

Elliot Lake Public Library
Financial Statements
For the year ended December 31, 2019

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Independent Auditor's Report

To the Members of the Elliot Lake Public Library Board,

Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Elliot Lake

Qualified Opinion

We have audited the accompanying financial statements of Elliot Lake Public Library (the Library), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, 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 Library 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 such organizations, the Library derives revenue from fines, user charges and sale of materials, 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 Library. Therefore, we were not able to determine whether any adjustments might be necessary to 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 Library 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 Library'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 Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library'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 Library'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 Library'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 Library 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
Sault Ste. Marie, Ontario
September 28, 2020

**Elliot Lake Public Library
Statement of Financial Position**

December 31	2019	2018
Financial assets		
Cash	\$ 80,545	\$ 80,545
Accounts receivable	37,522	-
Portfolio investments (Note 2)	108,874	161,029
Due from the City of Elliot Lake (Note 4)	598,900	678,921
	<u>825,841</u>	<u>920,495</u>
Liabilities		
Accounts payable and accrued liabilities	<u>20,471</u>	<u>72,615</u>
Net financial assets	<u>805,370</u>	<u>847,880</u>
Non-financial assets		
Tangible capital assets (Schedule 1)	1,553,769	1,641,437
Prepaid expenses	14,825	14,825
	<u>1,568,594</u>	<u>1,656,262</u>
Accumulated surplus (Note 5)	<u>\$ 2,373,964</u>	<u>\$ 2,504,142</u>

On behalf of the Board:

⊗ Greg Lawrence

⊗ W. J. Rosenberg

Elliot Lake Public Library
Statement of Operations

For the year ended December 31	Budget	2019	2018
Revenue			
Municipal contributions	\$ 454,433	\$ 454,433	\$ 343,720
Province of Ontario grants	37,530	37,522	37,522
User charges	8,920	9,919	9,293
Interest	-	7,660	7,220
Rent inducements	-	-	165,248
Other	7,500	10,491	9,455
	<u>508,383</u>	<u>520,025</u>	<u>572,458</u>
Expenses			
Advertising	1,770	480	2,166
Amortization	133,000	134,836	121,607
Equipment	5,170	4,473	4,789
Insurance	3,500	-	-
Professional fees	8,000	5,925	5,990
Rent	197,553	177,903	207,696
Repairs and maintenance	550	476	2,353
Supplies and materials	18,694	18,886	17,633
Telephone and internet	4,240	3,129	3,239
Travel	1,040	-	14
Wages and benefits	329,646	304,095	340,792
	<u>703,163</u>	<u>650,203</u>	<u>706,279</u>
Annual deficit	(194,780)	(130,178)	(133,821)
Accumulated surplus, beginning of year	2,504,142	2,504,142	2,637,963
Accumulated surplus, end of year	\$ 2,309,362	\$ 2,373,964	\$ 2,504,142

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

Elliot Lake Public Library
Statement of Change in Net Financial Assets

For the year ended December 31	Budget	2019	2018
Annual deficit	\$ (194,780)	\$ (130,178)	\$ (133,821)
Acquisition of tangible capital assets	(56,220)	(47,168)	(58,728)
Amortization of tangible capital assets	133,000	134,836	121,607
Prepaid expenses	-	-	(14,825)
Net change in net financial assets	(118,000)	(42,510)	(85,767)
Net financial assets, beginning of year	847,880	847,880	933,647
Net financial assets, end of year	\$ 729,880	\$ 805,370	\$ 847,880

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

**Elliot Lake Public Library
Statement of Cash Flows**

For the year ended December 31	2019	2018
Operating transactions		
Annual deficit	\$ (130,178)	\$ (133,821)
Item not involving cash		
Amortization	<u>134,836</u>	<u>121,607</u>
	4,658	(12,214)
Changes in non-cash operating balances		
Accounts receivable	(37,522)	165,248
Prepaid expenses	-	(14,825)
Accounts payable and accrued liabilities	(52,144)	52,466
Due to/from the City of Elliot Lake	<u>80,021</u>	<u>(110,985)</u>
	(4,987)	79,690
Capital transactions		
Acquisition of tangible capital assets	(47,168)	(58,728)
Financing activities		
Decrease in portfolio investments	<u>52,155</u>	<u>16,200</u>
Net change in cash	-	37,162
Cash, beginning of year	<u>80,545</u>	<u>43,383</u>
Cash, end of year	<u>\$ 80,545</u>	<u>\$ 80,545</u>

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

Elliot Lake Public Library

Notes to Financial Statements

December 31, 2019

1. Summary of significant accounting policies

Management Responsibility	The financial statements of the Elliot Lake Public Library (the Library) are the responsibility of management. The Library Board reviews and approves the financial statements.
Basis of accounting	The financial statements of the Elliot Lake Public Library are prepared in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board.
Nature of operations	The Elliot Lake Public Library provides library services to residents of the City of Elliot Lake and residents of other municipalities who have contracted the Library for services.
Revenue recognition	<p>Government transfers are recognized in the year in which the events giving rise to the transfer occurred, provided that the transfer is authorized and the amount can be reasonably estimated, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability.</p> <p>User fees and other revenues are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.</p>
Deferred revenue	Funds received for specific purposes which contain stipulations externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.
Tangible capital assets	<p>Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:</p> <ul style="list-style-type: none">Library collection - 10 yearsFurniture and equipment - 5-15 yearsLeasehold improvements - over the lease term
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. Actual results could differ from management's best estimates as additional information becomes available in the future.

