
Financial statements of
Burlington Public Library Board

December 31, 2020

Draft

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Independent Auditor's Report

To the Members of Burlington Public
Library Board and Members of Council
of the Corporation of the City of Burlington

Opinion

We have audited the financial statements of Burlington Public Library Board (the "Board"), 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 Board as at December 31, 2020, and the results of its operations 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 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 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 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 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 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.

Chartered Professional Accountants
Licensed Public Accountants
[DATE]

Burlington Public Library Board
Statement of operations
Year ended December 31, 2020

	2020 Budget	2020 Actual	2019 Actual
	\$	\$	\$
	(Note 7)		
Revenue			
Municipal contribution	11,640,867	11,640,867	11,499,424
Province of Ontario grants	229,403	229,403	229,403
Fines	88,478	21,235	90,150
Photocopier and printer	37,936	16,454	47,482
Sundry	101,429	37,235	113,999
Grants and donations	—	12,914	53,818
Interest earned in reserves	—	51,513	50,841
	12,098,113	12,009,621	12,085,117
Expenses			
Employment costs	8,853,540	7,926,722	8,663,702
Amortization	1,393,870	1,393,870	1,437,453
Library materials and processing	537,026	714,396	548,755
Operating costs	430,630	300,468	355,517
Building costs	822,454	827,776	805,181
Automated systems	386,969	384,011	395,376
	12,424,489	11,547,243	12,205,984
Annual (deficit) surplus	(326,376)	462,378	(120,867)
Accumulated surplus, beginning of year	8,503,124	8,503,124	8,623,991
Accumulated surplus, end of year	8,176,748	8,965,502	8,503,124

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Burlington Public Library Board
Statement of change in net financial assets
Year ended December 31, 2020

	Notes	2020 Budget \$	2020 Actual \$	2019 Actual \$
Annual (deficit) surplus		(326,376)	462,378	(120,867)
Acquisition of tangible capital assets	9	(607,974)	(1,052,711)	(1,459,180)
Amortization of tangible capital assets	9	1,393,870	1,393,870	1,437,453
		785,896	341,159	(21,727)
Acquisition of prepaid expenses		—	(432,089)	(380,184)
Use of prepaid expenses		—	380,184	353,630
		—	(51,905)	(26,554)
Change in net financial assets		459,520	751,632	(169,148)
Net financial assets, beginning of the year		2,405,833	2,405,833	2,574,981
Net financial assets, end of the year		2,865,353	3,157,465	2,405,833

The accompanying notes are an integral part of the financial statements

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Burlington Public Library Board
Statement of financial position
As at December 31, 2020

	Notes	2020 \$	2019 \$
Assets			
Cash		942,406	25,931
Accounts receivable		164,693	143,913
Due from City of Burlington		3,026,089	2,628,828
		4,133,188	2,798,672
Liabilities			
Accounts payable and accrued liabilities		919,331	350,323
Deferred revenue	4	56,392	42,516
		975,723	392,839
Net financial assets		3,157,465	2,405,833
Commitments	6		
Non-financial assets			
Prepaid expenses		432,089	380,184
Tangible capital assets	9	5,375,948	5,717,107
		5,808,037	6,097,291
Accumulated surplus	10	8,965,502	8,503,124

The accompanying notes are an integral part of the financial statements

On behalf of the Board

_____, Board Chair

_____, Management

Burlington Public Library Board
Statement of cash flows
Year ended December 31, 2020

	Notes	2020 \$	2019 \$
Operating transactions			
Annual surplus (deficit)		462,378	(120,867)
Items not involving cash			
Amortization	9	1,393,870	1,437,453
Change in non-cash working capital balances			
(Increase) decrease in accounts receivable		(20,780)	94,725
Increase in due from City of Burlington		(397,261)	(34,146)
Increase in prepaid expenses		(51,905)	(26,554)
Increase (decrease) in accounts payable and accrued liabilities		569,008	(174,774)
Increase (decrease) in deferred revenue	4	13,876	(7,887)
		1,969,186	1,167,950
Capital transaction			
Acquisition of tangible capital assets	9	(1,052,711)	(1,459,180)
Net change in cash		916,475	(291,230)
Cash, beginning of year		25,931	317,161
Cash, end of year		942,406	25,931

