

Aurora Public Library Board
Financial Statements
For the year ended December 31, 2021

Aurora Public Library Board
Financial Statements
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	Contents
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus	4
Statement of Change in Net Financial Assets (Debt)	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

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 "Board"), which comprise the statement of financial position as at December 31, 2021, 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 Board as at December 31, 2021, 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 Board 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, 2021 and 2020, financial assets as at December 31, 2021 and 2020, and accumulated surplus as at January 1 and December 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended December 31, 2020 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board'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 Board'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 Board'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 30, 2022

Aurora Public Library Board

Statement of Financial Position

December 31	2021	2020
Financial assets		
Cash	\$ 20,532	\$ 23,349
Receivable from the Corporation of the Town of Aurora (note 2)	466,064	39,140
Other receivables	-	19,081
	<u>486,596</u>	<u>81,570</u>
Liabilities		
Accounts payable and accrued liabilities	166,205	136,707
Employee benefits liabilities (note 4)	108,848	92,528
	<u>275,053</u>	<u>229,235</u>
Net financial assets (debt)	<u>211,543</u>	<u>(147,665)</u>
Non-financial assets		
Tangible capital assets (note 5)	3,331,166	3,572,057
Prepaid expenses	5,975	5,975
	<u>3,337,141</u>	<u>3,578,032</u>
Accumulated surplus (note 6)	<u>\$ 3,548,684</u>	<u>\$ 3,430,367</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 2021 (note 7)	2021	2020
Revenue			
Town of Aurora funding	\$ 3,896,100	\$ 3,896,100	\$ 3,245,298
Provincial operating grants	45,425	45,422	45,422
Fines and user fees	3,880	3,267	12,677
Interest and other	5,100	31,817	14,171
	<u>3,950,505</u>	<u>3,976,606</u>	<u>3,317,568</u>
Expenses			
Salaries and employee benefits	3,007,505	2,693,155	2,460,870
Services and rent	241,000	237,843	243,565
Materials and supplies	324,884	382,241	277,713
Amortization	545,050	545,050	505,554
	<u>4,118,439</u>	<u>3,858,289</u>	<u>3,487,702</u>
Annual surplus (deficit)	<u>(167,934)</u>	<u>118,317</u>	<u>(170,134)</u>
Accumulated surplus, beginning of year		<u>3,430,367</u>	<u>3,600,501</u>
Accumulated surplus, end of year		<u>\$ 3,548,684</u>	<u>\$ 3,430,367</u>

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

For the year ended December 31	Budget 2021	2021	2020
	(note 7)		
Annual surplus (deficit)	\$ (167,934)	\$ 118,317	\$ (170,134)
Amortization of tangible capital assets	545,050	545,050	505,554
Acquisition of tangible capital assets	(304,159)	(304,159)	(327,576)
Change in prepaid expenses	-	-	(5,695)
Change in net financial assets (debt)	72,957	359,208	2,149
Net financial assets (debt), beginning of year	(147,665)	(147,665)	(149,814)
Net financial assets (debt), end of year	\$ (74,708)	\$ 211,543	\$ (147,665)

Aurora Public Library Board

Statement of Cash Flows

For the year ended December 31	2021	2020
Operating transactions		
Annual surplus	\$ 118,317	\$ (170,134)
Non-cash charges to operations:		
Amortization	545,050	505,554
Changes in non-cash operating working capital:		
Receivable from the Corporation of the Town of Aurora	(426,924)	179,329
Other receivables	19,081	(221)
Accounts payable and accrued liabilities	29,498	(175,328)
Employee benefits liabilities	16,320	10,028
Prepaid expenses	-	(5,695)
Total Operating Transactions	301,342	343,533
Capital transactions		
Acquisition of tangible capital assets	(304,159)	(327,576)
Increase (Decrease) in cash	(2,817)	15,957
Cash, beginning of year	23,349	7,392
Cash, end of year	\$ 20,532	\$ 23,349

December 31, 2021

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) 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.
- b) Fine and user fee revenue is recognized in the period in which it is collected.
- c) 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.

Aurora Public Library Board

Notes to the Financial Statements

December 31, 2021

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, 2021

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:

	2021	2020
Receivable from the Town	<u>\$ 466,064</u>	<u>\$ 39,140</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.

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, 2021. The results of this valuation disclosed total actuarial liabilities of \$120,796 million in respect of benefits accrued for service with actuarial assets at that date of \$117,665 million indicating an actuarial deficit of \$3,131 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 2021 ranged from 9.0% to 14.6% depending on the level of earnings. As a result, \$212,308 (2020 - \$191,359) was contributed to OMERS for current year services.

Aurora Public Library Board
Notes to the Financial Statements

December 31, 2021

4. Employee Benefits Liabilities

	<u>2021</u>	<u>2020</u>
Post-employment benefits - accrued obligation	\$ 59,473	\$ 57,290
Accrued sick leave	49,375	35,238
	<u>\$ 108,848</u>	<u>\$ 92,528</u>

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.