Elliot Lake Public Library
Notes to Financial Statements

December 31, 2019

2. Portfolio investments

Portfolio investments arose as a result of historical surpluses of the Library, and are internally designated to fund future deficits and capital purchases as decided by the Board. These are part of a group of investments held by the City of Elliot Lake, which is comprised of GICs, corporate and provincial bonds, strip and coupon bonds, and term deposits.

3. Pension plan and future benefits

The library makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of all permanent, full time members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the library does not recognize any share of the pension plan deficit, as this is a joint responsibility of all Ontario municipalities and their employees. At December 31, 2019 OMERS reported an actuarial funding deficit of \$3.4 billion (2018 - \$4.2 billion). Employer's contributions for current and past service are included as an expense on the statement of operations. The amount contributed to OMERS in 2019 was \$17,142 (2018 - \$20,702).

4. Due to the City of Elliot Lake

The balance owing from the City of Elliot Lake is non-interest bearing and has no set terms of repayment.

5. Accumulated surplus

The total balance of accumulated surplus is made up of the following amounts:

	2019	2018
Equity in tangible capital assets	\$ 1,553,769	\$ 1,641,437
Operating surplus	547,957	481,418
Reserves set aside by the Board		
Library building reserve	272,238	381,287
	\$ 2,373,964	\$ 2,504,142
 Allocation of annual surplus:		
Reserves	\$ (109,049)	\$ 5,143
Equity in tangible capital assets	(87,668)	(62,879)
Operating surplus	66,539	(76,085)
	\$ (130,178)	\$ (133,821)

Elliot Lake Public Library
Notes to Financial Statements

December 31, 2019

6. Commitment

The Library has entered into a 25 year lease for its premises commencing November 2013. Annual lease payments are approximately \$100,590 plus a proportionate share of common area costs which will be a maximum of \$40,236 annually.

7. Budget

The Financial Plan (Budget) By-Law adopted by Council on June 10, 2019 was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget figures anticipated use of reserves and/or surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets include the following adjustments:

Financial Plan (Budget) Bylaw surplus for the year	\$ -
Add:	
Capital expenditures	56,220
Less:	
Net inter-fund transfers from reserves	(118,000)
Amortization	<u>(133,000)</u>
Budget surplus (deficit) per statement of operations	<u>\$ (194,780)</u>

8. Subsequent events

In mid-January 2020, the library was temporarily closed due to a leaky roof. The required roofing repairs were completed by the landlord, and on September 15, 2020 the library received their occupancy permit to allow for re-opening to commence.

During this period of closure, the impact of COVID-19 in Canada and on the global economy increased significantly. There could be further impact on the library and its user charges, as operations upon re-opening are affected. Management is actively monitoring the effect on its financial condition. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time.

Elliot Lake Public Library
Schedule 1 - Tangible Capital Assets

For the year ended December 31, 2019

	Leasehold Improvements	Furniture and Equipment	Library Collection	Work in Progress	Total
Cost, beginning of year	\$ 1,088,154	\$ 308,049	\$ 589,400	\$ -	\$ 1,985,603
Additions	-	-	47,168	-	47,168
Cost, end of year	1,088,154	308,049	636,568	-	2,032,771
Accumulated amortization, beginning of year	65,247	43,901	235,018	-	344,166
Amortization	43,528	25,294	66,014	-	134,836
Accumulated amortization, end of year	108,775	69,195	301,032	-	479,002
Net carrying amount, end of year	\$ 979,379	\$ 238,854	\$ 335,536	\$ -	\$ 1,553,769

For the year ended December 31, 2018 (comparative figures)

	Leasehold Improvements	Furniture and Equipment	Library Collection	Work in Progress	Total
Cost, beginning of year	\$ 1,088,154	\$ 308,049	\$ 530,672	\$ -	\$ 1,926,875
Additions	-	-	58,728	-	58,728
Cost, end of year	1,088,154	308,049	589,400	-	1,985,603
Accumulated amortization, beginning of year	21,749	18,631	182,179	-	222,559
Amortization	43,498	25,270	52,839	-	121,607
Accumulated amortization, end of year	65,247	43,901	235,018	-	344,166
Net carrying amount, end of year	\$ 1,022,907	\$ 264,148	\$ 354,382	\$ -	\$ 1,641,437