The accompanying notes are an integral part of the financial statements

1. Summary of significant accounting policies

Basis of accounting

The financial statements of the Burlington Public Library Board (the "Board") are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Revenue recognition

Revenues are reported on the accrual basis of accounting which recognizes revenues as they become available and measurable. Expenses are reported on the accrual basis of accounting which recognizes expenses as they are incurred and measurable as a result of a receipt of goods or services and the creation of a legal obligation to pay.

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 the asset. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Office furniture and equipment	15 years
Library collections	10 years
Communication equipment	10 years
Major computer applications	7 years
Multi-function devices	5 years
Computers	4 years
Leasehold improvements	10 years
Vehicles	5 years

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Deferred revenue

Interest earned on the endowment funds held by the Burlington Community Foundation to be used for stipulated purposes are recorded as deferred revenue on the statement of financial position. These amounts are brought into income as the funds are expended.

Special projects reserve fund

The City of Burlington holds a special projects reserve fund in trust for the Board. These funds are internally restricted and on an annual basis the Board approves a plan and budget that directs how the funds will be disbursed.

1. Summary of significant accounting policies (continued)

Government transfers

Government transfers are recognized as revenues by the Board in the period during which the transfer is authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions or programs to be carried out in order to keep the transfer. For such transfers, revenue is recognized as the stipulation has been met.

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 and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the financial statements requiring management to make estimates are the useful lives of tangible capital assets and certain accrued liabilities. Actual results could differ from those estimates.

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the 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 it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial position, results of operations and cash flows of the Board in future years.

2. Pension agreements

The Board makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its full time and eligible part time 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 service and rates of pay.

Contributions to OMERS are made at rates ranging from 9% to 14.6% depending on the proposed retirement age and the level of earnings. During 2020, the Board contributed \$531,168 (\$571,454 in 2019) to OMERS.

3. Development charges reserve funds

At December 31, 2020, the portion of development charges reserve funds held by the City for future library development was approximately \$57,752 (\$42,721 in 2019). This reserve is not included in the Board's financial statements.

4. Deferred revenue

	Balance as at December 31, 2019 \$	Externally and internally restricted revenue and investment income \$	Expenses incurred in the period \$	Balance as at December 31, 2020 \$
Bequest- McEwen	7,397	—	2,587	4,810
Bequest-Istister	5,209	17,229	4,004	18,434
Bequest-Broadbent	13,760	—	40	13,720
Bequest-Bird	2,320	—	—	2,320
Bequest- Clay	5,957	4,443	5,409	4,991
Collections donations	4,190	5,119	875	8,434
Grants- Ontario	1,070	—	—	1,070
Other grants	2,613	—	—	2,613
	42,516	26,791	12,915	56,392

(a) *Bequest – Special Projects Reserve Fund*

Funds are received and deferred for specific projects and are included in deferred revenue. At December 31, 2020, \$44,275 (\$34,643 in 2019) is held in deferred revenue for special projects.

5. Endowment and estate funds

(a) *McEwen Endowment Fund*

During 2004, the Board established an endowment fund held by the Burlington Community Foundation (“BCF”). These funds are to be used to enhance library services and collections for people in our community with low or no vision. At December 31, 2020, the BCF is holding \$275,353 (\$259,080 in 2019) for the benefit of the Board. These funds are held in trust and are not reflected in these financial statements.

(b) *Wendy Schick Endowment Fund*

During 2009, the Board established an endowment fund in honour of the former Chief Librarian, Wendy Schick, held by the BCF. These funds are to be used to enhance librarian education. At December 31, 2020, the BCF is holding \$15,542 (\$14,624 in 2019) for the benefit of the Board. These funds are held in trust and are not reflected in these financial statements.

