

**Grey Highlands Public Library Board**  
**Financial Statements**  
**For the year ended December 31, 2019**

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**Grey Highlands Public Library Board**

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## Independent Auditor's Report

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To the Members of Council, Inhabitants and Ratepayers  
of the Grey Highlands Public Library Board

### Qualified Opinion

We have audited the financial statements of Grey Highlands Public Library (the board), 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 board as at December 31, 2019, and its results of operations 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 municipal board operations, the board derives revenue from donations, fines and other services, 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 board. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019, and net financial assets 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 board 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, 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 board 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.

Orangeville, Ontario  
July 15, 2020

## Grey Highlands Public Library Board Statement of Financial Position

December 31	2019	2018
<b>Financial assets</b>		
Cash	\$ 230	\$ 230
Due from the Municipality of Grey Highlands (Note 6)	121,689	88,234
Inventory held for resale	1,102	1,102
	<hr/>	<hr/>
<b>Net financial assets</b>	123,021	89,566
<b>Non-financial assets</b>		
Tangible capital assets (Note 1)	120,323	122,364
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<b>Accumulated surplus (Note 2)</b>	\$ 243,344	\$ 211,930
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## Grey Highlands Public Library Board Statement of Operations and Accumulated Surplus

For the year ended December 31	2019 Budget (Note 4)	2019 Actual	2018 Actual
<b>Revenue</b>			
Municipal contributions - municipality (Note 6)	\$ 363,822	\$ 370,622	\$ 288,522
- other municipalities	36,081	36,153	34,906
Federal grants (Note 5)	3,500	1,960	1,680
Provincial grants (Note 5)	75,117	74,717	137,731
Fines and services	12,743	18,560	14,868
Donations	14,530	14,000	12,675
Programs	1,500	2,155	3,678
	<b>507,293</b>	<b>518,167</b>	<b>494,060</b>
<b>Expenses</b>			
Advertising	3,000	1,361	3,268
Amortization	31,224	31,224	30,797
Insurance	3,466	3,215	2,931
Education and training	4,420	2,171	1,986
Library service contract	5,000	5,000	5,000
Materials, miscellaneous and supplies	7,355	5,726	5,595
Program expenses	76,350	16,704	10,745
Repairs and maintenance	22,810	21,505	21,211
Rent	4,500	4,500	4,500
Salaries and benefits	331,992	373,611	413,579
Utilities and telephone	20,400	21,736	21,048
	<b>510,517</b>	<b>486,753</b>	<b>520,660</b>
<b>Annual surplus (deficit) (Note 4)</b>	<b>(3,224)</b>	<b>31,414</b>	<b>(26,600)</b>
<b>Accumulated surplus, beginning of year</b>	<b>211,930</b>	<b>211,930</b>	<b>238,530</b>
<b>Accumulated surplus, end of year (Note 2)</b>	<b>\$ 208,706</b>	<b>\$ 243,344</b>	<b>\$ 211,930</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

## Grey Highlands Public Library Board Statement of Changes in Net Financial Assets

<b>For the year ended December 31</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
	Budget (Note 4)	Actual	Actual
<b>Annual deficit (Page 6)</b>	\$ (3,224)	\$ 31,414	\$ (26,600)
Acquisition of tangible capital assets	(32,500)	(29,183)	(30,684)
Amortization	31,224	31,224	30,797
	(1,276)	2,041	113
<b>Increase (decrease) in net financial assets</b>	(4,500)	33,455	(26,487)
<b>Net financial assets, beginning of the year</b>	89,566	89,566	116,053
<b>Net financial assets, end of the year</b>	\$ 85,066	\$ 123,021	\$ 89,566

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# **Grey Highlands Public Library Board** **Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2019</b>	<b>2018</b>
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**Cash provided by (used in)**

**Operating activities**

Annual surplus (deficit)	\$ 31,414	\$ (26,600)
Items not involving cash		
Amortization of tangible capital assets	31,224	30,797

	62,638	4,197
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Changes in non-cash working capital balances		
Due from the Municipality of Grey Highlands	(33,455)	26,487

	29,183	30,684
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**Capital transactions**

Cash used to acquire tangible capital assets	(29,183)	(30,684)
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**Net change in cash and cash equivalents**

	-	-
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**Cash and cash equivalents, beginning of year**

	230	230
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**Cash and cash equivalents, end of year**

	\$ 230	\$ 230
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## Grey Highlands Public Library Board Summary of Significant Accounting Policies

**December 31, 2019**

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### **Management Responsibility**

The management of the Grey Highlands Public Library Board has prepared and is responsible for the integrity, objectivity and accuracy of the financial information presented in these financial statements. The Board reviews and approves the financial statements.

### **Basis of Accounting**

The financial statements of the Grey Highlands Public Library Board have been prepared in accordance with Canadian Public sector accounting standards as established by the Public Sector Accounting Board.

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.

### **Use of Estimates**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates 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. Estimates are used when accounting for items such as amortization. By their nature, these estimates are subject to measurement uncertainty and actual results could differ from management's best estimates as additional information becomes available in the future.

### **Revenue Recognition**

Fines and services, development charges, and donations are recognized when collected.

### **Deferred Revenue**

Revenue restricted by legislation, regulation or agreement and not available for general purposes is reported as deferred revenue on the statement of financial position. The revenue is reported on the statement of operations in the year in which it is used for the specified purpose.

### **Inventory Held for Resale**

Inventory of goods held for resale is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.

