

Financial Statements of

**THE CORPORATION OF THE  
TOWN OF COBOURG  
PUBLIC LIBRARY BOARD**

Year ended December 31, 2020

DRAFT

# THE CORPORATION OF THE TOWN OF COBOURG PUBLIC LIBRARY BOARD

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Year ended December 31, 2020

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## INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the Corporation of the Town of Cobourg Public Library Board

### ***Qualified Opinion***

We have audited the financial statements of the Corporation of the Town of Cobourg Public Library Board (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, except for the effects of the matters described in the "***Basis for Qualified Opinion***" section of our auditors' report, the financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, its changes 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 charitable organizations, the Entity derives revenue from donations and fees, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our 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:

- the financial assets reported in the statements of financial position as at December 31, 2020 and December 31, 2019
- the donations revenue and excess (deficiency) of revenue over expenses reported in the statements of operations and accumulated surplus for the years ended December 31, 2020 and December 31, 2019
- the net financial assets, at the beginning and end of the year, reported in the statements of changes in net financial assets for the years ended December 31, 2020 and December 31, 2019
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended December 31, 2020 and December 31, 2019

Our opinion on the financial statements for the year ended and December 31, 2019 was qualified 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 “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ 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 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 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.

### ***Auditors’ 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 auditors’ 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 the 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 auditors' 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 auditors' 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.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

(date)

# THE CORPORATION OF THE TOWN OF COBOURG PUBLIC LIBRARY BOARD

## Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash	\$ 341,324	\$ 265,925
Investments (note 4)	87,680	86,138
Accounts receivable	10,626	12,819
	439,630	364,882
Financial liabilities:		
Accounts payable and accrued liabilities	67,200	70,479
Deferred revenue (note 2)	229,200	224,893
	296,400	295,372
Net financial assets	143,230	69,510
Non-financial assets:		
Tangible capital assets (note 8)	280,358	303,177
Prepaid expenses	—	13,822
	280,358	316,999
Accumulated surplus (note 7)	\$ 423,588	\$ 386,509

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

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Director

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Director

# THE CORPORATION OF THE TOWN OF COBOURG PUBLIC LIBRARY BOARD

## Statement of Operations and Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget (note 6)	2020 Actual	2019 Actual
Revenue:			
Municipal contribution - operations	\$ 899,700	\$ 899,700	\$ 871,505
Library board contract receipts - Hamilton Township	320,100	325,359	312,564
Donations	—	938	30,689
Fees	46,200	4,831	37,023
Special grants	—	12,030	24,060
Province of Ontario subsidy	27,939	27,939	27,939
Other	6,250	6,687	6,723
Pay assistance grant	3,061	3,061	3,061
Investment income	1,000	1,541	1,184
	1,304,250	1,282,086	1,314,748
Expenses:			
Current:			
Salaries and benefits	1,024,360	961,064	1,019,550
Operations	170,100	138,452	182,283
Building	109,790	95,757	87,774
	1,304,250	1,195,273	1,289,607
Excess of revenue over expenses before the undernoted items	—	86,813	25,141
Other revenue:			
Grants and transfers related to capital: Developmental charges - Corporation of the Town of Cobourg	—	47,000	39,000
Amortization of tangible capital assets	—	(96,734)	(103,391)
Excess (deficiency) of revenue over expenses	—	37,079	(39,250)
Accumulated surplus, beginning of year		386,509	425,759
Accumulated surplus, end of year (note 7)		\$ 423,588	\$ 386,509

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

# THE CORPORATION OF THE TOWN OF COBOURG PUBLIC LIBRARY BOARD

## Statement of Change in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Excess (deficiency) of revenue over expenses	\$ 37,079	\$ (39,250)
Acquisition of tangible capital assets	(73,915)	(65,334)
Amortization of tangible capital assets	96,734	103,391
Use of prepaid expenses	13,822	20,134
Change in net financial assets	73,720	18,941
Net financial assets, beginning of year	69,510	50,569
Net financial assets, end of year	\$ 143,230	\$ 69,510

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

# THE CORPORATION OF THE TOWN OF COBOURG PUBLIC LIBRARY BOARD

## Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used for):		
Operating expenses:		
Excess (deficiency) of revenue over expenses	\$ 37,079	\$ (39,250)
Items which do not involve cash:		
Amortization of tangible capital assets	96,734	103,391
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	2,193	(5,971)
Decrease in prepaid expenses	13,822	20,134
Increase (decrease) in accounts payable and accrued liabilities	(3,279)	22,801
Increase in deferred revenue	4,307	15,927
	150,856	117,032
Investing activities:		
Increase in investments	(1,542)	(41,739)
Capital activities:		
Additions to tangible capital assets	(73,915)	(65,334)
Increase in cash	75,399	9,959
Cash, beginning of year	265,925	255,966
Cash, end of year	\$ 341,324	\$ 265,925

See accompanying notes to financial statements.

# THE CORPORATION OF THE TOWN OF COBOURG PUBLIC LIBRARY BOARD

## Notes to Financial Statements

Year ended December 31, 2020

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The Corporation of the Town of Cobourg Public Library Board (the "Library Board") was established to provide a library facility for inhabitants of the Town of Cobourg.

### 1. Significant accounting policies:

The financial statements of the Library Board are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Board are as follows:

(a) Reporting entity:

These statements reflect the assets, liabilities, revenue and expenses of the Library Board and include current, capital and reserve activities.

(b) Investments:

Investments are recorded at cost plus accrued interest. If the market value of investments becomes lower than cost and this decline is considered to be other than temporary, the investments are written down to market value.