(c) *Burlington Public Library Endowment Fund*

During 2008, the Board established an endowment fund held by the BCF. These funds are to be used to provide an ongoing source of revenue to support and enhance the library services. At December 31, 2020, the BCF is holding \$72,447 (\$68,165 in 2019) for the benefit of the Board. These funds are held in trust and are not reflected in these financial statements.

5. Endowment and estate funds (continued)

(d) Mae Beatrice Broadbent Fund

During 2015, the Board established an endowment fund held by the BCF. These funds are to be used to enhance the large print collection. At December 31, 2020, the BCF is holding \$130,367 (\$122,393 in 2019) for the benefit of the Board. These funds are held in trust and are not reflected in these financial statements.

(e) Margaret Clay Endowment Fund

In 2018, the Board established an endowment fund to be held by the BCF. These funds are to be used for media collections. At December 31, 2019 the balance of the endowment totalled \$61,970 (\$58,307 in 2019). These funds are held in trust and are not reflected in these financial statements.

(f) John Isbister Estate

In 2011, the Board was a beneficiary of an equal share of the Estate of John Isbister. The revenue earned on these funds is distributed equally to the recipients and is to be used to purchase non-fiction materials. In 2020, the Board received \$17,229 (nil in 2019).

6. Commitments

The Board is committed to payments under operating leases for equipment and branch locations through 2031. The minimum payments under these leases over the next five years are as follows:

	\$
2021	304,132
2022	305,272
2023	262,904
2024	172,036
2025	175,836
Thereafter	1,085,661

7. Budget figures

The budget figures presented in these financial statements are based upon the 2020 operating and capital budgets approved by Board of Directors. The chart below reconciles the approved budget figures reported in these financial statements.

	\$
Revenue	11,578,593
Revenue - capital	519,520
Total approved budgeted revenue	12,098,113
Expenses	11,578,593
Operating expenses from the capital fund	60,000
Total approved budgeted expenses	11,638,593
Less: tangible capital assets included in operating budget	607,974
Plus: amortization	1,393,870
Total budgeted expenses	12,424,489
Annual deficit	(326,376)

8. Financial instruments

The Board's financial instruments are comprised of cash, accounts receivable, due from City of Burlington and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of the Board's financial instruments approximates their carrying value due to their short-term nature.

Burlington Public Library Board
Notes to the financial statements

December 31, 2020

9. Tangible capital assets

	Office furniture and equipment	Library collections	Major computer applications	Technology hardware	Leasehold improvements	Vehicles	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Opening balance	2,402,332	7,817,645	282,939	1,378,503	1,432,763	11,664	13,325,846	13,047,161
Additions	39,961	517,912	—	343,654	151,184	—	1,052,711	1,459,180
Disposals	(553,051)	(736,984)	(201,789)	(206,459)	—	—	(1,698,283)	(1,180,495)
Closing balance	1,889,242	7,598,573	81,150	1,515,698	1,583,947	11,664	12,680,274	13,325,846
Accumulated amortization								
Opening balance	1,412,560	4,486,844	253,499	708,905	743,818	3,113	7,608,739	7,351,781
Current year amortization	125,949	759,855	13,303	334,684	157,746	2,333	1,393,870	1,437,453
Amortization on disposals	(553,051)	(736,984)	(201,789)	(206,459)	—	—	(1,698,283)	(1,180,495)
Closing balance	985,458	4,509,715	65,013	837,130	901,564	5,446	7,304,326	7,608,739
Net book value	903,784	3,088,858	16,137	678,568	682,383	6,218	5,375,948	5,717,107

Burlington Public Library Board

Notes to the financial statements

December 31, 2020

10. Accumulated surplus

	2020	2019
	\$	\$
Consists of		
Reserves set aside by the board		
Library Projects Reserve Fund	3,505,131	2,695,240
Surpluses		
Invested in tangible capital assets	5,375,948	5,717,107
General fund reserve	84,423	90,777
Total surpluses	5,460,371	5,807,884
Accumulated surplus	8,965,502	8,503,124

11. Comparative figures

Certain comparative figures have been reclassified to conform to current year financial statement presentation.

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