

Financial statements of

**Richmond Hill Public  
Library Board**

December 31, 2020

# Richmond Hill Public Library Board

December 31, 2020

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## Independent auditor's report

### To the members of the Board of Directors of the Richmond Hill Public Library Board

#### Opinion

We have audited the financial statements of the Richmond Hill Public Library Board (the "Library Board"), which comprise the statement of financial position as at December 31, 2020, 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, the accompanying financial statements present fairly in all material respects, the financial position of the Richmond Hill Public Library Board as at December 31, 2020, and its results of operations, its changes in its net financial assets, 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. 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 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 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 Board's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Library Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library 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 Library 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 Library 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 Library 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.

Markham, Canada  
June 22, 2021

Chartered Professional Accountants  
Licensed Public Accountants

**RICHMOND HILL PUBLIC LIBRARY BOARD**

**Statement of Financial Position**

**December 31, 2020**

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash	322,145	8,093
Accounts receivable		
City of Richmond Hill	3,402,811	1,769,183
Other	58,730	85,104
	<u>3,783,686</u>	<u>1,862,380</u>
<b>LIABILITIES</b>		
Accounts payable and accrued charges	2,005,797	713,293
Accrued vacation pay	109,600	73,004
Employee future benefits (Note 3)	143,328	149,728
	<u>2,258,725</u>	<u>936,025</u>
<b>NET FINANCIAL ASSETS</b>	<u>1,524,961</u>	<u>926,355</u>
<b>NON - FINANCIAL ASSETS</b>		
Tangible capital assets (Note 5)	5,923,345	6,022,721
Prepaid expenses	65,587	115,433
	<u>5,988,932</u>	<u>6,138,154</u>
<b>Accumulated Surplus (Note 6)</b>	<u>7,513,893</u>	<u>7,064,509</u>

Approved by the Board of Directors

\_\_\_\_\_ Board Chair

\_\_\_\_\_ Chief Executive Officer

**RICHMOND HILL PUBLIC LIBRARY BOARD**

**Statement of Operations**

**Year ended December 31, 2020**

	<u>2020</u> <u>Budget</u> \$	<u>2020</u> <u>Actual</u>	2019 <u>Actual</u> \$
<b>REVENUE</b>			
Municipal contribution			
Operating	7,735,500	7,735,500	9,264,600
Contribution from Town for maintenance, utility and supply charges	895,900	682,696	1,380,014
Repairs and replacement	600,000	600,000	1,165,800
Contributed tangible capital assets	1,108,627	1,086,054	520,534
Grants			
Province of Ontario	118,500	118,499	118,499
Other	3,700	3,700	3,700
York Region District School Board	301,500	303,900	284,500
Fines	146,600	31,192	113,190
Fees	138,100	29,282	109,279
Sales	51,000	8,617	41,004
Other Income	-	80	116
Interest income	18,248	18,248	19,569
Donations and bequests	-	2,286	1,694
	<b>11,117,675</b>	<b>10,620,054</b>	<b>13,022,499</b>
<b>EXPENSES</b>			
Salaries and benefits	7,209,700	6,155,926	7,836,452
Amortization of tangible capital assets	1,670,743	1,670,743	1,655,932
Maintenance, utility and supply charges	896,295	683,090	1,435,974
Contracts & Services	1,192,000	856,676	1,100,811
Transfer to reserve of the Town of Richmond Hill	77,400	527,400	538,688
Collection Development	5,498	145,319	137,544
Materials & Supplies	127,596	131,516	58,963
Special projects	-	-	7,007
	<b>11,179,232</b>	<b>10,170,670</b>	<b>12,771,371</b>
Annual (deficit)/surplus	<b>(61,556)</b>	<b>449,384</b>	<b>251,128</b>
Accumulated surplus, beginning of year	<b>7,064,509</b>	<b>7,064,509</b>	<b>6,813,381</b>
<b>Accumulated surplus, end of year</b>	<b>7,002,953</b>	<b>7,513,893</b>	<b>7,064,509</b>