(c) Deferred revenue:

Deferred revenue represents grants and other user fees which have been collected, but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed or related expenses are incurred.

(d) 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 revenue and expenses during the period. Actual results could differ from those estimates.

(e) Basis of accounting:

Revenue and expenses are recorded on an accrual basis. Revenue is recognized as it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

# THE CORPORATION OF THE TOWN OF COBOURG PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 1. Significant accounting policies (continued):

### (f) 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.

### (i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the 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:

Asset	Useful Life
Books and multimedia	7 years
Furniture and fixtures	10 years
Computer equipment	3 years

When conditions indicate that a tangible capital asset no longer contributes to the Library Board's ability to provide services or the value of the future economic benefits associated with the tangible capital assets are less than its net book value, and the decline is expected to be permanent, the cost and accumulated amortization of the assets are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustments would be reported as an expense on the Statement of Operations and Accumulated Surplus; however, no adjustments were recorded in the current year.

### (ii) Works of art and historical treasures:

The Library Board manages and controls various works of art and non-operational historical cultural assets including artifacts and unique documents located at the archive area. The assets are not recorded as tangible capital assets and are not amortized.

# THE CORPORATION OF THE TOWN OF COBOURG PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 2. Deferred revenue:

Deferred revenue reported in the Statement of Financial Position relates to funding received that is related to a subsequent period. Changes in the deferred revenue balance reported in the Statement of Operations and Accumulated Surplus are as follows:

	2020	2019
Balance, beginning of year	\$ 224,893	\$ 208,966
Add amounts related to the following year	229,300	220,000
Less amounts recognized as revenue in the year	(224,993)	(204,073)
	\$ 229,200	\$ 224,893

## 3. Pension agreements:

The Library Board makes contributions to the Ontario Municipal Employees Retirement System Pension Fund ("OMERS"), which is a multi-employer plan, on behalf of its employees. As a result, the Library Board does not recognize any share of the OMERS pension surplus or deficit. The last available report was at December 31, 2020 at that time, the plan reported a \$4.3 billion actuarial deficit (2019 - \$3.4 billion).

The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan.

In 2020, the contributions made by the Library Board were \$67,821 (2019 - \$66,351) and are included on the Statement of Operations and Accumulated Surplus.

## 4. Investments:

	2020		2019	
	Cost	Market Value	Cost	Market Value
Guaranteed investment certificates	\$ 40,979	\$ 41,780	\$ 39,754	\$ 41,122
Foreign equities	46,701	51,268	46,384	49,144
	\$ 87,680	\$ 93,048	\$ 86,138	\$ 90,266

# THE CORPORATION OF THE TOWN OF COBOURG PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 4. Investments (continued):

The fixed income securities yield interest of 1.25% and matured February 16, 2021. The maturities were subsequently reinvested.

## 5. Reserves:

The Library Materials Collection Reserve was created to fund purchases of books, CD-ROMs and videos for the Library Board.

The Contingency Reserve was created from unspent donations and fundraising revenue to fund future purchases as approved by the Board of Directors.

## 6. Budget figures:

The approved current fund budget for 2020 is reflected on the Statement of Operations and Accumulated Surplus. Amortization of tangible capital assets was not contemplated on development of the budget and, as such, has not been included.

## 7. Accumulated surplus:

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

	2020	2019
Surplus		
Invested in tangible capital assets	\$ 280,358	\$ 303,177
Other - operating and capital deficit	(30,032)	(54,416)
	250,326	248,761
Reserves set aside by the Board:		
Library Materials Collection Reserve	86,111	25,689
Contingency Reserve	87,151	112,059
	173,262	137,748
	\$ 423,588	\$ 386,509

# THE CORPORATION OF THE TOWN OF COBOURG PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

## 8. Tangible capital assets:

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Books and multimedia	\$ 684,122	\$ 58,490	\$ (116,077)	\$ 626,535
Furniture and fixtures	80,966	1,870	—	82,836
Computer equipment	35,804	13,555	(7,906)	41,453
	\$ 800,892	\$ 73,915	\$ (123,983)	\$ 750,824

Accumulated amortization	Balance at December 31, 2019	Amortization	Disposals	Balance at December 31, 2020
Books and multimedia	\$ 440,875	\$ 77,236	\$ (116,077)	\$ 402,034
Furniture and fixtures	32,794	7,701	—	40,495
Computer equipment	24,046	11,797	(7,906)	27,937
	\$ 497,715	\$ 96,734	\$ (123,983)	\$ 470,466

	Net book value 2020	Net book value 2019
Books and multimedia	\$ 224,501	\$ 243,247
Furniture and fixtures	42,341	48,172
Computer equipment	13,516	11,758
	\$ 280,358	\$ 303,177

# THE CORPORATION OF THE TOWN OF COBOURG PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2020

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## 9. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Library Board has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Temporary closure to the public of Library sites, with limited reopening of certain branches and reduced operating hours based on public health recommendation;
- Working from home where feasible for administration staff;
- Provision of access to online collections, programs and services, and curbside pickup services where possible during the closure of its physical buildings; and
- Experienced decreases in revenues from donations and fees, and experienced cost containment of operations and building expenses, given temporary closures of facilities.

The Library Board continues to respond to the pandemic and plans for continued operations and financial impacts during the fiscal 2021 year and beyond.

Management has assessed the impact of COVID-19 and believes there are no significant financial issues that compromise its ongoing operations. The outcome and timing to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its effect on future operations at this time.