short-term in nature, reflecting inter-fund balances. For the most part, this balance represents reserves (except Development Charges), accrued liabilities and payables net of cash balance.

Additionally, the Town provides the facilities, including utilities and maintenance for the Board's operations for \$NIL consideration.

3. Pension Agreements

OMERS provides pension services to almost 500,000 active and retired members and approximately 1,000 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, 2019. The results of this valuation disclosed total actuarial liabilities of \$107,687 million in respect of benefits accrued for service with actuarial assets at that date of \$104,290 million indicating an actuarial deficit of \$3,397 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, the Aurora Public Library (APL) Board does not recognize any share of the OMERS pension surplus or deficit.

Contributions made by the APL Board to OMERS in 2019 ranged from 9.0% to 14.6% depending on the level of earnings. As a result, \$214,046 (2018 - \$194,999) was contributed to OMERS for current year services.

Aurora Public Library Board
Notes to the Financial Statements

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4. Employee Benefits Liabilities

	2019	2018
Post-employment benefits - accrued obligation	\$ 60,400	\$ 53,700
Accrued sick leave	22,100	12,500
	\$ 82,500	\$ 66,200

Post-employment benefits

Post-employment benefits are health and dental benefits that are provided to early retirees and employees currently on long-term disability. The Board recognized these post-employment costs as they are earned during the employee's tenure of service.

	2019	2018
Post-employment benefits accrued obligation, beginning of year	\$ 118,400	\$ 109,800
Add: Benefit expense	15,700	15,200
Interest cost	4,400	4,100
Actuarial Losses	17,988	-
Less: Benefits paid for the period	(11,100)	(10,700)
	145,388	118,400
Unamortized actuarial losses	(62,888)	(52,200)
	\$ 82,500	\$ 66,200

The accrued benefit obligations for the Board's post-employment benefits liability as at December 31, 2019 are based on actuarial valuations for accounting purposes as at December 31, 2019 with projections to December 31, 2022. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are management's best estimates of expected rates of:

	2019	2018
Expected future inflation rates	1.75%	2.00%
Discount on accrued benefit obligations	3.50%	3.40%
Drug costs escalation	6.75%	8.00%
Other health care costs escalation	4.00%	4.00%
Dental costs escalation	3.75%	4.00%

The amount of benefits paid during the year was \$25,432 (2018 - \$15,220).

Aurora Public Library Board
Notes to the Financial Statements

December 31, 2019

5. Tangible Capital Assets

	2019				
	Library Collection	Equipment	Furniture	Assets Under Construction	Total
Cost					
Balance, beginning of year	\$2,943,777	\$ 644,020	\$ 587,818	\$ 792,665	\$ 4,968,280
Add: Additions during the year	276,467	51,688	376,848	1,235,533	1,940,536
Less: Disposals during the year	(367,638)	(17,040)	-	-	(384,678)
Balance, end of year	<u>2,852,606</u>	<u>678,668</u>	<u>964,666</u>	<u>2,028,198</u>	<u>6,524,138</u>
Accumulated amortization					
Balance, beginning of year	1,676,000	558,791	473,822	-	2,708,613
Add: Amortization during the year	362,255	42,885	45,030	-	450,170
Less: Disposals during the year	(367,638)	(17,042)	-	-	(384,680)
Balance, end of year	<u>1,670,617</u>	<u>584,634</u>	<u>518,852</u>	<u>-</u>	<u>2,774,103</u>
Net book value	<u>\$1,181,989</u>	<u>\$ 94,034</u>	<u>\$ 445,814</u>	<u>\$ 2,028,198</u>	<u>\$ 3,750,035</u>