**RICHMOND HILL PUBLIC LIBRARY BOARD**  
**Statement of Change in Net Financial Assets**  
**Year ended December 31, 2020**

	2020 Budget	2020 Actual	2019 Actual
	\$	\$	\$
Annual Surplus / (Deficit)	(61,556)	449,384	251,128
	(61,556)	449,384	251,128
Acquisition of tangible capital assets	(1,571,761)	(1,571,761)	(1,537,255)
Amortization of capital assets	1,670,743	1,670,743	1,655,932
Loss (gain) on disposal of tangible capital assets	-	394	55,960
	98,982	99,376	174,637
Change in prepaid expenses	-	49,846	6,978
	98,982	149,222	181,615
Change in net financial assets	37,428	598,606	432,743
Net Financial assets, beginning of year	926,355	926,355	493,612
<b>Net Financial assets, end of year</b>	<b>963,783</b>	<b>1,524,961</b>	<b>926,355</b>

**RICHMOND HILL PUBLIC LIBRARY BOARD****Statement of cash flows****Year ended December 31, 2020**

	<b>2020</b>	<b>2019</b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>
<b>Operating activities</b>		
Annual Surplus	<b>449,384</b>	251,128
<b>Change in non-cash items</b>		
Amortization of tangible capital assets	<b>1,670,743</b>	1,655,932
Revenue recognized on contributed capital assets	<b>(1,086,054)</b>	(520,534)
Loss on disposal of tangible capital assets	<b>394</b>	55,960
	<b>585,083</b>	1,191,358
<b>Change in non-cash assets and liabilities</b>		
Accounts receivable - Town of Richmond Hill	<b>(1,633,628)</b>	(194,781)
Accounts receivable - Other	<b>26,374</b>	96,687
Accounts payable and accrued liabilities	<b>1,292,504</b>	(323,924)
Accrued vacation pay	<b>36,596</b>	(6,342)
Employee future benefits liability	<b>(6,400)</b>	(5,654)
Prepaid expenses	<b>49,846</b>	6,977
	<b>(234,708)</b>	(427,037)
	<b>(234,708)</b>	(427,037)
	<b>799,759</b>	1,015,449
<b>Capital activities</b>		
Acquisition of tangible capital assets	<b>(485,707)</b>	(1,016,721)
	<b>(485,707)</b>	(1,016,721)
Net change in cash	<b>314,052</b>	(1,272)
Cash, beginning of year	<b>8,093</b>	9,365
<b>Cash, end of year</b>	<b>322,145</b>	8,093

See accompanying notes to the financial statements.



# Richmond Hill Public Library Board

## Notes to the financial statements

December 31, 2020

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### 1. Nature of operations

The Richmond Hill Public Library Board (the "Library Board") is a local board of The City of Richmond Hill (the "City") and operates under the provision of the Public Libraries Act. The Library Board is a registered charity and is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

### 2. Significant accounting policies

The financial statements of the Richmond Hill Public Library Board (the "Library Board") are the representations of management prepared in accordance with accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants (CPA) Canada.

Significant accounting policies adopted by the Library Board are as follows:

#### *i) Cash and cash equivalents*

Cash and cash equivalents are comprised of cash on hand, demand deposits and bankers acceptances, all of which are highly liquid, subject to insignificant risk of changes in value and have a short-term maturity of less than 90 days.

#### *ii) Revenues and expenses*

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired, and a legal liability is incurred or transfers are due.

#### *iii) 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 lives extending beyond the current year and are not intended for sale in the ordinary course of operations. Tangible capital assets and other non-financial assets are accounted for as assets by the Library Board because they can be used in the provision of services in future periods.

#### Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, development, or betterment of the asset. The cost, less residual value, of the tangible capital asset is amortized on a straight-line basis over their estimated useful lives as follows:

Library collection	7 years
Machinery and equipment	4 - 15 years
Furniture and fixtures	3 - 10 years
Other	15 years

#### Amortization

One half of the amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### Contribution of tangible capital assets

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

# Richmond Hill Public Library Board

## Notes to the financial statements

December 31, 2020

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### 2. Significant accounting policies (continued)

#### *Interest capitalization*

The Library Board's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition of tangible capital assets.

#### iv) *Employee future benefits*

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs.

Any actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of all employees covered.

#### v) *Reserve and Reserve Funds*

The Richmond Hill Public Library Board Donation and Bequest Reserve Fund is to be used for such special purposes as may be approved by The Richmond Hill Public Library Board.

The reserve fund comprises:

- a) Donations and bequests to The Richmond Hill Public Library Board; and
- b) Earnings derived from investments held in this reserve fund.

Unrestricted donations and bequests are recorded as income in the statement of operations in the year of receipt and are transferred to the Donation and Bequest Reserve Fund. The Reserve Fund earns interest based on the rates earned through the investment portfolio managed by the Corporation of the City of Richmond Hill. Expenses incurred will be recorded in the year the cost is incurred, with an annual offsetting transfer from the Reserve Fund.

The Special Purpose Reserve relates to grants and other monies which have been allocated by the Board for special purposes.

#### vi) *Investment income*

Investment income earned (other than on restricted funds) is reported as revenue in the period earned.

#### vii) *Government transfers*

Government transfers are recognized in the financial statements as revenue in the financial period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be determined.

#### viii) *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 amount of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these amounts.

### 3. Employee future benefits liability

The accrued benefit liability as at December 31, 2020 of \$143,328 (2019 - \$149,728) was based on an actuarial update used for the December 31, 2019 valuation.

The significant actuarial assumptions employed in the actuarial valuations are as follows:

#### i) *General inflation*

Future general inflation levels were assumed to be 1.75% in 2020 and thereafter.

# Richmond Hill Public Library Board

## Notes to the financial statements

December 31, 2020

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### 3. Employee future benefits liability (continued)

#### ii) Interest (discount) rate

The present value of the future benefits as at December 31, 2020 was determined using a discount rate of 3.75%.

#### iii) Health costs

Utilization weighted average health costs were assumed to increase at a 4.08% rate for 2020 and gradually reduce to a 2.75% in 2025, and remain at that level thereafter.

#### iv) Dental costs

Dental costs were assumed to increase at 2.75 % for 2020 and thereafter.

### 4. Pension agreements

The Library Board makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS). OMERS is a multi-employer defined benefit pension plan which provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The pension plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The most recent actuarial valuation of the Plan was conducted at December 31, 2020. The results of this valuation disclosed total actuarial liabilities of \$113,055 million with respect to benefits accrued for service with actuarial assets at that date of \$109,844 million indicating an actuarial deficit of \$3,211 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are joint responsibility of Ontario municipal organizations and their employees. As a result, the Library does not recognize any share of the Plan surplus or deficit. The Library Board recognizes the expense related to this plan as contributions are made. The contribution rate was 9% for wages up to \$58,700 (2019 - 9%) and 14.6% for wages in excess of CPP earning limit \$58,700 (2019 – 14.6%). The amount contributed to OMERS for 2020 was \$455,935 (2019 - \$606,476) for current services and is included as an expense on the statement of operations.