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## Grey Highlands Public Library Board Summary of Significant Accounting Policies

December 31, 2019

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### Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Costs include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided over the estimated useful life of the assets, using the straight-line method. The useful life of the assets is based on estimates made by Council. The following rates are used:

Books	7 years
Equipment	3 to 10 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

### Financial Instruments

The board classifies all of its financial instruments at amortized cost. The maximum exposure to credit risk is the carrying value of the financial instruments. Financial instruments include due from the Municipality of Grey Highlands. It is initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument. Writedowns of financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net realizable value with the writedown being recognized in the statement of operations.

### Government Transfers

Government transfers are recognized as revenue in the financial statements 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 operations and accumulated surplus as the stipulations liabilities are settled.

## Grey Highlands Public Library Board Notes to Financial Statements

**December 31, 2019**

### 1. Tangible Capital Assets

	2019		
	Books	Equipment	Total
Cost, beginning of year	\$ 194,558	\$ 76,210	\$ 270,768
Additions	29,183	-	29,183
Disposals	(27,090)	-	(27,090)
Cost, end of year	196,651	76,210	272,861
Accumulated amortization, beginning of year	82,413	65,991	148,404
Amortization	27,819	3,405	31,224
Disposals	(27,090)	-	(27,090)
Accumulated amortization, end of year	83,142	69,396	152,538
Net carrying amount, end of year	\$ 113,509	\$ 6,814	\$ 120,323

  

	2018		
	Books	Equipment	Total
Cost, beginning of year	\$ 191,490	\$ 76,210	\$ 267,700
Additions	30,684	-	30,684
Disposals	(27,616)	-	(27,616)
Cost, end of year	194,558	76,210	270,768
Accumulated amortization, beginning of year	82,637	62,586	145,223
Amortization	27,392	3,405	30,797
Disposals	(27,616)	-	(27,616)
Accumulated amortization, end of year	82,413	65,991	148,404
Net carrying amount, end of year	\$ 112,145	\$ 10,219	\$ 122,364

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## Grey Highlands Public Library Board Notes to Financial Statements

**December 31, 2019**

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### 2. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2019	2018
Invested in tangible capital assets		
Tangible capital assets at cost less amortization	\$ 120,323	\$ 122,364
Current purpose reserves	123,021	89,566
Accumulated surplus	<u>\$ 243,344</u>	<u>\$ 211,930</u>

During the current year, the operating surplus of \$33,455 (2018 - deficit of \$26,987) was transferred to/from the reserves, as approved by Council.

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### 3. Financial Instrument Risk Management

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The board is exposed to credit risk arising from its amounts due from the Municipality of Grey Highlands.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure risks.

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## Grey Highlands Public Library Board Notes to Financial Statements

**December 31, 2019**

### 4. Budget

Under Canadian Public sector accounting standards, budget amounts are to be reported on the consolidated statement of operations and accumulated surplus and changes in net financial assets for comparative purposes. The 2019 budget amounts for Grey Highlands Public Library Board approved by Council have been restated to conform to the presentation of the consolidated statement of operations and changes in net financial assets. The following is a reconciliation of the budget approved by Council.

	2019 Budget	2019 Actual	2018 Actual
Annual surplus (deficit) (Page 6)	\$ (3,224)	\$ 31,414	\$ (26,600)
Amortization	31,224	31,224	30,797
	28,000	62,638	4,197
Net transfers from/(to) reserves	4,500	(33,455)	26,487
Capital acquisitions and disposals	(32,500)	(29,183)	(30,684)
General surplus (Note 2)	\$ -	\$ -	\$ -

## Grey Highlands Public Library Board Notes to Financial Statements

**December 31, 2019**

### 5. Grants

Grants reported in the statement of operations came from the following sources:

	2019 Budget	2019 Actual	2018 Actual
<b>Provincial</b>			
Ministry of Tourism, Culture and Sport			
- Public Library Operating Grant	\$ 21,117	\$ 21,517	\$ 21,517
Service Ontario	-	-	942
Ontario Trillium Foundation	50,000	50,200	106,295
Library Digital Services	-	-	5,319
Ontario Library Association	4,000	3,000	3,658
	<u>75,117</u>	<u>74,717</u>	<u>137,731</u>
<b>Federal</b>			
Service Canada - Summer Students	3,500	1,960	1,680
<b>Total grants</b>	<u>\$ 78,617</u>	<u>\$ 76,677</u>	<u>\$ 139,411</u>

In the prior year, expenses relating to one-time grants, including Ontario Trillium Foundation, Cultural Development Fund, Library Digital Services and Ontario Libraries Capacity Fund are included in program expenses and salaries and benefits located on the Statement of Operations and Accumulated Surplus.

# Grey Highlands Public Library Board

## Notes to Financial Statements

December 31, 2019

### 6. Related Party Transactions

The following table summarizes the board's related party transactions:

	2019	2018
Revenue		
Contributions from the controlling municipality	\$ 353,822	\$ 288,522
Contributions from the controlling municipality's reserve funds	16,800	-
	<u>\$ 370,622</u>	<u>\$ 288,522</u>

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent.

At the end of the year, amounts due from the related party is as follows:

	2019	2018
Municipality of Grey Highlands	<u>\$ 121,689</u>	<u>\$ 88,234</u>

The amounts due from the related party are non-interest bearing with no specific terms of repayment.

### 7. Subsequent Events

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. As the situation evolves, there could be further impact on local municipalities, and consequently the Grey Highlands Public Library Board. At this time, the full potential impact is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time.