	<u>2021</u>	<u>2020</u>
Post-employment benefits accrued obligation, beginning of year	\$ 146,870	\$ 145,388
Add: Benefit expense	21,964	20,805
Interest cost	5,186	5,027
Less: Benefits paid for the period	<u>(19,376)</u>	<u>(24,350)</u>
Post-employment benefits accrued obligation, end of year	<u>154,644</u>	<u>146,870</u>
Unamortized actuarial losses	<u>(45,796)</u>	<u>(54,342)</u>
Post-employment benefits - accrued benefit liabilities	<u>\$ 108,848</u>	<u>\$ 92,528</u>

The accrued benefit obligations for the Board's post-employment benefits liability as at December 31, 2021 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:

	<u>2021</u>	<u>2020</u>
Expected future inflation rates	1.75%	1.75%
Discount on accrued benefit obligations	3.50%	3.50%
Drug costs escalation	6.75%	6.75%
Other health care costs escalation	6.75%	6.75%
Dental costs escalation	3.75%	3.75%

The amount of benefits paid during the year was \$11,029 (2020 - \$11,031).

Aurora Public Library Board
Notes to the Financial Statements

December 31, 2021

5. Tangible Capital Assets

	2021					
	Library Collection	Equipment	Furniture	Leasehold Improve- ments	Assets Under Construction	Total
Cost						
Balance, beginning of year	\$2,719,138	\$ 733,208	\$ 964,666	\$2,077,521	\$ -	\$6,494,533
Add: Additions during the year	247,116	50,315	6,728	-	-	304,159
Add: Donations and Transfers	-	-	-	-	-	-
Less: Disposals during the year	(367,635)	-	-	-	-	(367,635)
Balance, end of year	<u>2,598,619</u>	<u>783,523</u>	<u>971,394</u>	<u>2,077,521</u>	<u>-</u>	<u>6,431,057</u>
Accumulated amortization						
Balance, beginning of year	1,659,646	620,836	584,285	57,709	-	2,922,476
Add: Amortization during the year	328,369	35,494	65,769	115,418	-	545,050
Less: Disposals during the year	(367,635)	-	-	-	-	(367,635)
Balance, end of year	<u>1,620,380</u>	<u>656,330</u>	<u>650,054</u>	<u>173,127</u>	<u>-</u>	<u>3,099,891</u>
Net book value	<u>\$ 978,239</u>	<u>\$ 127,193</u>	<u>\$ 321,340</u>	<u>\$1,904,394</u>	<u>\$ -</u>	<u>\$3,331,166</u>

Aurora Public Library Board
Notes to the Financial Statements

December 31, 2021

5. Tangible Capital Assets Continued

	Library Collection	Equipment	Furniture	2020 Leasehold Improve- ments	Assets Under Construction	Total
Cost						
Balance, beginning of year	\$ 2,852,606	\$ 678,668	\$ 964,666	\$ -	\$ 2,028,198	\$ 6,524,138
Add: Additions during the year	223,713	54,540	-	49,323	-	327,576
Add: Donations and Transfers	-	-	-	2,028,198	(2,028,198)	-
Less: Disposals during the year	(357,181)	-	-	-	-	(357,181)
Balance, end of year	2,719,138	733,208	964,666	2,077,521	-	6,494,533
Accumulated amortization						
Balance, beginning of year	1,670,617	584,634	518,852	-	-	2,774,103
Add: Amortization during the year	346,210	36,202	65,433	57,709	-	505,554
Less: Amortization on disposals	(357,181)	-	-	-	-	(357,181)
Balance, end of year	1,659,646	620,836	584,285	57,709	-	2,922,476
Net book value	\$ 1,059,492	\$ 112,372	\$ 380,381	\$ 2,019,812	\$ -	\$ 3,572,057

Aurora Public Library Board
Notes to the Financial Statements

December 31, 2021

6. Accumulated Surplus

Accumulated surplus is comprised of the following:

	<u>2021</u>	<u>2020</u>
Surpluses		
General revenue	\$ (261,075)	\$ (503,781)
Invested in tangible capital assets	3,331,166	3,572,057
Less: employee benefit liabilities	<u>(108,848)</u>	<u>(92,528)</u>
Total surpluses	<u>2,961,243</u>	<u>2,975,748</u>
Reserves		
General capital reserve	542,316	409,711
Aurora Public Library Board Donation and Bequest Reserve	<u>45,125</u>	<u>44,908</u>
Total reserves	<u>587,441</u>	<u>454,619</u>
Accumulated surplus	<u><u>\$ 3,548,684</u></u>	<u><u>\$ 3,430,367</u></u>

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 any of the Board's operating surplus in a year to be returned to the Town of Aurora.

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 \$1,192,847 (2020 - \$3,382,725) 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, 2021

7. Budget Reconciliation

The Budget for 2021 adopted by the Board on November 12, 2020 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 2021 budget adopted by the Board with adjustments as follows:

	Revenue	Expense	Net
Approved net operating funding from the Town of Aurora	\$ 3,896,100	\$ 3,896,100	\$ -
Budgeted grant, fines and user fees	54,405	54,405	-
Total Board approved budget	\$ 3,950,505	\$ 3,950,505	\$ -
Less: capitalized to TCA from operating accounts	-	(247,116)	247,116
transfers to/from other funds	-	(130,000)	130,000
amortization expense	-	545,050	(545,050)
Adjusted budget per the statement of operations	\$ 3,950,505	\$ 4,118,439	\$ (167,934)

8. Uncertainty due to COVID-19

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. The Aurora Public Library's recognized COVID-19 net operating savings were returned to the Town in support of its pressures arising due to the pandemic.