### 5. Tangible capital assets

	Library Collections	Machinery and Equipment	Furniture and Fixtures	W.I.P.	Total 2020	Total 2019
<b>Cost</b>						
Balance, beginning of year	8,743,835	2,951,386	2,468,922	132,284	14,296,427	15,403,928
Add: Additions during the year	1,199,860	344,887	-	27,014	1,571,761	1,537,255
Less: Disposals during the year	1,169,735	407	5,795	-	1,175,937	2,644,756
<b>Balance, end of year</b>	<b>8,773,960</b>	<b>3,295,866</b>	<b>2,463,127</b>	<b>159,298</b>	<b>14,692,251</b>	<b>14,296,427</b>
<b>Accumulated amortization</b>						
Balance, beginning of year	4,384,187	1,944,764	1,944,755	-	8,273,706	9,206,569
Add: Amortization	1,251,270	325,930	93,543	-	1,670,743	1,655,932
Less: Accum amortization on disposals	1,169,735	374	5,434	-	1,175,543	2,588,795
<b>Balance, end of year</b>	<b>4,465,722</b>	<b>2,270,320</b>	<b>2,032,864</b>	<b>-</b>	<b>8,768,906</b>	<b>8,273,706</b>
<b>Net Book Value</b>	<b>4,308,238</b>	<b>1,025,546</b>	<b>430,263</b>	<b>159,298</b>	<b>5,923,345</b>	<b>6,022,721</b>

# Richmond Hill Public Library Board

## Notes to the financial statements

December 31, 2020

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### 6. Accumulated surplus

Accumulated surplus consists of the following:

	2020	2019
	\$	\$
Invested in tangible capital assets	5,923,345	6,022,721
Unfunded employees future benefits	(143,328)	(149,728)
Unfunded vacation pay	(109,600)	(73,004)
Special Purpose Reserve Fund	1,235,496	665,981
Donation and Bequest Reserve Fund	607,980	598,539
	<u>7,513,893</u>	<u>7,064,509</u>

#### *Reserves and Reserve Fund*

The Richmond Hill Public Library Board Donation and Bequest Reserve Fund is comprised of the following funds designated for projects as approved by the Library Board:

	2020	2019
	\$	\$
Special Purpose Reserve	1,235,496	665,981
Oak Ridges Library	-	1,000
Art Purchase	-	650
Books for Babies	-	353
Local History Digitization	123,000	123,000
Sculpture New OR Library	-	4,000
Undesignated	484,980	469,536
	<u>1,843,476</u>	<u>1,264,520</u>

#### *DC Reserve Fund*

The City of Richmond Hill 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 City is reflecting a deficit of \$816,470 (2019 - \$1,000,988) of the Library Board's related Development Charges in their segregated Development Charges accounts. This reserve fund is not reflected in these statements.

# Richmond Hill Public Library Board

## Notes to the financial statements

December 31, 2020

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### 7. Related party transactions

The City of Richmond Hill provides contributions to the operations and capital projects of the Library Board through Municipal Contributions as noted on the statement of operations.

The Statement of Operations reflects the fair value of the contribution from the City for maintenance, utility and supply charges which are provided for nil consideration.

The Library Board operates from buildings owned by the City of Richmond Hill. The cost of these buildings are not included in these financial statements.

Additionally, the City provides accounting services to the Library Board and no fees are charged for these services.

### 8. Budget figures

The budgets originally approved by the Richmond Hill Public Library Board for 2020, adjusted as noted below, are reflected on the statement of operations and of change in net financial assets.

- a) An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original Library Board approved budget.
- b) Amounts for the cost of contributed tangible capital assets and the related revenue have been added and are based on management's best estimate of the value of contributed tangible capital assets determined at the beginning of the year. Neither the cost of the contributed tangible capital assets nor the revenue was included in the original Library Board approved budget.
- c) Amounts included in the original Library Board approved capital budget which are not recognized as tangible capital assets are included in statement of operations under the appropriate functional expense category, while those recognized as tangible capital assets are include in the consolidated statement of change in net financial assets.

<b>Adopted budget</b>	<b>2020</b>
	<b>\$</b>
Budgeted annual surplus	-
Adjustments to the adopted budget	-
Increase in the Reserves and Reserve Funds	15,248
Amortization of tangible capital assets	(1,670,744)
Acquisition of contributed tangible assets	1,593,939
<b>Budgeted deficit per statement of operations:</b>	<b>(61,557)</b>

# Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2020

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## 9. Subsequent event

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Library Board has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Library Board for future periods