	2018				
	Library Collection	Equipment	Furniture	Assets Under Construction	Total
Cost					
Balance, beginning of year	\$ 3,051,684	\$ 622,405	\$ 741,831	\$ -	\$ 4,415,920
Add: Additions during the year	253,386	22,981	-	792,665	1,069,032
Less: Disposals during the year	(361,292)	(1,366)	(154,012)	-	(516,670)
Balance, end of year	<u>2,943,777</u>	<u>644,020</u>	<u>587,818</u>	<u>792,665</u>	<u>4,968,282</u>
Accumulated amortization					
Balance, beginning of year	1,661,111	512,451	591,555	-	2,765,117
Add: Amortization during the year	376,181	47,706	36,279	-	460,166
Less: Amortization on disposals	(361,292)	(1,366)	(154,012)	-	(516,670)
Balance, end of year	<u>1,676,000</u>	<u>558,791</u>	<u>473,822</u>	<u>-</u>	<u>2,708,613</u>
Net book value	<u>\$ 1,267,777</u>	<u>\$ 85,229</u>	<u>\$ 113,996</u>	<u>\$ 792,665</u>	<u>\$ 2,259,669</u>

Aurora Public Library Board
Notes to the Financial Statements

December 31, 2019

6. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2019	2018
Surpluses		
General revenue	\$ (2,910,775)	\$ (1,021,407)
Invested in tangible capital assets	3,750,035	2,259,669
Increase to Prepaid Expenses	\$ 280	-
Less: employee benefit liabilities	(82,500)	(66,200)
Total surpluses	757,040	1,172,062
Reserves		
General capital reserve	2,799,208	2,393,649
Aurora Public Library Board Donation and Bequest Reserve	44,253	36,832
Total reserves	2,843,461	2,430,481
Accumulated surplus	\$ 3,600,501	\$ 3,602,543

Invested in tangible capital assets

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

General Capital Reserve

The Town Council has approved the setting aside of any of the Board's operating surplus in a year to a general library capital reserve for future capital projects.

Aurora Public Library Board Donation and Bequest Reserve

The Board has approved a reserve named "The Aurora Public Library Board Donation and Bequest Reserve" ("ALB Donation & Bequest") for future specified/significant donations and bequests received to support special programs or initiatives outside of the annual operating budget. Funds are transferred from the reserve for approved expenditures. If such funds are not fully expended in the approval year, they are held as Unexpended Funds.

DC Reserve Fund - Library Service

The Town levies, collects and holds development charges, a component of which is specifically to fund expansion of library services to accommodate growth. Allocations from these funds are approved by the Library Board as part of the annual budget process. Currently, the Town holds \$3,440,215 (2018 - \$3,864,351) of the Library Service related development charges in their segregated development charges accounts. This reserve fund is not reflected in these financial statements.

Aurora Public Library Board
Notes to the Financial Statements

December 31, 2019

7. Budget Reconciliation

The Budget for 2019 adopted by the Board on February 20, 2019 was prepared on a basis not consistent with that used to report actual results (Canadian public sector accounting standards). The budget was prepared on a modified accrual basis, while Canadian public sector accounting standards now require financial statements to be prepared on a full accrual basis. Accordingly, the budget expensed all tangible capital expenditures rather than including an amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the 2019 budget adopted by the Board with adjustments as follows:

	Revenue	Expense	Net
Approved net operating funding from the Town of Aurora	\$ 3,843,095	\$ 3,843,095	\$ -
Budgeted grant, fines and user fees	138,625	138,625	-
Total Board approved budget	\$ 3,981,720	\$ 3,981,720	\$ -
Less: capitalized to TCA from operating accounts	-	(276,467)	276,467
transfers to/from other funds	-	(130,000)	130,000
Plus: 2019 Non-TCA capital projects' costs	-	511,467	(511,467)
DC funding from the Town of Aurora	100,000	-	100,000
amortization expense	-	450,170	(450,170)
Adjusted budget per the statement of operations	\$ 4,081,720	\$ 4,536,890	\$ (455,170)

8. Subsequent Events

In March, 2020 the Aurora Public Library along with the rest of the world found itself subject to the COVID-19 pandemic. The magnitude of the impact of COVID-19 on the library is not yet clear, but the existing social distancing measures and economic shut-down impacts have already had material impacts on the library's short-term financial position. Those impacts principally being the closure of its facility to the public resulting in lost revenues and a requirement to place the majority of staff on declared emergency leave. Consequently, an overall net savings is anticipated in the short-term with a return to a new normal over the longer term.